Solar A/S
LEI: 21380031XTLI9X5MTY92
Industrivej Vest 43 ■ DK-6600 Vejen ■ Danmark
Tlf. 79 30 00 00 ■ CVR-nr. 15 90 84 16 ■ Web: www.solar.eu

Meddelelse nr. 15 2019

8. august 2019

Delårsrapport Q2 2019

Omsætningen i Q2 var en anelse over vores forventninger, og EBITA var på niveau med forventningerne. Vi genbekræfter vores forventninger til EBITA for 2019 på DKK 365 mio.

CEO Jens Andersen udtaler:
"Vi ser fortsat vækst i alle vores markeder og forbedrer vores indtjening. I første halvår opnåede vi næsten 6% organisk vækst og øgede EBITA med 12% sammenlignet med første halvår af 2018. Samtidig har vi styrket vores position inden for vvs samt klima og energi på det svenske marked gennem en vellykket og hurtig integration af vores nyerhvervede forretningsaktiviteter. Vi holder fortsat et skarpt fokus på at optimere vores organisation til at matche ændrede krav til forretningen."

Udvalgte hovedtal (DKK mio.)*	**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**
Omsætning	2.868	2.733	5.825	5.550
EBITA	60	56	140	125
Indtjening før skat	56	10	49	113
Pengestrømme fra drifts-aktivitet	-17	-41	-149	-80
Udvalgte nøgletal (%)				
Organisk vækst justeret for antal arbejdsdage	5,6	1,6	5,6	3,2
EBITA-margin	2,1	2,0	2,4	2,3
Nettoarbejdskapital, ultimo/omsætning (LTM)	12,9	10,7	12,9	10,7
Gearing (NIBD/EBITDA), antal gange	2,6	1,8	2,6	1,8

* Grundet frasalget af vores østrigske og belgiske forretningsaktiviteter, GFI GmbH og Claessen ELGB NV, i 2018 samt frasalget af vores norske træningsvirksomhed, STI, i Q1 2019 relaterer tallene for 2018 og 2019 i denne meddelelse sig til vores fortsættende aktiviteter.

Omsætning i Q2 2019

- Omsætningen var en anelse over vores forventninger.
- Justeret organisk vækst udgjorde 5,6% (1,6%).

EBITA i Q2 2019

- EBITA var på niveau med vores forventninger.
- EBITA fra kerneforretningen steg til DKK 66 mio. (DKK 62 mio.) drevet af forbedringer i Solar Nederland, Solar Danmark og Solar Norge.
- EBITA fra den relaterede forretning udgjorde uændret DKK -6 mio. (DKK -6 mio.).

Værdiansættelse af BIMobject

- Baseret på aktiekursen den 30. juni udgjorde værdien af BIMobject DKK 203 mio. Derfor har Solar tilbageført DKK 29 mio. af nedskrivningen foretaget i Q1 2019. Den oprindelige købspris udgjorde DKK 171 mio.

Forventninger til 2019

- Vi forventer en totalomsætning på mindst DKK 11,6 mia., svarende til en organisk vækst på mindst 2% og EBITA på ca. DKK 365 mio.
- For kerneforretningen forventer vi en omsætning på mindst DKK 10,95 mia., svarende til en organisk vækst på mindst 1,5% og EBITA på ca. DKK 370 mio.
- For den relaterede forretning forventer vi en omsætning på ca. DKK 650 mio., svarende til en organisk vækst på ca. 15% og EBITA på ca. DKK -5 mio.

Forventninger til 2019 DKK mio.	**Kerne-forretning**	**Relateret forretning**	**Solar Group**
Omsætning	Mindst 10.950	650	Mindst 11.600
EBITA	370	-5	365

Audio webcast og telekonference i dag
Præsentationen af Delårsrapport Q2 2019 foregår på engelsk den 8. august 2019 kl. 11.00. Præsentationen bliver transmitteret som en audio webcast og kan følges på www.solar.eu. Deltagelse er mulig via den tilknyttede telekonference.

Indkaldsnumre til telekonferencen:

DK: tlf. +45 354 455 83
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Med venlig hilsen
Solar A/S

Jens Andersen

Kontaktpersoner
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Bilag: Delårsrapport Q2 2019 (på engelsk), side 1-32.

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Fakta om Solar
Solar-koncernen er en førende europæisk sourcing- og servicevirksomhed. Vores kerneforretning centrerer sig om sourcing af produkter, værdiskabende service og optimering af vores kunders forretning.

Som sourcing- og servicevirksomhed fokuserer vi på den enkelte kunde. Vi bestræber os altid på at forstå vores kunders unikke og reelle behov, så vi kan yde en vedkommende, personlig og værdiskabende service og dermed gøre vores kunder til vindere.

Solar-koncernen, der har hovedsæde i Danmark, havde i 2018 en omsætning på over 11 mia. kroner og beskæftiger ca. 3.000 medarbejdere. Solar er noteret på Nasdaq Copenhagen med kortnavn SOLAR B. Flere oplysninger kan findes på: www.solar.eu.

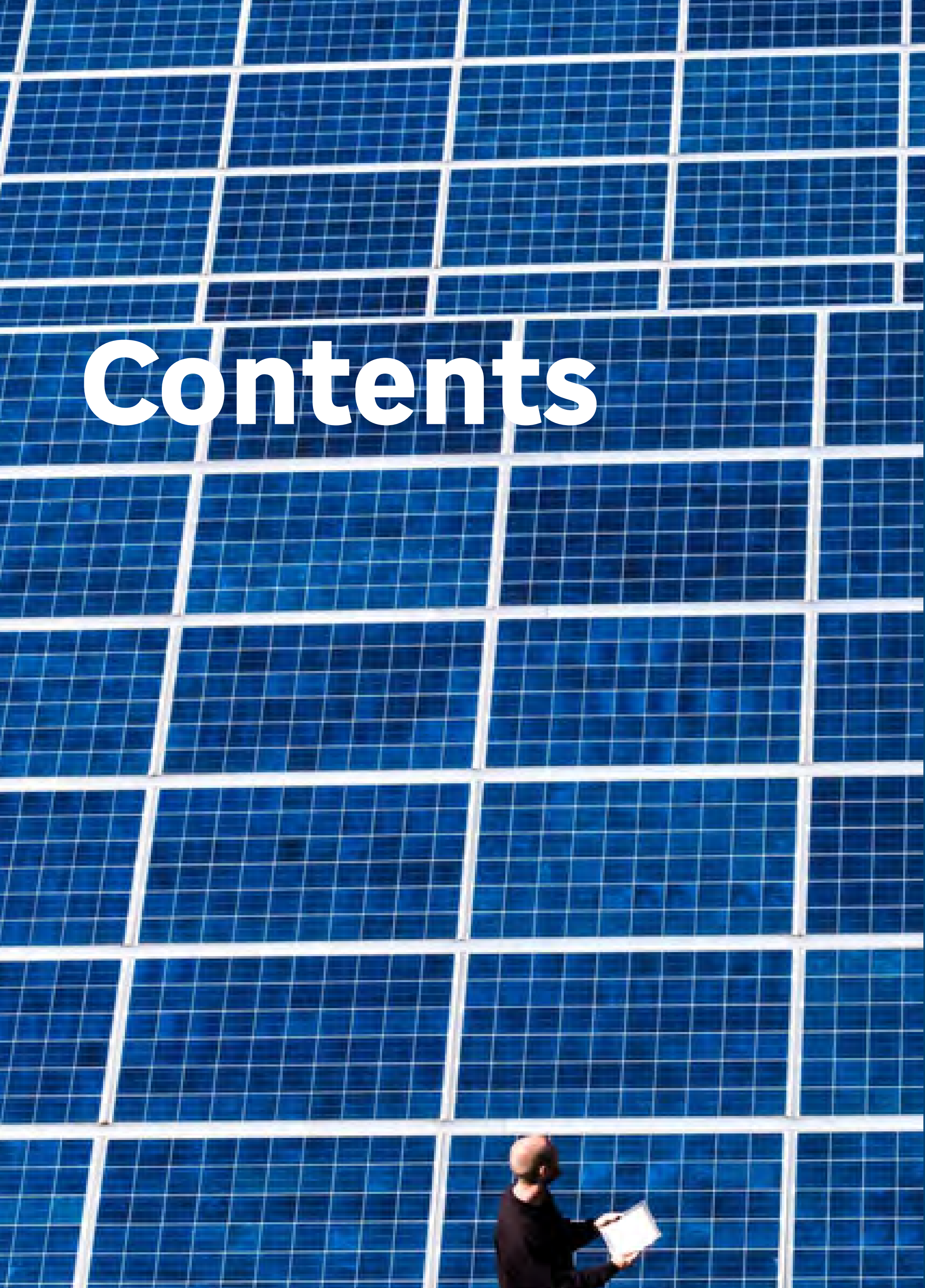
Ansvarsfraskrivelse
Selskabsmeddelelsen er offentliggjort dags dato på engelsk og dansk via Nasdaq Copenhagen. I tilfælde af uoverensstemmelse mellem den engelske og danske version er det den danske version, der er gældende.

Q2 2019

solar

stronger together

Solar A/S
CVR no. 15 90 84 16



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MANAGEMENT'S REVIEW

FINANCIAL STATEMENTS

Financial highlights

Consolidated (DKK million)	Q2 2019	Q2 2018	H1 2019	H1 2018	Year 2018
Revenue	2,868	2,733	5,825	5,550	11,098
Earnings before interest, tax, depreciation and amortisation (EBITDA)	104	70	225	152	379
Earnings before interest, tax and amortisation (EBITA)	60	56	140	125	327
Earnings before interest and tax (EBIT)	41	36	103	86	224
Earnings before tax (EBT)	56	10	49	113	237
Net profit for the period	48	-7	28	74	133
Balance sheet total	5,243	4,588	5,243	4,588	4,633
Equity	1,552	1,584	1,552	1,584	1,638
Interest-bearing liabilities, net	1,182	662	1,182	662	461
Cash flow from operating activities, continuing operations	-17	-41	-149	-80	224
Net investments in property, plant and equipment	-25	-7	-46	-23	-59
Employees					
Number of employees (FTE), end of period, continuing operations	3,079	2,948	3,079	2,948	2,955
Average number of employees (FTE), LTM, continuing operations	2,984	2,915	2,984	2,915	2,941
Financial ratios (%, unless otherwise stated)					
Organic growth adjusted for number of working days	5.6	1.6	5.6	3.2	2.2
Gross profit margin	20.2	20.4	20.1	20.4	20.2
EBITDA margin	3.6	2.6	3.9	2.7	3.4
EBITA margin	2.1	2.0	2.4	2.3	2.9
Net working capital (NWC at end of period)/revenue (LTM)	12.9	10.7	12.9	10.7	9.8
Gearing (net interest-bearing liabilities/EBITDA), no. of times	2.6	1.8	2.6	1.8	1.2
Return on equity (ROE)	5.7	-1.1	5.7	-1.1	8.2
Equity ratio	29.6	34.5	29.6	34.5	35.4
Share ratios (DKK)					
Earnings per share outstanding (EPS)	6.82	-0.96	3.91	10.14	18.22

Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015". As at 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. Comparative figures are not restated. This especially affects EBITDA, interest-bearing liabilities, EBITDA margin, gearing and equity ratio.

Q2 FINANCIAL MESSAGES

- Solid organic growth of 5.6% (adjusted).
- Revenue increased to DKK 2.9bn (DKK 2.7bn) and was slightly above expectations.
- EBITA increased to DKK 60m (DKK 56m) and was on par with expectations.
- We reconfirm our expectations for an EBITA of DKK 365m.
- Partial reversal of an impairment loss on BIMobject recognised in Q1 amounting to a gain of DKK 29m.

DKK million	Q2 2019	Q2 2018
Earnings before tax	**56**	**10**
Impact due to market value changes in BIMobject:		
Impairment on associates	-29	15
Adjusted earnings before tax	**27**	**25**

DIVESTMENTS AND ACQUISITIONS

- The integration of the acquired parts of Onninen AB's Swedish business activities was successfully completed through the establishment of a new separate heating and plumbing division in Solar Sverige. We expect the acquired business activities to have a positive effect on our 2019 revenue of approx. DKK 250m but a negative EBITA impact of approx. DKK 10m (previously DKK 0m) due to integration and restructuring costs. In the long term, we expect the acquired activities to support our target of 4% EBITA margin for core business in 2020.

Successful and swift integration of acquired activities

We have strengthened our position in the Swedish market within heating and plumbing as well as within climate and energy by integrating the business activities we recently acquired from Onninen.

INTEGRATION OF NEW BUSINESS ACTIVITIES

The integration of the Swedish business activities, which we acquired in May, is completed according to plan.

The former Onninen Express stores have become Solar drive-ins and all Onninen systems have been phased out. Since mid-June, therefore, all IT systems have become exclusively Solar.

We also announced that we would close a total of eight branches. Three were closed in June, another three will follow before year-end and the remaining two will close in Q1 2020. Furthermore, we reduced the total headcount by 45 FTEs.

As a natural consequence of the intensive integration of the acquired business activities in Sweden, we are now planning to continue our implementation of the SAP eWM - Extended Warehouse Management system - at our central warehouse in Örebro in Sweden in the autumn.

STRATEGIC SUPPLIERS

We continue to pursue growth opportunities within concept sales and to harvest synergies across our markets.

INDUSTRY FOCUS

We continue to develop our Scandinavian industry business.

Through our Total Cost of Ownership (TCO) approach, we provide customers with a full and documented overview of total costs, allowing them to focus on their core business.

Our entire outdoor sales team within Industry have completed sales training in line with our TCO approach. The training is based on valuable feedback from our industry customers and centres on value-adding sales dialogues.

Our customers have clearly indicated that they wish to have insight from their own industry, for risks to be identified and to be confident in the implementation of, for example, services or strategic sourcing. In addition, they want us to play an active role in ensuring buy-in from their own employees.

We now facilitate development meetings with our customers based on a competence model to drive business development and identify needs and relevant services. Early findings indicate that this is having a significantly positive impact on our customer satisfaction levels.

Moreover, to match our industry customers' purchasing patterns, we are continuously expanding our product assortment with new product categories and products. We recently added 30,000 new products within Mechanics and made them available in the Danish market. During Q3, we will also launch them in the Norwegian and Swedish markets. Furthermore, during H2 we will continue to add another 30,000 products. All these products are being made available to our customers without increasing the number of stock keeping units.

We continue to attract new customers and to establish new business agreements. In Norway, we recently won significant framework agreements with Bane NOR and Forsvarsbygg Norge concerning the delivery of electrical installation products.

OPERATIONAL EXCELLENCE

Cross-border customers, new competitors and new demands on delivery services inspire us to work in new ways.

Business update

In 2018, we took the first step of our journey to create a centrally led structure by establishing a shared services centre in Poland covering material planning and master data. As a next step on this journey we have now established a centrally led market and sourcing organisation covering commercial market, sourcing and master data.

To optimise the handling of small and mediumsized goods and provide logistics with a competitive advantage, we implemented AutoStore at our central warehouse in Norway in Q1. Since mid-June, this automated storage and retrieval system has been fully operational. As expected we now start to see the benefits.

EBITA increased by DKK 15m to DKK 140m in H1

With adjusted organic growth of 5.6%, revenue from continuing operations reached DKK 5.8bn (DKK 5.6bn), while EBITA from continuing operations was up at DKK 140m (DKK 125m). In May 2019, Solar acquired additional Swedish business activities, which affected revenue by approx. DKK 40m and EBITA by approx. DKK -5m in H1 2019. Adjusted H1 EBITA margin showed 2.5% (2.3%).

For the Solar Group as a whole, revenue was sligthly above expectations, while EBITA was on par with our expectations.

Our comments on core and related business and disclosures in the note segment information should be regarded as supplementary information. Information on the following segments - Installation, Industry and Other - is included in the note segment information.

Q2 2019

REVENUE

The Installation and Industry segments continued to see growth in all our markets in Q2, and growth in the Norwegian market was particularly notable. However, a significant part of the growth in Norway derived from non-recurring direct deliveries with very low margins. Solar Sverige delivered organic growth of 3.2%.

Solar's overall adjusted organic growth for Installation and Industry was around 8% and 5% respectively.

In Q2 2019, adjusted organic growth at Group level amounted to 5.6% (1.6%). Revenue reached DKK 2.9bn (DKK 2.7bn), including approx. DKK 40m from the acquisition of the Swedish business activities.

Core business delivered adjusted organic growth of 5.6% (0.6%), and we saw positive adjusted organic growth in all entities.

Adjusted organic growth in related business amounted to 6.3% (31.1%). Revenue

DIVESTMENTS AND ACQUISITIONS

Acquisition of Swedish business activities

On 15 May 2019, Solar A/S acquired selected parts of Onninen AB's Swedish business activities from the Finnish Kesko Corporation. Solar acquired the heating, plumbing and air-conditioning business segment, which serves mostly small and medium-sized contractors in Sweden. The acquisition includes 12 branches, corresponding to a full year revenue of approx. DKK 400m. We expect our acquired business activities to have a positive effect on our 2019 revenue of approx. DKK 250m but a negative EBITA impact of approx. DKK 10m due to integration and restructuring costs. In the long term, we expect the Onninen activities to support our target of 4% EBITA margin for core business in 2020.

Divestment of Norwegian training business

In March 2019, Solar concluded the process, initiated in December 2018, of a management buyout of our Norwegian training business, Scandinavian Technology Institute (STI), part of our related business, cf. company announcements nos. 7 2019 and 21 2018.

The divestment constituted a loss of DKK 17m, which was recognised in the Solar Group's income statement as part of the loss from discontinued operations in Q4 2018.

Divestment of Austrian and Belgian business activities

At the end of January 2018, Solar entered into an agreement with Sonepar concerning the divestment of activities in the loss-making subsidiaries GFI GmbH, Austria, and Claessen ELGB NV, Belgium, cf. company announcements nos. 3, 12 and 14 2018. The divestment constituted a loss of DKK 47m, which was recognised in the Solar Group's income statement as part of the loss from discontinued operations in Q4 2017.

Consequently, in this report GFI GmbH, Austria and Claessen ELGB NV, Belgium, are presented as discontinued operations in 2018 while STI, Norway, is presented as discontinued operations for both 2018 and 2019. Unless otherwise stated, this report solely recognises Solar's continuing operations.

performance for MAG45 was below expectations.

In total, revenue was slightly above our expectations.

GROSS PROFIT MARGIN

Gross profit margin decreased to 20.2% (20.4%) in Q2 2019.

Freight costs increased and negatively affected the gross profit margin at Group level by 0.1 percentage points due to a general increase in fuel costs and lack of capacity.

In addition, a significant part of the revenue growth of Solar Norge was related to direct deliveries with low margin, which had a negative impact of approx. 0.2 percentage points on gross profit margin at Group level.

OTHER INCOME

Other income amounted to DKK 5m (DKK 0m). This primarily relates to the net impact of the acquisition of the Swedish business activities where negative goodwill of DKK 18m was recognised as income and DKK 16m in provisions for restructuring etc. were recognised as costs.

EXTERNAL OPERATING COSTS AND DEPRECIATION

Due to the implementation of IFRS 16, Leases, external operating costs were down by DKK 29m while correspondingly, depreciation was up by DKK 29m and net financials by DKK 1m. Were this change to be reversed, external operating costs would amount to DKK 117m (DKK 110m) and depreciation to DKK 15m (DKK 14m). Furthermore, external operating costs and depreciation were negatively affected by the acquisition of the Swedish business activities by approx. DKK 5m and DKK 1m respectively.

LOSS ON TRADE RECEIVABLES

Loss on trade receivables amounted to 0.2 percentage points (0.1 percentage points) affected by a general increase in provisions for loss.

EBITA

EBITA increased to DKK 60m (DKK 56m) corresponding to an EBITA margin of 2.1% (2.0%) of revenue. The acquisition of the Swedish business activities had a negative impact on EBITA of approx. DKK 5m corresponding to approx. 0.2 percentage points at Group level. The adjusted margin thus increased to 2.3% (2.0%).

EBITA from core business was up at DKK 66m (DKK 62m) driven by improvements in Solar Nederland, Solar Danmark and Solar Norge. Only Solar Sverige's performance was below the level of Q2 2018. Solar Sverige's result was, among other things, negatively affected by the acquisition of the Swedish business activities. Furthermore, when adjusted for the number of working days the performance of Solar Sverige remained at approximately the same low level as in Q2 2018 despite the organic growth. This is unsatisfactory, therefore, in addition to the recently implemented structural changes we are implementing further initiatives to improve earnings.

The results of the individual countries are disclosed on page 24.

EBITA from related business was unchanged at DKK -6m (DKK -6m). MAG45 results were disappointing in Q2 due to lower-than-expected revenue. The slow-down in growth is attributable to a few key customers. Their indications are that revenue in H2 will still reach the expected level.

In total, EBITA was on par with expectations.

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates amounted to DKK -5m (DKK -4m) of which DKK -3m related to the earnings development of BIMobject while DKK -2m related to the write-down of the HomeBob app.

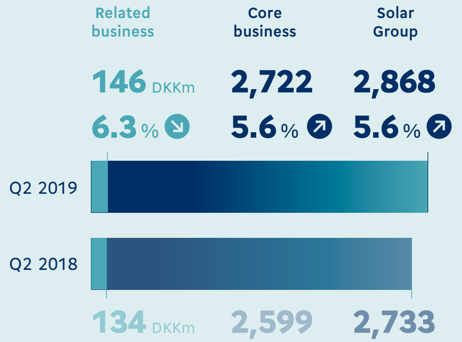
IMPAIRMENT ON ASSOCIATES

Based on the share price on 30 June, the BIMobject value amounted to DKK 203m. Therefore, Solar reversed DKK 29m of the write-down recognised in Q1 2019. In Q2 2018, we identified the need for a write-down on BIMobject AB of DKK 15m. The initial purchase price amounted to DKK 171m.

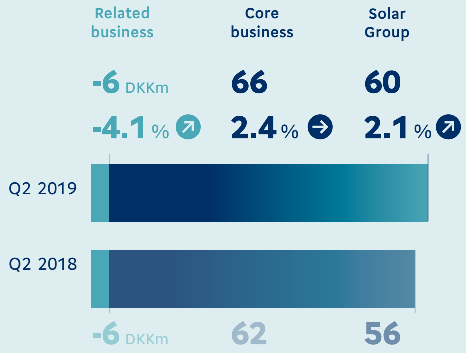
FINANCIALS

Net financials totalled DKK -9m (DKK -7m) affected by the implementation of IFRS 16, Leases, of DKK -1m.

Revenue and adj. organic growth



EBITA and EBITA margin



Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.

Related business includes MAG45 and Solar Polaris.

EARNINGS BEFORE TAX

Earnings before tax amounted to DKK 56m (DKK 10m). However, when adjusted for the impact from impairment on associates, earnings before tax were up at DKK 27m (DKK 25m).

DKK million	Q2 2019	Q2 2018	FY 2018
Earnings before tax	**56**	**10**	**237**
Fair value adjustment, recognised under financials	0	0	-11
Impact due to market value changes in BIMobject:			
Impairment on associates	-29	15	-59
Earnings before tax, adjusted for impact from associates	**27**	**25**	**167**
Impairment loss, other intangible assets	0	0	9
Impairment loss, goodwill	0	0	8
Earn-out receivable reversed	0	0	22
Adjusted earnings before tax	**27**	**25**	**206**

H1
REVENUE

In H1 2019, adjusted organic growth at Group level amounted to 5.6% (3.2%). Revenue reached DKK 5.8bn (DKK 5.6bn) including approx. DKK 40m from the acquisition of the Swedish business activities.

Core business delivered adjusted organic growth of 5.6% (2.1%), and we saw positive adjusted organic growth in all entities.

Adjusted organic growth in related business amounted to 6.4% (33.0%). Revenue for MAG45 was below expectations but the company is focusing on achieving additional profitable revenue.

GROSS PROFIT MARGIN

Gross profit margin decreased to 20.1% (20.4%) in H1 2019.

Freight costs increased and negatively affected gross profit margin at Group level by 0.1 percentage points due to a general increase in fuel costs and lack of capacity.

In addition, a significant part of the revenue growth for Solar Norge was related to direct deliveries with low margin, which had a negative impact of approx. 0.2 percentage points on the gross profit margin at Group level.

OTHER INCOME

Other income amounted to DKK 5m (DKK 0m). This primarily relates to the net impact of the acquisition of the Swedish business activities where negative goodwill of DKK 18m was recognised as income and DKK 16m in provisions for restructuring etc. was recognised as costs.

EXTERNAL OPERATING COSTS AND DEPRECIATION

Due to the implementation of IFRS 16, Leases, external operating costs were down by DKK 58m while correspondingly, depreciation was up by DKK 57m and net financials by DKK 2m. Were this change to be reversed, external operating costs would amount to DKK 239m (DKK 242m) and depreciation to DKK 28m (DKK 27m).

LOSS ON TRADE RECEIVABLES

Loss on trade receivables amounted to 0.2 percentage points (0.1 percentage points) affected by a general increase in provisions for loss.

CHANGE IN ACCOUNTING POLICIES

On 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. The cumulative effect is recognised at the date of initial application, 1 January 2019, and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures are not restated.

Leased assets are depreciated over the lease term, and payments are allocated between instalments on the lease liability and interest expense, classified as financial expenses.

The impact on EBITA in Solar is insignificant while EBITDA in Q2 and H1 was impacted positively by DKK 29m and DKK 58m respectively and corresponding to an impact on EBITDA margin of 1.0 percentage points. For further information, see page 27 on accounting policies.

The change in accounting policies has an insignificant impact on the basis for the incentive-based remuneration scheme for the Executive Board and management team. General information on Solar's incentive scheme is available at our website: www.solar.eu/investor/policies/.

EBITA

EBITA increased to DKK 140m (DKK 125m) corresponding to an EBITA margin of 2.4% (2.3%) of revenue. The acquisition of the Swedish business activities had a negative EBITA impact of approx. DKK 5m corresponding to approx. 0.1 percentage points at Group level. Thus, the adjusted margin increased to 2.5% (2.3%) despite the weak performance of Solar Sverige, see page 7.

EBITA from core business was up at DKK 147m (DKK 136m) even though Solar Sverige's performance was below H1 2018 level. The results of the individual countries are disclosed on page 24.

EBITA from related business was up at DKK -7m (DKK -11m). MAG45 results were disappointing. in H1, see page 7.

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates amounted to DKK- 10m (DKK -5m) of which DKK 8m is related to BIMobject and DKK 2m to write-down of the HomeBob app.

IMPAIRMENT ON ASSOCIATES

Based on the share price on 30 June, the BIMobject value amounted to DKK 203m. Solar thus identified a need for write-down of DKK 28m in H1 2019. In H1 2018, we reversed the write-down of DKK 44m on BIMobject AB originally recognised in 2017.

FINANCIALS

Net financials totalled DKK -16m (DKK -12m) affected by the implementation of IFRS 16, Leases, of DKK -2m.

EARNINGS BEFORE TAX

Earnings before tax amounted to DKK 49m (DKK 113m). However, when adjusted for the impact from impairment on associates, earnings before tax were up at DKK 77m (DKK 69m).

DKK million	H1 2019	H1 2018	FY 2018
Earnings before tax	**49**	**113**	**237**
Fair value adjustment, recognised under financials	0	0	-11
Impact due to market value changes in BIMobject:	0	0	
Impairment on associates	28	-44	-59
Earnings before tax, adjusted for impact from associates	**77**	**69**	**167**
Impairment loss, other intangible assets	0	0	9
Impairment loss, goodwill	0	0	8
Earn-out receivable reversed	0	0	22
Adjusted earnings before tax	**77**	**69**	**206**

NET PROFIT

Profit from continuing operations came to DKK 30m (DKK 95m). Losses from discontinued operations amounted to DKK -2m (DKK -21m). Net profit for the Solar Group thus totalled DKK 28m (DKK 74m).

SHARE CAPITAL

Following approval at the Annual General Meeting on 15 March 2019, Solar reduced the B share capital by nominally DKK 38,562,500, from nominally DKK 774,562,500 to nominally DKK 736,000,000 at the end of April 2019. This corresponds to a reduction of the B share capital of 385,625 B shares of DKK 100 by cancelling treasury B shares.

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 11.4% (10.5%) of revenue. Net working capital at the end of H1 2019 amounted to 12.9% (10.7%). The acquisition of the Swedish business activities has a negative impact of approx. 0.6%.

Cash flow from operating activities totalled DKK -149m (DKK -80m) impacted by inventory changes of DKK -51m (DKK -2m) and changes to receivables of DKK -246m (DKK -67m). Receivables are affected by the higher revenue growth in June 2019 compared to June 2018 and by normal seasonal fluctuations.

Total cash flow from investing activities amounted to DKK -106m (DKK -14m) where the divestment of STI had a positive impact of DKK 5m, the acquisition of the Swedish business activities had a negative impact of DKK 40m and further investments in our existing financial investments impacted negatively by DKK 7m.

Purchase of property, plant and equipment amounted to DKK 46m (DKK 23m) affected by the finalisation of Solar Norge's investment in AutoStore.

Cash flow from financing activities was affected by dividend distributions of DKK 102m (DKK 73m) and the implementation of IFRS 16, Leases, as an instalment on lease liabilities of DKK 56m is now included here. A change in the presentation of the cash flow statement means that raising or repayment of current interest-bearing debt is presented as part of the financing activities in 2018 and 2019. Cash flow from financing activities totalled DKK 242m (DKK 56m).

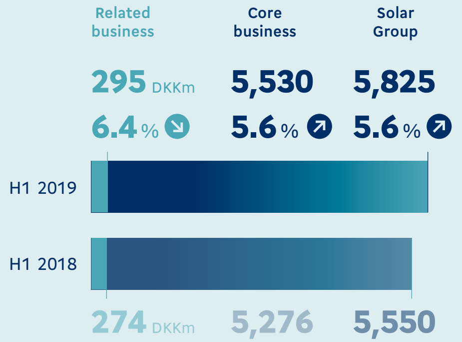
Cash flow from discontinued operations amounted to DKK -2m (DKK -8m). Consequently, total cash flow amounted to DKK -15m (DKK -46m).

Net interest-bearing liabilities amounted to DKK 1,182m (DKK 662m). The implementation of IFRS 16, Leases, increased the interest-bearing liabilities by DKK 304m. Furthermore, over the past 12 months, we have

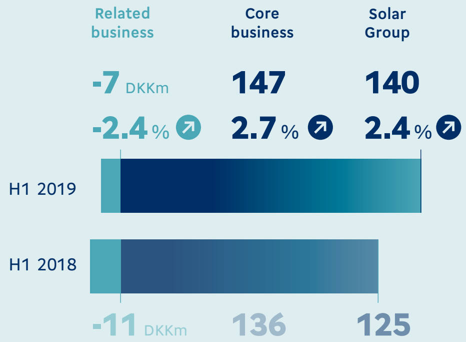
- invested DKK 55m in digital improvements;
- invested DKK 82m in optimising our operations e.g. AutoStore;
- invested DKK 50m in business activities;
- paid dividend of DKK 102m.

As at 30 June 2019 gearing was 2.6 (1.8) times EBITDA, however, a 0.4 impact was seen from

Revenue and adj. organic growth



EBITA and EBITA margin



Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.

Related business includes MAG45 and Solar Polaris.

implementing IFRS 16, Leases, as at 1 January 2019. Calculated as an average our gearing was 1.9 times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

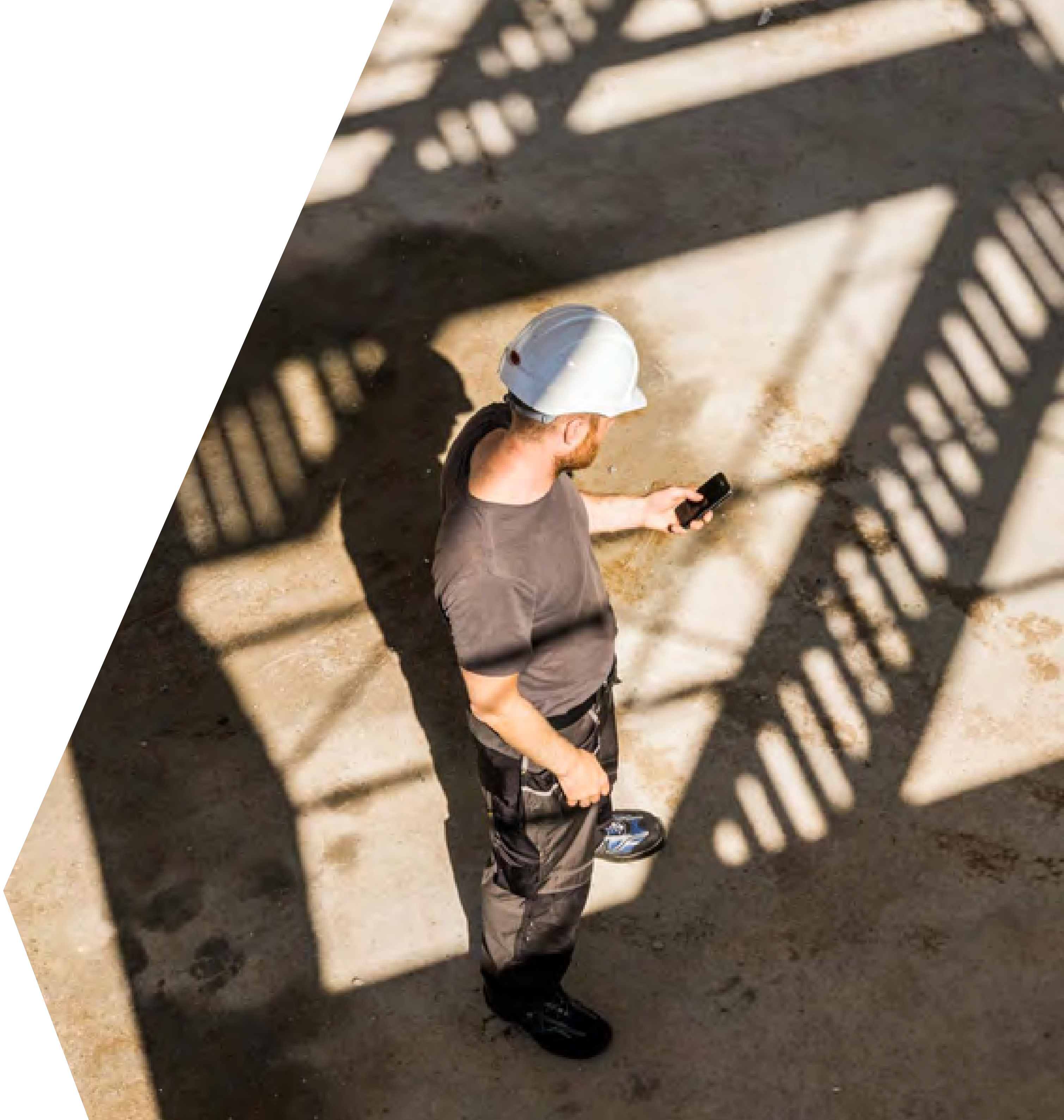
As at 30 June 2019, Solar had undrawn credit facilities of DKK 250m.

Invested capital for the Solar Group totalled DKK 2,461m (DKK 1,972m) affected by the implementation of IFRS 16, Leases, of DKK 304m. ROIC amounted to 7.9% (6.2%). However, a -0.6 impact was seen from implementing IFRS 16, Leases, as at 1 January 2019.

Activities with a Solar equity interest of less than 50% and discontinued activities are not included in the ROIC calculation. Invested capital only includes operating assets and liabilities.

KEY RISKS

Solar's Annual Report 2018 details the commercial and financial risks related to our activities. The key risks are that Solar, like other international companies, is affected by both global trends and local conditions in the markets where we operate.



We reconfirm our expectations for an EBITA of DKK 365m

	Core business	Related business	Solar Group
REVENUE	10,950 (DKKm at least)	650 (DKKm)	11,600 (DKKm at least)
ORGANIC GROWTH	1.5 (% at least)	15 (%)	2.0 (% at least)
EBITA	370 (DKKm)	-5 (DKKm)	365 (DKKm)
EBITA MARGIN	3.5 (%)	-0.8 (%)	3.2 (%)

MARKET OUTLOOK FOR SOLAR'S BUSINESS AREAS

We reconfirm our market outlook for 2019.

Installation

Overall, we expect the installation market to grow in 2019 albeit at a slower pace than in 2018.

Compared to 2018, we expect new construction and renovation activities in the Danish market to decrease in H2 compared to H1.

In Sweden, we have seen a decline in the number of building permits during several quarters. However, this trend seems to have stabilised at the 2016 level. In H1 we saw solid market growth albeit at a lower level than in 2018. We expect this trend to continue in H2. There is a risk of a slowdown in the Swedish market in the latter part of H2, but should this happen, we expect a soft landing.

In Norway, we continue to expect the installation segment to generate modest growth, partly driven by ongoing electrification.

We expect the positive trends in the Dutch market to continue. Consequently, we expect stable growth in 2019.

In general, our outlook for 2019 is for moderate, positive market growth.

Industry

For 2019, we maintain our outlook for a slightly positive trend in all major markets, including MAG45's global market niche.

Other

We expect growth within the Other segment.

Outlook

FINANCIAL OUTLOOK 2019

Core business, revenue guidance

For core business, we expect revenue of at least DKK 10.950bn corresponding to organic growth of at least 1.5%.

Core business, EBITA guidance

During 2019, we will continue the roll-out of our eWM solution in Sweden and subsequently in Norway. In addition, we have invested in optimising our central warehouse in Norway by implementing AutoStore, an automated storage and retrieval system. We expect the roll-out costs and temporary loss of efficiency to have a negative impact of approx. 0.1% on EBITA in 2019.

We expect Solar Sverige to gradually improve compared to the performance in H2 2018, but to remain below the level of 2017.

The acquisition of the Swedish heating, plumbing and air conditioning business activities is now expected to have a minor negative EBITA impact of approx. DKK 10m due to integration and restructuring costs. However, for core business, we expect EBITA to be unchanged at approx. DKK 370m.

Related business, guidance

For the related business, we expect revenue of approx. DKK 650m corresponding to organic growth of approx. 15% and an EBITA of approx. DKK -5m.

Solar Group, guidance

Our total revenue guidance is at least DKK 11.6bn corresponding to organic growth of at least 2%.

Total EBITA guidance is approx. DKK 365m.

The table below bridges our 2017 results to our results for 2018 and our guidance for 2019.

EBITA (DKK million)	Core business	Related business	Solar Group
2017, actual, published 12.01.2018	**309**	**-45**	**264**
Divestment of Austrian and Belgian businesses	31	-	31
2017, actual, continuing activities	**340**	**-45**	**295**
Overhead costs*	-10	-	-10
EBITA loss Solar Sverige & Solar Norge	-50	-	-50
Improvements	68	12	80
Divestment of Norwegian training business	-	12	12
2018, actual, continuing activities	**348**	**-21**	**327**
eWM roll out costs	-10	-	-10
Acquisition of Swedish business activities, net	-10	-	-10
Expected improvements	42	16	58
2019, guidance	**370**	**-5**	**365**

* The Austrian and Belgian businesses carried approx. DKK 10m in overhead costs, which have now been placed in the continuing operations within core business.

Share and webcast information

SOLAR'S SHARES
Solar's share capital is divided into nominal value DKK 90 million A shares and nominal value DKK 646 million B shares.

The A shares are not listed. The B shares are listed on Nasdaq Copenhagen under the ID code DK0010274844, and are designated SOLAR B, and form part of the MidCap index and MidCap on Nasdaq Nordic.

The share capital includes 900,000 A shares and 6,460,000 B shares. Solar's portfolio of treasury shares totals 61,708 B shares or 0.8% of share capital.

A shares have 10 votes per share amount of DKK 100, while B shares have one vote per share amount of DKK 100.

TOTAL SHAREHOLDER RETURN
The total shareholder return from the Solar B share during the holding period, 1 January 2019 - 30 June 2019, was DKK 42.48 as DKK 14.00 was paid out in dividend and the share price increase amounted to DKK 28.48 in H1 2019.

AUDIO WEBCAST
The presentation of the Quarterly Report Q2 2019 will be conducted in English on 8 August 2019 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

SOLAR'S MARKET VALUE
Solar holds a 17% equity interest in BIMobject-AB, which is a listed company on First North.

Below is an illustration of the impact of BIMobject's market value on Solar's market value.

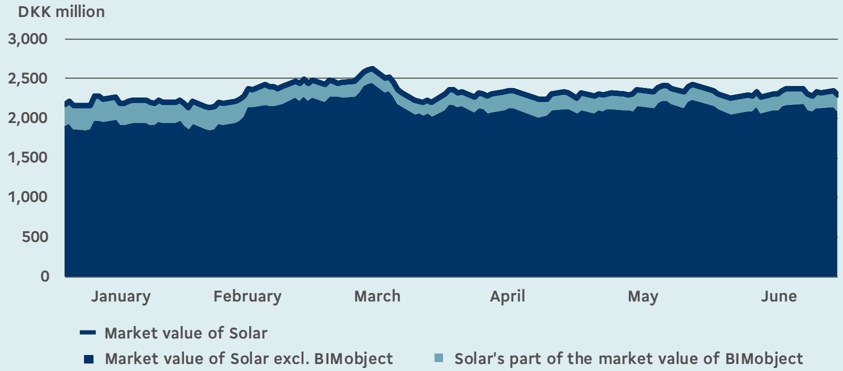
Financial calendar 2019

4 October - 31 October	IR quiet period
31 October	Quarterly Report Q3 2019

Distribution of share capital and votes based on the latest public information and after cancelling treasury shares

Holdings of 5% or more of share capital	Share capital in %	Votes in %
The Fund of 20th December, Vejen, Denmark	16.9%	60.0%
RWC Asset Management LLP, London, England	15.8%	7.5%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.8%	5.1%
Nordea Funds Oy, Danish Branch, Copenhagen, Denmark	10.7%	5.1%
FIL Limited, Pembroke, Bermuda	5.3%	2.5%

Solar's market value



Solar celebrates its 100th anniversary in 2019

FOLLOW OUR STORY

Solar turned 100 years on 17 May and will commemorate the anniversary throughout 2019.

Follow the next legs of our story on www.solar.eu

On 17 May 2019, Solar turned 100 years, and during those years, we have changed our role in the value chain several times. Through all the years, Solar has had distinct courage to seek out uncharted territory and never been afraid to challenge our customers to create new markets.

We will be commemorating the anniversary throughout 2019 by telling the story of Solar and our role as a creator of change. More specifically, we will publish an article on the 17th of each month marking different points of impact.

CHAPTER 4 - 1931-1946:

The Solar lamp

In 1931, co-founder and majority shareholder in Aktieselskabet Nordisk Solar Compagni Jacob Jørgensen is known as one of Kolding's most entrepreneurial businessmen. Despite the scarcity during the post-war years and the restrictions during the 1920s, he manages to develop the company from selling electric meters into a significant and acknowledged wholesaler of electrical articles and radios to electrical contractors as well as power and utility plants.

CHAPTER 5 - 1942 – 1962:

More than radio production

At Audiola in Kolding, they want more than just to produce radios and gramophones. The company which is a subsidiary of Nordisk Solar Compagni, is on the hunt for new business territories.

CEO Jacob Jørgensen believes that way too many people have trouble navigating the unknown. The challenges of the interwar period and the crisis in the 30s have taught him that a successful company does not happen on its own. They take foresight, courage, willpower, being resourceful and having the ability to think outside the box and act upon it.

CHAPTER 6 - 1949-1998:

Light for the entire Kingdom

By the end of the 1940s, Solar only handles light fittings from others and have installed lighting displays at The Castle in Kolding as well as in the two big branches in Aarhus and Copenhagen. The 30-year-old Harald Jørgensen is very interested in lighting and possesses great knowledge. He is now deputy director with the authority to sign for the company and is responsible for Nordisk Solar's businesses in Copenhagen. Harald continues to receive increasing responsibilities, especially after his dad, Jacob Jørgensen passes away in 1967.

Consolidated financial statements

Statement of comprehensive income

Income statement

DKK million	Q2 2019	Q2 2018	H1 2019	H1 2018	Year 2018
Revenue	2,868	2,733	5,825	5,550	11,098
Cost of sales	-2,288	-2,176	-4,652	-4,418	-8,851
Gross profit	**580**	**557**	**1,173**	**1,132**	**2,247**
Other income	5	0	5	0	0
External operating costs	-88	-110	-181	-242	-448
Staff costs	-387	-373	-761	-732	-1,406
Loss on trade receivables	-6	-4	-11	-6	-14
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**104**	**70**	**225**	**152**	**379**
Depreciation and write-down on property, plant and equipment	-44	-14	-85	-27	-52
Earnings before interest, tax and amortisation (EBITA)	**60**	**56**	**140**	**125**	**327**
Amortisation of intangible assets	-19	-20	-37	-39	-103
Earnings before interest and tax (EBIT)	**41**	**36**	**103**	**86**	**224**
Share of net profit from associates	-5	-4	-10	-5	-11
Impairment on associates	29	-15	-28	44	59
Financial income	4	5	8	10	28
Financial expenses	-13	-12	-24	-22	-63
Earnings before tax (EBT)	**56**	**10**	**49**	**113**	**237**
Income tax	-8	-9	-19	-18	-55
Profit of continuing operations	**48**	**1**	**30**	**95**	**182**
Loss of discontinued operations	0	-8	-2	-21	-49
Net profit for the period	**48**	**-7**	**28**	**74**	**133**
Earnings in DKK per share outstanding (EPS)	6.82	-0.96	3.91	10.14	18.22
Diluted earnings in DKK per share outstanding (EPS-D)	6.82	-0.96	3.91	10.12	18.21
Earnings in DKK per share outstanding (EPS), continuing operations	6.82	0.14	4.19	13.02	24.94
Diluted earnings in DKK per share outstanding (EPS-D), continuing operations	6.82	0.14	4.19	13.00	24.92

Other comprehensive income

DKK million	Q2 2019	Q2 2018	H1 2019	H1 2018	Year 2018
Net profit for the period	**48**	**-7**	**28**	**74**	**133**
Other income and costs recognised:					
Items that can be reclassified for the income statement					
Foreign currency translation adjustments of foreign subsidiaries	-4	-3	-1	-10	-16
Fair value adjustments of hedging instruments before tax	-8	-1	-14	2	4
Tax on fair value adjustments of hedging instruments	1	1	3	0	-1
Other income and costs recognised after tax	**-11**	**-3**	**-12**	**-8**	**-13**
Total comprehensive income for the period	**37**	**-10**	**16**	**66**	**120**

Balance sheet

DKK million	30.06 2019	30.06 2018	31.12 2018
ASSETS			
Intangible assets	360	431	382
Property, plant and equipment	833	808	812
Right-of-use assets	304	-	-
Deferred tax asset	10	16	10
Investments in associates	217	243	251
Other non-current assets	68	63	61
Non-current assets	**1,792**	**1,561**	**1,516**
Inventories	1,635	1,426	1,521
Trade receivables	1,679	1,512	1,452
Income tax receivable	15	1	7
Other receivables	27	9	12
Prepayments	48	52	45
Cash at bank and in hand	47	27	65
Assets held for sale	0	0	15
Current assets	**3,451**	**3,027**	**3,117**
Total assets	**5,243**	**4,588**	**4,633**

DKK million	30.06 2019	30.06 2018	31.12 2018
EQUITY AND LIABILITIES			
Share capital	736	775	775
Reserves	-183	-166	-171
Retained earnings	999	975	932
Proposed dividends for the financial year	0	-	102
Equity	**1,552**	**1,584**	**1,638**
Interest-bearing liabilities	401	412	409
Lease liabilities	183	-	-
Provision for pension obligations	2	3	2
Provision for deferred tax	113	101	113
Other provisions	14	24	19
Non-current liabilities	**713**	**540**	**543**
Interest-bearing liabilities	524	277	117
Lease liabilities	121	-	-
Trade payables	1,848	1,742	1,883
Income tax payable	7	5	3
Other payables	458	430	428
Prepayments	5	3	5
Other provisions	15	7	2
Liabilities held for sale	0	0	14
Current liabilities	**2,978**	**2,464**	**2,452**
Liabilities	**3,691**	**3,004**	**2,995**
Total equity and liabilities	**5,243**	**4,588**	**4,633**

Cash flow statement

Consolidated

	Q2		H1		Year
DKK million	2019	2018	2019	2018	2018
Net profit of continuing operations for the period	48	1	30	95	182
Negative goodwill	-18	0	-18	0	0
Depreciation, write-down and amortisation	63	34	122	66	155
Impairment on associates	-29	15	28	-44	-59
Changes to provisions and other adjustments	14	4	11	5	0
Share of net profit from associates	5	4	10	5	11
Financials, net	9	7	16	12	35
Income tax	8	9	19	18	55
Financial income, received	2	2	4	4	8
Financial expenses, settled	-10	-9	-18	-15	-29
Income tax, settled	-15	-9	-27	-31	-52
Cash flow before working capital changes	**77**	**58**	**177**	**115**	**306**
Working capital changes					
Inventory changes	-4	-10	-51	-2	-97
Receivables changes	33	71	-246	-67	-24
Non-interest-bearing liabilities changes	-123	-160	-29	-126	39
Cash flow from operating activities, continuing operations	**-17**	**-41**	**-149**	**-80**	**224**
Cash flow from operating activities, discontinued operations	0	-11	-2	-6	-11
Cash flow from operating activities	**-17**	**-52**	**-151**	**-86**	**213**
Investing activities					
Purchase of intangible assets	-8	-27	-18	-51	-88
Purchase of property, plant and equipment	-25	-7	-46	-23	-59
Acquisition of subsidaries and activities	-40	0	-40	0	-10
Divestment of subsidiaries and activities	0	60	5	60	60
Other financial investments	-5	0	-7	0	-15
Cash flow from investing activities, continuing operations	**-78**	**26**	**-106**	**-14**	**-112**
Cash flow from investing activities, discontinued operations	0	-1	0	-2	0
Cash flow from investing activities	**-78**	**25**	**-106**	**-16**	**-112**

	Q2		H1		Year
DKK million	2019	2018	2019	2018	2018
Financing activities					
Repayment of non-current interest-bearing debt	-3	-3	-5	-5	-20
Change in current interest-bearing debt[1]	113	38	405	134	-15
Instalment on lease liabilities	-28	0	-56	0	0
Dividends distributed	0	0	-102	-73	-73
Cash flow from financing activities, continuing operations	**82**	**35**	**242**	**56**	**-108**
Cash flow from financing activities, discontinued operations	0	0	0	0	0
Cash flow from financing activities	**82**	**35**	**242**	**56**	**-108**
Total cash flow	**-13**	**8**	**-15**	**-46**	**-7**
Cash at bank and in hand at the beginning of the period	60	23	65	100	77
Assumed on divestment of subsidaries	0	-5	-3	-5	-5
Foreign currency translation adjustments	0	1	0	1	0
Cash at bank and in hand at the end of the period	**47**	**27**	**47**	**50**	**65**
Cash at bank and in hand at the end of the period					
Cash at bank and in hand	47	27	47	50	65
Cash at bank and in hand at the end of the period	**47**	**27**	**47**	**50**	**65**

1. A change in presentation of the cash flow statement implies that raising or repayment of current interest-bearing debt is now presented as part of financing activities.

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Retained earnings	Proposed dividends	Total
2019						
Equity as at 1 January	**775**	**-58**	**-113**	**932**	**102**	**1,638**
Foreign currency translation adjustments of foreign subsidiaries			-1			-1
Fair value adjustments of hedging instruments before tax		-14				-14
Tax on fair value adjustments		3				3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-11	-1	0	0	-12
Net profit for the period				28		28
Comprehensive income	**0**	**-11**	**-1**	**28**	**0**	**16**
Distribution of dividends (DKK 14.00 per share)					-102	-102
Reduction in share capital	-39			39		0
Transactions with the owners	**-39**	**0**	**0**	**39**	**-102**	**-102**
Equity as at 30 June	**736**	**-69**	**-114**	**999**	**0**	**1,552**

1. Reserves for hedging transactions and reserves for foreign currency translation adjustments are recognised in the balance sheet as a total amount under reserves.

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Retained earnings	Proposed dividends	Total
2018						
Equity as at 1 January	**775**	**-61**	**-97**	**901**	**73**	**1,591**
Foreign currency translation adjustments of foreign subsidiaries			-10			-10
Fair value adjustments of hedging instruments before tax		2				2
Tax on fair value adjustments		0				0
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	2	-10	0	0	-8
Net profit for the period				74		74
Comprehensive income	**0**	**2**	**-10**	**74**	**0**	**66**
Distribution of dividends (DKK 10.00 per share)					-73	-73
Transactions with the owners	**0**	**0**	**0**	**0**	**-73**	**-73**
Equity as at 30 June	**775**	**-59**	**-107**	**975**	**0**	**1,584**

1. Reserves for hedging transactions and reserves for foreign currency translation adjustments are recognised in the balance sheet as a total amount under reserves.

Notes

Segment information

Solar's business segments are Installation, Industry and Other and are based on the customers' affiliation with the segments. Installation covers installation of electrical, and heating and plumbing products, while Industry covers industry, offshore and marine, and utility and infrastructure. Other covers other small areas. The three main segments have been identified without aggregation of operating segments. Segment income and costs include any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment. Non-allocated costs refer to income and costs related to joint group functions. Assets and liabilities are not included in segment reporting.

DKK million	Installation	Industry	Other	Total
Q2 2019				
Revenue	1,826	888	154	2,868
Cost of sales	-1,488	-683	-117	-2,288
Gross profit	**338**	**205**	**37**	**580**
Direct costs	-66	-28	-5	-99
Earnings before indirect costs	**272**	**177**	**32**	**481**
Indirect costs	-154	-45	-12	-211
Segment profit	**118**	**132**	**20**	**270**
Non-allocated costs				-166
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**104**
Depreciation and amortisation				-63
Earnings before interest and tax (EBIT)				**41**
Financials, net, and impact from associates				15
Earnings before tax (EBT)				**56**

DKK million	Installation	Industry	Other	Total
Q2 2018				
Revenue	1,707	871	155	2,733
Cost of sales	-1,381	-673	-122	-2,176
Gross profit	**326**	**198**	**33**	**557**
Direct costs	-63	-26	-8	-97
Earnings before indirect costs	**263**	**172**	**25**	**460**
Indirect costs	-134	-45	-13	-192
Segment profit	**129**	**127**	**12**	**268**
Non-allocated costs				-198
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**70**
Depreciation and amortisation				-34
Earnings before interest and tax (EBIT)				**36**
Financials, net, and impact from associates				-26
Earnings before tax (EBT)				**10**

Notes

Segment information - continued

DKK million	Installation	Industry	Other	Total
H1 2019				
Revenue	3,600	1,825	400	5,825
Cost of sales	-2,932	-1,411	-309	-4,652
Gross profit	**668**	**414**	**91**	**1,173**
Direct costs	-130	-55	-10	-195
Earnings before indirect costs	**538**	**359**	**81**	**978**
Indirect costs	-300	-88	-23	-411
Segment profit	**238**	**271**	**58**	**567**
Non-allocated costs				-342
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**225**
Depreciation and amortisation				-122
Earnings before interest and tax (EBIT)				**103**
Financials, net, and impact from associates				-54
Earnings before tax (EBT)				**49**

DKK million	Installation	Industry	Other	Total
H1 2018				
Revenue	3,430	1,727	393	5,550
Cost of sales	-2,752	-1,331	-335	-4,418
Gross profit	**678**	**396**	**58**	**1,132**
Direct costs	-129	-53	-16	-198
Earnings before indirect costs	**549**	**343**	**42**	**934**
Indirect costs	-269	-91	-27	-387
Segment profit	**280**	**252**	**15**	**547**
Non-allocated costs				-395
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**152**
Depreciation and amortisation				-66
Earnings before interest and tax (EBIT)				**86**
Financials, net, and impact from associates				27
Earnings before tax (EBT)				**113**

Notes

Segment information - continued

Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the below table, Other markets covers the remaining markets, which can be seen in the group companies overview available on page 129 of Annual Report 2018 or on www.solar.eu. The below allocation has been made based on the products' place of sale.

DKK million	Revenue	Adjusted organic growth[2]	EBITA	EBITA margin	Non-current assets
Q2 2019					
Denmark	844	4.0	42	5.0	2,111
Sweden	633	3.2	-4	-0.6	335
Norway	484	14.3	9	1.9	209
The Netherlands	713	4.4	17	2.4	313
Poland[1]	94	1.3	1	1.1	35
Other markets	7	15.1	1	14.3	10
Eliminations	-53	-	0	0.0	-1,291
Core business	**2,722**	**5.6**	**66**	**2.4**	**1,722**
Several markets (MAG45)[1]	140	4.6	-5	-3.6	69
Other markets	6	-	-1	-16.7	1
Related business	**146**	**6.3**	**-6**	**-4.1**	**70**
Solar Group	**2,868**	**5.6**	**60**	**2.1**	**1,792**

[1] Previously part of other markets
[2] Adjustment for intercompany revenue has been made. The organic growth in Solar Sverige has been adjusted for the estimated impact of the acquisition of business activities.

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
Q2 2018					
Denmark	831	5.1	39	4.7	1,876
Sweden	584	-5.2	7	1.2	241
Norway	441	-3.4	6	1.4	157
The Netherlands	668	3.2	10	1.5	292
Poland[1]	85	4.7	0	0.0	29
Other markets	14	3.1	0	0.0	6
Eliminations	-24	-	0	0.0	-1,077
Core business	**2,599**	**0.6**	**62**	**2.4**	**1,524**
Several markets (MAG45)[1]	131	33.1	-4	-3.1	37
Other markets	3	-	-2	-66.7	0
Related business	**134**	**31.1**	**-6**	**-4.5**	**37**
Solar Group	**2,733**	**1.6**	**56**	**2.0**	**1,561**

[1] Previously part of other markets

Notes

Segment information – continued

DKK million	Revenue	Adjusted organic growth[2]	EBITA	EBITA margin	Non-current assets
H1 2019					
Denmark	1,736	4.6	86	5.0	2,111
Sweden	1,233	1.6	5	0.4	335
Norway	986	13.4	20	2.0	209
The Netherlands	1,480	5.8	35	2.4	313
Poland[1]	182	0.8	0	0.0	35
Other markets	15	11.9	1	6.7	10
Eliminations	-102	-	0	0.0	-1,291
Core business	**5,530**	**5.6**	**147**	**2.7**	**1,722**
Several markets (MAG45)[1]	284	7.1	-6	-2.1	69
Other markets	11	-	-1	-9.1	1
Related business	**295**	**6.4**	**-7**	**-2.4**	**70**
Solar Group	**5,825**	**5.6**	**140**	**2.4**	**1,792**

[1] Previously part of other markets
[2] Adjustment for intercompany revenue has been made. The organic growth in Solar Sverige has been adjusted for the estimated impact of the acquisition of business activities.

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
H1 2018					
Denmark	1,665	4.5	72	4.3	1,876
Sweden	1,203	-2.7	28	2.3	241
Norway	881	-3.6	13	1.5	157
The Netherlands	1,392	7.5	24	1.7	292
Poland[1]	167	7.6	-1	-0.6	29
Other markets	14	4.6	0	0.0	6
Eliminations	-46	-	0	0.0	-1,077
Core business	**5,276**	**2.1**	**136**	**2.6**	**1,524**
Several markets (MAG45)[1]	264	33.5	-8	-3.0	37
Other markets	10	-	-3	-30.0	0
Related business	**274**	**33.0**	**-11**	**-4.0**	**37**
Solar Group	**5,550**	**3.2**	**125**	**2.3**	**1,561**

[1] Previously part of other markets

Notes

Discontinued operation

On 25 March 2019, Solar closed the process initiated in December 2018 of a management buyout of our Norwegian training business Scandinavian Technology Institute (STI), a part of our related business. The divestment constituted an accounting loss of DKK 17m, which was included in the financial statement for 2018.

On 31 January 2018, Solar A/S finalised the divestment of all shares of GFI GmbH and assets in Claessen ELGB N.V. to Sonepar Group with an accounting loss of DKK 47m, which was included in the financial statement for 2017.

The discontinued operation impacted the income statement as follows:

	Q2		Q1-Q2		Year
DKK million	2019	2018	2019	2018	2018
Revenue	-	27	12	179	197
Cost of sales	-	-13	-1	-130	-132
Gross profit	**-**	**14**	**11**	**49**	**65**
Costs	-	-21	-13	-69	-97
Earnings before interest and tax (EBIT)	**-**	**-7**	**-2**	**-20**	**-32**
Financials	-	0	0	-1	-2
Earnings before tax (EBT)	**-**	**-7**	**-2**	**-21**	**-34**
Tax on net loss for the period	-	-1	0	0	2
Net loss for the period	**-**	**-8**	**-2**	**-21**	**-32**
Write-down to fair value less costs to sell	-	0	0	0	-17
Net loss of discontinued operations	**-**	**-8**	**-2**	**-21**	**-49**
Earnings from discontinued operations in DKK per share outstanding (EPS)	-	-1.10	-0.28	-2.88	-6.71
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-	-1.09	-0.28	-2.87	-6.71

Notes

Acquisition of business activities

On 15 May 2019, Solar A/S acquired selected parts of Onninen AB's Swedish business activities from the Finnish Kesko Corporation. Solar acquired the heating, plumbing and air conditioning business segment, which serves mostly small and medium-sized contractors in Sweden. The acquisition includes 12 branches corresponding to a yearly revenue of approx. DKK 400m.

The assets mainly consist of inventories and employee-related liabilities.

The acquisition is financed via withdrawals from the Solar Group's cash resources.

We expect the acquired business activities to have a positive effect on our 2019 revenue of approx. DKK 250m and a negative EBITA impact of approx. DKK 10m due to integration and restructuring costs.

Transaction costs related to the acquisition totalled DKK 2m.

Negative goodwill has been identified with DKK 18m and is attributable to asssumed restructuring costs related to staff and rent. The amount is recognised in the income statement under other income minus the assumed restructuring costs, leading to a net profit of DKK 2m.

The key rationale behind the acquisition is to strengthen our market position within heating and plumbing, and climate and energy in Sweden.

Fair value at the date of acquisition: (DKK million)	
Property, plant and equipment	1
Inventories	55
Prepayments	3
Other payables	-6
Other provisions	-6
Net assets acquired	**47**
Negative goodwill	-18
Final aquisition price	**29**
Cash paid at closing	40
Withheld acquisition price	4
Acquisition price	44
Adjustment acquisition price[1]	-15
Final acquisition price	**29**

[1] At closing, the actual inventory was lower than estimated which triggers a similar adjustment of the acquisition price. The amount is recognised under other receivables.

Notes

Accounting policies

The quarterly report for Solar A/S has been prepared in accordance with IAS 34 "Interim Financial reporting" as approved by the EU and additional Danish disclosure requirements for quarterly reports of listed companies.

Apart from the effect of new IAS/IFRS standards implemented during the period and the additional accounting policies mentioned below, the accounting policies remain unchanged from Annual Report 2018, which contains a full description of these on pages 52-54 as well as of relevant, supplementary notes.

Key items in the accounts are based on annual contracts etc. A prudent assessment of the current year's activities was undertaken during the preparation of this quarterly report.

In the quarterly report, income tax has been calculated on the basis of pre-tax profits at the expected average tax rate. No calculations of taxable income for the period have been made.

New accounting standards implemented during the period

On 1 January 2019, Solar implemented IFRS 16, Leases by applying the modified retrospective approach. The cumulative effect is recognised at the date of initial application, 1 January 2019, and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures are not restated.

DKK million	
Operating lease commitments disclosed as at 31 December 2018	**298**
Discounted using the group's incremental borrowing rate of 0.6-3.66%	-8
Contracts reassessed as service agreements	-19
Adjustments as a result of a different treatment of extension and termination options	18
Lease liability recognised as at 1 January 2019	**289**

All leases have been recognised in the balance sheet with a corresponding lease liability except for short-term leases and leases for low value assets. Lease contracts with remaining life of less than 1 year as at 1 January 2019 are not included. Post-rationalisation has been applied when determining the lease terms. Leased assets are depreciated over the lease term, and payments are allocated between instalments on the lease liability and interest expense, classified as financial expenses. The lease term used for the lease contracts is the non-cancellable period with addition of periods covered by an option to extend the lease if exercise of the option is considered reasonably certain on inception of the lease.

The impact of IFRS 16 is shown in the table below.

	Q2 2019			H1 2019		
DKK million	Previous practice	IFRS 16 impact	New practice	Previous practice	IFRS 16 impact	New practice
Income statement						
Revenue	2,868	-	2,868	5,825	-	5,825
Cost of sales	-2,288	-	-2,288	-4,652	-	-4,652
Gross profit	**580**	**-**	**580**	**1,173**	**-**	**1,173**
Other income	5	-	5	5	-	5
External operating costs	-117	29	-88	-239	58	-181
Staff costs	-387	-	-387	-761	-	-761
Loss on trade receivables	-6	-	-6	-11	-	-11
EBITDA	**75**	**29**	**104**	**167**	**58**	**225**
Depreciation and write-down on property, plant and equipment	-15	-29	-44	-28	-57	-85
EBITA	**60**	**0**	**60**	**139**	**1**	**140**
Amortisation and impairment of intangible assets	-19	-	-19	-37	-	-37
EBIT	**41**	**0**	**41**	**102**	**1**	**103**
Share of net profit of associates	-5	-	-5	-10	-	-10
Impairment on associates	29	-	29	-28	-	-28
Financial income	4	-	4	8	-	8
Financial expenses	-12	-1	-13	-22	-2	-24
EBT	**57**	**-1**	**56**	**50**	**-1**	**49**
Balance sheet						
Right-of-use assets	-	304	304	-	304	304
Non-current lease liabillities	-	183	183	-	183	183
Current lease liabilities	-	121	121	-	121	121
Cash flow statement						
Cash flow from operating activities, continuing operations	-45	28	-17	-205	56	-149
Cash flow from financing activities, continuing operations	111	-28	82	299	-56	242

Notes

Accounting policies – continued

Also, we have implemented new amendments and interpretations on existing IFRS standards. These changes have no impact on Solar.

As a consequence of implementation of IFRS 16, Leases, the following accounting policies are added:

Right-of-use assets
Right-of-use assets are lease assets arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the leases liability with addition of lease payments made to the lessor at or before the commencement date less any lease incentives received. Five different types of leases have been identified:

- Rental of premises
- IT equipment
- Cars
- Technical equipment
- Other

The lease assets are depreciated on a straight-line basis over the lease term. The carrying amount of the right-of-use asset can be adjusted due to modifications to the lease agreement or in special cases reassessment of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture with a value below DKK 37,000.

Lease liabilities
Lease liabilities arise from a lease agreement. Lease liabilities are initially measured at the present value of the lease payments during the non-cancellable lease period with addition of periods covered by an option to extend the lease if exercise of the option is considered reasonably certain on inception of the lease.

At initial recognition, each contract is assessed individually to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in measuring the lease liability if it is reasonably certain that Solar will exercise the option.

When calculating the net present value, a discount rate corresponding to Solar's incremental borrowing rate has been used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 are between 0.6% and 3.66% depending among other things on the term and the currency in which the contracts are denominated.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.), indexation or in special cases reassessment of the lease term.

New accounting standards to be implemented in coming accounting periods
For information on new accounting standards, reference is made to note 28 on page 92 in Annual Report 2018. No new or amended standards have been issued in 2019 other than those stated in the annual report.

On audit
This quarterly report has not been audited or reviewed.

Quarterly figures

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	**2019**	**2018**	**2019**	**2018**	**2018**	**2017**	**2018**	**2017**
Revenue	2,957	2,817	2,868	2,733	2,539	2,596	3,009	2,967
Earnings before interest, tax, depreciation and amortisation (EBITDA)	121	82	104	70	106	110	121	103
Earnings before interest, tax and amortisation (EBITA)	80	69	60	56	93	97	109	90
Earnings before interest and tax (EBIT)	62	50	41	36	64	78	74	10
Financials, net	-7	-5	-9	-7	-7	-4	-16	9
Earnings before tax (EBT)	-7	103	56	10	70	73	54	-50
Net profit or loss for the quarter	-20	81	48	-7	49	42	10	-134
Balance sheet (DKK million)								
Non-current assets	1,739	1,580	1,792	1,561	1,572	1,675	1,516	1,522
Current assets	3,425	3,254	3,451	3,027	3,121	3,339	3,117	3,195
Balance sheet total	5,164	4,834	5,243	4,588	4,693	5,014	4,633	4,717
Equity	1,515	1,594	1,552	1,584	1,645	1,745	1,638	1,591
Non-current liabilities	713	546	713	540	536	362	543	557
Current liabilities	2,936	2,694	2,978	2,464	2,512	2,907	2,452	2,569
Interest-bearing liabilities, net	1,032	632	1,182	662	712	728	461	489
Invested capital	2,302	1,895	2,461	1,972	2,055	2,190	1,797	1,790
Net working capital, end of period	1,331	1,145	1,466	1,196	1,312	1,398	1,090	1,081
Net working capital, average	1,230	1,168	1,299	1,173	1,184	1,209	1,182	1,133
Cash flows (DKK million)								
Cash flow from operating activities	-132	-39	-17	-41	-23	-2	327	279
Cash flow from investing activities	-28	-40	-78	26	-30	-25	-68	-39
Cash flow from financing activities	160	21	82	35	35	14	-199	-175
Net investments in intangible assets	-10	-24	-8	-27	-20	-27	-17	-26
Net investments in property, plant and equipment	-21	-16	-25	-7	-10	7	-26	-5
Acquisition and disposal of subsidiaries and activities, net	5	0	-40	60	0	0	-10	-6

Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".

In general, restatements have been made of income statements, cash flow and key ratios for the discontinued operations in STI, Claessen ELGB N.V. and GFI GmbH for 2017 and 2018. In accordance with IFRS, the balance sheet has not been restated.

As at 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. Comparative figures are not restated. This especially affects EBITDA, interest-bearing liabilities, EBITDA margin, gearing and equity ratio.

Quarterly figures

– continued

Financial ratios (% unless otherwise stated)	Q1 2019	Q1 2018	Q2 2019	Q2 2018	Q3 2018	Q3 2017	Q4 2018	Q4 2017
Revenue growth	5.0	-0.3	4.9	2.2	-2.2	7.3	1.4	4.6
Organic growth	6.0	1.4	4.2	3.6	-0.3	7.3	2.3	5.4
Organic growth adjusted for number of working days	5.8	4.5	5.6	1.6	-0.3	9.0	2.5	7.1
Gross profit margin	20.1	20.4	20.2	20.4	20.2	20.7	20.0	20.3
EBITDA margin	4.1	2.9	3.6	2.6	4.2	4.2	4.0	3.5
EBITA margin	2.7	2.4	2.1	2.0	3.7	3.7	3.6	3.0
EBIT margin	2.1	1.8	1.4	1.3	2.5	3.0	2.5	0.3
Net working capital (NWC end of period)/revenue (LTM)	11.8	10.3	12.9	10.7	11.8	11.5	9.8	9.7
Net working capital (NWC average)/revenue (LTM)	10.9	10.5	11.4	10.5	10.7	9.8	10.6	10.2
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	2.5	1.7	2.6	1.8	2.0	1.8	1.2	1.3
Return on equity (ROE)	2.0	-1.4	5.7	-1.1	-0.7	11.7	8.1	1.1
Return on invested capital (ROIC)	8.1	6.4	7.9	6.2	5.6	10.6	8.1	6.3
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	8.5	10.3	8.9	10.4	10.7	9.3	6.8	10.4
Equity ratio	29.3	33.0	29.6	34.5	35.1	34.8	35.4	33.7
Share ratios (DKK)								
Earnings in DKK per share outstanding (EPS)	-2.74	11.10	6.82	-0.96	6.71	5.75	1.37	-18.36
Intrinsic value in DKK per share outstanding	207.58	218.41	224.52	217.04	225.40	239.10	224.44	218.00
Share price in DKK	286.68	398.53	312.60	398.72	401.55	381.25	284.12	414.52
Share price/intrinsic value	1.38	1.82	1.39	1.84	1.78	1.59	1.27	1.90
Employees								
Number of employees (FTE), end of period	2,982	2,944	3,079	2,948	2,918	2,865	2,955	2,905
Average number of employees (FTE), LTM	2,951	2,894	2,984	2,915	2,929	2,841	2,941	2,870

Definitions

Organic growth	Revenue growth adjusted for enterprises acquired and sold off and any exchange rate changes. No adjustments have been made for number of working days.
Net working capital	Inventories and trade receivables less trade payables.
ROIC	Return on invested capital calculated on the basis of operating profit or loss less tax calculated using the effective tax rate.

Statement by the Executive Board and the Board of Directors

Today, the group's Board of Directors and Executive Board discussed and approved the Q2 2019 quarterly report of Solar A/S.

The quarterly report, which has not been audited or reviewed by the company's auditor, is presented in accordance with IAS 34 "Interim Financial Reporting" as approved by the EU and additional Danish disclosure requirements for quarterly reports of listed companies.

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities and financial position as at 30 June 2019 as well as of the results of the group's activities and cash flow for Q2 2019.

Further, in our opinion, the management's review gives a true and fair statement of the development of the group's activities and financial situation, net profit or loss for the period and of the group's overall financial position and describes the most significant risks and uncertainties that the group faces.

Vejen, 8 August 2019

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CCO

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CFO

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