solar stronger together

Acquisition of Vegro B.V.

October 2008

Flemming H. Tomdrup, CEO, Solar A/S
Michael H. Jeppesen, CFO, Solar A/S
Frans A. Soulier, CED, Solar Nederland B.V.

Agenda

- Who we are
- What we do
- The financial impact of the acquisition of Vegro
- The Dutch market, Vegro and the combined Solar & Vegro
- The Post Merger Integration Plan

Who we are

Our values
- what we stand for and what shape our culture

SmartFun

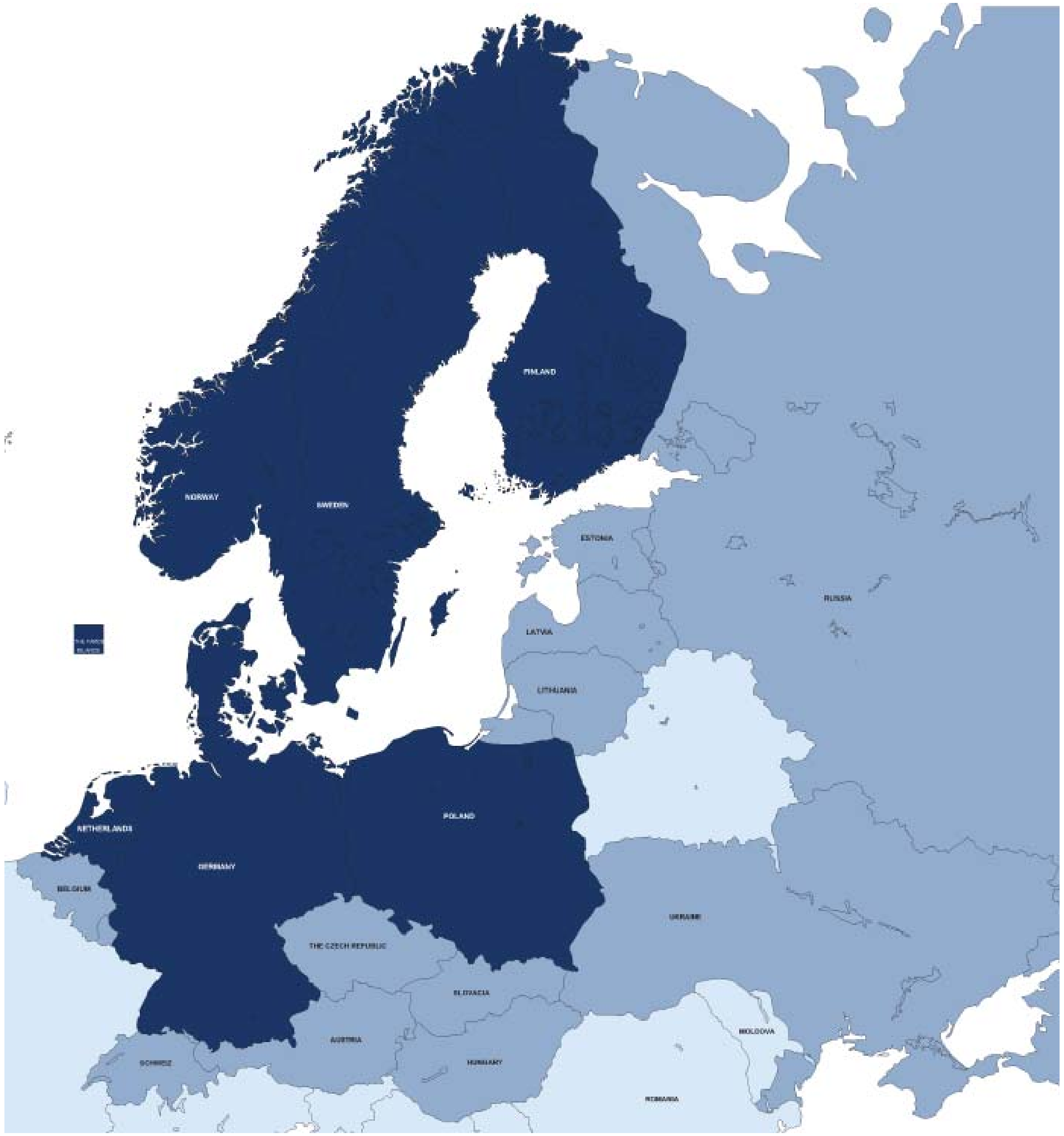
Glow

Courage

The Solar Mission

At Solar we understand our customers' needs and provide integrated workflow solutions

The focus area is the northern part of Europe



The strategic objectives towards 2010 are demanding

Increase organic growth rate to 6 - 8% on average

Increase growth and product scope through acquisitions

Improve EBITA to 5.5 - 6.5% on average

Return on investment capital of 14 - 16%

Build leadership and competences

solar

Our company programme New Solar 2010 was established to close the gap between present and future position

Growth

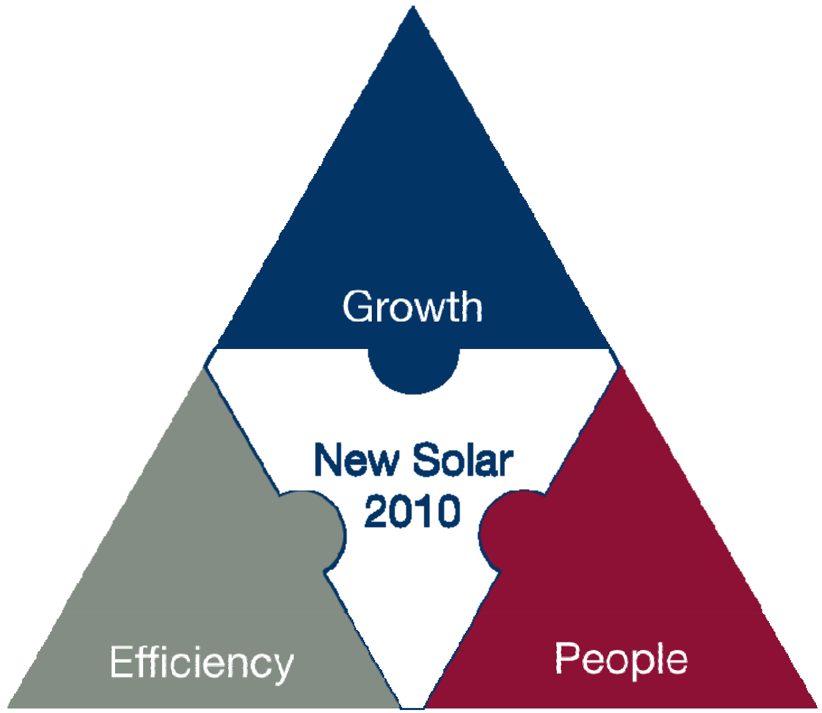
- Adding value to customers
- Stronger profile
- Increased market presence

Efficiency

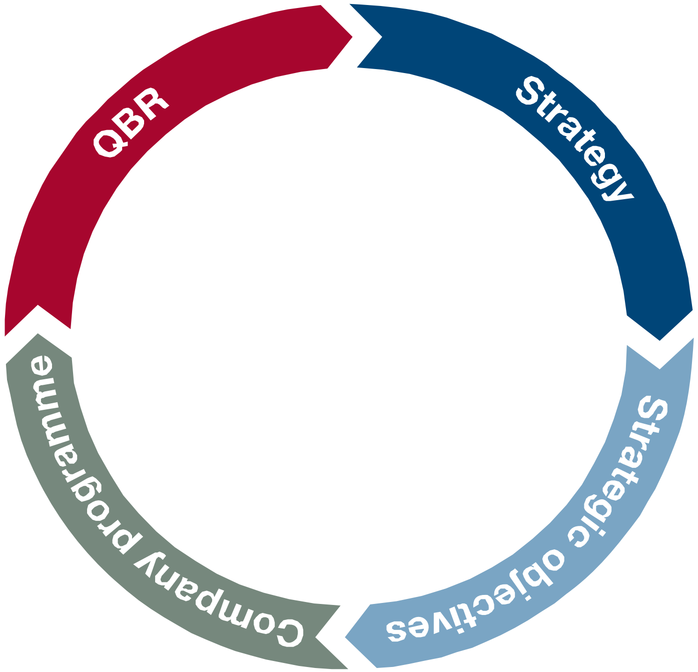
- Sharing best practice
- Lean management
- Profit management

People

- Solar leaders make talent grow
- Leading edge by competences
- Unleash entrepreneurship



Performance Management Process – from strategy to action!



- Group strategy
- Strategic objectives
- Company programme "New Solar 2010"
- Quarterly Business Reviews

solar

What we do

Solar's primary business areas are within electrical, HWS and ventilation products

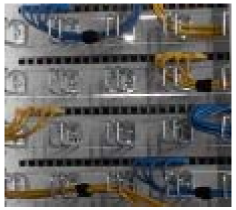
Installation

Cables

Marine & Offshore

Lighting

Industry



Communication

Security

Ventilation

Heating, Water
& Sanitary products

We deliver products and solutions to customers within

Residential and commercial buildings

Industry

Marine & Offshore

Utility and infrastructure

Public sector

solar

The financial impact
of the acquisition of Vegro B.V.

Vegro has had stable financial performance over the past 7 years

	2007		2008 H1	
€ m	**Solar Group**	**Vegro**	**Solar Group**	**Vegro**
Organic growth	15.3%	1.9%	8.7%	10.2%
Revenue	1,367.2	209.5	738.3	114.9
EBITA	77.3	7.0	30.2	3.2
EBITA %	5.7%	3.3%	4.1%	2.8%
Interest-bearing liab., net	147.0	39.8	166.4*	31.1

* In H1 2008, dividend distribution to shareholders amounted to € 17.6m and buy-back of treasury shares amounted to € 10.0m.

What have we paid for Vegro ?

• Price of 100% of the shares in Vegro	€56.0m
• Enterprise value at normalised net working capital	€93.0m

Restructuring costs and synergies

- Restructuring costs of approx. € 5-6m until 2010
- Sales synergies are expected from 2009
- Procurement synergies at Group level are expected from 2009
- Distribution, back office and net working capital synergies are expected from 2010
- By the end of 2010, total annualised synergies of approx. € 3-4m are expected – not including possible sales synergies

solar

Previously announced full year forecast for Solar and the impact of Vegro in 2008 amounts to: Revenue € 1,530m and EBITA € 75m

	2008 FY		
€ m	**Solar Group**	**Vegro Q4**	**Solar Group incl. Vegro Q4**
Revenue	1,475	55	1,530
EBITA	73	2.5	75
EBITA %	4.9%	4.5%	4.9%

The Dutch market, Vegro and the combined Solar & Vegro

Strategic rationale

- Dutch installer market
  > 50% technical installers, i.e. both Electrical & HWS
- One-stop shopping opportunity for installers
- Efficiency developments
  Concentration of purchase, tenders, (off-line) e-business
- Increased focus on integrated solutions and energy efficiency
- Disappearing borders between the market segments under the influence of e.g. heating pumps and renewable energy
- Consolidation of the Dutch wholesale industry
  Recent: Saint Gobain, Wolseley, Rexel
- In line with the overall Solar Group strategy

Strategic rationale

- Access to strong customer base via the acquisition of national independent market leader within HWS
- Solar becomes the clear runner-up after the market leader in the technical wholesale market
- Access to highly qualified management and specialists within both heating and sanitary products
- Synergies within:
  customers and projects
  network of branches & showrooms
  increased efficiency within back office and logistics
- Supports our “Solar Group critical mass” within procurement of HWS

solar

Vegro highlights

Company highlights








- Leading wholesaler of heating equipment and sanitary products in the Netherlands with a revenue of € 210m in 2007
- Established in 1959 and profitable ever since
- Loyal customer base consisting of contractors, installers, DIY retail and franchise chains
- Employs 370 FTEs

History

1959-2000

1959
Establishment of Vegro

1965
Opening of second branch

1973
Introduction sanitary products

1999
Introduction new ERP system (JD Edwards)

2000-2005

2000
Restructuring of logistics

2001
Opening of two RDCs

2004
Opening of new CDC

2005
Appointment of new management team

2005-2008

2006
New business plan and strategy in place

Start of the Vegro optimisation program

2007
New showroom concept

2008
Project Virginia

Products

Heating

- Central heaters
- Boilers
- Air treatment installations
- Local heaters
- Radiators

Sanitary

- Ceramics
- Taps & bath accessories
- Water closet / toilets
- Bath / shower

Showroom concept

Focus on middle and luxury segments

Complete bathrooms displayed

Well-trained showroom personnel

5 new showrooms have opened, been relocated or refurbished recently

Intention to renew all the showrooms in the coming years and to open new showrooms in areas with high residential building potential

Hengelo

Drachten

Logistics network

Central DC Alkmaar

- 37,000 m² area
- Stocks all items; 18,500 SKU
- Processes 7,000-12,000 lines per day
- Generates 400 customer drops per day
- Supports the north-west region fully and the other regions partially

Regional DC Zwolle

- 14,000 m² area
- Stocks only non-conveyable items; 2,500 SKU
- Processes 800-1,400 lines per day
- Generates 475 customer drops per day
- 5 trailers daily from CDC to RDC
- DIY distribution centre

Customer segmentation

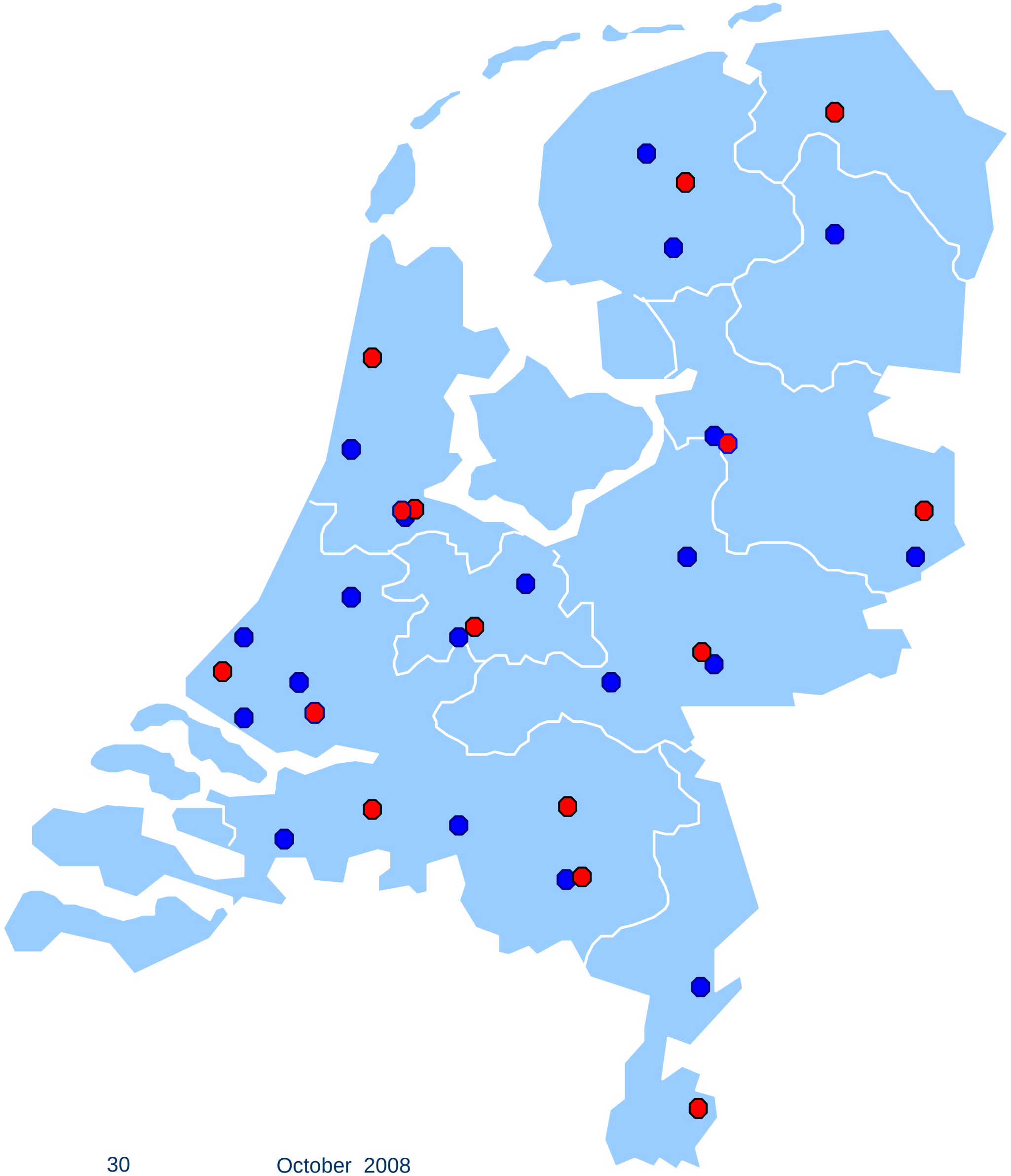
Installers & small contractors	Intensive approach by sales representatives 12 showrooms across the Netherlands
Special Accounts (large installers)	Intensive long-term investment and approach by sales representatives and manager Special Accounts
DIY	Serviced from headquarters

The combined Solar & Vegro

The combined Solar & Vegro in 2008

Revenue:	> EUR 450m
Number of employees:	807 FTE
Number of branches:	37
Number of customers:	over 13,000
Number of stock items:	49,000
Number of stock suppliers:	360

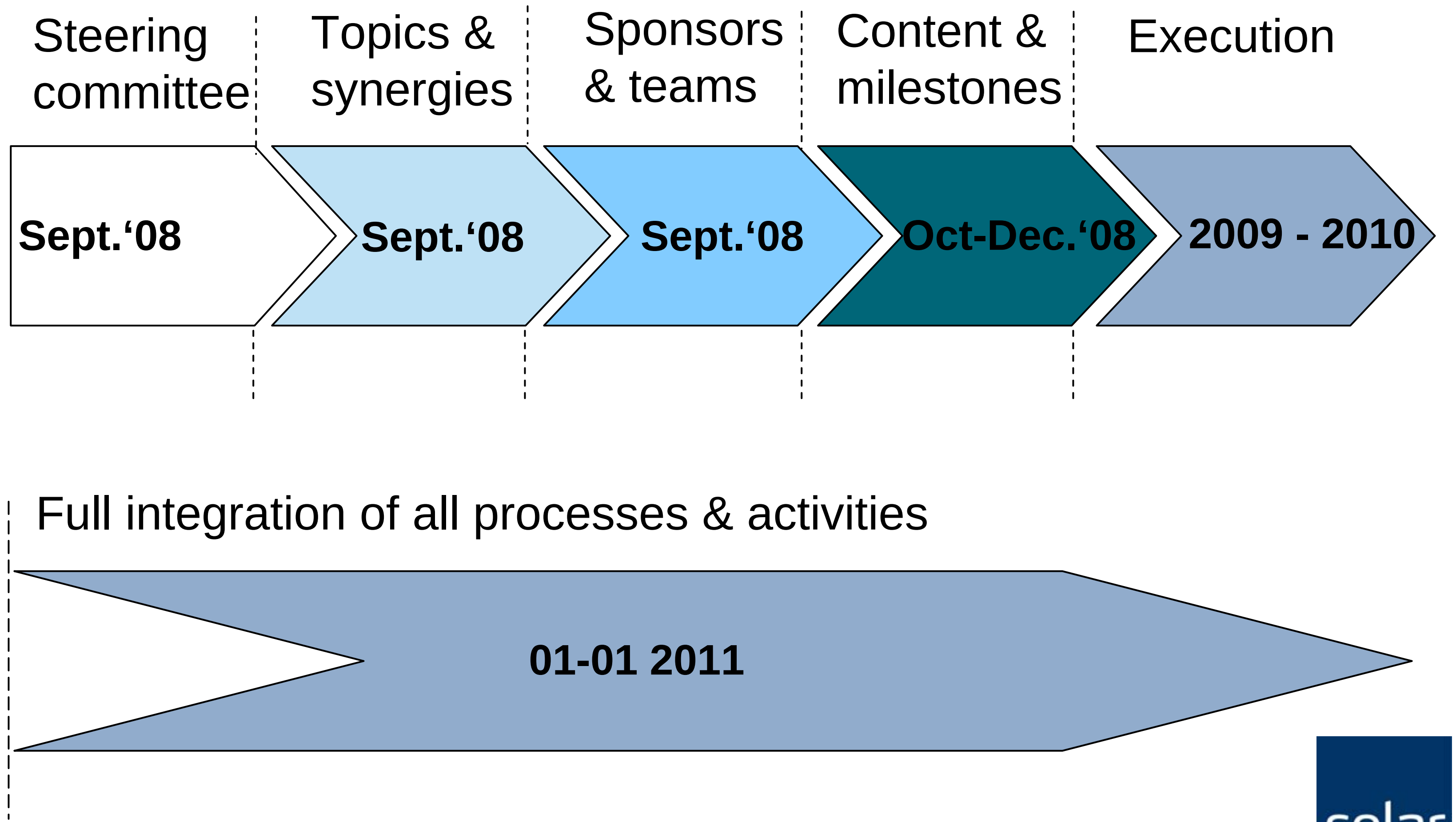
Branch network Solar / Vegro



- **9 new regions**
- **6 branches in the same cities**
- **12 showrooms**
- **37 pick-up possibilities for customers**
- **Technical expertise at branch, regional and central offices**
- **Higher delivery capacity**
- **Increase of service package**

The Post Merger Integration Plan

Main phases of the PMI plan



Content of the post merger integration plan

The PMI plan includes the following main topics & synergies:

- Growth – Sales and Market
  - Customer segmentation, key accounts, cross-sales activities, branch network, products, suppliers, sales promotion
- Efficiency – Supply chain and IT/Phone
  - Logistics, distribution, purchase
  - SGS integration, phone system
- People – HR and Communication
  - Retention, key people, competence mapping, employee contracts
  - Internal: Information meetings, info paper, welcome letter, Solar Portal
  - External: Customers, suppliers and other stakeholders

solar stronger together

Acquisition of Vegro B.V.

Time for questions !