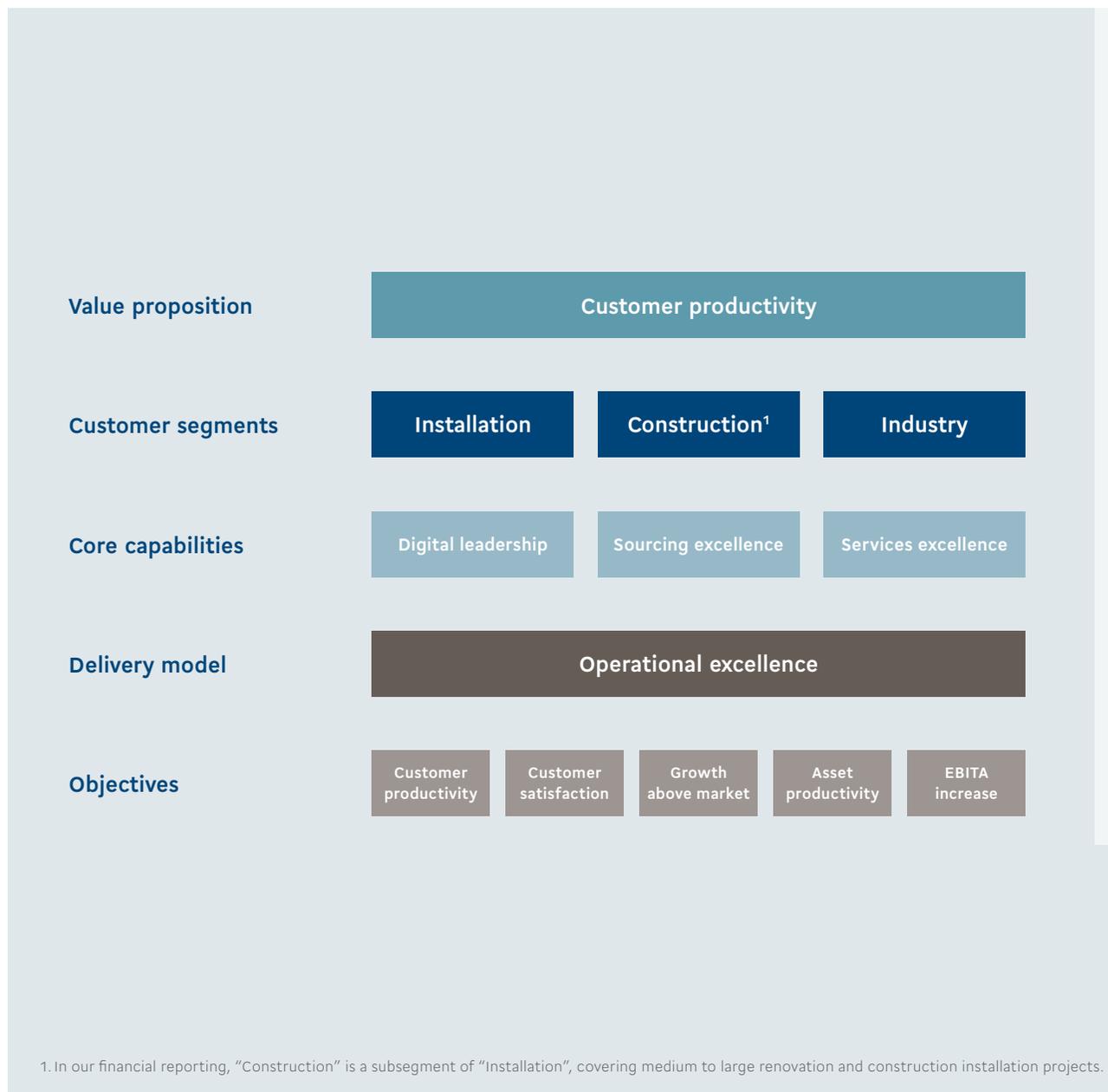


Strategy

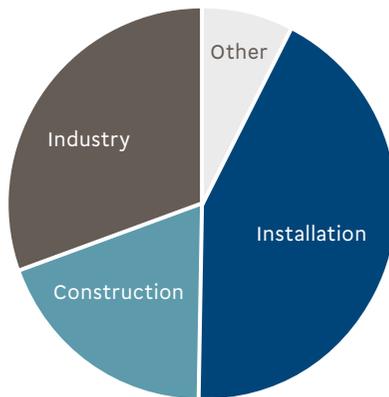
Our strategic sourcing and services approach

- Solar is a leading European sourcing and services company mainly within electrical, heating and plumbing as well as ventilation, climate and energy solutions.
- Our strategy is to deliver the right products at the right price in a way which makes our customers more productive.
- We serve installation customers on both smaller maintenance and repair jobs and on larger renovation and construction projects as well as industry customers on maintaining their production facilities.
- Digital is in our DNA, and we have led our industry in terms of digital catalogues, e-business and digitalisation for decades.
- Our objective is to drive best in class organic growth and earnings, through a relentless focus on customer productivity and satisfaction combined with strong operational excellence.



Customer segments

- We serve three distinct customer segments and always strive to understand our customers' unique and genuine needs in order to provide relevant, personal and value-adding services.



Installation

- Small and large service firms within electrical installation and heating and plumbing, conducting minor installation or repair jobs.
- The installation business is affected by capacity bottlenecks and price transparency all the way to the end consumer, making productivity a winning value proposition.
- Installers should not waste time on procurement, logistics or inefficient processes.
- Solar constantly seeks out products, services, digital solutions and business opportunities in order to support installer productivity.
- One example is our Fastbox service, which offers delivery within one hour, thus enabling installers to spend more time with their customers.

Construction¹

- Small and large installation firms, working as subcontractors on large renovation or new construction projects.
- Construction projects are highly complex operations, susceptible to delays and budget overruns.
- Solar can support design, product selection and planning decisions to reduce costs and risks effectively.
- Solar is a construction partner, not merely a supplier and logistics provider.
- As an example, we provide a broad range of services, such as advanced construction site logistics to further reduce total costs and boost efficiency and productivity.

1. In our financial reporting, "Construction" is a subsegment of "Installation", covering medium to large renovation and construction installation projects.

Industry

- Small and large companies within selected verticals.
- Panel building & Machine building
- Marine & Offshore, Oil & Gas, Wind Power
- Telecom & Infrastructure
- Food & Beverage
- Agriculture & Fishery
- Pharmaceutical & High Tech²
- To exemplify, Solar is an industry specialist engaging with a Total Cost of Ownership (TCO) approach and managing non-strategic procurement, warehousing and logistics.

2. Segments serviced globally through MAG45.

Core capabilities and delivery model

- We strengthen our value proposition to our customers by developing our business with specific focus on these core capabilities.
- We proactively develop our business based on our digital leadership, with up to 80% of our business transacted digitally in key markets.
- We leverage decades of experience and scale to optimise sourcing on behalf of our customers.
- Our services are proprietary and based on our strong know-how, customer understanding and specialisation.

Continuous improvement

- We always strive to keep our costs low to protect our margins in a market with increasing price transparency.
- Solar drives continuous improvement within a broad range of disciplines, and we effectively leverage our regional footprint to reduce costs and improve efficiency.

Digital leadership

- Craftsmen are adopting mobile apps in their work on a large scale.
- Internet of Things and technologies related to the construction value chain, such as Building Information Modelling (BIM), are maturing rapidly.
- Opportunities for new services to drive productivity, efficiency and cost savings in close collaboration with existing and new customers.
- Our upcoming customer platform is an example hereof. The platform, which includes webshop, website and digital marketing, is integrated to support a personalised customer experience.

Sourcing excellence

- Bundling customer spend within selected product categories.
- Working both with brand manufacturers and proactively seeking alternatives, based on our understanding of customers' needs.
- Differentiated concept assortments within multiple solution areas.
- As an important part of our sourcing excellence, we offer Solar concepts in close cooperation with our strategic suppliers.

Services excellence

- We work closely with our customers to offer tailored services that optimise their businesses and make them more productive.
- We ensure that our services maintain a clear commercial standard, i.e. are sufficiently value-adding for customers to be willing to pay for them.
- We offer services, which range from product engineering, advisory services and technical support to customer logistics and smart supply.

Operational excellence

- Central and regional warehousing, common lean processes, integrated IT systems and shared services across our local operating companies.
- Reducing the need for drive-in visits, e.g. through our strong e-business focus combined with digital and logistics services, thereby reducing costs and inventory, and increasing customer productivity.

Accelerating business development

- While we meticulously continue to develop our core business, we are also proactively positioning Solar at the forefront of industry change to take advantage of new opportunities.
- To accelerate our business development we execute our strategy through a combination of own development, acquisitions and strategic partnerships.
- Our investments in front line digital businesses combine our deep industry knowledge and decades of digitalisation experience with their business innovation and new, scalable digital platforms. This means that we are able to deliver innovative industry solutions to the market at a higher pace.
- Acquisitions and partnerships specifically strengthen Solar with regards to new roles in the value chain, commercial insight and digital construction.
- We strategically position ourselves to benefit from industry transformation and digitalisation, making Solar an attractive business development partner for innovative customers and entrepreneurs.



New business development driven through:

- own development,
- acquisitions or
- partnership

Financial targets

Solar's financial targets

Through our sourcing and services strategy we are aiming for profitable growth. Following our strategy review we have changed our long-term financial targets.

Core business

We aim for an EBITA margin of minimum 4% by 2020, corresponding to ROIC of minimum 15% after tax. In order to reach the target, we strive to improve profitability in all subsidiaries.

We have three major strategic focus areas:

1. Strategic suppliers

We pursue growth opportunities in concept sales. Solar offers a number of concepts to the market that meet different customer needs. We offer these concepts with a combination of both high quality, value-adding services and market-oriented pricing. We build on long-term cooperation with our suppliers, and by consolidating our customer's sourcing needs, we strengthen the margin throughout the supply chain. We see an upside potential by expanding our product categories and our concept offerings, mainly in the Netherlands, Sweden, Norway and, to a lesser extent, in Denmark

2. Industry focus

With industry sales being the most profitable of our main segments, we will continue to strengthen our focus on this business area. The industry sales organisation will continue to approach our customers with cross-national solutions in order to identify individual solutions for optimising their businesses. Today, we offer a broad range of services to our industry customers.

3. Operational excellence

We will continue to invest in productivity improvements in order to continuously grow the business and expand the services to our customers. We will exercise a strict management of our cost base. At the same time, we will reallocate costs to growth areas and further digitalisation of the business.

A prerequisite for achieving our targets for 2020 is that the markets in Denmark, the Netherlands, Sweden and Norway remain stable.

Related business

Related business is a high growth area. We expect organic growth of minimum 15% per year. Short term, this will lead to dilution of margins. However, the target is that each company must deliver a positive EBITA within 2-3 years after the acquisition.

Digital, construction & services

Today, we hold a substantial investment in companies within digital, construction & services. Towards 2020, we expect to invest a maximum of DKK 25m in total within this segment. Currently, we do not foresee new investments.

Financial ratios	Financial targets ¹
Growth Core business	We aim to generate profitable growth above market levels
Growth Related business	Organic growth of minimum 15% per year
EBITA margin Core business	Minimum 4% by 2020, corresponding to a ROIC of minimum 15% after tax
Equity ratio	35-40%
Gearing (NIBD/EBITDA)	1.5-2.5
Payout ratio	35-45%

1. If the implementation of new accounting standards entails changes, the target will be recalculated.