Stockholm 07 September 2009

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Interim report January – June 2009

Satisfactory earnings trend in a weakened market

January-June

- Net sales for the first six months of 2009 amounted to SEK 9,496 (11,421) million, equivalent to a decrease of 16.9 % for both organic and actual growth.
- Income (EBITA) before restructuring costs amounted to SEK 510 (692) million, equivalent to an EBITA margin of 5.4 % (6.1). Profit/loss for the period amounted to SEK -235 (42) million. Net financial income/expense amounted to SEK -551 (-427) million.
- The loss-making businesses within the Electrical and Heating & Plumbing product areas in Denmark have been wound up during the period. Restructuring costs of SEK 21 million have been charged to the profit/loss for this. Winding up of the Latvian business that commenced in 2008 was completed during the period.
- It has been possible to observe a continued weakening in the general economic situation during the period, which has had a direct effect on activities within the construction sector, with new building in particular considerably lower than last year. As a result of measures taken during late 2008 and early 2009 Ahlsell has been able to respond relatively well to the declining sales.

Consolidated net sales and income (EBITA)

Summary of the group's performance	Actual 2009 YTD	Actual 2008 YTD	Change %
Sales (SEK m)	9496	11 421	-16,9
EBITA (SEK m)	510	692	-26,3
EBITA margin, %	5,4	6,1	-
Operating income, EBIT (SEK m)	315	523	-39,7

* including acquisitions on a 12-month pro forma basis

Net sales

Net sales decreased by 16.9 % to SEK 9,496 (11,421) million with organic growth also amounting to -16.9 %. All of Ahlsell's market segments have shown negative organic growth as a result of the market trend. The largest fall in sales has been within the Finnish segment, which also includes Russia and Estonia. Sweden, which accounts for about half of the Group's net sales, is the market segment that has shown the best sales development during the period compared with last year.

EBITA

The substantial decrease in sales during the period has had a negative impact on income. This has been largely offset by the fact that the Group has worked effectively to reduce its cost base and costs for the period are some SEK 200 million lower than last year. Income (EBITA) amounted to SEK 510 (692) million. In addition, one-off restructuring costs of SEK 21 million have been charged to the profit/loss for winding up the Heating & Plumbing and Electrical product segments in the Danish operation. The EBITA margin decreased to 5.4 (6.1) %.

Net financial income/expense and financial position
Consolidated financial income/expense for the interim period amounted to SEK -551 (-427) million. Net interest income/expense amounted to SEK -439 (-445) million. Exchange rates have had an effect on net interest income/expense of SEK 38 (15) million.

Consolidated Cash and Bank amounted to SEK 1,310 (901) million as per 30 June. This is equivalent to a decrease of just over SEK 100 million since the turn of the year, which given the natural seasonal variations with a higher capital tie-up around the turn of the half-year, plus the fact that the company's amortization amounted to some SEK 400 million during the period, must be considered highly satisfactory.

Net debts amounted to SEK 11,026 (10,839) million as per 30 June, and to SEK 11,027 million as per 31 December 2008.

Number of employees
There were 4,465 (5,222) employees at the end of the interim period. The decreased number of employees can essentially be explained by the redundancies that were made in December 2008 with respect to Sweden, Norway and Finland, along with the closure of the Latvian operation and parts of the Danish operation. The change in the number of employees since 31 December 2008 is equivalent to a decrease of some 500 persons, or 10 % of the total workforce.

Market comments January-June 2009

The profound downturn in construction and industry in the Nordic region during the latter half of 2008 has accelerated during the first half of 2009. All geographic markets are displaying negative sales trends with Finland hardest hit. We are observing the same pattern in terms of products, with the worst trend in ”Tools & Machinery” product area in relative terms.

Ahlsell's strategy in the sharply declining market is to focus on the gross margin, i.e. to try to maintain prices constant in a market where there is downward pressure on prices. The consequence of this strategy is that we have lost market shares in some of our markets. These ”losses” are however modest and can be rapidly recovered if the strategy changes.

The winding up of our business in Latvia and the Electrical and Heating & Plumbing operations in Denmark was concluded during the six month period. Both these projects have gone according to plan. Two major sources of losses for the Group have thereby been eliminated.

In a market characterised by weak demand, and that moreover is expected to remain weak for a substantial period, it is vitally important to rapidly adapt costs to the new conditions pertaining within the Group. Already during 2008 staffing was reduced by some 300 persons. During 2009 the company has continued to adapt its cost base by instituting measures that include cutting the number of employees. As staff costs correspond to about 2/3 of the total cost level, this has crucial significance for the company's profitability.

Capital efficiency in the company has improved and cash flow is better than planned and than it was last year. No acquisitions have been made during the period.

Segment – Developments in the countries where the group operates

Sweden
Sales are 13% down with the ”Tools & Machinery” product area representing the weakest growth. Almost 200 people have left the organisation during the period as a consequence of the downsizing project that was put in place in late 2008. The result is an EBIT margin that remains satisfactory at less than 1% lower than last year.

Norway
The weak level of activity within our Oil/Gas business has resulted in total sales declining by almost 20% in local currency. Here too substantial staff cuts have been implemented during the period. Operating income is marginally worse and the EBITA margin somewhat better than last year. However, overall profitability is unsatisfactory.

The authorities have now arrived at a formal decision that will enable construction to start on our central warehouse during the second half of the year.

Finland (including Russia and Estonia)
Finland is the country where we first saw signs of the recession during 2008. The fall in demand is also steepest there. An extremely weak market in Estonia and a low level of activity within the "Tools & Machinery" product area in Finland has resulted in a 25% fall in sales. Costs are now being gradually adapted to current conditions. Both the Russian and the Estonian operations are now running at a loss. Profitability in Finland is satisfactory given the problematic market situation.

Denmark (including Poland)
After having closed the electrical and heating & plumbing businesses during the period, what remains are our well-positioned, market-leading operations within Refrigeration and DIY. Profitability in these areas remains satisfactory, even though the market continues to be challenging. This means that profitability for Denmark is now rapidly improving.