



# Financial Year 2010

# The History of Ahlsell

**1877** Our history begins in 1877 with the establishment of the Bernström & Co sales company. In 1922, the company merges with R Ahlsell & Co and sharpens its focus on heating and plumbing products. The foundation for the Group of today is born.

**1964** Ahlsell & Ågren is listed on the Stockholm stock exchange.

**1986** El-Partner is acquired, and the company expands into the electrical segment. Ahlsell is delisted from the stock exchange.

**1987** Ahlsell becomes a subsidiary of the Trelleborg Group.

**1990** Ahlsell extends into refrigeration with the acquisition of Sandblom & Stohne. A central warehouse is built in Hallsberg, Sweden.

**1996** The DIY segment is established through the acquisition of Gelia.

**1997** Skoogs Elektriska, a listed company, is acquired and Ahlsell becomes the leading wholesaler in the electrical segment.

**1998** Ahlsell expands into the electrical segment in Norway and the

DIY segment in Denmark through the acquisitions of Storm Elektro and VVS-Trading, respectively.

**1999** Nordic Capital becomes the new principal owner. LVI Tukku Oy is acquired, which establishes a Finnish platform.

**2001** The Tools & Machinery business line is established through the acquisition of Tibnor Industrivaruhus.

**2003** A central warehouse is built in Finland.

**2004** Ahlsell becomes the market leader in Heating & Plumbing in Norway through the acquisition of Bergens and Stavanger Rørhandel. Its market-leading position in Tools & Machinery in Sweden is further enhanced through the acquisition of TotalPartner. Nordic Capital acquires Trelleborg's interest in Ahlsell and becomes the sole owner.

**2005** After acquiring Nexans Distribution AS, Ahlsell becomes the leading electrical installation supplier in Norway.

**2006** Goldman Sachs and Cinven acquire Ahlsell and become the new principal owners as of 1 February 2006. Ahlsell strengthens its position in the

Nordic refrigeration segment through the acquisition of Tempcold. Heating & Plumbing acquisitions in Estonia and an electrical installations acquisition in Åland open new markets.

**2007** Ahlsell acquires Idestrands, strengthening its market position in the Swedish construction industry. Acquisitions in the Tools & Machinery product area in Finland strengthen Ahlsell's leading position in this business line, both in Finland and the Nordic countries.

**2010** Early 2010 was characterised by the continuation of the 2009 financial crisis, as well as an unusually hard winter, which negatively impacted construction in the Nordic region. These negative trends turned around in the second quarter, particularly in the Swedish and Finnish markets, and the year as a whole closed with positive growth.

During the year, Ahlsell strengthened its position in the electrical installation sector in the Finnish market through the acquisition of Solar Oy. Wallers AB in Eskilstuna was also acquired in 2010. At the end of the year, the divestment process of the Norwegian company Ahlsell Oil & Gas AS was initiated, which concluded at the beginning of 2011.

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# The year in summary

- ◆ The beginning of the year was characterized by the global financial crisis and the harsh weather conditions in the Nordic countries with severe cold and excessive snow. This negatively affected the activity in many building sites, which resulted in a negative volume development for the company during the first quarter. In the second quarter, market activity in the building segment started to pick up and many of the company's market and product segments grew in volume. During the second half of 2010, volume growth remained stable.
- ◆ In the fourth quarter of 2009 Ahlsell signed a Letter of Intent with Solar A/S, a Danish listed Group, for the purchase of Solar's Finnish operations. The business has revenue of about SEK 200 million, seven sites of operation, and 50 employees. The acquisition strengthens Ahlsell's presence and competitiveness by adding further volume to its existing electrical installations operations in Finland. The acquisition was finalised on 18 January 2010.
- ◆ During the second quarter, Ahlsell acquired Wallers AB, a Swedish company active in the Tools & Machinery product segment. Its sales focus on the construction industry in and around Eskilstuna, Sweden. The operations has revenue of over SEK 20 million in 2010; it has six employees. The acquisition was completed on 10 May 2010.
- ◆ The construction of a central warehouse in Norway, Gardemoen, was completed in the last quarter of 2010. The warehouse will gradually transition into operation as regional warehouses are decommissioned. The introduction of the new logistical structure is expected to result in better supply and shipping services to the company's customers as well as increased profitability and more efficient capital use in the Norwegian operations.
- ◆ In late 2010, Ahlsell initiated the process to sell its wholly owned stake in Ahlsell Oil & Gas AS, a Norwegian company that had been identified for some time as a peripheral business for Ahlsell. The company is a leading player in its product segment of valves and pipes for the sea-based oil industry in Norway. It has revenues of some SEK 350 million. In January 2011, Ahlsell reached an agreement with Stream AS, a Norwegian company, and the deal was finalised during the first quarter of 2011.
- ◆ Group sales rose 1.4 per cent to SEK 19,256 million. Organic growth for the group was 3.2 per cent.
- ◆ EBITA was SEK 1,250 million, which corresponds to a margin of 6.5 per cent.

## KEY FIGURES FOR THE GROUP

	2010	2009	2008	2007	2006
Sales, SEK million	19,256	18,985	21,979	21,474	18,958
Income, EBITA, SEK million	1,250	1,108*	1,472*	1,222	1,329
EBITA margin	6.5	5.8	6.7	5.7	7.0
Net income, SEK million	492	-59	-740	-269	-161
Average number of employees	4,206	4,358	5,055	4,786	4,462

\* Before restructuring costs

# Ahlsell in 3 minutes



## Business concept

To efficiently carry out trading in installation products, tools, and machinery for professional users.



## Visions and goals

To be the customer's first choice for purchasing installation products, tools, and machinery. The objectives are to create good overall growth and high profitability. The Group aims to be a market leader in all product areas and in every market.

## Strategy

Ahlsell's organisation encourages decentralised decision-making. Its profit centres independently contribute to the Group's financial goals. Ahlsell aims to ensure continued organic growth by providing outstanding customer service and creating strong profitability. Its strategy is grounded in offering a wide product range and specialist experience, while maintaining local presence and strong customer relationships. Centralised functions such as purchasing, logistics, and administration also contribute to profitability. Growth through acquisition is another key component to achieving additional synergies such as improved market access, higher service levels, and additional profitability.

## STRENGTH

Wide product range



Strong customer relationships



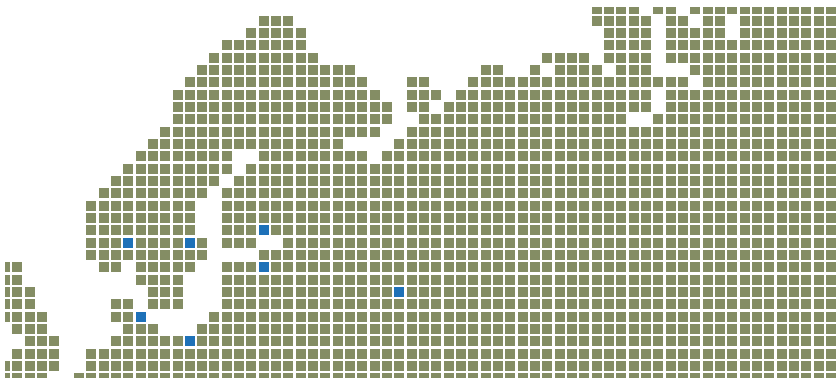
Skilled specialists

## OBJECTIVES

**2011** Ahlsell aims to achieve overall good growth and high profitability. It will fulfill this by meeting the following objectives.

- ◆ Continued logistic streamlining in Norway.
- ◆ Organic growth in new and existing sectors.
- ◆ Acquisitions that complement the core business.

## AHLSSELL PRESENCE



“ Ahlsell will continue to grow with balance while ensuring that profitability is always number one.”

## THE MARKET

### The market in brief

**Ahlsell is active in the Nordic region, the Baltic States, and Russia. The Group offers professional users a wide range of products and services in its Heating and Plumbing, Electrical, Tools and Machinery, Refrigeration, and Do-It-Yourself segments.**

### Governing trends

Energy efficient and environmentally friendly products are one customer trend, for which Ahlsell's green efforts and environmentally friendly tools and activities are well matched.

Industrial companies are tending to move toward fewer suppliers. Ahlsell

attracts these customers with its wide product range and its integrated concept.

A wider product selection in combination with more advanced technology means that commercial companies must supply a broad product assortment while offering customers the services needed.

### Growing market

The Nordic market is projected to grow in the next few years, accompanied by residential investments and aggressive industry. For Ahlsell, this means new sales opportunities and a positive growth market for professional products.

### Local presence

Proximity to customers and excellent knowledge of the local markets are essential. Ahlsell has 200 retail outlets and sales offices, designed to keep customers close to the widest product range in the market.

### Customers

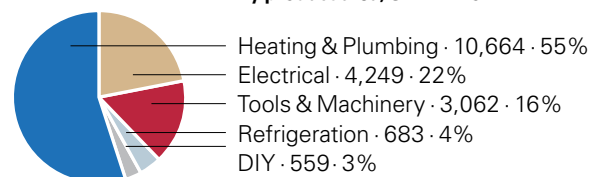
Ahlsell provides a broad range of tools and products for professional customers such as electrical, industrial, installation, refrigeration, and heating and plumbing contractors. Customers have a single point of contact and single supplier for their full product needs.

## EXTERNAL REVENUES IN 2010

By country, SEK million



By product area, SEK million



# Ahlsell's product segments

With over 100,000 items in stock, Ahlsell is able to satisfy the high requirements on diversity in relation to design, performance, and cost. Ahlsell offers an overall concept which gives the customer access to the entire range through one contact.



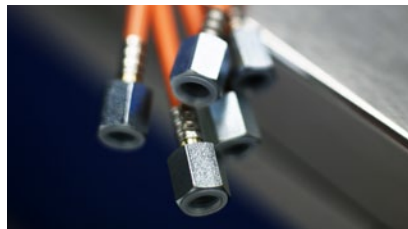
## HEATING & PLUMBING

Ahlsell's product range in Heating & Plumbing includes around 40,000 items in stock within heating, ventilation and sanitation. Everything from heating systems to products for the modern bathroom are available for heating & plumbing contractors and building companies. A wide range of metres, valves, hoses, pumps, pipes, and pipe accessories in different materials are marketed for industrial use. A large number of products are also available within water and drainage, from individual components to complete systems. The range also includes ventilation and insulation products.



## ELECTRICAL

Ahlsell lists some 90,000 Electrical items for electrical contractors and companies within the industrial, property, and power sectors, and keeps around 25,000 of these in stock. The range includes cables, installation and automation products, lighting, heating and data, telecommunications and security products.



## REFRIGERATION

The Refrigeration product line comprises cooling products and customised solutions for comfort cooling in offices, industrial premises, and residences, as well as commercial cooling in shops. Compressors, refrigerants and complete refrigerating units for cooling computers and telecommunication equipment as well as heat pumps are also included in the range.



## TOOLS & MACHINERY

Ahlsell stocks approximately 35,000 items in its Tools & Machinery line for professional end users in industry, installation and heating and plumbing/construction. The range includes hand tools, machines, personal protection, storage products, fixing elements, locks and fittings, construction products, cutting tools and welding equipment.



## DO IT YOURSELF

The Do-it-Yourself range consists of Electrical and Heating & Plumbing products that have been adapted for retail customers and their needs. The DIY concept is marketed under the Gelia brand for the Swedish, Norwegian and Finnish markets, and the VVS Trading brand for the Danish market. A total of some 10,000 items are kept in stock, sourced from both well-established local producers and worldwide.

# The Ahlsell concept

Ahlsell is the leading technical wholesaler for installation products in the Nordic region. Ahlsell offers professional users a wide range of goods and peripheral services within the product segments of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY (Do It Yourself).

The Ahlsell concept forms the overall strategy for steering Group companies towards Ahlsell's vision and goals. The strategy consists of five foundation stones.



## WIDE PRODUCT RANGE

With more than 100,000 items in its product range, Ahlsell lives up to its customers' high requirements on diversity of design and function as well as quality and cost. Ahlsell is currently the only player to offer a complete range in the Installation sector, and maintains a strong position in all product areas. At Ahlsell, customers are given access to a unique and wide product range through a single point of contact and supplier



## CENTRALISED FUNCTIONS

Centralised purchasing functions allow Ahlsell to achieve cost synergies in the purchasing process as well as benefits in supplier relationships. The corporate IT system and support functions are other important parts of our efforts to maintain economies of scale.

At the centre of Ahlsell's operations is the Group's highly efficient logistics system with its modern distribution centres located strategically throughout the Nordic region. Cost efficient goods handling with little capital tie-up, combined with large volumes, are the foundation for profitable business. Distribution centres have been established in the various countries of operation, in line with key volumes. Ahlsell aims to operate as a legal entity in each country, while maintaining centralised logistics, IT, and administration systems



## LOCAL PRESENCE

Local presence has been a competitive advantage for Ahlsell since the company's beginnings in 1877. Proximity to customers and excellent knowledge of the local market are essential to meet customers' needs in the best possible way.

Ahlsell has 200 retail outlets and sales offices, which keep customers close to the widest product range in the market. Our stores offer quick, easily accessible service, and are natural meeting place for many tradesmen.

Ahlsell carries out its operations in highly independent local units which have a clear responsibility for profit. Local managers work closely with their customer base, which allows them to optimise the quality of interaction with customers and motivate their employees. Continued expansion is bringing Ahlsell closer to more customers at new locations.

## GROWTH THROUGH ACQUISITIONS

Company acquisitions are an important part of Ahlsell's strategy for achieving the Group's overall goal of profitable growth. Ahlsell strengthens its competitive advantage through acquisitions, widening its product range, and increasing its presence in existing local markets. These actions enable Ahlsell to become an even stronger partner to its customers and suppliers, and improve service and accessibility for customers.

Another important motive for acquisitions is an opportunity for synergies,



## SKILLED SPECIALISTS & STRONG CUSTOMER RELATIONS

Knowledgeable employees are essential to be able to offer knowledgeable advice based on customer needs. Extensive industry experience, combined with continual training and trend monitoring, mean that Ahlsell's employees have intrinsic knowledge of the products, the market, and developing trends.

Ahlsell works as a specialist wholesaler for various customer categories within the framework of its extensive range. The sales function is organised into a number of market segments, and interacts with customers based on their specific needs. The combination of a broad product range, specialist expertise, and strong customer relationships in each market segment creates a good foundation for long and strong customer relationships, as well as new business.



primarily in such functions as purchasing, IT, logistics and administration. Acquisitions also enable Ahlsell to establish itself in new geographical markets. Ahlsell aims for all acquisitions to be integrated as quickly as is practically possible

# CEO's statement



“ This implies that profitability is more important than volume, and long-term relationships with our customers are more important than maximising short-term profits.”

## A RECORD PERFORMANCE – DESPITE TOUGH TIMES

2010 was a turnaround year. After a tough start, we finished the year with strength and returned a very good result for the 12 month period.

When summarising a year, we often remember the finish best. So it's important to recall that we started 2010 after two years of strong recession on a market that had still not fully bottomed out. Early in 2010, we found ourselves under strong price pressure, and our main challenge was to defend a reasonable level of prices and margins. Looking back, I am pleased that we managed to preserve our margins, and that we tackled the crisis as early and forcefully as we did.

## UNEXPECTEDLY POSITIVE SCENARIO IN SWEDEN

Operations in Sweden developed very strongly during the year. We increased our sales to small and mid-sized customers, successfully expanded and commercialised our offers, and built up an efficient organisation with clear leadership. However, none of that would have been achieved if we had not dared to make changes, such as packaging new offers and changing the mindset in our sales teams. This implies that profitability is more important than volume, and long-term relationships with our customers are more important than maximising short-term profits.

## DENMARK AND FINLAND PERFORM WELL

The Finnish and Danish markets also developed well during the year, with Finland particularly strong. The Finnish industrial sector was severely affected by the recession and had not moved out of the doldrums for several years. Today it's particularly satisfying to note that Ahlsell's Finnish operations are strong and showed good results in 2010.

## EVEN MORE HOPEFUL IN NORWAY

Our operations in Norway continued to experience a rougher ride than the rest of the Ahlsell Group in 2010. The Norwegian market is intrinsically weaker, and Ahlsell in Norway has traditionally used a different logistics system than the other countries. As a result, this year we completely transformed our Norwegian operations. As the pieces fall into place, we see efficiency gains from our efforts toward centralising the purchasing and administration functions, and, above all, the completely new central warehouse that opened in 2010. With the sale of Ahlsell Oil & Gas, we can now focus all our energies on our core business.

Despite Norway's weak result by Ahlsell's standards, and which was additionally burdened by extraordinary costs, our Norwegian operations still achieved a positive result in 2010. Ahlsell has a strong position in Norway, and with the new central warehouse in operations, conditions are right for us to achieve our greatest growth in the next few years in just this market.

## POSITIVE ACQUISITIONS MARKET

Ahlsell uses a clear acquisitions strategy. Several of our markets are characterised by a high level of consolidation, but there is still potential to add related product sectors that would merge well with our structure and logistics model. This, together with an acquisitions market that is in balance between buyers and sellers, convinces me that there will be many interesting discussions in our immediate future.

## INTO THE FUTURE ON A BROAD FRONT

Nordic GNP growth is expected to be strong in the next few years, with increasing residential investments and an aggressive industry, which puts a positive outlook on the market for Ahlsell. Several interesting trends

create the right potential for our offers.

One trend is customer demand for more energy efficient and environmentally friendly products. Our energy efficient efforts are a good example of a clear concept in tune with the times and well received by our customers. Another trend is the move by industrial companies towards fewer suppliers, which matches well with Ahlsell's wide product range and integrated concept.

There is great interest in our own brands, such as the A-Collection and Ironside, so that own brand development will continue to be a central part of our business in the future. We see a certain tendency for established suppliers to seek their own distribution networks. We will continue to respond to this trend by offering the best service in the market, a uniquely integrated approach, and expert know-how built up around our own brands.

#### PROFITABLE GROWTH

With a strong result, an operating margin of 6.5 per cent, reduced net debt, and strong liquidity, Ahlsell is well equipped for the future. We are in this position because we dared to streamline our organisation while also expanding and maintaining our customer relationships and preserving our profit margins.

In 2011, we will continue to focus on turning the situation around in Norway, work towards organic growth in new and existing sectors, and carry out acquisitions that complement our business. Ahlsell will continue to grow, but with balance and while ensuring that profitability always takes priority.

I would like to take this opportunity to thank all our customers, suppliers and employees for a good 2010 – one of the best in Ahlsell's history. Much suggests that 2011 will be even better.

Stockholm, March 2011

Göran Näsholm

CEO



# Sweden

## OPERATIONS

Ahlsell's history began in 1877, when partners John Bernström and Jakob Tornblad founded John Bernström & Co mainly to sell machinery, pumps, oil and agricultural equipment. The foundations of the present Group were laid in 1922 when Bernström & Co merged with R Ahlsell & Co to form Ahlsell and Bernström, giving it a stronger focus on heating and plumbing products. The company is now Sweden's leading supplier of installation products, tools and machinery.

Operations in Sweden include the Group's product segments Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. In 2010, 56 (52) per cent of the Group's external net sales were generated in the Swedish market. Overall, 2010 was a year of recovery in which a weak first quarter was followed by an improved growth rate during the rest of the year. During the year, two technical specialist competence centres were developed for skill enhancement and resource management in the fields of electrical and personal protection materials. At year-end, Ahlsell had around 80 sales units in Sweden. In 2010, the average number of employees in Sweden was 2,260 (2,309). There were around 60,000 customers during the year, with the ten largest customers accounting for around 11 per cent of net sales.

## POSITION AND COMPETITORS

In the Heating & Plumbing product segment, Ahlsell shares the marketing leading position with Dahl. In the Electrical segment, Ahlsell is number three among electrical suppliers. Elektroskandia continues to be the market leader while the Rexel-owned

companies Selga and StorEL together share the second position.

The Swedish market for Tools & Machinery has been in a consolidation phase during the last decade, and Ahlsell has taken an active role in this consolidation. Ahlsell together with B&B Tools are the two main players in the Swedish market.

Ahlsell has a strong market position in commercial refrigeration in Sweden. In the more fragmented domestic cooling market, Ahlsell is one of many players. In the DIY segment, Ahlsell is the market leader for Electrical and Heating & Plumbing products. Other major players include Dahl, Amiga, Malmbergs, and Schneider.

## OUTCOME 2010 AND FORECAST 2011

Operations in Sweden, the Ahlsell Group's most profitable market, performed well while recovering from the economic downturn. External net sales for the full year increased by 8 per cent to SEK 10,715 (9,875) million. Earnings (EBITA) totalled SEK 1,101 (884) million. The EBITA margin was 10.3 (9.0) per cent.

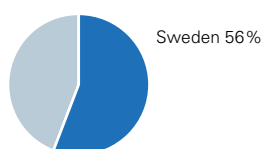
The strong improvement of the Swedish economy in 2010 created a good platform for growth in all business segments. The Industrial sector in particular gained back most of the drop from previous years.

In 2011, Ahlsell expects the market to grow firmly during the first half of the year, and show good growth rates in all sectors. Increased interest rates will moderate end-consumer demand in the building sector, but growth in the overall building market will continue. During second half of 2011, the market will continue to grow, but at a slower pace.

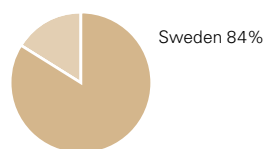


Johan Nilsson  
Head of Operations, Sweden

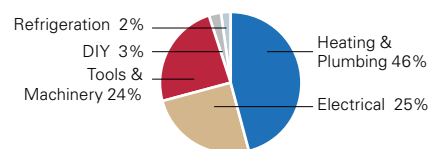
### SHARE OF THE GROUP'S EXTERNAL REVENUE



### SHARE OF THE GROUP'S EARNINGS (EBITA)<sup>1)</sup>



### SALES/PRODUCT SEGMENT



<sup>1)</sup> Excluding central expenses

# Norway

## OPERATIONS

Ahlsell established its operations in Norway in 1990 through acquisitions in the Refrigeration product segment. The Norwegian operations have since been expanded and now include the product segments Heating & Plumbing, Electrical, Refrigeration, and DIY. In 2010, the Norwegian operation accounted for 26 (29) per cent of the Group's external net sales. At year-end, Ahlsell had around 60 sales units in Norway. The average number of employees during the year was 995 (1,022). The operates had around 17,000 customers, of which the ten largest customers accounted for some 12 per cent of net sales.

During 2010 the Norwegian operations focused on the continuation and further strengthening of its efficiency-enhancing programme measures aimed at improving margins, reducing general costs and reducing the company's tied-up capital. The EBITA-margin decreased from 3.0% at year end 2009 to 0.3% at year end 2010. The main reasons for the decline in profitability were a general weak market and one-off costs associated with changes to the logistics process, which began after summer 2010. A new, modern logistics centre opened outside Oslo in December, and will gradually replace the 8 regional warehouses. The entire project is expected to be completed in August 2011.

At the end of January 2011, Ahlsell entered into an agreement with the Norwegian company Stream AS, which resulted in Ahlsell selling 100% of its shares in Ahlsell Oil & Gas AS. The company is a leader in its product segment of valves and pipes for

the sea-based oil industry in Norway, and it has for some time been identified as a peripheral business for Ahlsell. Ahlsell Oil & Gas has annual revenues of approximately SEK 350 million, representing around 7% of Ahlsell activities in Norway. The transaction was finalised on 28 February 2011.

## POSITION AND COMPETITORS

In the Heating & Plumbing product segment, Ahlsell shares a market-leading position with Brødrene Dahl. The German controlled company Heidenreich is third in the market. Ahlsell is a major player in the Norwegian electrical supplies market, where the largest companies are Elektroskandia and Onninen. In Refrigeration, Ahlsell is currently number three in the commercial refrigeration market and the largest player in the fragmented DIY market.

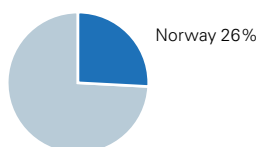
## OUTCOME 2010 AND FORECAST 2011

In 2010, external net sales in Norway amounted to SEK 5,029 (5,494) million. Earnings (EBITA) for the full-year totalled SEK 18 (167) million. The market began to weaken in the last quarter of 2008, and has remained relatively weak all throughout 2009 and 2010. In 2011, the Norwegian market is expected to start growing again from a low level but with a upturn towards the end of the year. The competitive intensity and industry outlook remains relatively fragile. Ahlsell expects that measures taken during 2009/2010 will improve profitability substantially even though the business is carrying a double cost for the new logistics structure during the first half of the year.

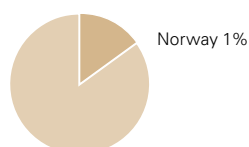


Göran Näsholm  
Acting CEO, Norway

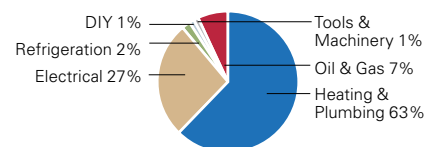
SHARE OF THE GROUP'S EXTERNAL REVENUE



SHARE OF THE GROUP'S EARNINGS (EBITA)<sup>1)</sup>



SALES/PRODUCT SEGMENT



<sup>1)</sup> Excluding central expenses

# Finland

## OPERATIONS

Ahlsell established its operations in Finland in 1990 through acquisitions in the Refrigeration segment. The operation expanded in 1999 through acquisitions in the Heating & Plumbing product segment. In 2005 the Group acquired leading DIY wholesaler Malk, and it expanded into the Tools & Machinery segment in Finland in 2006 through the acquisition of Kojaltek. Since then, approximately 10 other Tools & Machinery companies have been acquired and now form the foundation of the Tools & Machinery division. In 2007, Ahlsell acquired the Sähkötarvike Group and Solar Finland in 2010. Together they enable Ahlsell Finland to provide a range of electrical supplies to the Finnish market.

The overall market development in 2010 went through two phases. The first half of the year followed a still declining market, while the second half of the year was clearly positive.

Ahlsell's revenue in 2010 totalled SEK 2,721 million (2,686), corresponding to 14 (14) per cent of the Group's external net sales. Ahlsell bought Solar Finland's operations in January 2010 and integrated the operations immediately. During the year the focus was on continued integration of all the acquired companies, which included the coordination of the product range and logistics. The number of outlets decreased somewhat to 34, as all the remaining geographically overlapping outlets were merged. To enable the improvement of logistics and to manage increasing central volumes, the central warehouse expansion was started in late 2010 and will be finalized during 2011.

An additional 7,200 m<sup>2</sup> warehouse and 1,550 m<sup>2</sup> of offices will be built in Hyvinge.

The average number of employees totalled 532 (557). The number of active customers

was around 16,000, of which the 10 largest customers represent about 11% of sales.

## POSITION AND COMPETITORS

Along with Dahl, Ahlsell has a strong position in Heating & Plumbing in Finland after the market leader, Onninen. In Tools & Machinery, Ahlsell is a major player together with B&B TOOLS, the Erola Group and Würth. Ahlsell has medium market share in Electrical, where SLO, Elektroskandia and Onninen are the market leaders. In Refrigeration, commercial refrigeration and domestic cooling, Ahlsell shares the top position with Onninen. Ahlsell also operates in the DIY market.

## EASTERN EUROPE

In addition to the Finnish operations, Ahlsell Finland has subsidiary operations in Russia and Estonia.

## RUSSIA

Ahlsell established operations in Russia in 1995, which focus on supplying a range of Heating & Plumbing products for professional constructors and installers.

After a drastic cost cutting programme in 2009, 2010 was a year for stabilizing the business and cautious recovery and rebuilding. Some new sales offices were opened and new sales reps were recruited. There were an average of 104 (98) employees.

Revenue in Russia in 2010 amounted to SEK 143 (146) million, with a weak result.

## ESTONIA

Ahlsell established itself in Estonia through the acquisition of FEB in 2006, which immediately gave Ahlsell a market leading position in Heating & Plumbing. In 2007, it acquired Satter, a Tools & Machinery company. These



Mika Salokangas  
Head of Operations, Finland

two operations merged in 2008 to together build Ahlsell's operations in Estonia.

After heavy cost cuts in 2009, operations in 2010 focused on preparing for the future growth and fine-tuning current operations.

The average number of employees during the year was 132 (132). Revenue amounted to SEK 204 (226) million, with a negative result.

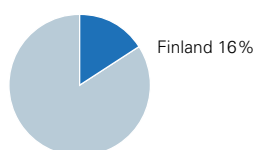
## OUTCOME 2010 AND FORECAST 2011

Ahlsell Finland's external net sales for the year, including subsidiary operations, increased by 0.3 per cent, by 5.4 per cent in local currency, to SEK 3,069 (3,058) million, which is equivalent to 16 (16) per cent of the Group's external net sales. The EBITA margin rose to 5.1 (3.1) per cent.

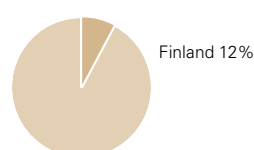
2010 was a year of change that transitioned from a declining overall market to recovery during the second half of the year after a dramatic total market decline in 2009. The overall market for 2011 is still difficult to predict and the market is fragile, but there are some positive signs that indicate growth in all sectors.

The Finnish operations in 2011 will focus on cost control and on further developing the cross-sales opportunities enabled by the acquisitions over the last few years.

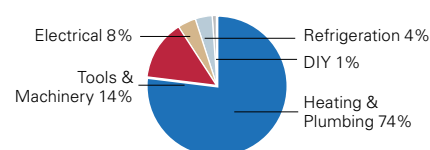
### SHARE OF THE GROUP'S EXTERNAL REVENUE <sup>2)</sup>



### SHARE OF THE GROUP'S EARNINGS (EBITA) <sup>1)</sup> <sup>2)</sup>



### SALES/PRODUCT SEGMENT <sup>2)</sup>



<sup>1)</sup> Excluding central expenses

<sup>2)</sup> Including Russia, Estonia and Latvia

# Denmark

## OPERATIONS

Ahlsell established a presence in Denmark in 1990 through the acquisition of its refrigeration operation. The Danish operation has since expanded to include the DIY product segment after the acquisition of VVS-Trading in 1998. Ahlsell Denmark, which organisationally also includes a smaller sales unit in the Polish Refrigeration product segment, accounted for 2 (3) per cent of the Group's external net sales in 2010. The average number of employees in the Danish operation, including the operations in Poland, totalled 183 (223). The number of customers totalled around 1,500.

## POSITION AND COMPETITORS

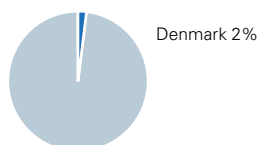
Ahlsell has a strong position in the Refrigeration market, and is the market leader in commercial refrigeration products. The second largest is H Jessen Jürgensen, owned by G & L Beijer. In the DIY segment, Ahlsell is the market leader for Heating & Plumbing products.

## OUTCOME 2010 AND FORECAST 2011

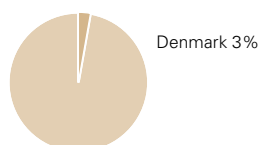
The revenue in 2010 for Ahlsell's Danish operations, including the Polish operation, was SEK 444 (557) million and the EBITA result was SEK 37 (0) million. Both the Refrigeration and DIY operations are well-established and profitable.

The Danish market in 2010 was characterised by shrinking volumes and increased price pressure. Ahlsell expects the market to perform better during 2011, resulting in growth for the year.

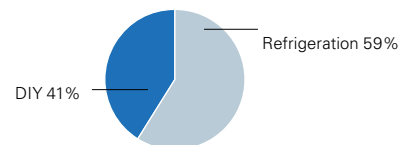
SHARE OF THE GROUP'S EXTERNAL REVENUE <sup>2)</sup>



SHARE OF THE GROUP'S EARNINGS (EBITA) <sup>1)</sup> <sup>2)</sup>



SALES/PRODUCT SEGMENT <sup>1)</sup>



<sup>1)</sup> Excluding central expenses

<sup>2)</sup> Including Poland

# Environmental

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Ahlsell is subject to environmental laws and regulations in all of the countries where we operate. We handle a small number of products in the central warehouses that are classified as hazardous substances under environmental law, including refrigerants, adhesives, and oils. These substances require specialised know-how and arrangements for their use, handling, transportation, storage and disposal, and we maintain a roster of qualified staff members to perform such functions. However, these substances represent only a very small portion of our product portfolio, and we believe that our overall environmental risk is limited. Given the nature of our business, as a distributor of products manufactured by others, we believe that our impact on the environment is small, primarily occurring through our choice of products, product transportation and operations at our central warehouses. Our logistics centre in Hallsberg, and our purchasing and distribution operations in Sweden, are environmentally certified according to ISO 14001, an international standard for environmental management.

As an essential component in our environmental strategy, the supply chain in Sweden has been environmentally audited at all levels – from materials handling, heating and lighting to internal and external transportation by forklift and truck. Several areas have been deemed especially important in this environmental work, and Ahlsell has established clear guidelines for these areas.

This means that Ahlsell will:

- Safeguard the handling of chemical products.
- Use transportation efficiently and together with the company's main shipper periodically measure capacity utilisation and environmental impact.
- Work toward more efficient energy use, measured as electricity consumption in relation to delivery volume.
- Increase waste recycling.
- Prevent situations that can lead to pollutant emissions through exercises and training.
- Increase understanding of the environmental impact of the product range using training.

“We handle a small number of products in our central warehouses that are classified as hazardous substances under environmental law, including refrigerants, adhesives and oils.”



# Ahlsell Energy Efficiency

There is a growing inclination in the Nordic region to improve energy conservation, especially as the majority of EU member states have agreed to reduce energy consumption by 20 per cent by 2020 through increased energy efficiency. Ahlsell developed a business concept with a number of activities and tools to facilitate the choice of a more energy efficient alternative for our customers. The concept includes product labels, manuals, seminars and a dedicated website. Ahlsell's venture is clear, commercially driven and tangible.



## IDENTIFIABLE

The first step in energy conservation is to be able to identify which products and systems have a 20 per cent or greater lower energy consumption when compared to a reference product, system or behaviour. Regardless of whether one of Ahlsell's sales staff is using the internal business system or if a customer is visiting the internet shop or browsing through catalogues, it is important that these products are easy to locate. The products that meet the required specification for "Energy Efficiency" is marked with a symbol intended to represent the reduction of energy consumption.

## VERIFIABLE

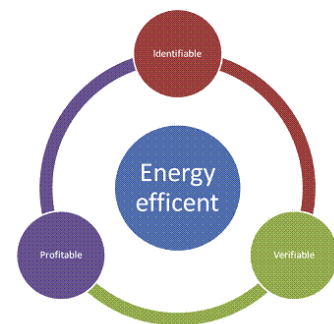
The second step concerns verification of the product or system to establish that it actually has a positive impact on energy consumption when compared with the chosen method.

## PROFITABLE

By reducing energy consumption by at least 20 per cent, the saving for the end user will be tangible. In addition to the investment frequently being able to be written off over a period of 5 years, we can often present a calculation that is profitable for the customer already from the first year.



## Energieeffektiv



# Employees and Personnel Development

Motivated employees who have both in-depth knowledge of products as well as a good understanding of customer needs are a critical success factor for Ahlsell. To maintain a commitment to service, it is important that employees enjoy their work and regard Ahlsell as a good employer. The aim is to satisfy our employees' need for personal development in a working environment that is both comfortable and safe.

As of December 31, 2010, Ahlsell had approximately 4,350 full and part-time employees. The following table shows the average number of employees by geographic market and function for the periods indicated.

Ahlsell promotes skills development through an extensive training programme called the Ahlsell Business School. The company has an internal training department tasked with providing its employees with training in internal processes and systems. Ahlsell has also established systems to record and monitor education and training of all employees. All new managers receive a full day of special training that reviews topics such as labour legislation, internal processes and corporate culture. In addition, a number of tools have been developed to support managers in their efforts to develop business together with employees, including a trainer's manual which sets forth sales strategies and policies used by managers to train employees. Introductory training for new employees is offered periodically at the logistics centre in Hallsberg, Sweden,

particularly for employees from acquired companies. Recurring training occurs on a regular basis at our central warehouse, including management training and training in the proper handling and storage of the limited range of hazardous substances we sell.

Most of Ahlsell's employees are members of unions. Union membership varies by country and employee type. The company is bound by several collective bargaining agreements. Relationships with employees and their labour unions are considered to be good, and Ahlsell has not experienced or been subject to any material work stoppage, slowdown or collective employee action. Furthermore, we have not recently experienced, nor do we reasonably foresee, an inability to find and employ the people necessary to run our business. In addition to salary and other benefits in kind, Ahlsell provides pension plans for employees, both defined-contribution plans and defined-benefit plans. These pension plans are provided on a country-by-country basis.



## AVERAGE NUMBER OF EMPLOYEES

Geographic Market	2010		2009	
	Number	Of which: Men %	Number	Of which: Men %
Sweden	2,260	80%	2,309	80%
Norway	995	82%	1,022	82%
Finland	532	79%	557	80%
Denmark	124	64%	165	73%
Estonia	132	88%	132	86%
Russia	104	54%	98	55%
Latvia	0	0%	17	59%
Poland	59	83%	58	86%
<b>Total</b>	<b>4,206</b>	<b>79%</b>	<b>4,358</b>	<b>80%</b>

# Governance

Ahlsell's corporate governance is based on several sources, including its Articles of Association and Swedish legislation such as the Companies Act and the Swedish Corporate Governance Code.

## SHAREHOLDERS

The company is 96% owned by Cinven and Goldman Sachs Capital Partners and 4% by its senior employees.

Cinven is a European buyout firm, founded in 1977, with offices in London, Paris, Frankfurt, Milan and Hong Kong. Cinven acquires European-based companies that require an equity investment by their funds of € 100 million or more. Cinven focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT). Cinven acquires successful, high-quality companies and works with them to help them grow and develop, using proven value creation strategies. Typically, Cinven holds its investments for between four to six years.

GS Capital Partners ("GSCP") family of funds is Goldman Sachs' primary private equity investment vehicle through which it conducts its privately negotiated corporate equity investment activities globally. GSCP is part of the Principal Investment Area ("PIA") within the Merchant Banking Division of Goldman Sachs and has invested approximately \$36 billion of equity in over 300 companies since 1992. GS Capital Partners focuses on large, sophisticated business opportunities in which value can be created

by leveraging the resources and expertise of Goldman Sachs to source, execute and manage investments. Since 1986, PIA has raised over \$82 billion of capital (including leverage) through 16 investment vehicles (including equity, mezzanine, senior secured loan and distressed funds).

## THE ARTICLES OF ASSOCIATION

The Articles of Association are agreed at the Annual General Meeting and contain mandatory information of a fundamental character for the company. They include details of the kind of activity in which the company is engaged, the size and regular meeting place of its Managing Board, the amount of its equity capital, specifications concerning various types of shares, the number of shares and how the company's AGMs are to be convened.

## THE ANNUAL GENERAL MEETING (AGM)

At the AGM, Ahlsell's shareholders decide on key questions such as ratifying the income statement and the balance sheet, dividend payouts to the shareholders, the Board's composition, discharge from liability for the directors and CEO, changes in the Articles of Association, appointment of auditors and the principles for remunerating the company's management.

## BOARD OF DIRECTORS

At present, the Board of Directors consists of seven members, including the Chairman. The table below sets forth the members of

our Board of Directors, the year they were born, the year of their respective initial election and their independence.

### Rolf Börjesson

Chairman of the Board of Directors since 2007. He currently also serves as a non-executive member of the Board of Directors of Svenska Cellulosa AB, Avery Dennison Corp. and Huhtamäki Oyj. Mr. Börjesson was the Chief Executive Officer of Rexam PLC ("Rexam") from 1996 to 2004 and the Chairman of Rexam from 2004 up to May 2008. Prior to joining Rexam in 1996, Mr. Börjesson was the CEO of PLM AB, Sweden. He spent 11 years in senior executive positions at ITT Corporation and Dresser Inc., based in Europe, but working extensively with United States-based companies. He is also a former member of the Board of Directors of Invensys PLC, Midway Holding AB, Frigoscandia AB and Copenhagen Airports A/S. Mr. Börjesson holds a Master's degree in Chemical Engineering from Chalmers University of Technology.

### Caroline Sundewall

Member of the Board of Directors since 2007. She currently also serves as a member of the Board of Directors of Haldex AB, Lifco AB, Pägengruppen AB, Tradedoubler AB, Mertzig Asset Management AB, SJ AB and as the Chairman of the Board of Directors of Svolter AB. Her professional experience includes positions at Ratos AB, Chase Manhattan Bank, Svenska Handelsbanken AB, as well as experience as an analyst in

Name	Position	Born	Member Since <sup>1)</sup>	Independent	Audit Committee	Compensation committee
Rolf Börjesson	Chairman of the Board	1942	2007	Yes	X	X
Caroline Sundewall	Board member	1958	2007	Yes	X	
Guy Davison	Board member	1957	2007	No		X
Magnus Hildingsson	Board member	1973	2007	No	X	
Steven Sher	Board member	1970	2007	No		X
Mattias Hieber	Board member	1976	2009	No		
Göran Näsholm	Board member / CEO	1955	2007	No		

<sup>1)</sup> Several of the board members have been members of previous operating boards of the Ahlsell Group

## Governance

the business divisions of Finanstidningen, Sydsvenskan, Affärsvärlden and Dagens Industri. Ms. Sundewall holds a Master's degree in Business from Stockholm School of Economics and has studied at Insead in France.

### **Guy Davison**

Member of the Board of Directors since 2007. Since 1988, Mr. Davison has worked at Cinven Ltd., where he currently serves as a member of the Board of Directors and is a member of the Consumer and Industrials sector teams. Recent transactions with which Mr. Davison has been involved include Maxeda, Unique Pub Company, Foseco and William Hill. From 1984 to 1988, Mr. Davison worked at the venture capital firm Larpent Newton and prior to that as a chartered accountant with KPMG LLP in London. Mr. Davison holds a Master's degree in History from Magdalene College, Cambridge University.

### **Magnus Hildingsson**

Member of the Board of Directors since 2007. He joined Cinven in 2005 as a Principal. Mr. Hildingsson is a member of the Nordic and Industrials sector teams at Cinven. Mr. Hildingsson previously spent four years at Intermediate Capital Group specialising in Nordic investment opportunities. Prior to this he worked in private equity and corporate finance at Nomura for five years. Mr. Hildingsson also serves as a member of the Board of Directors of Coor Service. He holds a Bachelor of Science degree from the London School of Economics.

### **Steven Sher**

Member of the Board of Directors since 2007. Since 2006, he has been a Managing Director of Goldman Sachs International. Mr. Sher joined Goldman Sachs in 1997 in the Investment Banking division and moved to the Principal Investment Area in 2000, where he is currently responsible for the private equity activities of Goldman Sachs Capital Partners in the Nordic region. Prior to joining Goldman Sachs, he served as a chartered accountant with Price Waterhouse

in London from 1994 to 1997. Mr. Sher also serves as a member of the Board of Directors of ISS and Endemol. Mr. Sher holds a Bachelor of Commerce degree and a postgraduate Bachelor of Accounting degree from the University of Witwatersrand.

### **Matthias Hieber**

Member of the Board of Directors since 2009. Mr. Hieber is a managing director of Goldman Sachs International. He joined Goldman Sachs in 2000 in the Principal Investment Area and from 2003 to 2006 worked in the London office of TPG Capital. He rejoined Goldman Sachs Merchant Banking Division in 2006. Mr. Hieber holds a MS from the Vienna University of Business Administration and is a CFA charterholder.

### **Göran Näsholm**

Member of the Board of Directors since 2007. From 1999 to 2007 Mr. Näsholm was a member of the Board of the previous parent company of the group. Mr. Näsholm is also the Chief Executive Officer, a position he has held since 1999. Prior to joining the company he worked in different positions within the Alfa Laval Group. From 2001 to 2003, he served as the Chairman of the Board of Directors of the Swedish Heating & Plumbing Federation (Svenska Rörgrösförbundet VVS) and from 2004 to 2006 he served as a member of the Board of Directors of the Swedish Trade Federation (Svensk Handel). Mr. Näsholm is a member of the Board of Directors of Svenska Handelsbanken Regional Bank Stockholm and Martin Olsson HAB. Mr. Näsholm holds a Bachelor's degree in Mechanical Engineering from Örebro Technical Institute and a Master's degree in Economics and Business from the University of Uppsala.

### **THE WORK OF THE BOARD 2010**

The Board's work follows an annual plan for the presentation of reports which is scheduled in its procedural rules. Prior to each Board meeting, the Board is provided with basic data compiled according to agreed procedures. These procedures aim to ensure

that the Board obtains relevant information and a basis for making decisions before each Board Meeting. All documentation is written in English.

During the year, seven board meetings were held inclusive of the Constitutive Meeting. At the meeting in October, the Board visited the logistics centre in Hallsberg.

The board meetings start with a discussion of the company's financial situation, which focuses on sales, expenditures, results and capital tie-ups. The Board decides on the interim reports and annual report. Accounting and auditing questions are prepared by the Audit Committee and reported to the Board.

### **GOVERNANCE ISSUES**

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for the organisation and management of a company. Our articles of association provide that the Board of Directors must be elected by our shareholders and must consist of between three and ten directors (with no deputy directors). In addition to the provisions in our articles of association, Swedish law provides that the labour unions which represent our employees have the right to appoint up to three additional directors and up to three deputy directors.

Under Swedish law, the chief executive officer and at least half of the board members must be residents of a country within the European Economic Area, unless the Swedish Companies Registration Office grants an exemption. Swedish law provides that board members who are elected at a general meeting of shareholders shall serve for a term expiring at the next annual general meeting. The labour unions representing the employees have discretion to fix the term of the board members who are employee representatives. While such terms may not exceed four years, these members may serve for an unlimited number of consecutive terms. Board members elected by our shareholders may be removed from office at any time by a general meeting of shareholders, and vacancies on the board

## Governance

may only be filled by a resolution of the shareholders. Under Swedish law, the chief executive officer of a Swedish public limited liability company may not serve as chairman of the board.

### AUDIT COMMITTEE

The main task of the Audit Committee is to assist the Board in checking the financial reporting and accounting procedures and the accounting principles as well as following up the audits for the parent company and the Group. In addition, the Committee evaluates the quality of the Group's reporting and risk-handling functions as well as participating in the auditors' reports and viewpoints.

The audit committee comprises of the Board members Caroline Sundewall (Committee Chairman), Rolf Börjesson and Magnus Hildingsson.

Gunnar Haglund, CEO of Ahlsell, and Bengt Colmander, Secretary of the Audit Committee also participated in the meetings held during the year together with members of the Company's controlling and reporting staff who reported issues related to the Audit Committee tasks.

In 2010, the Audit Committee held three meetings. The external auditors participated during three meetings. During the year, the Committee dealt with questions relating to the company's financial reporting inclusive of part-yearly reports and the annual report.

### COMPENSATION COMMITTEE

The Group applies a process whereby recommendations and decisions for salaries, remuneration, benefits and other employment terms and conditions for the CEO and other senior executives, who report directly to the CEO, are determined and approved by the Compensation Committee.

The compensation committee shall consist of at least three directors, which may not be employees of the company or any other company within the Ahlsell group. The members shall be independent of the company and its management. The chairman of the board of directors shall chair the committee. The members of the committee shall be elected for a term of one year, however not longer until the time of the next annual general meeting.

### AUDITORS

The auditors are appointed by the shareholders at the AGM, normally for a period of one year. The auditors inspect the company's annual report, Group report and accounts as well as the corporate administration by the Board and CEO.

At the AGM, the professional services firm KPMG was chosen as Ahlsell's external auditor. The authorised public accountant Thomas Thiel from KPMG is mainly responsible for the audit.

### INTERNAL AUDIT

The company has a simple legal and operational structure and has elaborated a system of governance and internal inspection. The Board follows up the company's appraisal of the internal inspection, for instance through discussions with the company's auditors. Against the background of the above, the Board has decided not to have a special internal audit function.

### THE COMPANY MANAGEMENT

The CEO is appointed by the Board and tasked with assuming the responsibility for the ongoing administration of the company according to the Board's instructions. The CEO reports to the Board about Ahlsell's development and prepares the basis for making decisions on investments, company establishments, and more.

The CEO manages and checks that the company is run in accordance with the Swedish Companies Act, other laws and regulations, the Articles of Association and the Board's instruments of internal governance.

In Ahlsell's organisation, the country heads and the members of the group management report directly to the CEO.