


Financial Year 2006

**ahlsell**



Ahlsel is one of the Nordic region's leading trading companies. We offer professional users a wide range of products and peripheral services within the segments of Heating & Plumbing, Electrical, Tools & Machinery and Refrigeration. Less than 5 percent of sales goes to retailers in the DIY (Do-It-Yourself) sector.

We make it easier to be professional

ahlsel

### **Business concept**

To create efficient trade in installation products, tools and machinery for professional users.

### **Vision and objective**

Ahlsel shall be the customer's obvious choice in the field of installation products, tools and machinery. The Group's overall objective is to generate high growth and profitability and become a leading player in all product areas in each market.

### **Our strategy**

- A broad-based offering comprising heating, plumbing and electrical products, tools and machinery as well as refrigeration products, representing a unique range in each product area
- Local presence with independent sales units close to our customers
- Specialized expertise in each market segment and product area
- Centralized purchasing, administration and logistics
- Growth through acquisitions

# The year in summary

■ **During the year we have achieved profitable growth within existing structures and profits were the best ever.**

- Group sales, adjusted for exchange rate fluctuations and acquisitions, increased by 9 percent to SEK 18,958 million (16,245).

■ **During the year strategic acquisitions continued to be made. They contributed with approximately SEK 1 billion in turnover and new, competent employees.**

- Data/telecom wholesale business MCOM contributed to Ahlsell's establishing market leadership within the data/telecom sector in Sweden.
- Tempcold strengthened the Refrigeration product sector in all Scandinavian countries.
- Kojaltek established Ahlsell as a leading player within the Tools & Machinery sector in Finland.
- FEB introduced Ahlsell to Estonia as a market leader within the HVAC sector and opened an exciting new market.
- Ålands Elcenter established Ahlsell within the Electricals sector on Åland.
- Idestrands, acquired in January 2007, strengthened Ahlsell's market position within the Tools & Machinery sector of the Swedish building industry.

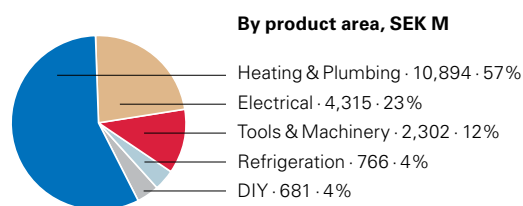
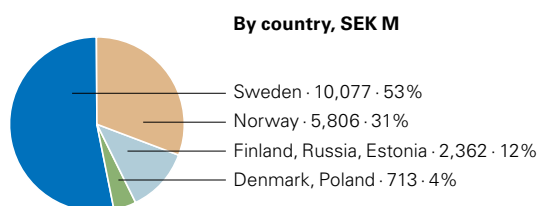
■ **The final stage in the introduction of a common Group IT platform occurred during the year. This means that improved cost effectiveness and quality is achieved.**

■ **Work began in centralizing logistics in the Norwegian market. During the year 48 distributing warehouses throughout Norway were rationalized into eight. A central warehouse is planned to come into operation in 2009.**

## KEY FIGURES FOR THE GROUP

	2006	2005	2004	2003	2002
Sales SEK m	18,958	16,245	11,119	9,883	10,069
Income (EBITA) SEK m	1,329	1,041	583	455	394
Operating margin (ROS)	7.0	6.4	5.2	4.6	3.9
Net income SEK m	-161	463	251	101	9
Return on operating capital	43.0	40.5	34.4	27.3	21.1
Average number of employees	4,462	4,252	3,145	2,944	3,057

## EXTERNAL SALES IN 2006



# Vigorous 130 year-old generates profitable growth

2006 was a good year for Ahlsell. Sales grew in line with the strong market and we achieved our best results ever, both in our Swedish operations and in the Group as a whole. Income (EBITA) totaled SEK 1,329 million (1,041). We were certainly helped by a buoyant economy and the right strategic decisions, but our success was essentially due to the hard work of our employees.

When John Bernström and Jakob Tornblad founded the company that formed the basis for today's Ahlsell on March 1, 1877, they could hardly have imagined that its successor's sales would reach almost SEK 20 billion 130 years on. At that time, the company sold pumps and threshing mills in Stockholm and eventually merged with R Ahlsell & Co in 1922. The reason, then as now, is a strong business team that endeavors to "make it easier to be professional." Now, 130 years later, we have significantly broadened our product range and expanded the company beyond Sweden's borders. From this starting point we are now working to become Europe's best trading company within our field of activity.

## DEVELOPMENTS IN OUR OPERATING COUNTRIES

Our operations in Sweden have grown strongly during the year. Sweden is our most profitable market and it is largely here that we develop new concepts, then distributed within the Group. It is worth noting that we succeeded during the year in considerably improving our margins within the electrical installations segment and that the growth segments designated in our organigram as Development Activities have taken off. It is also particularly gratifying to note that operations within the Heating & Plumbing, Refrigeration and DIY segments all have performed well and continue to make a significant contribution to our consolidated revenues.

Over the last few years, our Norwegian operations have been characterized by comprehensive mergers and integrations of the companies that we acquired there. The restructuring work has so far gone ahead as planned and it was also decided during the year to centralize our logistics. Several distribution points have been reduced to a few and the next step towards a central warehouse solution will be taken during 2007. The last piece of the Ahlsell concept will then fall into place in our Norwegian operations. It will create the same struc-

ture there as our operations in Sweden and Finland, so that they can all continue their profitable growth. Our Finnish operations have been a success story within Ahlsell and 2006 was no exception: our operating margin continued to rise and reached 6.6 percent in 2006.

Although our growth rate in Denmark was below initial expectations, our operations there show the best volume development of any of the countries in which we are active. Our expansion in Russia has now given us a solid foothold in the country. We opened three new branches there during the year: in Moscow, Samara and Novosibirsk, as well as a new store in St. Petersburg.

## ACQUISITIONS AND A NEW BUSINESS SYSTEM

We also realized a number of strategic acquisitions during the year.

In January we acquired the data/telecom wholesaler MCOM, which offers cable systems for local and broadband networks, data and telecoms products as well as fiber-optic products mainly to installation companies, power utilities and municipalities. This acquisition has made us a clear market leader.

In April we strengthened our leading role in the sector by acquiring Tempcold, which offers a comprehensive range of refrigeration products throughout the Nordic region.

This was followed by the acquisition of Kojaltek in May, which made us a leading player in the Finnish market for tools and machinery, and of heating and plumbing wholesaler FEB in September, which established us as leader in this Estonian market. During the year we also acquired Tjust Industritillbehör who offers a range of tools and machinery to industrial customers in Västervik and the region as well as the electrical wholesaler Ålands Elcenter on Åland.

In total, the acquisitions we made in 2006 added about one billion SEK in sales and many new competent employees to the Group.

The Vivaldi business system was

rolled out in Sweden during 2006 and in our Danish Refrigeration operations in January 2007. It was already in use with our operations in Finland and Norway as well as our Electrical and Heating & Plumbing business in Denmark. Now that Sweden and our Danish Refrigeration business have joined this environment, we have created a shared platform across the Group. That way we can improve our cost-effectiveness and introduce standard routines throughout the Group for our accounting, finance, e-commerce, sales and purchasing operations.

### STRONGER ROLE FOR WHOLESALERS

We are often asked about the role played by wholesalers. Our end customers are exposed to a growing demand for broader diversity in their product range from both design and cost perspectives. If we add the greater technical content of the products, it becomes increasingly difficult for retailers to handle both the purchasing procedures and to stock the wide diversity of products demanded by the end customers. We have also benefited greatly from our broad range and the logistics solution we offer the market. Our conclusion is that the wholesaler's role will become increasingly important.

In contrast, it will become a real challenge to attract the right competence in the future. Our main tool in meeting this challenge will be to create scope for motivating our employees. Committed and motivated employees are an absolutely critical success factor. We must create interest in Ahlsell as an employer and also build up customer and supplier loyalties. We are doing this by giving our brand name a positive resonance on the basis of our shared day-to-day activities at Ahlsell.

### FOCUS ON GROWTH AREAS

On the whole, we can note that we also succeeded in reaching our overall objective in 2006, namely to create growth with high profitability. Sales during the year were SEK 18,958 million (16,245), or an increase of 16.7 percent over the previous year, and our income (EBITA) rose by 7 percent (6.4). We are certainly proud of the results that we achieved but we cannot rest on our laurels. We must continue our profitable growth within our existing structure but also create new growth by means of acquisitions.

In endeavoring to realize the first of these ambitions, we have identified several areas in our Swedish operations (data/telecom, electrical utilities, real-estate supplies, building constructors and home stores) that we feel have significant growth potential. By focusing on these segments, we ensure that operations develop in the right way for us.

We acquired Idestrands trading company at the beginning of 2007, thus strengthening our market position vis-à-vis the Swedish construction industry and increasing our presence in three key regions, namely Stockholm, Gothenburg and Malmö.

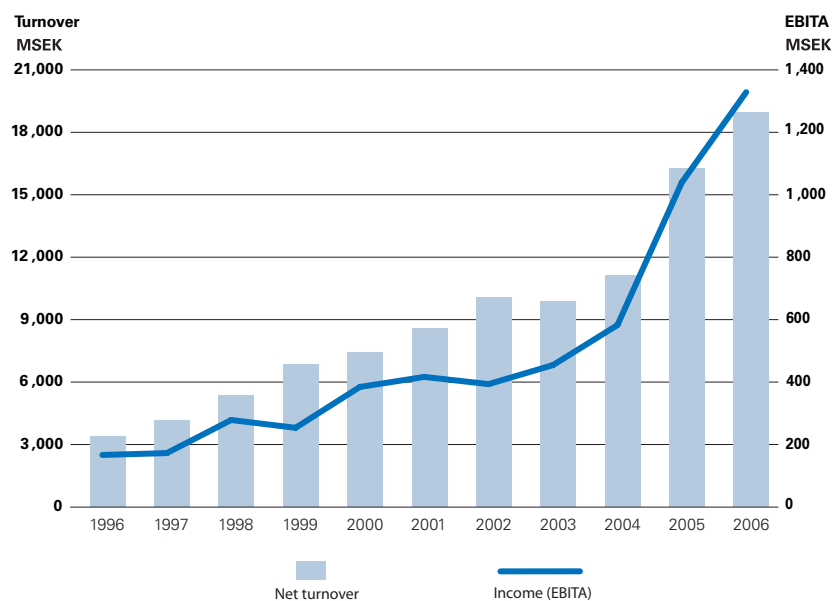
### FUTURE OUTLOOK 2007

The economic indicators for 2007 are clear and we anticipate continued growth, though perhaps not quite at the same level as in 2006. Our overall priorities for 2007 are to continue to increase our capital efficiency and improve our margins. Key elements in this process are to complete the integration of the companies we have acquired, to benefit from our IT and logistics investments in Norway as well as to continue to fine-tune our business system. A combination of these activities and a continued strong market is expected to generate growing volumes and improved income in 2007.

Göran Näsholm  
PRESIDENT AND CEO



*"2006 was a good year for Ahlsell. Sales grew in line with the strong market and we achieved our best results ever, both in our Swedish operations and the Group as a whole" says Göran Näsholm, President and CEO of Ahlsell AB.*



# The Ahlsell concept

The Ahlsell concept is the overall strategy for achieving the Group's vision and goal. This strategy consists of five cornerstones.



Wide product range

Ahlsell offers a broad selection from leading suppliers of installation products, tools and machinery. This gives our customers access, via a single contact, to a wide range of products and many peripheral services, allowing them to increase their efficiency and reduce costs. The wide product range in combination with large volumes also gives Ahlsell the opportunity to maintain a cost-effective supply chain.

The product range and supplier relationships are continuously developed. Within each product area, Ahlsell endeavors to achieve diversity in terms of product design and function as well as quality and cost.

For the suppliers, Ahlsell's product diversity opens up a door to the large number of customer groups. By offering our products to new customer groups, we increase our cross-selling, which benefits the suppliers.



Local presence

It is vital to have a good knowledge of the local market and be close to customers in order to satisfy their needs in an optimal way. Ahlsell currently has over 220 stores and sales offices throughout the Nordic region. The stores offer fast and easily accessible service and are an obvious meeting place for many professional tradesmen.

Since the business comprises many local units with a high degree of independence and clearly defined responsibility for profits, local managers are able to optimize customer relationships and motivate employees.



Skilled specialists

Skilled employees are essential to provide customers with qualified advice on the basis of their needs. Extensive industry experience coupled with continuous training and monitoring of the market means that Ahlsell's employees have in-depth knowledge of their products, market and trends.

Our sales organization is divided into a number of market segments and responds to the specific needs of our customers. The combination of a broad product range and specialist expertise in each market segment creates a strong foundation for long-term customer relationships and new business.



Centralized functions

Centralized purchasing functions create cost synergies in the purchasing process while also benefiting supplier relationships. IT systems and support functions shared by the whole Group are also important factors in our endeavors to benefit from economies of scale.

The hub of Ahlsell's business is the Group's efficient logistics system with state-of-the-art central warehouses at strategic locations throughout the Nordic region. A cost and capital-efficient supply chain, along with large volumes form the essential basis of a profitable business. Central warehouses, fast order processing and direct deliveries from stock give customers the right products at the right time in the right place.

As critical volume is reached, a central warehouse is established in each country where the Group operates. Our aim is to run a business in each country through a legal unit with shared logistics, IT and administration systems.



Growth through acquisitions

Potential acquisitions are of two types: those allowing the Group to expand its geographic base and those that complement existing product areas in markets where Ahlsell already has operations.

The acquisitions for geographic expansion aim to broaden our customer base and permit us to handle a larger market in line with the Ahlsell concept.

Acquisitions create the opportunity for our customers and suppliers to become even stronger partners. Ahlsell prioritizes acquisitions with clear cost synergies and aims to integrate all of them as quickly as is possible in practice. This usually means coordinating their administration, purchasing, logistics and IT systems as well as their sales offices.

In the past, Ahlsell has tended to acquire companies with low profitability, which has improved after their integration. In these cases, the Ahlsell concept has contributed to significant value creation.



# Sweden

## OPERATIONS

Ahlsell's history begins on March 1, 1877, when partners John Bernström and Jakob Tornblad set up John Bernström & Co to sell mainly machinery, pumps, oil and agricultural implements. The foundation for today's company was 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 has now been in business for 130 years and is Sweden's leading wholesaler of installation products, tools and machinery. Its operations cover the Group's product areas of Heating & Plumbing, Electrical, Tools & Machinery, Construction, Refrigeration and DIY.

Several acquisitions were made in 2006. Tjust Industritillbehör, a Tools & Machinery company, was acquired in March. Tempcold, operating in the Refrigeration business, followed in April. Ahlsell established a presence on Åland at the end of 2006 with the acquisition of Ålands Elcenter.\*

In 2006, 53 (55) percent of consolidated external sales was generated on the Swedish market.

Ahlsell had about 90 sales units in Sweden at the end of the year.

The average number of employees in Sweden in 2006 was 2,411, an increase of 165 over the previous year. The number of customers during the year was 53,000 (50,000), the ten largest of whom accounted for 15 percent of sales.

## POSITION AND COMPETITORS

In the product area of Heating & Plumbing, Ahlsell's market share is estimated at slightly over 40 (40) percent, making the company the market leader in Sweden.

Ahlsell is number two among electrical wholesalers with a market share of approximately 20 (20) percent. Elektroskandia, owned by Hagemeyer of the Netherlands, is the largest company in this sector, followed by Selga, owned by Rexel of France.

The Swedish Tools & Machinery market, like those of Norway and Finland, is

fragmented among a large number of local wholesalers with sales in the range of SEK 20–100 million. Some of these companies are members of one of the cooperative chains now characterizing the market. Ahlsell is the market leader here, together with B&B TOOLS (formerly Bergman & Beving).

The acquisition of Tempcold strengthened Ahlsell's market position within the Refrigeration segment and increased its presence throughout the Nordic region. Ahlsell's market share in commercial refrigeration in Sweden amounted to slightly over 30 (30) percent, making it market leader. Ahlsell is one of several players in the more fragmented market for residential cooling.

Ahlsell is the leader in the Electrical and Heating & Plumbing segments of the DIY market, with about 35 (35) percent for Electrical products and 15 (10) percent for Heating & Plumbing. Other major players include GG Carat (owned by Dahl), Amiga, Malmbergs and Schneider.

## PERFORMANCE IN 2006 AND FUTURE OUTLOOK

Ahlsell's operations in Sweden, which is the Group's most profitable market, performed strongly during the year. External sales rose by 14 percent to SEK 10,077 million (8,873).

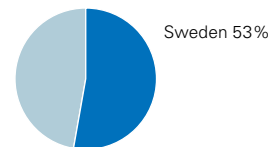
Income (EBITA) totaled SEK 895 million (722), corresponding to growth of 24 percent. The operating margin of 9 (8.1) percent is Ahlsell's highest ever in Sweden. Strong growth was also achieved in the segments of Electrical installations, Data, Telecoms & Security, Electrical utilities, Real-estate goods, Housing construction and Home stores. Heating & Plumbing installations, Refrigeration and DIY also performed well and made a good contribution to the Group's earnings.

A new business system was implemented in Sweden during the operating year. It involved major restructuring that was handled well by the organization. Work on a new internet store began during 2006. E-commerce will offer new functions and integra-

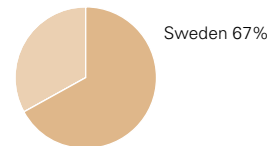
tion with the business system, thus simplifying and improving routines for customers and employees. It will be launched in 2007. Ahlsell anticipates that the Swedish economy will perform well in 2007. Sales efforts plus improved logistics with the new business system in combination with a continued buoyant market are expected to lead to improved margins and income.

\* As Ahlsell is not currently active within the electrical products sector in Finland, its Åland operations are included in the Swedish operations.

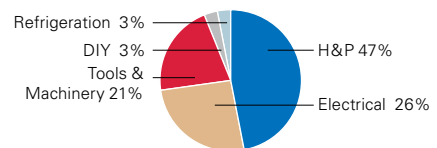
SHARE OF THE AHLSELL GROUP EXTERNAL SALES



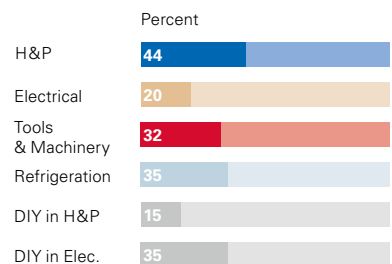
SHARE OF THE AHLSELL GROUP INCOME (EBITA)



SALES/PRODUCT AREAS



MARKET SHARES / PRODUCT AREA



# Norway

## OPERATIONS

Ahlsell established operations in Norway in 1990 through acquisitions in the Refrigeration segment. Operations have since been expanded and currently comprise the product areas of Heating & Plumbing, Electrical, Refrigeration and DIY. In 2006, the Norwegian operations accounted for 31 (31) percent of consolidated external sales. Ahlsell had 80 sales units in Norway at the end of the year.

The new business system that was introduced in 2006 has improved costs, communications and logistics.

The logistics review performed during the year resulted in a new solution for logistics and inventories. The logistical restructuring has worked well and preparations will continue in the coming year to set up a central warehouse in Norway with the aim of creating a more cost and capital-effective logistics solution.

The year also saw a comprehensive series of mergers and integration of the companies that had previously been acquired. During the operating year, operations were streamlined by divesting the data and telecom company Intelecom that had been acquired together with Nexans Distribusjon.

Sales in Norway amounted to SEK 5,806 million (5,051) at the end of the operating year. Ahlsell has an average of about 1,200 (1,300) employees in Norway.

The number of customers is about 24,000 (25,000), the ten largest of them accounting for almost 10 percent of sales.

## POSITION AND COMPETITORS

Ahlsell has a strong position in Norway's Heating & Plumbing market, with a share estimated at just over 40 (40) percent in Heating & Plumbing, making it the market leader together with Broderne Dahl.

Norway's Heidenreich is number three in the market. After the acquisition of electrical wholesaler Nexans Distribusjon in 2005, with sales of SEK 1,200 million, Ahlsell estimates its Electrical market share to be about 15 (15) percent, making it a leading player in this market. Other major



companies are Onninen and Elektroskandia as well as Solar.

Ahlsell strengthened its market position in the Refrigeration segment in 2006 by the acquisition of Tempcold, and is now estimated to have about 25 (15) percent of the market. Other large players include Schløsser Møller, owned by G & L Beijer, and the two family-owned companies Moderne Kjølring and Børresen.

Ahlsell has a strong position in Electrical DIY. Its overall market share for Electrical and Heating & Plumbing products is estimated to be close to 10 (10) percent.

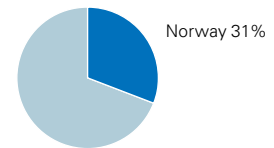
## PERFORMANCE IN 2006 AND FUTURE OUTLOOK

External sales in Norway rose by 15 percent during the year to SEK 5,806 million (5,051). The increase is mainly due to the impact of acquired company Nexans Distribusjon throughout the year as well as the strong market.

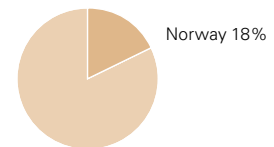
Income (EBITA) totaled SEK 244 million (194) for the full year.

The construction-related market in Norway is expected to continue to perform well. The investments within the oil and gas industry are also forecast to show continued high growth. On the whole, both completed and planned structural measures as well as the strong market are expected to have a positive effect on the profitability and income of Ahlsell's Norwegian operations in 2007.

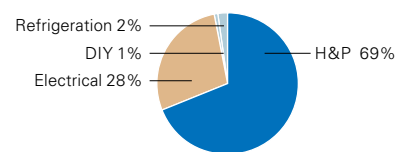
SHARE OF THE AHLSELL GROUP EXTERNAL SALES



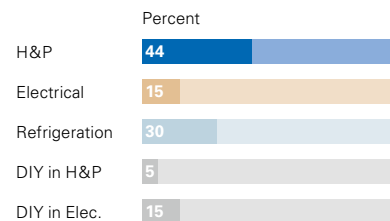
SHARE OF THE AHLSELL GROUP INCOME (EBITA)



SALES/PRODUCT AREAS



MARKET SHARES / PRODUCT AREAS



# Finland

## OPERATIONS

Ahlsell established its operations in Finland in 1990 through acquisitions in the Refrigeration segment. These were expanded in 1999 by acquisitions in Heating & Plumbing products. The Group established a DIY presence in Finland by acquiring leading DIY wholesaler Malk in 2005.

The Tools & Machinery segment in Finland was added during the year by the acquisition of Kojaltek. At its acquisition, the company had annual sales of approximately SEK 250 million and about 100 employees plus about ten facilities distributed throughout Finland.

Mika Salokangas was appointed the new CEO of Ahlsell Finland in April 2006. He succeeded Heikki Mäenpää, who retired.

Ahlsell has 42 sales units in Finland, an increase of 17 over 2005.

The average number of employees in Finland amounted to 451 (318), an increase of 42 percent. The number of customers during the year was about 14,000 (13,000), the ten largest of them accounting for about 10 percent of sales. The Finnish market has continued to be strong, and 11 (11) percent of consolidated external sales was generated in Finland.

During the year, operations have focused on improving processes and making them more effective as well as maintaining a continued focus on costs and margins.

## POSITION AND COMPETITORS

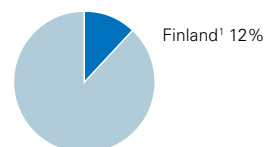
The new product area of Tools & Machinery that was added by the acquisition of Kojaltek

gives Ahlsell a leading position in the Finnish market. It also strengthens Ahlsell's leading position as a supplier of Tools & Machinery in the entire Nordic market. Ahlsell has been a strong player in Finland for some time both within Heating & Plumbing and Refrigeration. In the product area of Heating & Plumbing, its market share is estimated to be close to 25 (20) percent, making it number three in the market after Onninen and Dahl. In commercial refrigeration and residential cooling, Ahlsell is joint eighth with Onninen, with market shares of about 30 (15) percent in both areas. Combi Cool (G & L Beijer) is number two in the refrigeration market.

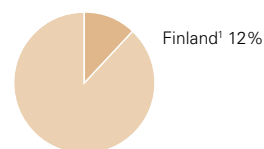
## PERFORMANCE IN 2006 AND FUTURE OUTLOOK

Ahlsell's external sales in Finland rose by 23 (16) percent to SEK 2,154 million (1,753) during the year. Income (EBITA) totaled SEK 143 million (101). This improvement is due largely to lower relative cost levels and higher gross margins, which in turn are the result of previous investments in a central warehouse and logistics systems as well as optimized purchasing. The operating margin has continued to increase and reached 6.6 percent in 2006. For 2007 the market is expected to be strong but the recent high growth will stabilize somewhat. The investments made in earlier years as well as restructuring projects, in combination with a continued focus on costs and operating margins, provide a good foundation for further improvement in income in 2007.

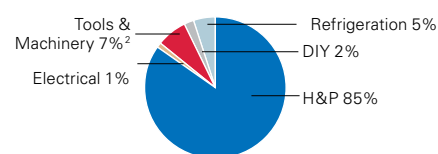
SHARE OF THE AHLSELL GROUP EXTERNAL SALES



SHARE OF THE AHLSELL GROUP INCOME (EBITA)

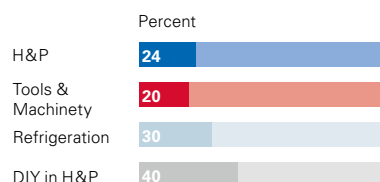


SALES/PRODUCT AREAS<sup>1</sup>



1) INCLUDING RUSSIA AND ESTONIA  
2) INCLUDING ACQUISITIONS IN 2007, APPROX. 20 PERCENT

MARKET SHARES / PRODUCT AREAS



## EASTERN EUROPE

**Ahlsell has several sales units in Eastern Europe. The company has had a presence in Russia since 1996. Its stores are located in five of the country's seven regional centers: St. Petersburg, Moscow, Samara, Yekaterinburg and Novosibirsk.**

**Last year's acquisition of FEB introduced Ahlsell to Estonia and opened up a new and exciting market. Ahlsell Estonia has headquarters in Tallinn and operations in all the country's regions with eight sales units in six cities: Tallinn, Tartu, Narva, Pärnu, Viljandi and Rakvere.**

**Ahlsell also has a smaller establishment within the Refrigeration product area in Poland.**

### RUSSIA\*

Ahlsell has had operations in Russia since 1996. The expansion in recent years shows that Ahlsell has established itself solidly in this market, opening three new sales units in 2006, namely in Moscow, Samara and Novosibirsk, as well as a new store in St. Petersburg. Today the Russian operations mainly offer products from the Heating & Plumbing range.

Sales in Russia amounted during 2006 to SEK 82 million, an increase of SEK 21 million. The average number of employees rose to 112 (52).

### ESTONIA\*

After the acquisition of FEB, with annual sales of about SEK 250 million, Ahlsell became leader in the Estonian Heating & Plumbing market in 2006. The acquisition of a strongly positioned and well-established company gave Ahlsell access to a strongly growing market in an interesting region where its product diversity creates new business opportunities.

Sales in Estonia amounted to SEK 126 million during the 2006 financial year with an operating margin of about 11 %. The average number of employees was 48.

\* The Russian and Estonian operations are included in the Finnish organization.

# Denmark

## OPERATIONS

Ahlsell has had a presence in Denmark since 1990 when our refrigeration operations were acquired. Since then the number of product areas has increased to include DIY in 1998 and Heating & Plumbing and Electrical in 2000. The Danish operations accounted for four percent of consolidated external sales in 2006.

The number of sales units rose to fourteen at the end of the year, which represents an increase of three over 2005. The average number of employees in Denmark amounted to 195 (159). The number of customers totaled approximately 3,000 (2,500). The ten largest customers accounted for about 17 percent of sales.

## POSITION AND COMPETITORS

Ahlsell is a small but rapidly growing player in the Danish Heating & Plumbing market, with a share of several percent. The dominant companies are Dahl, followed by A & O Johansen and Sanistål.

Ahlsell's market share is also limited within the Electrical product area. This market is dominated by Solar and Lemvigh-Müller, formerly Louis Poulsen.

Ahlsell has a strong position in the refrigeration market. Its share in the commercial refrigeration segment is estimated to

reach about 45 (25) percent. Next largest is H Jessen Jürgensen, owned by G & L Beijer.

Ahlsell is the market leader in the product area of Heating & Plumbing DIY. Other large players are Dahl and A & O Johansen.

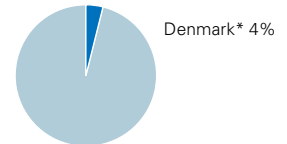
## PERFORMANCE IN 2006 AND FUTURE OUTLOOK

Ahlsell's sales in Denmark amounted to SEK 682 million (507). Income (EBITA) rose to SEK 33 million, an improvement of SEK 13 million.

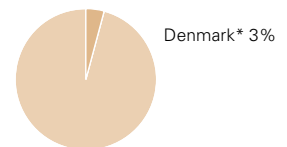
Both our Refrigeration and DIY operations are well established and profitable. In the less established product areas of Heating & Plumbing and Electrical, sales growth is outpacing the market.

Ahlsell expects the Danish market to develop relatively strongly in 2007. The company's growth strategy within Heating & Plumbing and Electrical is unchanged and its Refrigeration and DIY operations are expected to continue performing well with good profitability. The Danish operations will continue to focus on improving cost-effectiveness and operating margins, which together with local business initiatives should lead to increased volumes and improved income in 2007.

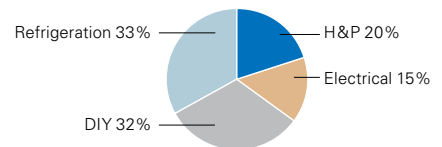
SHARE OF THE AHLSELL GROUP EXTERNAL SALES



SHARE OF THE AHLSELL GROUP INCOME (EBITA)

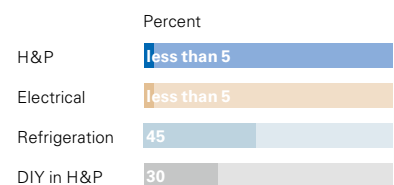


SALES/PRODUCT AREAS\*



\* INCL. REFRIGERATION IN POLAND

MARKET SHARES / PRODUCT AREAS





# Market, trends and competitors

Ahlsell operates in the product areas of Heating & Plumbing, Electrical, Tools & Machinery and Refrigeration. Less than five percent of sales in heating and plumbing and electrical products go to retailers in the DIY segment. The Group has operations in Sweden, Norway, Finland, Denmark, Estonia and to a lesser extent in Russia and Poland.

## MARKET

Sales of installation products, tools and machinery in the Nordic market are made primarily at wholesale level. Ahlsell estimates that about 80 percent of all intra-Nordic sales within these sectors takes place via wholesalers. Most of the remainder consists of direct sales from manufacturers to customers, while a smaller share comprises DIY sales. The total market for Ahlsell's product areas is estimated to exceed SEK 100 billion.

Ahlsell's largest product areas, namely Heating & Plumbing and Electrical, together accounted for approximately 80 percent of consolidated sales in 2006. The Heating & Plumbing and Electrical markets in the Nordic region recorded mean annual growth of 3–4 percent over a long period, but this rose to 6–7 percent during the construction boom of 2000.

## CUSTOMERS

Ahlsell's customers largely comprise installation companies, industrial, construction and real-estate companies, water and electrical utilities as well as municipalities and retailers.

The Group has almost 100,000 customers. Ahlsell's ten largest customers accounted for approximately 15 percent of consolidated sales and no single customer accounted for more than 3 percent of sales.

## WHOLESALERS GAIN IN IMPORTANCE

The Nordic market for Ahlsell's product area is affected by several trends – including an increased product range, consolidation among suppliers, the transfer of production to low-wage countries and changes in ordering patterns.

During the last decade, the product range in the market has widened significantly and this development is expected to continue. The underlying reasons are growing customer demand for greater diversity in the design and cost of products as well as their increased technology content.

Essentially all product suppliers, both global and local, use wholesalers as a sales channel to reach local markets. Supplier structures vary to some degree between product areas, partly due to differences in design content and level of standardization.

An overall trend is the relocation of industrial production to low-cost countries. This is also affecting Ahlsell's product areas, creating both challenges and opportunities. Customer ordering patterns have also changed in recent years.

In general, the trend is moving to tighter

time constraints and fewer deliveries directly to construction sites. Stocks are being reduced and demand is increasing for fast and pinpointed deliveries. Altogether these trends are leading to a situation that is more difficult to navigate for both customers and suppliers, thus strengthening the role played by wholesalers.

## COMPETITIVE SITUATION

A few large companies together share a significant part of the combined Nordic market in the product areas of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY.

Ahlsell and Finland's Onninen are the only two players who are clearly established in several product areas. Ahlsell is a leading player within all these product areas, but not in every country, and the aim is to strengthen our position further.

*The Heating & Plumbing market* may be regarded as fully consolidated: the three largest players share more than 80 percent of the market in all countries. Ahlsell is joint leader with Dahl in Sweden, Finland and Norway.

## ACQUISITION POTENTIAL

Unconsolidated share of market (excl. DIY). A high figure indicates greater acquisition potential.

Country	H&P	Electrical	Tools & Machinery	Commercial refrigeration	DIY
Sweden	~10%	~20%	~50%	ca 20%	
Market ranking	1	2	1	2	1
Norway	ca 15%	~10%	ca 70%	ca 50%	
Market ranking	1	3	-	1	1
Finland	ca 5%	ca 10%	ca 50%	<20%	
Market ranking	3	-	1	1	1
Denmark	ca 40%	ca 40%	ca 70%	<20%	
Market ranking	5	4	-	1	1





## THE HISTORY OF AHLSELL

- 1877** The history of Ahlsell began in 1877 with the founding of sales company Bernström & Co. The company merged with R Ahlsell & Co in 1922 to form Ahlsell & Bernström, which led to a stronger focus on heating and plumbing products and laid the foundations for today's Group.
- 1964** Ahlsell & Ågren is launched on the Stockholm stock exchange.
- 1977** The company changes its name to Ahlsell.
- 1986** Acquisition of El-Partner establishes operations in the Electrical sector.  
Ahlsell is delisted.
- 1987** Ahlsell becomes a subsidiary of the Trelleborg Group.
- 1990** Acquisition of Sandblom & Stohne establishes operations in the Refrigeration segment.  
A central warehouse is built in Hallsberg.
- 1996** Acquisition of Gelia establishes operations in the DIY segment.
- 1997** Acquisition of listed company Skoogs Elektriska also makes Ahlsell a leader within the electrical sector.
- 1999** Nordic Capital becomes new principal owner. LVI Tukku is acquired and a new Finnish platform established.
- 2001** Acquisition of Tibnor Industrivaruhus expands operations to Tools & Machinery.
- 2002** Ahlsell celebrates 125 years in business.
- 2003** Reorganization from a product-based to a market-based organization.  
A central warehouse is built in Finland.
- 2004** Through the acquisition of Bergens and Stavanger Rørhandel, Ahlsell becomes the market leader in Heating & Plumbing in Norway.  
Acquisition of TotalPartner strengthens its leading position in Tools & Machinery in Sweden.  
Nordic Capital acquires Trelleborg's interest in Ahlsell and becomes sole principal owner of the company.
- 2005** Ahlsell becomes DIY market leader in the Finnish market by acquiring Malk. After acquiring Nexans Distribusjon, Ahlsell becomes a leading player within the electrical sector in Norway.
- 2006** Goldman Sachs and Cinven acquire Ahlsell in February 2006. Ahlsell strengthens its position in Refrigeration in the Nordic region by acquiring Tempcold. A Heating & Plumbing acquisition in Estonia opens up a new market.
- 2007** Ahlsell celebrates 130 years in business. The acquisition of Idestrands trading company strengthens Ahlsell's market position vis-à-vis the Swedish construction industry.  
Acquisition within the product area of Tools & Machinery in Finland strengthens Ahlsell's leading position within Tools & Machinery both in Finland and the Nordic region as a whole.



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