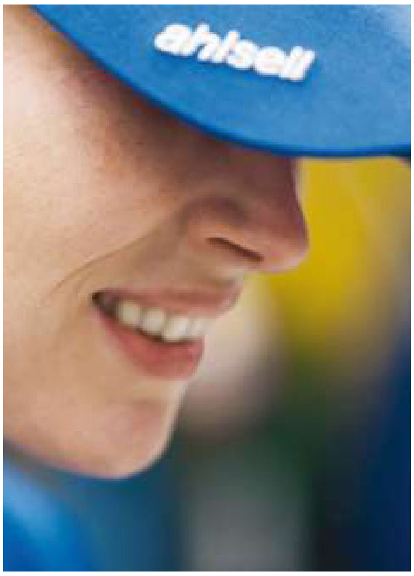
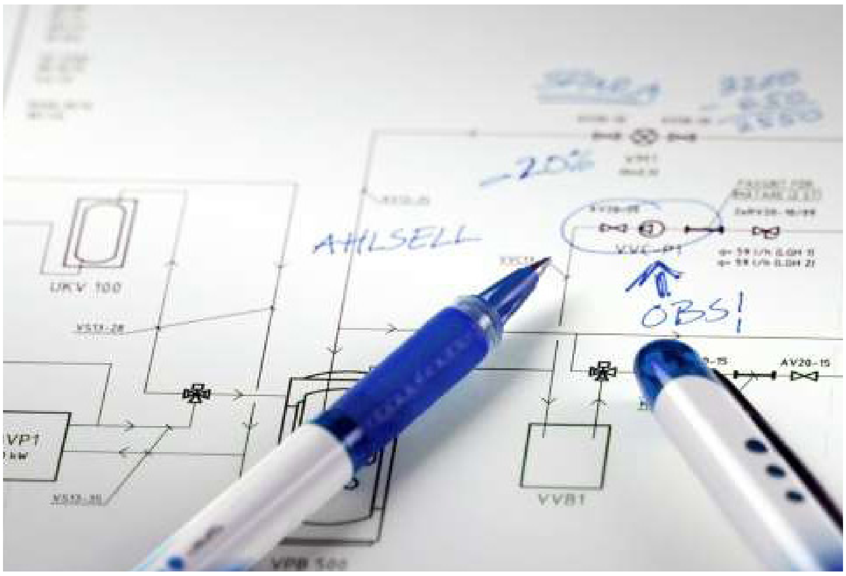
Financial Year 2013





ahlsell

The History of Ahlsell

1877 The history of Ahlsell began in 1877 with the establishment of the Bernström & Co sales company. In 1922, the company merged with R Ahlsell & Co and sharpened its focus on HVAC products, forming the foundation for the Group of today.

1964 Ahlsell & Ågren was listed on the Stockholm stock exchange.

1986 El-Partner was acquired, expanding the company into the Electrical segment. Ahlsell is delisted from the stock exchange.

1987 Ahlsell became a subsidiary of the Trelleborg Group.

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

1996 Acquisition of Gelia, a company with a strong brand and sales through retailers.

1997 Skoogs Elektriska, a listed company, was acquired and Ahlsell became the leading wholesaler in the electrical segment.

1998 Ahlsell acquired Storm Elektro and VVSTrading, and expanded into the electrical segment in Norway and the HVAC (DIY) segment in Denmark.

1999 Nordic Capital became the new principal owner. Ahlsell acquired LVI Tukku Oy, which established a Finnish platform.

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

2003 A central warehouse was built in Finland.

2004 Ahlsell acquired Bergens and Stavanger Rørhandel to become the market leader in HVAC in Norway. It further strengthened its market-leading position in Tools & Machinery in Sweden through the acquisition of TotalPartner. Nordic Capital acquired Trelleborg's interest in Ahlsell and became the sole owner.

2005 Ahlsell acquired Nexans Distribusjon AS to become the leading electrical installation supplier in Norway.

2006 Goldman Sachs and Cinven acquired Ahlsell and became the new principal owners. Ahlsell strengthened its position in the Nordic HVAC segment through the acqusition of the refrigeration company Tempcold. HVAC acquisitions in Estonia and an electrical installations acquisition in Åland open new markets.

2007 Ahlsell acquired 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.

2011 The strategic acquisition of NEA gave Ahlsell a market-leading position within electrical installation products in Sweden. Expanded logistics capacity in Finland, Norway and Sweden contributed to continued profitable development for Ahlsell. Ahlsell decided to invest in the world's largest automated warehouse facility at the logistics centre in Hallsberg.

2012 During the year, Ahlsell reinforced its position as the leader in the Tools & Machinery segment through the acquisition of two companies operating in that particular area: Industriprodukter i Malmfälten AB and Tools in Växjö. Norway experienced a successful turnaround by implementing a new strategy of increased focus on profitability.

2013 Ahlsell strengthened its market position in Tools & Machinery in Norway by acquiring ProffPartner AS, Norway's leading supplier of tools and personal protective equipment. ProffPartner's operations in Sweden were also taken over. The company also increased its local presence with the acquisition and establishment of new stores. During the year JABAC-TVM AB in Södertälje, JOISAB AB in Karlstad, IC Sundsvall AB, and Net Access AB in Stockholm were acquired. Automation of the central warehouses in Hallsberg and Hyvinge increased Ahlsell's logistic capacity and efficiency.

CONTENTS

The year in summary

- Gradual economic recovery during the year.
- Very strong earnings and good cash flows.
- Increased profitability through high capital efficiency, good cost control, and economies of scale despite weak sales.
  - Net sales decreased by 1.0 per cent to SEK 20,435 million (20,639).
  - Earnings (EBITA) rose by 10.2 per cent to SEK 1,782 million (1,617).
  - EBITA margin increased to 8.7 per cent (7.8).
  - Net financial expense totalled SEK –1,328 million (–1,167).
- Strategic acquisition of ProffPartner AS strengthens Ahlsell's market position in Norway in Tools & Machinery
- Increased local presence through five acquisitions in Sweden and new store openings
- Offensive initiatives through expanded sales organization towards the construction industry in Sweden
- Development of the web shop contributes to profitable expansion in the growing e commerce business
- Streamlining in purchasing through increased coordination between operations in different countries
- Concentration of the Russian operation to St. Petersburg and Moscow

KEY FIGURES FOR THE GROUP

	2013	2012	2011	2010	2009
Sales, SEK million	20,435	20,639	20,434	19,256	18,985
Income, EBITA, SEK million	1,782	1,617	1,626	1,250	1,108*
EBITA margin	8.7	7.8	8.0	6.5	5.8
Net income, SEK million	640	191	265	492	–59
Average number of employees	4,256	4,383	4,309	4,206	4,358

* 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 in which it operates.

Strategy

Ahlsells 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

+

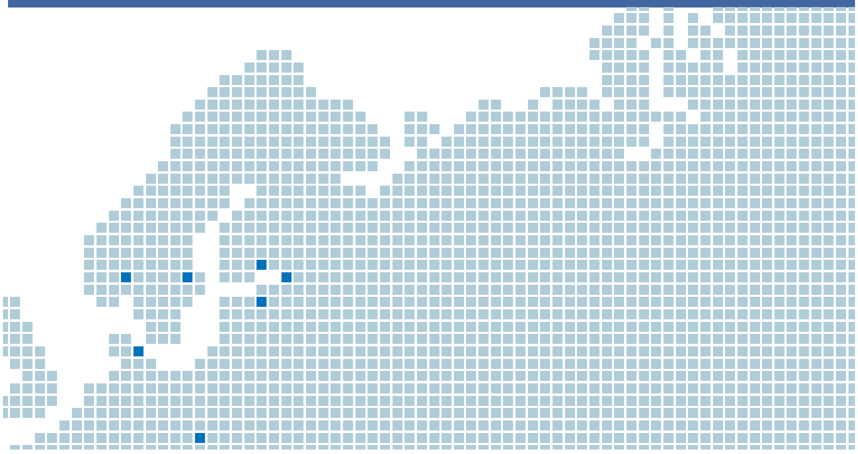
Skilled specialists

OBJECTIVES

2014 Ahlsell aims to achieve overall good growth and high profitability. It will fulfil this by meeting the following objectives.

- Growth in new and existing sectors.
- Acquisitions that complement the core business.
- Continued/Extended e-commerce venture
- Expansion of sales organization in the construction segment in Sweden

AHLSELL PRESENCE



"Ahlsell will continue to grow with balance while ensuring that profitability is always the highest priority."

THE MARKET

The market in brief

Ahlsell is active in the Nordic region, Estonia, Russia and Poland. The Group offers professional users a wide range of products and services in its HVAC, Electrical and Tools & Machinery product segments.

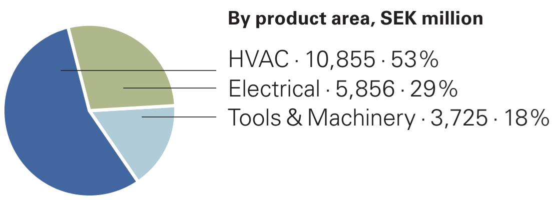
Governing trends
Energy efficient and environmentally friendly products are one customer trend for which Ahlsell's green efforts and environmentally friendly tools and activities are well matched. Industrial companies tend to move toward fewer suppliers. Ahlsell attracts these customers with its wide 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 an industrial sector that is starting to show positive signs. 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 more than 200 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 2013

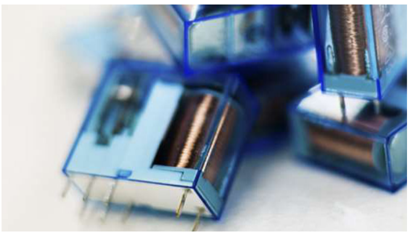


Ahlsell's product segments

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.

HVAC

Ahlsell's product range in HVAC includes items within heating, ventilation and sanitation. Everything from heating systems to products for the modern bathroom is available for heating and plumbing contractors and building companies. A wide range of meters, 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 Electrical items for electrical contractors and companies within the industrial, property, and power sectors. The range includes cables, installation and automation products, lighting, heating and data, telecommunications and security products.

TOOLS & MACHINERY

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

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 HVAC, Electrical and Tools & Machinery.

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.

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 more than 200 outlets and sales offices, which keep customers close to the widest product range in the market. Our stores offer quick, easily accessible service, a 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.

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.

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, primarily in functions such 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.

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 one legal entity in each country, while maintaining centralised logistics, IT, and administration systems.

CEO's statement

Offensive initiatives contribute to high profitability and strong market positions.

Göran Näsholm
President and CEO

"We are at the forefront with our e-commerce venture, and a very large percentage of delivery volumes now go through Ahlsell's web shop."

GRADUAL RECOVERY AND RECORD EARNINGS

Recovery was the key word in 2013. The storm clouds over Europe with debt and banking crises dissipated, and we gradually saw more and more signs of improvement over the year in several of the countries in crisis, although many problems remain to be solved. Southern European problems in recent years have slowed down economic activity in most of Europe, and the effects naturally spill over to the relatively strong but export-dependent countries in the Nordics that are Ahlsell's home market. During the second half of the year, confidence gradually increased in Sweden and the export industry began to show signs of improvement late in the year. We also got stronger indications of improvements in the all-important construction market, where we began investing heavily in Sweden. In contrast, the economy was weak or declining in our neighbouring Nordic countries.

Although sales were largely unchanged, we were able to increase earnings (EBITA) by just over 10 per cent to SEK 1,782 million, due to the fact that we no longer have any under-performing entities. We have gained market share in every segment in which we measure ourselves against competitors, with the exception of the HVAC area in Norway. However, developments in Norway are in line with a deliberate shift in strategy that is now completed, and the new strategy will continue to change the situation going forward. Ahlsell's strong earnings combined with increased capital efficiency helped to increase the Group's operating cash flow by just over SEK 200 million. Consequently, our debt/equity ratio has also been reduced.

Sweden continues to be our largest market, with just over 60 per cent of Ahlsell's sales. Norway's share is growing, and this year's mayor acquisition, ProffPartner AS, is now being integrated. Finland (including Estonia and Russia) experienced the toughest economic situation but managed to maintain largely unchanged earnings in a weak market. This is explained by our organic growth strategy in the Electrical area, which continues to bear fruit. We have also identified several future candidates for acquisition in this segment. Profitability in Russia has been unsatisfactory, and the number of entities in the Russian business was halved during the year. Denmark is a relatively small market within Ahlsell that only operates whitin the HVAC segment. Despite shrinking sales, we fortunately managed to double earnings through cost adjustments and keeping a handle on margins.

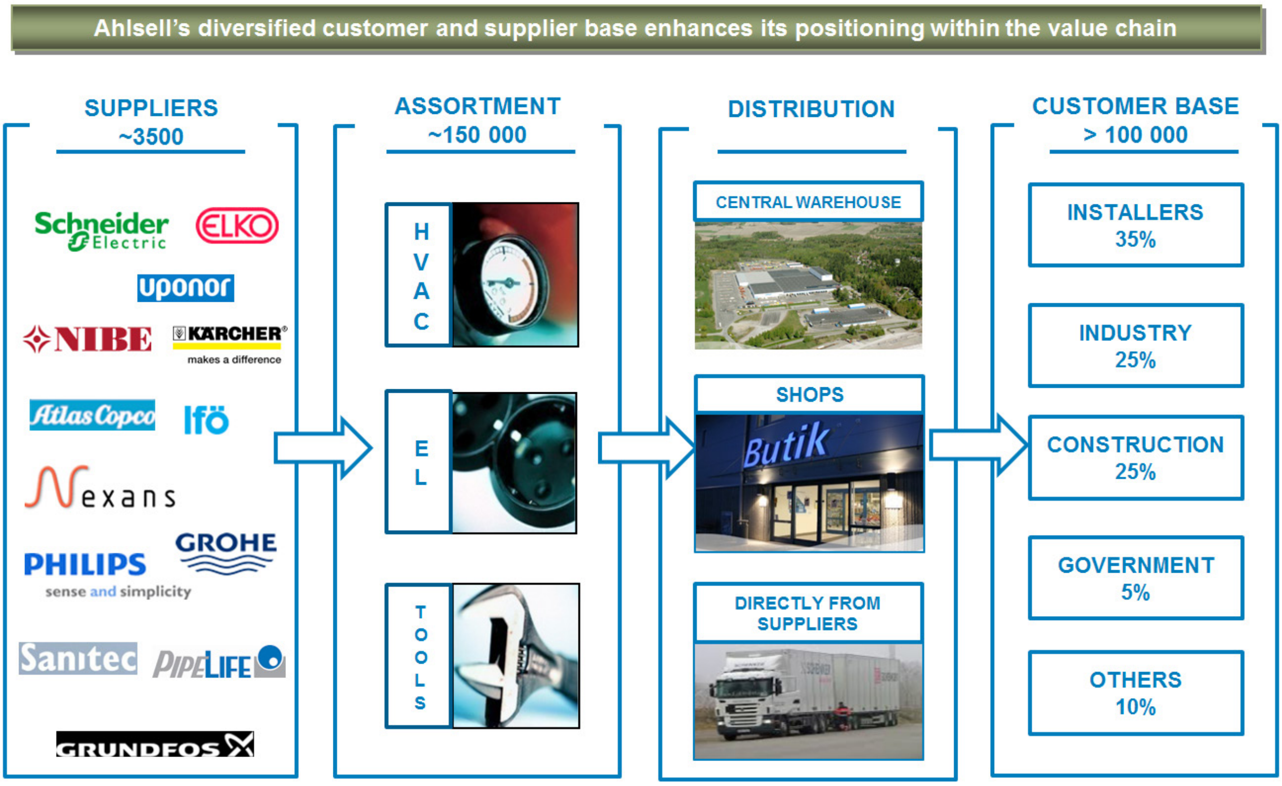
INCREASED ACQUISITION ACTIVITY IN SWEDEN AND NORWAY

Ahlsell's growth strategy is based on a combination of organic growth and an aggressive acquisition strategy. We increased activities significantly during the year as the acquisition market continued to improve. The largest and most strategically important acquisition was ProffPartner AS, one of Norway's leading suppliers of tools and personal protective equipment, with sales of about SEK 1 billion. The acquisition complements and strengthens Ahlsell's market position in Norway. We are now a major player and have a good base for further expansion in the Tools & Machinery product segment.

A handful of companies with strong positions in their local markets were acquired in Sweden. They fit well into Ahlsell's success concept with economies of scale in central functions combined with strong local roots. We are actively working to identify additional candidates for acquisition and are well equipped for both small and large acquisitions that strengthen Ahlsell's position in our target market and product segments.

OFFENSIVE INVESTMENTS IN CONSTRUCTION, PROCUREMENT, AND E-COMMERCE

Ahlsell's good profitability and strong financial position enable acquisitions as well as strategically important future initiatives and investments. In 2013, we invested heavily on the construction side and are now expanding the sales organization in Sweden.



We have also increased central resources in order to handle an increased focus on own-brand products. In addition, we are working to further streamline purchasing operations through increased coordination between our countries of operation.

E-commerce is becoming an increasingly larger part of Ahlsell's traditional sales. We are at the forefront with our e-commerce venture, and a very large percentage of delivery volumes now go through Ahlsell's various e-commerce solutions. Sales in 2013 totalled about SEK 4 billion and are growing steadily through continuous improvements with increased availability, improved functionality, and enhanced product offerings.

INDUSTRY LEADER IN SUSTAINABILITY AND ENVIRONMENT

During the year we significantly strengthened our environment and sustainability organization, efforts that contribute to and reinforce our business concept: We make it easier to be professional! This means that besides codes of conduct, ISO certification, and control systems, we work systematically with our own products, our suppliers, and the market to meet or exceed expectations with respect to function, the environment, quality, and safety. This includes offering the right products with the right documentation. One example is that we help our customers reduce their energy consumption through a wide range of products bearing the Energy Efficient symbol. In 2014, we will intensify these efforts in order to be an industry leader in sustainability and environmental issues.

GOOD OUTLOOK, ESPECIALLY IN CONSTRUCTION SECTOR

At the moment there are several signs that the economy is improving in Sweden, especially in the construction sector, which accounts for a significant portion of Ahlsell's sales. New construction is expected to increase in both 2014 and 2015. Even the industrial sector is beginning to look brighter, contributing to our positive future expectations for the Swedish operation. However, we see weaker economic growth in Norway and especially in Finland, at least during the first half of the year. Because the Nordic countries are so highly dependent on exports, there is a risk of financial setbacks in the event of new European or global crises.

However, our growth ambitions are clear and we are well placed to continue our acquisition agenda in priority areas. We have the financial capability, the necessary IT and logistics systems, and the expertise to continue Ahlsell's profitable expansion. Meanwhile, we also have the flexibility and willingness to quickly take appropriate action if turbulence should increase in the global marketplace.

> "Our growth ambitions are clear and we are well placed to continue our acquisition agenda in priority areas."

Stockholm, March 2014

Göran Näsholm
President and CEO

Sweden

Johan Nilsson
Head of Operations, 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 HVAC, Electrical and Tools & Machinery.

Several offensive initiatives were implemented in 2013. A decision was made to establish a new construction market segment with an organization consisting of 25 salespeople. In a bid to strengthen Ahlsell's market position in the Tools & Machinery segment, several companies were acquired: JABAC-TVM AB in Södertälje, JOISAB AB in Karlstad, and IC Sundsvall AB. Net Access AB in Stockholm was acquired for the Electrical segment. As a consequence of the acquisition of ProffPartner AS in Norway, ProffPartner's retail operation was also integrated in Sweden. These acquisitions, along with new store openings, further increased Ahlsell's local presence. Expansion within personal protective equipment (PPE) continued through the establishment of 15 new "shop-in-shops". Work on the automated light goods handling system at the central warehouse in Hallsberg has taken longer than planned, but it should be in operation during the first part of 2014.

In 2013, the Swedish business accounted for 61 per cent (59) of Group net sales. Through acquisitions and new establishments Ahlsell increased its outlets in Sweden to just over 90 this year. The number of employees decreased to an average of 2,410 and the number of customers totalled about 70,000 during the year. The ten biggest customers accounted for about 11 per cent of net sales.

POSITION AND COMPETITORS

In the HVAC product segment, Ahlsell shares the marketing leading position with Dahl. Ahlsell is number two in the Electrical segment, among electrical suppliers. Elektroskandia continues to be the market leader, while the Rexel-owned companies Selga and StorEL together share the third 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 now holds a leading position followed by B&B Tools 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.

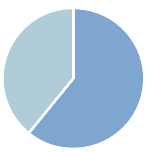
PERFORMANCE DURING THE YEAR

Sweden is Ahlsell's largest and most profitable market. In 2013, sales increased to SEK 12,398 million (12,134). E-commerce is growing steadily and accounted for just over 20 per cent of sales. Earnings (EBITA) totalled SEK 1,388 million (1,322), corresponding to an EBITA margin of 11.2 per cent. Market performance was relatively weak during the year, but overall Ahlsell strengthened its position in the face of increasing competition. The industrial sector was hesitant in the first half of the year and demand weakened somewhat in the second half. In the construction sector, there was a gradual weakening of demand as major projects were completed in the first half. Construction starts during the year begin affecting Ahlsell's sales in the later stages of the construction process.

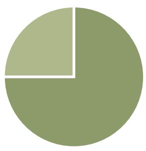
OUTLOOK

We see increasing signs of a stronger economy in the coming years, especially in the construction sector. The need for housing is great both in urban areas and in many medium-sized municipalities in the country. The industrial sector is starting to show cautiously positive signs, but is heavily dependent on the export market in order to take off.

SHARE OF THE GROUP'S EXTERNAL REVENUE

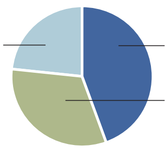


SHARE OF GROUPS EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Norway

Morten Harsem
CEO, Norway

OPERATIONS

Ahlsell established its operations in Norway during the 1990s. The Norwegian operations have since been expanded and now include the product segments HVAC, Electrical and Tools & Machinery.

After the restructuring efforts and strategic changes of recent years, Ahlsell acquired ProffPartner AS in 2013, which also included PPE company Lexow. This was a strategic acquisition that significantly strengthens Ahlsell's position in the Tools & Machinery segment. The merger was carried out in November and significant synergies have begun developing through integration with Ahlsell's IT platform and more efficient logistics management via the central warehouse in Gardemoen.

In 2013, Ahlsell's Norwegian business accounted for roughly 22 per cent (23) of Group net sales, of which just over half are attributed to HVAC. By the end of the year, the company had just over 70 sales locations in Norway. The average number of employees was 845 and the number of customers amounted to roughly 19,000. The ten biggest customers accounted for about 13 per cent of net sales.

POSITION AND COMPETITORS

In the HVAC product segment Ahlsell shares the market-leading position with Brødrene Dahl. The German controlled company Heidenreich is number three in the market. Ahlsell also has a solid position in the Norwegian electrical supplies market, where the largest companies are Rexel, Onninen and Solar. Through the purchase of ProffPartner AS, Ahlsell has established a strong position in Tools & Machinery. Competitors include Tools, Tess, Motek, Würth, AEO, and a number of local businesses.

PERFORMANCE DURING THE YEAR

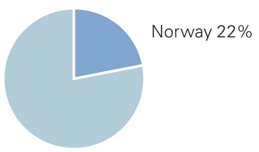
In 2013, net sales in Norway totalled SEK 4,497 million (4,813). The decline in sales was a result of Ahlsell's shift in strategy in recent years of actively terminating a number of less profitable customer segments. E-commerce has grown and accounted for about 20 per cent of sales.

Earnings (EBITA) rose to SEK 277 million (178), which corresponds to a margin of 6.2 per cent. The improvement is due to continued efficiency measures, reduced operating costs, and keeping a handle on margins. The good results should be viewed in light of the economic downturn, which mainly occurred during the latter part of the year, with sharply falling home prices and an increase in the number of unsold flats. Even wholesale trade, which increased by 1 to 2 percentage points, lost momentum, particularly during the second half of the year.

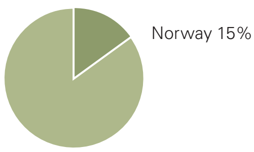
OUTLOOK

For 2014, we estimate that the Norwegian economy will show positive growth but will not achieve the growth rates of recent years. We expect a slight slowdown in the construction and engineering sectors and rising unemployment. Accordingly, retail trade is also expected to perform weaker. Less new construction and lower property prices will affect Ahlsell's various market segments negatively. In contrast, sales are expected to benefit from several infrastructure and transport sector projects already under way. Despite tougher economic times, Ahlsell is well positioned to grow faster than the market, through both organic growth and acquisitions.

SHARE OF THE GROUP'S EXTERNAL REVENUE

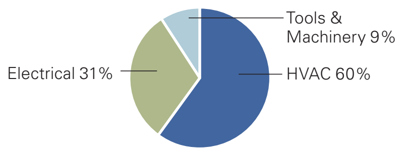


SHARE OF GROUP'S EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Finland

Mika Salokangas
Head of Operations, 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 HVAC product segment and expanded into the Tools & Machinery segment in Finland in 2006 through the acquisition of Kojaltek. Since then several Tools & Machinery companies have been acquired and now form the foundation of the Tools & Machinery division.

Ahlsell acquired the Sähkötarvike Group in 2007 and Solar Finland in 2010. Together they enable Ahlsell Finland to provide a range of electrical supplies to the Finnish market. The Electrical area is a prioritized growth area, and an increased number of electrical products are sold through cross-selling. The increased automation of the logistics facility in Hyvinge was fully operational in 2013, and Ahlsell's improved customer concept now offers a wider range in Tools & Machinery and Electrical. In the second half of the year, the Finnish operation was reorganized and now consists of a divisional organization.

In 2013, Ahlsell's Finnish business, including operations in Russia and Estonia, accounted for roughly 16 per cent (16) of Group net sales. By the end of the year, the company had 35 sales locations in Finland, five in Russia, and nine in Estonia. The average number of employees was 828, including Russia and Estonia.

POSITION AND COMPETITORS

Ahlsell has a strong position, along with Dahl, in HVAC after the market leader Onninen. In Tools & Machinery, Ahlsell is a major player together with B&B TOOLS, the Etola Group and Würth. Ahlsell is becoming one of the major players in Electrical, where Sonepar, Rexel and Onninen are the major competitors.

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 HVAC products for professional constructors and installers. Sales in Russia fell by 7 per cent to SEK 202 million (217). In the last quarter of the year, the number of entities was halved and operations were concentrated to St. Petersburg and Moscow. The average number of employees was 106.

ESTONIA

Ahlsell was established in Estonia through the acquisition of FEB in 2006, which immediately gave Ahlsell a market leading position in HVAC. In 2007, it acquired Satter, a Tools & Machinery company. These two operations merged in 2008 to together build Ahlsell's operations in Estonia. In 2013, sales decreased marginally and totalled SEK 261 million (268). Profitability was at a satisfactory level. The average number of employees was 140.

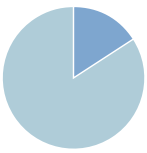
PERFORMANCE DURING THE YEAR

In 2013, net sales in Finland, including operations in Russia and Estonia, totalled SEK 3,168 million (3,311). Earnings (EBITA) totalled SEK 167 million (179), which corresponds to an EBITA margin of 5.3 per cent. On the whole, 2013 was characterized by a declining market. After a weak performance in the first half, economic activity weakened further in the second half. The weak demand affected virtually all market segments, but Ahlsell's offensive initiatives in the Electrical area strengthened its market position during the year.

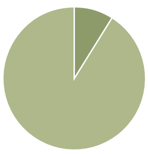
OUTLOOK

The outlook for 2014 is uncertain but Finland is considered to have the weakest growth of the Nordic countries. We expect a challenging overall market and weak growth in the first half of 2014, with gradual improvement in the latter part of the year. Through streamlining and offensive efforts, we believe that Ahlsell will be able to grow faster than the overall market in the Tools & Machinery and Electrical segments.

SHARE OF THE GROUP'S EXTERNAL REVENUE

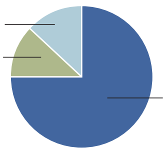


SHARE OF GROUP'S EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Denmark

OPERATIONS

Ahlsell established a presence in Denmark in 1990 through the acquisition of Sandblom & Stohne. 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 Poland, accounted for 2 (2) per cent of the Group's external net sales in 2013. The average number of employees in the Danish operation, including the operations in Poland, totalled 162.

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 HVAC products.

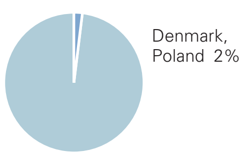
PERFORMANCE DURING THE YEAR

Net sales in Denmark, including operations in Poland, totalled SEK 372 million (381). Earnings (EBITA) rose to SEK 28 million (16), which corresponds to an EBITA margin of 7.6 per cent. Ahlsell has a leading position within the DIY and Refrigeration product areas, with both showing satisfactory earnings in a declining market. The weak market led to an implementation of certain cost adjustments in the organization. The economic situation continued to be weaker in Denmark than in other Nordic countries.

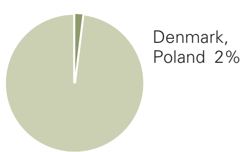
OUTLOOK

We expect a weak trend in the Danish construction market in 2014 as well, with some gradual improvement during the second half of the year.

SHARE OF THE GROUP'S EXTERNAL REVENUE

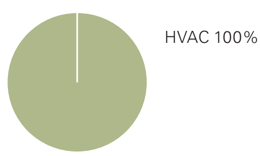


SHARE OF GROUP'S EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Sustainability information

Ahlsell endeavours to be one of the leading companies in the industry with regard to environmental protection. The company has clear guidelines for the areas of its business that are considered to have the greatest impact on the environment.

Ahlsell has an environmental policy on how the company shall work to reduce the environmental impacts of its operations within the framework of efficient commercial activities.

The environmental approach is based on the knowledge, insight, and commitment of every employee and Ahlsell is subject to environmental laws and regulations in all of its markets.

The main focus of Ahlsell's operations is trading and distribution. The environmental impacts of the Group's activities therefore relate primarily to transport, waste, chemical-technical products and energy use.

Some substances, like refrigerants, adhesives and oils, require specialised know-how and arrangements for their use, handling, transportation, storage and disposal, and the company maintains a roster of qualified staff members to perform such functions. However, these substances represent only a very small portion of the product portfolio, the overall environmental risk is limited. Given the nature of the business, as a distributor of products manufactured by others, the impact on the environment is small, primarily occurring through our choice of products, product transportation and operations at our central warehouses.

The logistics centre in Hallsberg, and the purchasing and distribution operations in Sweden, are environmentally certified according to ISO 14001, an international standard for environmental management. As an essential component in the 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.

Ahlsell imports products from a number of European and non-European countries, the largest of which is China. The company is committed to ensuring observance of its Code of Conduct, which complies with the principles stated in the ISO 26000:2010 standard. This applies regardless of the country in which its suppliers operate and contracts are only signed with suppliers on condition that they agree to adhere to the Code. The company conducts inspections in the factories and facilities where its products are manufactured. In China, which is a major producer of products for Ahlsell, the company has IRCA (International Register of Certified Auditors) approved auditors who are qualified to conduct SA 8000 audits.

In addition to codes of conduct and inspections, Ahlsell works systematically to meet environmental targets in its home market. The company's operations are accredited to ISO 9001 and ISO 14001 quality and environmental standards. These systems help the company to conduct its operations in a responsible way so that the environmental perspective is a natural part of daily business and is factored into all decisions. They help create long-term value for the company's customers and improve value for employees, shareholders, suppliers and, in the long-run, for the wider community.

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.

SUSTAINABILITY IN 2013

During the year, Ahlsell consolidated the company's environment and sustainability organisation, raised the bar for sustainability practices and adopted a business plan with environmental and sustainability goals. The initiatives that were taken provided a tool that will come into full use in 2014. The company's own products, the supplier pipeline and the market in general fall within this framework.

To make it easier for the company's customers to make professional choices, Ahlsell has initiated a process aimed at meeting the demand for products that have undergone environmental assessments. A clearly-defined initiative was also launched in 2013 to reduce the environmental impact of freight transport. This is a high priority for the company. As part of the initiative, Ahlsell is aiming for better filled vehicles on every haul. The Swedish operations achieved this in 2013. The vehicles that were dispatched from the Logistics Centre in Hallsberg were filled with an extra 5% of goods, which is equivalent to an annual reduction of about 150 lorries. Ahlsell has also decided to enter into multiple-year contracts with its hauliers. This is important for being able to continue to develop its partnerships in an accountable and professional way.

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, 2013, Ahlsell had approximately 4,800 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 program 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 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

	1 Jan 2013 – 31 Dec 2013		1 Jan 2012 – 31 Dec 2012	
	Number	**of which men**	**Number**	**of which men**
Group				
Sweden	2,410	80%	2,527	80%
Norway	845	79%	838	82%
Finland	582	81%	586	80%
Denmark	100	69%	104	69%
Estonia	140	88%	135	87%
Russia	106	50%	122	56%
Poland	62	79%	60	80%
China	11	73%	11	64%
Group total	**4,256**	**79%**	**4,383**	**79%**

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 91% owned by CVC Capital Partners and 9% by its senior employees.

THE ARTICLES OF ASSOCIATION

The Articles of Association are agreed at the Annual General Meeting (AGM) 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

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 five 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.

THE WORK OF THE BOARD 2013

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.

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 exception. 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 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

Name	Position	Born	Member Since*	Independent	Audit Committee	Compensation committee
Kenneth Bengtsson	Chairman of the Board	1961	2012	Yes		X
Peter Thörnquist	Board member	1953	2012	No	X	X
Sören Vestergaard-Poulsen	Board member	1969	2012	No		X
Gustaf Martin-Löf	Board member	1977	2012	No	X	
Göran Näsholm	Board member / CEO	1955	1999	No		

Board members Peter Törnquist (Committee Chairman) and Gustaf Martin-Löf.

Gunnar Haglund, CFO 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 2013, the Audit Committee held four meetings. The external auditors participated during these meetings. During the year, the Committee dealt with questions relating to the company's financial reporting inclusive of part-yearly 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.