Stockholm 18 September 2008

Interim report, January – June 2008

Solid profit trend in a flagging market

January-June

- Sales for the first half of 2008 increased 9.2 per cent to SEK 11,421 million (10,455). Organic growth was 4.1 per cent.
- EBITA increased to SEK 692 million (646) and the EBITA margin was 6.1 per cent (6.2). Net income for the period was SEK 42 million (-84). Net finance costs totalled SEK -427 million (-538).
- Market growth slowed down during the period, even though demand remained strong from a historical perspective. The slow-down is attributed mainly to the economic downturn, which has affected all Ahlsell's primary markets. During the period Ahlsell took steps to counteract the stagnating market, which has yielded satisfactory results.

Profit-enhancing measures and consolidation

In the interim period, Ahlsell's operations have in overall terms shown satisfactory growth given the general developments in the market during the period. In response to the weak conclusion to 2007, the company introduced a programme of measures to strengthen the company's financial results and counteract declining market growth. Cost savings and short-term profit-enhancing measures have been implemented and showed results at the beginning of 2008.

Market growth is expected to continue to taper off in 2008 and the group will therefore continue taking steps to counteract the effects.

Corporate acquisitions are a key part of Ahlsell's strategy for achieving the group's overall goal – to generate profitable growth. Through acquisitions, Ahlsell can strengthen its competence edge, widen its offering and increase its presence in existing markets. Both service and availability have been improved, which makes Ahlsell an even stronger partner for customers and suppliers. In 2007 the company performed a record number of acquisitions, primarily in Finland. The early months of 2008 have therefore largely been a period of consolidation and a time for focussing on achieving the desired synergies. We are now clearly seeing the results of this process. The work is expected to be completed in the second half of the year.

Consolidated Sales and EBITA

Summary of the group's performance	Actual 2008 YTD	Actual 2007 YTD	Change %
Sales (SEK m)	11 421	10 455	9,2
EBITA (SEK m)	692	646	7,2
EBITA margin, %	6,1	6,2	-
Operating income, EBIT (SEK m)	523	493	6,1

Sales
Sales rose 9.2 per cent to SEK 11,421 million (10,455), of which 4.1 per cent was organic growth. Organic growth has declined in all countries as a result of market developments. Operations in Sweden and Norway have shown the comparatively strongest sales trend. The sales trend in the Finnish market segment has temporarily been slowed by the process of integrating the completed acquisitions.

EBITA
The company's EBITA-result amounted to SEK 692 million (646). One-off expenses totalling SEK 15 million were charged to the accounts. The EBITA margin fell to 6.1 per cent (6.2).

Financial position and liquidity
The group's net financial items for the interim period totalled SEK -427 million (-538). Net interest expense was SEK -445 million (-412). Exchange rate fluctuations totalling SEK 15 million (-96) affected the net financial items.

As at 30 June, the group's liquid assets amounted to SEK 901 million (404), a reduction of SEK 140 million since the year-end. As at 30 June the net debt was SEK 10,839 million (10,610) and as at 31 December 2007 it was SEK 10,685 million.

Number of employees
As at the end of the interim period the number of employees was 5,222 (5,034). The increase is attributable to acquisitions completed in the second half of 2007. The change in the number of employees since 31 December 2007 is the equivalent to a reduction of 106 people which is a direct result of the cost savings measures that have been taken.

Comments on market developments in 2007 and outlook for 2008

2007 was marked by a period of very strong growth and rising net sales in the first six months of the year. All Ahlsell's geographic markets were affected by this positive trend. The speed of the market's expansion in this period was matched by the intensity of the slow-down in the third and fourth quarters, where growth in the final quarter was close to zero compared with around 15% in the year's first quarter. This turnaround is attributed to global financial uncertainties in the latter part of 2007 and, to a certain extent, to the fact that we have hit the capacity ceiling in several markets. The availability of qualified labour in the construction industry was limited, making continued growth impossible.

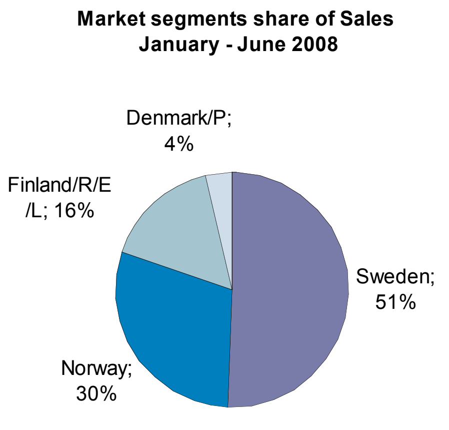
The early signs of economic downturn that we saw in the latter stages of last year have resulted in weaker growth compared with the same period in 2007. All Ahlsell's main markets; Sweden, Norway and Finland, are showing a 5% increase in sales. The company is expected to hold its ground in these markets and, in certain cases, to consolidate its position.

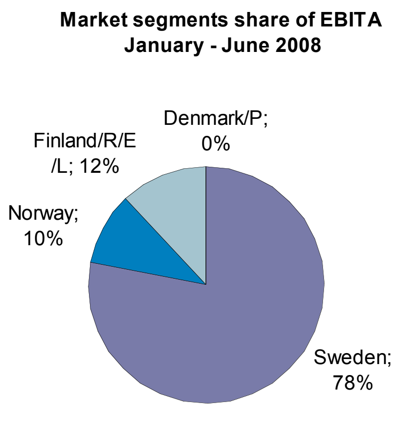
We have been experiencing declining sales in our Baltic operations. The general tendency has been a gradual slow-down in the increased sales trend. To counteract the effects of a flagging market the company is focussing on the segments where we can adopt a more aggressive stance and/or which lead to an increase in gross margins. The flagging market also means that large-scale, low-earning projects are discontinued.

Both the organic and acquisition-driven growth is expected to be lower in 2008 compared with the previous year, although overall volumes are expected to continue growing. A top priority consideration in the work on pre-empting reduced growth and the expected economic decline is to improve cost-efficiency and introduce profit-enhancing measures. It is also essential to bring the integration of acquired businesses to completion and capitalise on the completed investments in IT and logistics.

Segments - developments in the group's countries of operation

Ahlslell's geographical focus lies on the Nordic countries, the Baltic States and Russia. Sweden is Ahlsell's main market, and the geographical segment represents more than 50% of the company's turnover and almost 80% of the EBITA-result for the interim period.





Sweden

A period of intense work on making business profitable has helped increase the company's gross margins. The organisation and costs have been geared to a lower level of activity in the future, which has resulted in strong profitability in the first six months of the year.

The main product segments Heating & Plumbing, Electrical and Tools & Machinery have all shown steady growth while Refrigeration and DIY's growth trend has been weaker. Johan Nilsson was appointed new President of the Swedish operations. Johan comes to the company from an executive position in the Sanitec group.

Norway

This year we are seeing a reversed chain of events in our Oil & Gas-related operations. After two years' vigorous growth, cyclical sales have dropped by more than 25%, so while our two largest product segments: Heating & Plumbing and Electrical are showing strong continued growth, the sales increase in Norway is less than 5%.

The process of creating a company that is more cost-effective and capital-efficient in the long and short-term is currently in progress. The decision to build a new central warehouse, to replace a number of regional distribution units has been taken. It is scheduled for completion in 2010. More than 100 people were given their notice in August/September. These projects are being run and managed by representatives of the Swedish organisation.

Finland (including Russia, Estonia and Latvia)

Finland, Russia and the Baltic region operate under very different market conditions.
In Finland, where we enjoy a strong position in Heating & Plumbing and Tools & Machinery, the market is similar to Sweden's, with continued growth albeit at a slower rate than before. The company has decided to implement this autumn's cost-savings programme in this market too.

In the Baltic region, particularly Latvia, growth has been poor. The cutback in staff in the Latvian company has been 30% since the end of the year. A new management team has been appointed and is specifically tasked with adapting the company's operations to prevailing market conditions. The Estonian operations have been posting a healthy operating margin despite the flagging market. The operation in Russia is growing by 50% but still generates a loss.

Denmark (including Poland)

In this, the weakest market in the Nordic region, we have seen a sharp decline in profit compared with the previous year. This is, however, mainly because the 2007 figures include SEK 10 million in capital gains from the sale of a property. Growth is strongest in Heating & Plumbing, where the significantly strengthened sales organisation has recorded a growth of around 40%. The weakest link is GDS which is down 20%.