The board of directors and CEO of

Ahlsell AB (publ)

Corp ID 556715-7820

hereby submit the

Annual Report and consolidated accounts

for the period 1 January - 31 December 2008

Directors' report

THE GROUP

Operations

The group, which is one of the leading trading companies in the Nordic region, offers professional users a broad range of products and peripheral services in the areas of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. The group operates in Sweden, Finland, Norway and Denmark, Latvia, Russia and Estonia. The operations in Latvia are being wound up, a process that began in December 2008. The group's operations are conducted mainly under the Ahlsell trademark.

The company operates locally and Ahlsell's organisational model is based on supporting this. The organisational structure focuses on local markets, with a large number of sales offices and stores. Having many local units in each country and clearly defined areas of responsibility provides a sound base for the whole group while at the same time making Ahlsell extremely flexible and putting us in close contact with our customers. The coordination of purchasing, logistics, administration and IT provides economies of scale for the business.

Sales and profits

Ahlsell AB (publ) group's sales totalled SEK 21,979 million (21,474 million) and recorded a particularly strong sales trend at the beginning of the year. Ahlsell experienced a negative sales trend in the second half of the year as a result of a deterioration in the business cycle and a negative trend in the construction sector. As a consequence of the global financial crisis, market conditions deteriorated further in the fourth quarter and the willingness to invest in the building and industrial sectors continued to decline.

The EBITA before restructuring costs totalled SEK 1,472 million (1,214). The operating profit, to which restructuring costs equivalent to SEK 186 million have been charged, totalled SEK 907 million (790), which corresponds to an operating margin of 4.1% (3.7%). The improved operating margin for the group in 2008 is mainly attributable to the operations in Sweden. The group's net financial items totalled SEK -1,646 million (-1,082), which is equivalent to average interest expense of around 9% (8%). The decrease in net financial items is attributable mainly to negative currency effects and a rise in interest expense. The rise in interest expense was caused mainly by market interest rates throughout most of the year being higher than the previous year and the fact that the market valuation of the group's interest rate derivatives have had a negative impact on the net financial items. Loss for the year totalled SEK -740 million (-269).

Net sales from the operations in Sweden totalled SEK 11,578 million (11,282) and the EBITA before restructuring costs was SEK 1,126 million (864). Restructuring costs equivalent to SEK 31 million for provisions made in conjunction with the staff cutbacks were charged to the operating profit which was SEK 831 million (640). During the financial year the company has focused on margin-strengthening and cost-reduction measures, which have resulted in an improved operating margin.

Net sales from the operations in Norway totalled SEK 6,350 million (6,431) and the EBITA before restructuring costs was SEK 159 million (185). Restructuring costs of SEK 89 million were charged to the operating profit of SEK 18 million (133). The restructuring costs mainly concerned provisions made in conjunction with the staff reduction and provisions for future anticipated rent costs for empty warehouses during the building of the new central warehouse.

Net sales from the operations in Finland, which also incorporates the operations in Estonia and Russia, totalled SEK 3,513 million (3,247) with the EBITA before restructuring costs of SEK 221 million (200). Restructuring costs totalling SEK 5 million were charged to the operating profit of SEK 164 million (153). To strengthen the margins, focus during the financial year was mainly on the integration of the acquisitions most of which were made in the second half of 2007.

The operations in Denmark, which incorporate operations in Poland, posted net sales of SEK 908 million (863) and the EBITA before restructuring costs was SEK 10 million (14). As the profitability of these operations has been poor for a longer period, the decision was taken to focus the Danish operations on the more profitable business areas Refrigeration and DIY and wind up the operations in Electrical and Heating & Plumbing. The operating loss totalled SEK -61 million (-100). Restructuring costs of SEK 62 million, mainly attributable to the wind-up of the Electrical and Heating & Plumbing operations, were charged to the operating loss.

Market trends in 2008

At the beginning of 2008 market growth continued to be relatively stable and there was strong demand from both the construction and industrial sectors. In the second quarter the economy showed signs of flagging, which resulted in slower growth and a fall in demand. Conditions particularly in the construction market deteriorated very rapidly in the autumn and misgivings about financial markets accelerated the sharp decline in business conditions in the final quarter of the year. The same trend has been recorded across all the Ahlsell group's geographic markets.

Investments

In 2008, gross investments in tangible fixed assets amounted to SEK 116 million (227), of which financial leasing accounted for SEK 40 million (114). Investments for the year were mainly in logistics and IT-related operations. Annual depreciation of tangible fixed assets according to plan totalled SEK 123 million (119).

Financing

The Ahlsell group's financing consists mainly of three overdraft facilities administrated by Nordea Bank AB (publ): a Senior Facility of SEK 9,364 million and a Mezzanine Credit Facility of SEK 1,897 million. There is also an Acquisition Credit Facility available for utilisation totalling SEK 1,500 million, of which SEK 1,381 million had been utilised on the balance sheet date.

The group companies have pledged assets and made sizeable guarantee undertakings to provide security for the loans.

Key events in 2008

Staff reduction

In consequence of the gradual decline in the market, the Ahlsell group laid off 500 people, of which around 300 were in the Swedish operations in November 2008. The remainder were mainly employed in Norway and Finland. The reduction corresponds to around 10% of the group's total workforce.

In conjunction with the restructuring programme, costs equivalent to SEK 73 million were incurred by the group.

Wind-up of the Latvian operations

At the end of 2007, Ahlsell established itself in Latvia through the acquisition of the company Profs. After being acquired by Ahlsell, the company has been generateing significant losses at the same time as the Latvian market has been in decline as a result of the financial crisis in the region. As the future outlook for Latvia is rather bleak from a several-year perspective, Ahlsell decided to wind up the operations. A liquidation process began in December 2008. Because of this, the results of the Latvian operations have been reported separately under the heading "Income from discontinuing operations" in the consolidated accounts. The year's loss, including write-downs, was SEK -268.3 million.

Wind-up of the Electrical and Heating & Plumbing operations in Denmark

Ahlsell established itself as a player in the Danish Electrical and Heating & Plumbing market in 1999. The operations have from the outset been wrestling with poor profitability, which has been aggravated by ther decline in the market which accelerated in the last quarter of 2008. Ahlsell has therefore decided to wind up the operations and close the eight stores on Själland. At the same time, the company has announced Co-Determination negotiations (MBL) regarding the warehouse in Arlöv which has served our Danish sales units. The decision does not affect Ahlsell's Refrigeration and DIY operations in Denmark.

Financial risks

The Ahlsell group is exposed to various types of financial risks in its business. Financial risks stem from fluctuations in profits and cash flow as a consequence of, e.g., changes in exchange rates, interest rates, customers' payment abilities and opportunities for refinancing the company. Ahlsell's finance policy consists of a number of guidelines and rules that define a risk mandate for finance activities. The overall objective is, within the framework of this mandate, to optimise the ratio between risk level and the return to shareholders.

Foreign exchange risks are restricted to the import of goods (transaction exposure), lending and borrowing between companies of the Ahlsell group and recalculating investments in foreign subsidiaries (translation exposure). The effects of translation exposure are limited by matching foreign net assets against loans in the same currencies. 22 per cent of the group's loans are in SEK and the rest in foreign currencies. After exchange rate swaps the percentage in SEK is 54 per cent. The key individual currencies are SEK against EUR and NOK. Based on 2008's income and expenses in foreign currencies, a 5 per cent change in the Swedish krona against other currencies, excluding currency hedging, would affect the annual operating result by around SEK 6 million (10). The effect of a 5 per cent change in net financial items, including the currency hedges that existed at year-end, would be equivalent to around SEK 228 million (235).

Fluctuations in interest rate levels have a direct effect on Ahlsell's net interest income/expense. To reduce interest rate risk the company uses derivatives such as ceilings and swaps. These instruments are not used for any speculative purpose, but only to reduce the underlying exposure. A change of one per cent in the market rate will affect the group's profit by around SEK 36 million. As at 31 December 2008 the interest rate lock-in period for Ahlsell's three facilities was 508 days. The accounts receivable credit risk is managed via an established credit policy which includes running a credit check on all customers.

Other risks and uncertainty factors

Business cycle

Activity in the building sector – both in the form of new building projects but also service, repairs and Renovation, Maintenance and Improvement (RMI), is the single most important driving force for Ahlsell's sales. Around 60 per cent of Ahlsell's total sales in 2008 went to the building sector, of which half were new building projects. The remaining portion of sales to the building sector went to service and maintenance as well as RMI projects. The trend of new building projects is to some extent geared to fluctuations in the business cycle while service and maintenance and the RMI sector are less sensitive to cyclical change.

Acquisitions and integration work

Acquisitions are a key part of Ahlsell's growth strategy and in fulfilling its goal of being the leading player in all operational product segments in each market. That is why the company continuously identifies and evaluates potential acquisitions. Ahlsell's growth opportunities may be hampered if the process of identifying and conducting acquisitions is jeopardised.

Ahlsell prioritises acquisitions with evident cost synergies. To secure these synergies, Ahlsell ensures that acquired companies are quickly integrated into Ahlsell's system and structures. This means coordinating IT systems, logistics, purchasing, administration and sales. These measures normally lead to a significant improvement in profitability. The risk of declining profitability in conjunction with the integration of acquired companies is considered to be very small as the synergies mainly come from activities that help reduce costs and are confined to areas where Ahlsell has control. Should there, despite this, be difficulties with the integration work, there is a risk that expected synergies cannot be brought to fruition.

IT systems

Ahlsell is dependant on technical systems for gathering, processing and communicating information securely and efficiently. This also applies to our customised purchasing and Order/warehouse management system IMI Order, which also affects Web/Internet access and the centralised warehouse and distribution system Astro. We also provide EDI services to larger customers and suppliers to integrate their ordering and warehouse management with IMI Order. Administration and maintenance work on all Ahlsell's central IT-systems are performed by external partners. Serious errors or longer periods of down-time in business-critical information systems can, in the longer term, cause difficulties in delivering goods or can hamper the possibilities for receiving orders or billing customers. In 2008 Ahlsell was not affected by any serious disruptions in availability in the group-wide business-critical IT-systems.

Warehousing and distribution

Ahlsell relies on a few main warehouses and distribution facilities, including the central warehouse in Hallsberg and Hyvinge. In addition to this Ahlsell depends on a number of transportation companies to handle the daily deliveries of products to stores and end-customers. If the warehouses or distribution facilities suffer any kind of damage, or if the contracted transportation companies are not capable of providing sufficient capacity, Ahlsell's ability to deliver goods could be significantly affected.

Personnel

The average number of employees in the group in the period January - December totalled 5,055 (4,786). The number of employees in the group on 31 December 2008 was 4,990 (5,328).

Environment

Ahlsell's activities at its central warehouse in Sweden are subject to statutory reporting as it handles used coolants. These activities have also been licensed by the county administration board. The licence applies until further notice with an annual reporting requirement to Hallsberg Municipality. The company also has a permit for handling explosives and flammable products, chemical products and biotechnical organisms. In addition to this there are some 70 stores that have a storage permit for flammable liquids >100 litres and indoor gas storage. 10 stores also have a permit to have a gas depot.

Ahlsell endeavours to be the sector's leading company in environmental protection. Clear guidelines have been set for those parts of the business with the greatest environmental impact, including an environmental policy for how Ahlsell can minimise its impact on the environment within the framework of efficient commerce. Ahlsell Sweden, with its accompanying distribution operation, is certified in accordance with ISO 14001.

Ahlsell's operations are mainly focused on trading and distribution. The Group's environmental impact is therefore mainly related to transport, waste, chemico-technical articles and energy consumption.

Expectations for the future

A general decline in the economy at the beginning of the second half of 2008 and the global financial crisis which has further aggravated the conditions in the market, helped slow down activity in the construction and industrial sectors in all Ahlsell's geographic markets in the last quarter of 2008.

There is still a great deal of uncertainty in the market and it is difficult to foresee what kind of effect the recovery packages that are being planned by the respective governments will have. It is clear, however, that activity in the construction and industrial sectors and the economy in general is expected to remain low at the beginning of 2009.

PARENT COMPANY

Ahlsell AB (publ) is owned by Nybrojarl New 1 AB, and senior management personnel (4.15%). Nybrojarl New 1 AB is owned by the Luxembourg-based company Alchemy Holding S.á.r.l, which in turn is owned by Goldman Sachs Capital Partners and Cinven.

The Parent Company's operation during the financial year consisted of ownership of shares in subsidiaries and the provision of intra-group services to the equivalent of SEK 9.5 million. At the year-end the company had two employees.

The company's operation is expected to continue to consist of ownership of shares in group companies and the provision of intra-group services.

Proposed appropriation of profit or loss

The following funds (SEK) are at the disposal of the Annual General Meeting:

Share premium reserve	3,507,415,965
Profit carried forward	212,895,288
Profit for the year	431,938,727
Total	**4,152,249,980**

The President and board of directors propose that the available profit of SEK 4,152,249,980 be carried forward.

For information on the company's profit and financia l status in general, please refer to the following income statements,

balance sheets and cash flow statements and accompanying notes to the accounts.

Consolidated Income Statement

SEK million	Note	2008	2007
Net sales	2	21,978.5	21,473.7
Cost of goods sold		–16,560.7	–16,334.3
Gross profit		**5,417.8**	**5,139.4**
Sales expenses		–3,928.7	–3,750.2
Administration costs		–612.7	–612.4
Other operating income	4	36.5	16.2
Other operating expenses	5	–6.0	–2.8
Operating profit	2,3,6,7,8,9	**906.9**	**790.2**
Financial income	10	830.0	187.5
Financial expenses	11	–2,476.4	–1,269.0
Net financial items		–1,646.4	–1,081.5
Profit (loss) before income taxes		**–739.5**	**–291.3**
Income tax	12	267.8	37.8
Profit (loss) for the year from continuing operations		**–471.7**	**–253.5**
Income from discontinuing operations, net after tax	2,3,6,7,8,9,13	–268.3	–15.0
Net profit (loss)		**–740.0**	**–268.5**
Net profit (loss) for the year attributable to Parent Company shareholders		–740.0	–268.5

Consolidated Cash Flow Statement

SEK million	Note	2008	2007
CURRENT OPERATIONS			
Profit (loss) before income taxes		–739.5	–291.3
Income before tax from discontinuing operations		–274.1	–11.6
Adjustment for non-cash flow items	36	1,657.5	452.4
		643.9	**149.5**
Tax paid		–30.8	–168.9
Cash flow from the current operations before changes in operating capital		**613.1**	**–19.4**
CASH FLOW FROM CHANGES IN OPERATING CAPITAL			
Changes in stock		144.0	–162.7
Changes in operating receivables		496.7	274.3
Changes in operating liabilities		–467.4	15.0
Cash flow from the current operations		**786.4**	**107.2**
INVESTMENT ACTIVITIES			
Acquisition of operations	37	–15.7	–685.1
Acquisition of minority holdings		-	–117.0
Sale of operations	38	29.6	-
Acquisition of intangible fixed assets		–12.5	–26.3
Acquisition of tangible fixed assets		–75.7	–143.5
Sale of tangible fixed assets		34.2	42.9
Acquisition of financial assets		–68.3	-
Sale of interest-bearing receivables		0.3	3.8
Cash flow from investment activities		**–108.1**	**–925.2**
FINANCING ACTIVITIES			
Shareholders contributions received		-	75.5
Loans raised		-	5,579.7
Amortisation of debt		–276.5	–4,547.8
Cash flow from financing activities		**–276.5**	**1,107.4**
Cash flow for the year		**401.8**	**289.4**
Liquid assets reported in assets available for sale		–9.8	-
Liquid assets – opening balance		1.040.6	754.4
Exchange rate difference in liquid assets		–6.9	–3.2
Liquid assets – closing balance		**1,425.7**	**1,040.6**
Unused overdraft facility	33	373.9	429.0
Disposable liquid assets including unused overdraft facility at year-end		1,799.6	1,469.6

Supplementary information

In addition to the cash flow statement which has been prepared in accordance with IAS 7, Ahlsell has prepared a cash flow which is based on operations excluding financial transactions, taxes and acquisition and divestment of operations. It is used by management to follow up the operations.

Operating cash flow

SEK million	Note	2008	2007
Operating profit		906.9	790.2
Adjustment for non-cash flow items	36	643.2	439.0
Operating cash flow before changes in operating capital		**1,550.1**	**1,229.2**
OPERATING CASH FLOW FROM CHANGES IN OPERATING CAPITAL			
Changes in stock		144.0	–162.7
Changes in operating receivables		496.7	274.3
Changes in operating liabilities		–467.4	15.0
Operating cash flow before investments		**1,723.4**	**1,355.8**
Acquisition of intangible fixed assets		–12.5	–26.3
Acquisition of tangible fixed assets		–75.7	–143.5
Sale of tangible fixed assets		34.2	42.9
Cash flow from operating investments		**–54.0**	**–126.9**
Operating cash flow after investments		**1,669.4**	**1,228.9**

Correlation between cash flows

The consolidated operating cash flow statement is based on the operating profit, which means that the operating cash flow before investments does not include any incoming or outgoing payments nor tax payments. To get a picture of the cash flow from the current operation as set forth in the cash flow statement prepared in accordance with IAS 7, therefore, these incoming and outgoing payments must be taken into account. The following table outlines the correlation between the operating cash flow before investments and cash flow from the current operations according to IAS 7.

Cash flow from operating investments includes the type of investments and sales which are attributable to the ongoing operations, while the cash flow from investment activities in the cash flow analysis according to IAS 7 also includes investments and divestment of operations and financial assets. The following table outlines the correlation between cash flow from operating investments and cash flow from investment activities.

To see the cash flow from the current operation according to the cash flow statement prepared in accordance with IAS 7, cash flow from financing activities must be taken into account, which is illustrated in the following table. This cash flow is not included in the Group's operating cash flow.

SEK million	2008	2007
Operating cash flow before investments	1,723.4	1,355.8
Financial income (according to Income Statement)	830.0	187.5
Financial expenses (according to Income Statement)	–2.476.4	–1,269.0
Loss before tax from discontinuing operations (from note 13)	–274.1	–11.6
Paid tax (according to Cash Flow Statement)	–30.8	–168.9
Difference in adjustment of non-cash flow items	1,014.3	13.4
Cash flow from the current operations	**786.4**	**107.2**
Cash flow from operating investments	–54.0	–126.9
Acquisition of operations and minority interests	–15.7	–802.1
Divestment of operations	29.6	-
Acquisition of financial assets	–68.3	-
Sale of interest-bearing receivables	0.3	3.8
Cash flow from investment activities	**–108.1**	**–925.2**
Cash flow from financing activities	**–276.5**	**1,107.4**
Cash flow for the year	**401.8**	**289.4**

Consolidated Balance Sheet

SEK million	Note	2008	2007
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Customer relations	14	4,036.9	4,325.5
Trademarks	15	2,400.0	2,400.0
Other intangible assets	16	101.9	158.5
Goodwill	17	4,302.7	4,317.0
Total intangible fixed assets		10,841.5	11,201.0
Tangible fixed assets			
Buildings and land	18	355.2	334.1
Machinery and other technical facilities	19	50.9	61.8
Equipment, tools and installations	20	251.0	275.7
Fixed assets under construction and advances relating to tangible fixed assets		13.7	32.4
Total tangible fixed assets		670.8	704.0
Financial fixed assets			
Financial investments	21	4.4	4.8
Derivative instruments	33	821.0	66.8
Other long-term receivables	25	36.3	17.8
Total financial fixed assets		861.7	89.4
Deferred tax assets	24	2.8	5.0
Total fixed assets		**12,376.8**	**11,999.4**
CURRENT ASSETS			
Stock			
Finished goods and goods for resale	26	3,149.3	3,310.5
Total stock		3,149.3	3,310.5
Current receivables			
Accounts receivable	27	2,238.9	2,676.7
Derivative instruments	33	1.1	44.5
Tax liabilities		145.2	145.0
Other receivables		51.0	79.1
Prepaid expenses and accrued income	28	844.5	864.3
Total current receivables		3,280.7	3,809.6
Liquid assets		1,425.7	1,040.6
Assets available for sale	13	50.1	-
Total current receivables		**7,905.8**	**8,160.7**
TOTAL ASSETS		**20,282.6**	**20,160.1**

SEK million	Note	2008	2007
EQUITY AND LIABILITIES			
EQUITY			
Share capital		547.4	547.4
Other capital contributions		4,144.6	4,144.6
Reserves		135.9	112.8
Profit carried forward including profit for the year		–2,863.0	–2,123.0
Equity attributable to the Parent Company shareholders		1,964.9	2,681.8
Minority interests		-	-
Total equity		**1,964.9**	**2,681.8**
LONG-TERM LIABILITIES			
Liabilities to credit institutions		12,627.4	11,494.6
Pension provisions		138.4	159.4
Other long-term provisions		76.6	11.8
Deferred tax liabilities		1,225.8	1,525.7
Other non-interest-bearing liabilities		17.4	17.8
Derivative instruments		300.8	-
Total long-term liabilities		**14,386.4**	**13,209.3**
CURRENT LIABILITIES			
Liabilities to credit institutions		275.9	277.5
Advances from customers		6.3	14.7
Accounts payable		2,745.5	3,277.6
Derivative instruments		1.6	-
Current tax liabilities		9.1	13.3
Other current provisions		126.1	11.8
Other non-interest-bearing current liabilities		181.2	137.9
Other interest-bearing current liabilities		-	6.6
Accrued costs and prepaid income		535.5	529.6
Liabilities associated with assets that are held for sale		50.1	-
Total current liabilities		**3,931.3**	**4,269.0**
TOTAL EQUITY AND LIABILITIES		**20,282.6**	**20,160.1**

For information about the Group’s pledged assets and contingent liabilities, see note 34.

Consolidated Statement of Change in Equity

		Equity attributable to shareholders						
SEK million	Note	Share capital	Other capital contri- bution	Reserves	Profit carried forward including year's profit	Total	Minority interests	Total equity
Opening balance on 1 February 2007		0.1	3,877.4	–59.3	–1,359.9	2.458.3	202.3	2,660.6
Year's change in hedging reserve	29	-	-	–9.4	-	–9.4	-	–9.4
Translation differences for the year	29	-	-	232.1	-	232.1	-	232.1
Tax on transactions reported directly in equity	29	-	-	–48.1	-	–48.1		–48.1
Total transactions reported directly in equity		**-**	**-**	**174.6**	**-**	**174.6**	**-**	**174.6**
		-	-	-	–268.5	–268.5	-	–268.5
Net profit (loss)		-	-	174.6	–268.5	–93.9	-	–93.9
Total reported income and expenses		524.6	–524.6	-	-	-	-	-
Registered new share issue		-	637.2	-	-	637.2	-	637.2
Shareholders' contribution		-	9.4	-	-	9.4	-	9.4
Issue of warrants		22.7	145.2	-	-	167.9	-	167.9
Non-cash issue in progress		-	-	–2.5	–90.2	–92.7	-202.3	–295.0
Buy-out of minority[1]		-	-	-	–561.7	–561.7	-	–561.7
Group contribution provided, Nybrojarl New 1 AB		-	-	-	157.3	157.3	-	157.3
Total transactions attributable to shareholders		547.3	267.2	–2.5	–494.6	317.4	-202.3	115.1
Closing balance on 31 December 2007		**547.4**	**4,144.6**	**112.8**	**–2,123.0**	**2,681.8**	**-**	**2,681.8**
Opening balance on 1 January 2008		**547.4**	**4,144.6**	**112.8**	**–2,123.0**	**2,681.8**	**-**	**2,681.8**
Year's change in hedging reserve	29	-	-	–33.1	-	–33.1	-	–33.1
Translation differences for the year	29	-	-	39.6	-	39.6	-	39.6
Tax on transactions reported directly in equity	29	-	-	16.6	-	16.6	-	16.6
Total transactions reported directly in equity		**-**	**-**	**23.1**	**-**	**23.1**	**-**	**23.1**
Net profit (loss)		-	-	-	–740.0	–740.0	-	–740.0
Total reported income and expenses		-	-	23.1	–740.0	–716.9	-	–716.9
Total transactions attributable to shareholders		-	-	-	-	-	-	-
Closing balance on 31 December 2008		**547.4**	**4,144.6**	**135.9**	**–2,863.0**	**1,964.9**	**-**	**1,964.9**

[1] During 2007 minority holdings were moved up in the Group and at the end of the year consisted of holdings in Ahlsell AB (publ). This means that the minority has moved out of the Group.

Income Statement – Parent Company

SEK million	Note	2008	2007
Net sales		9.5	6.9
Gross profit		**9.5**	**6.9**
Administration expenses	9	–31.2	–25.8
Operating profit		**–21.7**	**–18.9**
PROFIT FROM FINANCIAL ITEMS			
Interest income and similar profit/loss items	10	645.2	547.3
Interest expenses and similar profit/loss items	11	–23.4	-
Profit after financial items		**600.1**	**528.4**
Tax on profit for the year	12	–168.2	–148.0
Profit for the year		**431.9**	**380.4**

Cash Flow Statement – Parent Company

SEK million	Note	2008	2007
CURRENT OPERATIONS			
Profit before tax		600.1	528.4
Adjustment for non-cash flow items	36	-	–547.3
		600.1	**–18.9**
Tax paid		–3.3	-
Cash flow from the current operations before changes in operating capital		**596.8**	**–18.9**
CASH FLOW FROM CHANGES IN OPERATING CAPITAL			
Change in operating receivables		15.7	–16.7
Change in operating liabilities		–531.6	11.0
Cash flow from the current operations		**80.9**	**–24.6**
INVESTMENT ACTIVITIES			
Investments in interest-bearing receivables		–81.8	–75.5
Cash flow from investment activities		**–81.8**	**–75.5**
FINANCING ACTIVITIES			
Shareholders' contribution received		-	75.5
Loans raised		-	26.9
Amortisation of loan expenses		–1.5	-
Cash flow from financing activities		**–1.5**	**102.4**
Cash flow for the year		**–2.4**	**2.3**
Liquid assets at start of year		2.4	0.1
Liquid assets at end of year		**-**	**2.4**
Unused overdraft facility		-	-
Disposable liquid assets at year end including an unused overdraft facility		-	2.4

Balance Sheet – Parent Company

SEK million	Note	2008	2007
ASSETS			
FIXED ASSETS			
Financial fixed assets			
Shares in subsidiaries	22	850.7	850.7
Receivables from group companies	23	4,480.6	4,397.1
Total financial fixed assets		5,331.3	5,247.8
Total fixed assets		**5,331.3**	**5,247.8**
CURRENT ASSETS			
Current receivables			
Receivables from group companies		3.1	19.3
Other receivables		1.0	2.1
Prepaid expenses and accrued income	28	0.2	0.2
Total current receivables		4.3	21.6
Cash and bank balances		-	2.4
Total current assets		**4.3**	**24.0**
TOTAL ASSETS		**5,335.6**	**5,271.8**
EQUITY AND LIABILITIES			
EQUITY	29		
Restricted equity			
Share capital (5,473,741 shares)		547.4	547.4
Non-restricted equity			
Share premium reserve		3,507.4	3,507.4
Profit carried forward		212.9	265.0
Profit for the year		431.9	380.4
Total equity		**4,699.6**	**4,700.2**
CURRENT LIABILITIES			
Liabilities to group companies		626.1	555.6
Income tax liability		-	3.3
Other non-interest-bearing liabilities		1.4	2.6
Prepaid income and deferred expenses		8.5	10.1
Total current liabilities		**636.0**	**571.6**
TOTAL EQUITY AND LIABILITIES		**5,335.6**	**5,271.8**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
PLEDGED ASSETS			
– Shares		850.7	850.7
– Group-internal receivables		4,480.6	3,835.4
Contingent liabilites		None	None

Change in Equity – Parent Company

SEK million	Restricted equity		Non-restricted equity			
	Share capital	New share issue in progress	Share premium reserve	New share issue in progress	Profit carried forward/ profit for the year	Total equity
Opening balance on 1 January 2007	**0.1**	**524.6**	**-**	**3,352.8**	**8.4**	**3,885.9**
Net profit (loss)	-	-	-	-	380.4	380.4
Total reported income and expenses	-	-	-	-	380.4	380.4
Registered new share issue	524.6	–524.6	3,352.8	–3,352.8	-	-
Shareholders' contribution	-	-	-	-	637.2	637.2
Issue	22.7	-	145.2	-	-	167.9
Issue of warrants	-	-	9.4	-	-	9.4
Group contribution provided	-	-	-	-	–528.6	–528.6
Tax on transactions attributable to shareholders	-	-	-	-	148.0	148.0
Total transactions attributable to shareholders	547.3	–524.6	3,507.4	–3,352.8	256.6	433.9
Closing balance on 31 December 2007	**547.4**	**-**	**3,507.4**	**-**	**645.4**	**4,700.2**
Opening balance on 1 January 2008	**547.4**	**-**	**3,507.4**	**-**	**645.4**	**4,700.2**
Net profit (loss)	-	-	-	-	431.9	431.9
Total reported income and expenses	-		-	-	431.9	431.9
		-				
Group contribution provided	-	-	-	-	–600.6	–600.6
Tax on transactions attributable to shareholders	-		-	-	168.1	168.1
Total transactions attributable to shareholders	-	-	-	-	–432.5	–432.5
		-				
Closing balance on 31 December 2008	**547.4**	**-**	**3,507.4**	**-**	**644.8**	**4,699.6**

See also Note 29, Equity.

Notes

Note 1 General information and accounting principles

General information
Ahlsell AB (publ) (Parent Company) and its subsidiaries (collectively the Group) is a leading Nordic supplier of installation products, tools and machinery. The Group offers professional users a broad range of products and peripheral services in the areas of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. A smaller proportion of sales goes to retailing companies in the DIY sector.

The Parent Company is a registered public limited liability company. Its head office is in Stockholm, its address is Liljeholmsvägen 30, Stockholm, Sweden.

The annual report and the consolidated accounts were approved for publication by the board of directors on 19 March 2009. The consolidated accounts and Parent Company income statements and balance sheets will be presented for adoption at the Annual General Meeting on 21 April 2009.

Summary of key accounting principles
The key accounting principles that are implemented in this annual report and consolidated accounts are specified below. These principles have been implemented systematically for all the presented years unless otherwise specified.

Basis for the preparation of financial reports
The consolidated accounts for the Ahlsell AB (publ) group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1.1: Supplementary accounting rules for groups has also been applied. Assets and liabilities are reported at their historical acquisition values or their accrued acquisition value, except for financial assets available for sale and assets and liabilities (including derivative instruments) which are valued at fair value in the income statement. The accounting principles that were implemented by the Parent Company are specified below.

Preparing financial reports in accordance with IFRS requires the use of certain important accounting estimates. It also requires management to exercise judgement in the process of applying the group accounting principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated accounts, are specified in note 40.

Fixed assets and long-term liabilities consist largely only of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and short-term liabilities consist largely only of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

Information about IFRS standards and interpretations that came into effect in 2008:
No changes to the standards or interpretations that came into effect in 2008 have affected the group.

Information about IFRS standards and interpretations that have not yet come into effect:
Revised IFRS 3: Business combinations and the revised IAS 27: Consolidated and separate financial statements: have entailed changes to the consolidated accounts and the reporting of acquisitions. The revised standards are applied from the financial year beginning 1 January 2010. Earlier application permitted.

IFRS 8 Operating segments: Defines an operating segment and specifies what information about it should be presented in the financial reports. The standard is effective from 1 January 2009.

The revised IAS 1: Preparation of financial statements: means that the presentation of financial statements must be changed in some respects and that new, non-compulsory titles for the reports are given. The change does not affect the determination of reported amounts. The revised IAS 1 is applied from 1 January 2009.

The amended IAS 23: Borrowing Costs states that borrowing costs that are directly attributable to the acquisition, building or production of an asset that takes a substantial period of time to get ready for use or sale must be capitalised. The change is effective from 1 January 2009.

IFRIC 13 Customer Loyalty Programmes: interpretation addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services to customers that have earned points through previous purchases. The interpretation is effective from 1 January 2009.

Other amendments to the standards and interpretations are not expected to affect the Group.

Consolidated accounts
(a) Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are included in assessments about whether the Group exercises a controlling influence over another company. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is reported directly in the income statement.

Group-internal transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting principles of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by the Group.

(b) Transactions with minority shareholders
The Group reports changes in ownership after the controlling influence has been transferred (which does not mean it loses the controlling influence) as ownership transactions. This means that for the acquisition of minority participations, where the purchase sum exceeds or falls below the acquired

part of book value of the subsidiaries' net assets, the difference in the amount is reported as an effect in equity. For sale of participations to minority interests, where the received purchase sum deviates from the book value of the portion of the net assets sold, the difference in the amount is reported directly in equity.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services that are subject to risks and returns that are different from those of other business environments. For the Ahlsell AB (publ) group geographical areas are the primary basis of distribution and the geographical areas comprise individual countries and groups of comparable countries.

Translation of foreign currency

(a) Functional and reporting currencies

The companies in the Group prepare their financial reports in the currency used in the primary economic environment in which they operate (functional currency). The consolidated accounts are prepared in Swedish krona (SEK), which is the Parent Company's functional currency and reporting currency.

(b) Transactions and balances

Transactions in foreign currency are translated to the functional currency according to the exchange rates applying on the transaction date. Gains and losses arising in payments for such transactions and in the translation of monetary assets at the closing-date rate are recognised in the income statement. Exceptions are transactions that constitute hedges and which satisfy the conditions for hedge accounting of cash flows or net investments. Such gains or losses are booked directly against equity.

(c) Group companies

The figures and financial position of all Group companies (none of which has a high-inflation currency) with a functional currency different to the presentation currency are re-translated into the Group's presentation currency as follows:

a) assets and liabilities for each of the balance sheets are translated at the closing day rate,
b) income and expenses for each of the income statements are translated at the average exchange rate (provided this average exchange rate is a reasonable approximation of the accumulated effect of the rates in effect on the transaction date, otherwise income and expenses are translated on the transaction date), and
c) all currency differences which arise are recognised as a separate part of equity.

Upon consolidation, currency differences which arise as a result of translating net investments in foreign operations and of borrowing and other currency instruments identified as hedges of such investments, are recognised in equity. If a foreign operation is sold, fully or partly, the currency differences that are recognised in equity are transferred to the income statement and reported as a part of the capital gain/loss.

Goodwill and adjustments in fair value that arise in an acquisition of a foreign operation are treated as assets and liabilities in this operation's functional currency.

Tangible fixed assets

Tangible fixed assets are measured at acquisition value less accumulated depreciation and impairment losses. The acquisition value includes expenses which can directly be attributed to the acquisition of the asset. Loan expenses are not capitalised.

Assets can consist of different parts and as each part may have an acquisition value which is significant in relation to the assets' combined acquisition each part is depreciated separately.

Additional expenses are added to the reported value of the fixed assets or reported as a separate asset only where it is likely that the Group will enjoy the future economic benefits associated with the asset and the acquisition value of the asset can be measured in a reliable manner. Crucial to the assessment whether to add additional expenses to the acquisition value is if the expense relates to the exchange of identified components, or parts thereof, in which case such expenses are capitalised. Any non-depreciated values on exchanged components, or part of components, are disposed of in conjunction with the exchange. Repair work is reported as expenses on an ongoing basis.

Land is not depreciated. Depreciation of other tangible assets is done on a straight-line basis down to the estimated residual value of the asset and during the anticipated useful life of the assets, in accordance with the following table:

– Buildings	20–50 years
– Machinery	3–10 years
– Inventories and installations	3–10 years

The residual values and useful lives of assets are tested on the balance sheet date and adjusted where required.

In cases where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to the recoverable amount in accordance with IAS 36.

Intangible assets

(a) Goodwill

Goodwill consists of the amount by which the acquisition value exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets on the acquisition date. Goodwill arising from the acquisition of operations in foreign subsidiaries is reported as an intangible asset. Goodwill is tested annually for impairment and reported at acquisition value minus accumulated write-downs. Gains and losses from sales of units include the remaining book value of the goodwill for the sold unit.

If negative goodwill arises (the acquisition costs fall below the net value of the acquired assets and liabilities and contingent liabilities), the whole amount is immediately reported in the income statement under Other operating income.

Goodwill is distributed among the cash-generating units in the event of testing for impairment needs.

(b) Customer relations, licences, lease contracts and similar rights

Customer relations and other intangible assets (mainly licences, software and lease contracts) are recognised at acquisition value. The assets have a limited useful life and are recognised at acquisition value less accumulated depreciation. Depreciation is performed on a straight-line basis to distribute costs across their estimated periods of use, which is 3-20 years.

(c) Trademarks

Trademarks are recognised at acquisition value.

The period of use is considered to be indefinite as it is a question of a well-established trademark which the Group intends to keep and develop. Trademarks are tested annually to identify any impairment needs and are recognised at acquisition value less accumulated write-downs.

(d) Capitalised development expenses

Capitalised development expenses are reported as intangible assets in the balance sheet if they are directly related to the development of identifiable products that are controlled by the group and which have probable financial benefits for more than one year and exceed the expenses. Development expenses include expenses for people employed during the development period.

Capitalised development expenses have a limited period of use and are recognised at acquisition value less accumulated amortisation. Amortisation is performed on a straight-line basis to distribute costs across their estimated periods of use, which is 3-7 years.

The residual values and useful lives of assets are tested on the balance sheet date and adjusted where required. In cases where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to the recoverable amount in accordance with IAS 36.

Gains or losses from disposals are determined by comparing the sales revenue and book value and are recognised in the income statement as Other operating income or Other operating expenses.

Research expenses are booked as an expense as they arise.

Entry and removal of financial instruments from the balance sheet

A financial asset or financial liability is entered in the balance sheet when the company becomes engaged by contract. Accounts receivable are entered in the balance sheet when an invoice has been issued. Liabilities are entered when the counterparty has performed and the agreed liability is due for payment, even if an invoice has not yet been received. Accounts payable are entered when an invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire or cease. The same applies for a portion of a financial asset. A financial liability is removed from the balance sheet when the undertakings in the agreement have been fulfilled or extinguished. The same applies to a portion of a financial liability.

Financial assets and liabilities are offset and reported in the net balance sheet where there is a legal enforceable right for offset and there is an intent to settle on a net basis or at the same time realise the asset and settle the liability.

Financial assets
The Group classifies its financial assets in the following three categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Their classification is determined when they are first recognised and depends on the purpose for their acquisition. Management determines the classification of the instrument at the first time each instrument is reported. The Group has divided its financial instruments into the following categories:

(a) Financial assets valued at fair value in the income statement
Finansiella tillgångar värderade till verkligt värde via resultaträkningen är finansiella tillgångar som innehas för handel. En finansiell tillgång klassificeras i denna kategori om den förvärvas huvudsakligen i syfte att säljas inom kort. Derivat klassificeras som att de innehas för handel om de inte är identifierade som säkringar.

(b) Loans and accounts receivable
"Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services direct to a customer without the intention to trade in the receivables arising. They are included in current assets, with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as fixed assets. Loans and accounts receivable are included in the item Accounts receivable and Other receivables in the balance sheet."

(c) Financial assets available for sale
Financial assets available for sale are are non-derivative financial assets that are identified as being available for sale or if they are not classifiable in any other category. They are included as fixed assets if management does not intend to sell the assets within 12 months after the balance sheet date.

Purchase and sale of financial assets are recognised on the transaction date, which constitutes the date the company pledges to acquire or sell the asset. Financial instruments are initially reported at fair value plus transaction costs, which applies to all financial assets that are not reported at fair value via the income statement. Financial assets that are valued at fair value via the income statement are initially reported at fair value, while related transaction costs are recognised in the income statement. A financial asset is removed from the balance sheet when the right to the receive the cash flow has expired or been transferred and the Group has essentially transferred all the risks and benefits associated with the ownership right. Financial assets that are available for sale and financial assets valued at fair value via the income statement are recognised after the time of acquisition at fair value. Loans and accounts receivable are recognised at their accrued acquisition value implementing the effective interest rate method.

Financial assets available for sale are are non-derivative financial assets that are identified as being available for sale or if they are not classifiable in any other category. They are included as fixed assets if management does not intend to sell the assets within 12 months after the balance sheet date.

Gains and losses caused by changes in the fair value in the category of financial assets that are valued at fair value in the income statement are recognised for the period in which they arise and are posted in the income statement under Financial income or Financial expenses. Dividend income from securities in the category of financial assets that are valued at fair value in the income statement is recognised as part of Financial income when the Group's right to receive payment has been established.

When securities which are classified as financial assets which are available for sale are sold, the accumulated adjustments in fair value are transferred from equity to the income statement as losses/gains from financial instruments.

Interest on securities that are available for sale which has been calculated using the effective interest rate method is recognised in the income statement as a portion of Financial income. Dividends from share instruments which are available for sale are recognised in the income statement as a portion of Financial income when the Group's right to receive payment has been established.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow statements and option pricing models. Market information is used as extensively as possible while company-specific information is used as restrictively as possible.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of accounts receivable is described below.

Derivative instruments and hedging methods
Derivative instruments are recognised in the balance sheet on the contract date and valued at fair value both initially and on subsequent revaluations. The method of recognising resulting gains or losses depends on whether the derivative financial instrument has been designated as a hedging instrument, and if so, on the nature of the item being hedged. The Group identifies certain derivatives as either: i) hedges for the fair value of an identified asset or liability (hedging of fair value); ii) hedging of a cash flow risk which is connected to an identified liability or a very likely forecast transaction (cash flow hedge); or iii) a hedge of an net investment in foreign operations (hedging of net investments).

Information about fair value for different derivative instruments used for hedging purposes can be found in note 33. Changes in the hedging reserves in equity are outlined in note 29. The fair value of a hedging derivative is classified as a fixed asset or long-term liability if the hedge conditions have a maturity over 12 months, and as current assets or short-term liabilities for maturities less than 12 months. This applies irrespective of whether or not hedge accounting has been applied. Derivative instruments which are held for trading are always classified as current assets or current liabilities. Adjustments have been made to the comparative year when it comes to the classification of derivative instruments such as fixed assets or current assets, or long-term or current liabilities.

Cash flow hedging
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement under Financial income or Financial expenses.

Accumulated amounts in equity are entered in the income statement in the periods during which the hedged item affects the result. Gain or loss attributable to the effective portion of an interest swap, which hedges borrowing at a variable interest rate, is reported in the income statement under Financial expenses. The gain or loss attributable to the ineffective portion is reported immediately in the income statement under Financial income or Financial expenses.

When a hedging instrument expires or is sold or when the hedge no longer fulfils the terms of hedge accounting and there are accumulated gains or losses regarding the hedge in equity, these gains/losses remain in equity and are taken up as income at the same time as the forecast transaction is finally reported in the income statement. When a forecast transaction is no longer expected to take place, the accumulated gain or loss recognised in equity is immediately transferred to the income statement under Financial income or Financial expenses.

Derivatives valued at fair value in the income statement
Changes in fair value of derivative instruments that are not hedged are reported directly in the income statement under Financial income or Financial expenses.

Hedging of net investments in foreign operations
The Group has operations in several different countries. In the consolidated balance sheet investments in foreign operations are represented as net assets in subsidiaries. Some measures have been taken to reduce the currency risks that are associated with these investments. This has been done by raising loans in the same currency as the net investments. At the close of the accounts these loans are recalculated according to the rate that applies on the balance sheet date. The effective part of the period's exchange rate fluctuations from hedging instruments is reported directly in equity in the translation reserve to meet and fully or partially match the translation differences that are reported as net assets in the foreign operations which have been currency-hedged. Translation differences from both net investments and hedging instruments are reversed and reported in the income statement when the foreign operation is discontinued. If the hedging is not effective, the ineffective portion is reported directly in the income statement.

Stock
Stock is reported at the lower of the acquisition value or the net sales value. The acquisition value is determined by means of a weighted calculation of the average prices. Loan expenses are not included. The net sales value is the estimated sales price in the current operations, with a deduction for applicable variable sales expenses.

Accounts receivable
Accounts receivable are initially reported at fair value and then at the amount at which they are expected to arise, i.e., acquisition value less any value reduction reserve assessed on an individual basis. Accounts receivable's expected maturity is short, and the value is therefore reported at nominal value without discounting. Impairment losses of accounts receivable are recognised in Operating expenses.

Cash and cash equivalents
Cash and cash equivalents includes cash and bank balances and other investments with maturity dates of less than three months. There is also a bank overdraft facility available. The bank overdraft is reported in the balance sheet as borrowing under Current liabilities.

Share capital
Ordinary shares and preference shares are classified as equity. Transaction costs that are directly attributable to the issue of new shares or warrants are recognised net after tax under equity as a reduction of the proceeds from the issue.

Accounts payable
Accounts payable are initially reported at their fair value. Their expected maturity is short, and their value is therefore reported at a nominal amount without discount.

Financial liabilities
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at accrued acquisition value. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Income taxes
Income taxes consist of current tax and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised directly in equity, in which case the accompanying tax effect is recognised in equity. Current tax is to be paid or received for the current year, applying the tax rates which have been decided or in practice have been decided as at the balance sheet date. This also includes adjustment of current tax attributable to prior periods.

Deferred tax is provided in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not reported. Deferred tax is determined using tax rates (and laws) that have been enacted or will be enacted on the balance sheet date and are expected to apply when the deferred tax concerned is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable surpluses will be available, against which those temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on participation in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Remuneration to employees
(a) Pension commitments
The group companies have various pension plans. They are normally financed through payments to insurance companies or funds managed by asset managers in accordance with periodic actuarial calculations. The Group has both defined-contribution and defined-benefit pension plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with an adjustment for any past service costs not yet recognised. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions exceeding the higher of 10 per cent of the present value of the plan assets or 10 per cent of the benefit-based undertaking charged are credited over the expected average remaining working lives of the employees.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

When there is a difference in how the pension cost is determined for a legal entity and the Group, a provision or receivable for the special employer's contribution arises based on this difference. The present value of the provision or receivable is not determined.

Obligations relating to retirement for civil servants in Sweden are secured by an insurance policy provided by Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a multi-employer benefit plan. During financial year 2008, the company did not have access to the information it needed to report this as a defined-benefit plan. Pension commitments have therefore been reported as a defined-contribution plan. The year's fees for pension insurance concluded with Alecta amount to SEK 35.4 million (33.5).

For defined-contribution pension plans the Group pays fees to publicly or privately administrated pension insurance plans on an obligatory contractual or voluntary basis. The Group has no further pension commitments once the fees have been paid. The fees are reported as personnel expenses for the period during which the employees have performed the services to which the fees pertain. Prepaid fees are recognised as an asset to the extent that cash repayment or a reduction in future payments may accrue to the Group.

(b) Share-related benefits
The Group has a share-related compensation plan where payment is made with shares. A market-value premium has been received for the outstanding warrants and shares which means that their fair value on the allocation date is in line with the received premium and no cost has been charged to the income statement.

Received payments, after deductions for any direct attributable transaction costs, are credited to Other capital provided when the premium is paid in.

(c) Remuneration for termination
Compensation is paid when employment is terminated before the normal retirement age or when an employee accepts voluntary resignation from employment in exchange for such compensation. The Group reports severance pay when it is demonstrably obligated to terminate employment according to a detailed formal plan with no possible recourse or to provide compensation in cases of termination resulting from an offer made to encourage voluntary resignation. When remuneration is extended as an offer to encourage voluntary resignation, the cost is reported at the amount of the offer which is most likely to be accepted and the number of employees who will accept the offer can reliably be estimated. Benefits falling due more than 12 months from the closing date are discounted to present value.

(d) Profit share and bonus plans
The Group reports a liability and a cost for bonus and profit share plans, based on a formula that takes into account the gains that are related to the Parent Company's shareholders after certain adjustments. A provision is reported for the expected cost of the profit-share and bonus payments when the Group has an applicable legal or informal obligation to make such payments for services received from employees and the obligations can be reliably estimated.

Provisions
A provision is reported in the balance sheet when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions for guarantees are recognised when the underlying products or services are sold. The provisions are based on historical data about the guarantees and a weighing up of the conceivable outcomes relative to the probabilities that the outcomes are associated with.

Provisions for restructuring costs and legal claims are recognised when the Group has a legal or informal obligation arising from prior events, when it is more probable than not that an outflow of resources will be required to settle the obligation, and when the amount has been calculated in a reliable manner. Provisions for restructuring include costs for termination of leasing agreements and severance pay. There are no provisions for future operating losses.

If there are a number of similar obligations, an assessment is made of the probability that an outflow of resources will be required for an overall regulation of the entire group of obligations. A provision is booked, even if the probability that an outflow will be required for a special item in this group is low.

Provisions are valued at the present value of the amount expected to be required to clear the existing commitment. In this case a discount rate before tax which reflects the actual market valuations and the time value of money and, where necessary, the specific risks of the obligation. The increase in provisions resulting from the passage of time is reported as an Interest expense.

Fixed assets held for sale and discontinuing operations
A fixed asset (or a divestment group) is classified as held for sale when its reported value will be recovered primarily through the sale and not through utilisation.

Immediately prior to being classed as held for sale, the reported value of the assets (and all the assets and liabilities in a divestment group) are determined in accordance with applicable standards. When first being classified as held for sale, fixed assets and divestment groups are reported at the lower of either the reported value or fair value with a deduction for sales expenses. The following assets, either separately or in a divestment group, are exempt from the above-mentioned valuation rules.

- Deferred tax
- Assets associated with remuneration to employees
- Financial assets subject to IAS 39 Financial instruments: Reporting and valuation

A gain is reported at every increase in its fair value with a deduction for sales expenses. This gain is limited to an amount equivalent to all previous impairments. Losses resulting from a decline in value when first being classified as held for sale are reported in the income statement. Subsequent value changes, both gains and losses, are also reported in the income statement.

A discontinuing operations is a part of a company's business that represents an independent line of business or a significant business within a geographical region, or is a subsidiary that has been acquired for the sole purpose of being resold. Discontinued operations are classed as such when they are divested or when the operations meet the criteria for classification as held for sale.

The net profit after tax from discontinuing operations is reported separately in income. When an operation is classified as discontinued, the comparative year's figure in the income statement is changed so that it is reported as if the discontinued operation had been wound up at the beginning of the comparative year. The balance sheet's layout for current and previous years is not changed in the equivalent manner.

See also note 13.

Revenue recognition
Revenue includes the fair value of goods and services sold excluding VAT and discounts and is reported after elimination of intra-Group sales. Revenue is recognised as follows:

(a) Sale of goods
Sale of goods is recognised as revenue when a group company has delivered the product to a customer and the significant risks that are associated with the product have been transferred to the customer and it is reasonable to assume that the equivalent charge will be paid.

The products are often sold at a volume discount and the customers have the right to return faulty products. Sales are based on the prices specified in the sales agreement after deductions for calculated volume discounts and returns. Accumulated experience is used for assessing and making reserves for such returns at the time of sale. Volume discounts are assessed on the basis of expected annual volumes.

(b) Interest income
Interest income is recognised as it accrues, using the effective interest rate method. When the value of a claim has decreased, the Group reduces the reported value to the recoverable value, which corresponds to the anticipated future cash flow, discounted by effective interest for the instrument, and continues to reverse the discount effect as interest income.

(c) Dividend income
Dividend income is recognised when the right to receive payment is established.

Leasing
Leasing in which a significant portion of the risks and benefits of ownership is retained by the lessor is classed as operational leasing. Payments made during the leasing period (after deductions for any incentives for the lessor) are entered on a straight-line basis in the income statement over the leasing period.

Leasing of fixed assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Every leasing payment is divided between amortisation of the debt and financial expenses in order to achieve a fixed interest rate for the liability reported. Corresponding payment undertakings, after deductions for financial expenses, are included in Other long-term liabilities. The interest part of the financial expenses is reported in the Income Statement spread over the leasing period so that an amount corresponding to a fixed interest rate for the liability reported during the respective period is charged to each accounting period. Fixed assets that are held according to financial leasing agreements are depreciated over the shorter of the asset's period of use or leasing period.

Borrowing expenses
Borrowing expenses are charged to the accounts as they arise.

Dividends
Dividends to the Parent Company's shareholders are recognised as a liability in the Group's financial reports for the period in which the dividend was established at the general shareholders' meeting/annual meeting by the Parent Company's shareholders.

Cash flow statement
The cash flow statement for the Group has been prepared in accordance with IAS 7, Cash flow statements, using the indirect method. In addition to the cash flow statement specified in IAS 7, an operating cash flow statement which shows the cash flow from the business activity, i.e., cash flow generated by the operations and investments made in existing activities. This cash flow therefore excludes financial transactions both in terms of incoming and outgoing interest payments and the raising and repayment of loans, payments attributable to investments in and divestment of operations and tax payments.

Parent Company's accounting principles
The Parent Company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.1 Accounting for Legal Entities. The recommendations of the Swedish Financial Reporting Board that concern public limited liability companies also apply. RFR 2.1 means that the Parent Company in its annual accounts for the legal entity is to apply all of the EU-approved IFRS standards and statements as far as is possible within the framework of the Annual Accounts Act, Swedish Act on Safeguarding Pension Obligations and with consideration for the correlation between accounting and taxation. The recommendations specify which exceptions from and adherences to the IFRS must be made.

Differences between the Group's and Parent Company's accounting principles
The differences between the Group's and Parent Company's accounting principles are outlined below.

Layout
The Parent Company's income statement and balance sheet are prepared in compliance with the layout requirement of the Swedish Annual Accounts Act.

Subsidiaries
Shares in subsidiaries are reported by the Parent Company according to the acquisition value method minus any write-downs.

Financial instruments
Due to the change in the Swedish Financial Reporting Board's recommendation RFR 2.1 and the connection between accounting and taxation, the rules about financial instruments and hedge reporting in IAS 39 Parent Company as a legal entity are not applied.

In the Parent Company financial fixed assets are valued at acquisition value minus any write-downs and financial current assets according to the lowest value principle.

Remuneration to employees
The Parent Company uses different grounds for computation of defined-benefit pension plans from those referred to in IAS 19. The Parent Company complies with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations, as this is a condition for the right to make deductions for tax purposes. The main differences in relation to the rules in IAS 19 relate to how the discount rate is defined, the fact that the defined-benefit commitment is calculated on the basis of the current pay level without any assumption regarding future pay increments, and the recognition of all actuarial gains and losses in the income statement as they arise.

Taxes
Untaxed reserves, including deferred tax liability, are recognised in the Parent Company. In the consolidated financial statements, however, untaxed reserves are divided between deferred tax liability and shareholders' equity.

Group contribution
The company reports Group contributions and shareholders' contribution in accordance with the statement issued by the Swedish Financial Reporting Board (UFR 2).

The shareholders' contribution is booked directly to equity by the recipient and capitalised in stocks and shares by the provider, to the extent write-downs are not required. Group contribution is reported in accordance with its financial significance. This means that the group contribution made with the purpose of minimising the Group's total taxes is reported directly against profit carried forward after deduction for its actual tax effect.

Note 2 Financial information by segment

For the purpose of financial follow-ups, Ahlsell implements geographic regions which correspond to its countries of operation, as primary segment. This segmentation is natural as business is conducted locally and the Ahlsell organisation is structured in a way that best supports local sales. Segments are measured by EBITA and operating profit/loss. Financial income and expenses are not distributed by segment. As a result, financial receivables and liabilities are not broken down into segments. Pricing of goods and services between the various segments is performed on market terms. The trademark is not segmentised by country but is reported as a central asset.

Primary segments

2008	Sweden	Norway	Finland[1]	Denmark[2]	Central and eliminations	Total
Income						
External sales	11,245.5	6,347.6	3,511.5	873.9	-	21,978.5
Internal sales	332.1	2.0	1.1	33.9	–369.1	-
Total sales	**11,577.6**	**6,349.6**	**3,512.6**	**907.8**	**–369.1**	**21,978.5**
Gross profit	**2,961.7**	**1,465.3**	**690.0**	**292.8**	**8.0**	**5,417.8**
EBITA[3]	1,094.5	70.3	216.5	–51.7	–44.9	1,284.7
Operating profit/loss	831.4	17.6	163.9	–61.1	–44.9	906.9
Financial income	-	-	-	-	830.0	830.0
Financial expenses	-	-	-	-	–2,476.4	–2,476.4
Income from discontinuing operations, net after tax	-	-	–268.3	-	-	–268.3
Net profit (loss)						**–740.0**

2007	Sweden	Norway	Finland[1]	Denmark[2]	Central and eliminations	Total
Income						
External sales	10,964.9	6,429.0	3,244.7	835.1	-	21,473.7
Internal sales	317.5	2.0	2.4	28.2	–350.1	-
Total sales	**11,282.4**	**6,431.0**	**3,247.1**	**863.3**	**–350.1**	**21,473.7**
Gross profit	**2,858.0**	**1,421.8**	**601.4**	**258.2**	**-**	**5,139.4**
EBITA[3]	858.8	185.2	199.8	14.5	–36.2	1,222.1
Operating profit/loss	640.2	133.2	152.9	–99.9	–36.2	790.2
Financial income	-	-	-	-	187.5	187.5
Financial expenses	-	-	-	-	–1,269.0	–1,269.0
Income tax	-	-	-	-	37.8	37.8
Income from discontinuing operations, net after tax	-	-	–15.0	-	-	–15.0
Net profit (loss)	.	.	.	.		**–268.5**

2008	Sweden	Norway	Finland[1]	Denmark[2]	Central and eliminations	Total
Other disclosures						
Assets	8,354.2	3,346.1	3,063.2	678.3	2,354.2	17,796.0
Undistributed assets	-	-	-	-	2,486.6	2,486.6
Total assets	**8,354.2**	**3,346.1**	**3,063.2**	**678.3**	**4,840.8**	**20,282.6**
Liabilities	1,697.6	1,235.3	561.3	245.4	70.0	3,809.6
Undistributed liabilities	-	-	-	-	14,508.1	14,508.1
Total liabilities	**1,697.6**	**1,235.3**	**561.3**	**245.4**	**14,578.1**	**18,317.7**
Investments in tangible and intangible assets	28.7	19.1	26.2	14.2	-	88.2
Depreciation/impairment	–320.5	–76.1	–236.4	–19.9	-	–652.9
Amortisation of intangible assets	–221.3	–52.7	–55.6	–9.4	-	–339.0
Impairment of intangible assets	–41.8	-	–149.1	-	-	–190.9
Depreciation of tangible fixed assets	–57.3	–23.4	–31.9	–10.5	-	–123.1
Significant expenses and income not in line with payments	–0.1	67.6	43.7	66.9	826.5	1,004.6

2007	Sweden	Norway	Finland[1]	Denmark[2]	Central and eliminations	Total
Other disclosures						
Assets	8,880.2	3,951.6	3,036.0	660.4	2,306.3	18,834.5
Undistributed assets	-	-	-	-	1,325.6	1,325.6
Total assets	**8,880.2**	**3,951.6**	**3,036.0**	**660.4**	**3,631.9**	**20,160.1**
Liabilities	2,006.1	1,393.0	648.0	196.0	–93.6	4,149.5
Undistributed liabilities	-	-	-	-	13,328.8	13,328.8
Total liabilities	**2,006.1**	**1,393.0**	**648.0**	**196.0**	**13,235.2**	**17,478.3**
Investments in tangible and intangible assets	–125.7	–21.8	–88.1	–18.1	-	–253.7
Depreciation/impairment	–278.4	–75.5	–75.0	–123.4	-	–552.3
Amortisation of intangible assets	–218.6	–52.0	–48.3	–9.2	-	–328.1
Impairment of intangible assets	-	-	-	–105.2	-	–105.2
Depreciation of tangible fixed assets	–59.8	–23.5	–26.7	–9.0	-	–119.0
Significant expenses and income not in line with payments	–0.7	–83.1	2.0	–18.0	–0.1	–99.9

[1] Including Latvia (income from discontinuing operations), Russia and Estonia.
[2] Including Poland.
[3] EBITA = Operating profit/loss excluding write-downs and depreciation of intangible assets.

Sweden
Ahlsell's history goes back to 1877, when partners John Bernström and Jakob Tornblad set up John Bernström & Co to sell mainly 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 has now been in business for 130 years and the operations in Sweden include the Group's product segments: Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY.
In 2008, 51 (51) per cent of the Group's external net sales was generated in the Swedish market. Turnover in Sweden amounted to SEK 11,578 million (11,282). At the year-end, Ahlsell had around 90 sales units in Sweden.

Norway
Ahlsell established its operations in Norway in 1990 through acquisitions in the Refrigeration product segment. They have since been expanded and now encompass the product segments Heating & Plumbing, Electrical, Refrigeration and DIY. In 2008 the Norwegian operation accounted for 29 (30) per cent of the Group's external net sales. Turnover in Norway was SEK 6,350 million (6,431). At the year-end Ahlsell had around 80 sales units in Norway.

Finland
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. The operations today cover Heating & Plumbing, Tools & Machinery, Refrigeration and DIY. The Finnish operations also incorporate Estonia, Latvia and Russia. At end of year Ahlsell had some 40 sales units in Finland. Of the Group's external 16 (13) per cent was generated in Finland. Turnover in Finland amounted to SEK 3,359 million (2,225).

Denmark
Ahlsell has had a presence in Denmark since 1990 when the refrigeration operation was acquired. Since then the number of product segments has expanded to include DIY in 1998 and with Heating & Plumbing and Electrical in 2000. The operations until the end of the year today cover Heating & Plumbing, Electrical, Refrigeration and DIY. The segment in Denmark also incorporates Ahlsell's operation in Poland. In 2007, the segment accounted for 4 (4) per cent of the group's external net sales. Turnover in Denmark amounted to SEK 908 million (863). At year end Ahlsell had some 15 sales units in Denmark, of which 8 are being discontinued.

Secondary segment

External sales, SEK million	2008	2007
Heating & Plumbing	12,579.3	12,354.6
Electrical	4,574.6	4,433.2
Tools & Machinery	3,362.2	3,108.7
Refrigeration	853.2	879.6
DIY	609.2	697.6
Total external sales	**21,978.5**	**21,473.7**

Ahlsell's operations are based on our product segments (secondary segments) sharing the same distribution and sales channels in each individual geographic area. This means that the assets used in each product segment are in most respects the same for all product groups in each geographical area (such as storage premises and distribution equipment, etc). It is therefore not possible to segmentise used assets and related investments satisfactorily. For these reasons, Ahlsell has not distributed the assets and investments that are related to its secondary segment.

Note 3 Personnel

Average number of employees

	2008		2007	
	Number	of which men	Number	of which men
Parent Company	2	100%	1	100%
The company has had employees since 1 June 2007.				
Group				
Sweden	2,540	80%	2,493	81%
Norway	1,176	81%	1,226	83%
Finland	615	79%	456	77%
Denmark	224	68%	226	67%
Estonia	158	84%	158	83%
Russia	119	61%	110	63%
Latvia	158	62%	60	62%
Poland	63	87%	56	88%
Group total	**5,055**	**79%**	**4,786**	**80%**

Gender distribution in management at year-end

	Per cent of women	
Parent Company	2008	2007
Board of directors	14%	14%
Other senior management (2 people)	0%	0%
Group total		
Board of directors	6%	5%
Other senior management (9 people)	0%	11%

Sick-leave

	Women		Men		Total	
Sick-leave refers to all Swedish operations	2008	2007	2008	2007	2008	2007
Total sick-leave as a percentage of regular work hours	5.0%	5.2%	2.7%	2.7%	3.2%	3.2%
Percentage of total sick-leave in consecutive periods of of 60 days or more	34.4%	40.0%	23.5%	26.1%	27.1%	30.9%
Sick-leave by age category						
29 or younger	5.3%	5.5%	3.5%	3.2%	4.1%	3.9%
30–49	5.4%	5.8%	2.4%	2.5%	3.0%	3.2%
50 or older	4.0%	3.7%	3.0%	2.8%	3.2%	3.0%

Salaries, other remuneration and social security expenses

	2008		2007	
SEK million	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	11.0	6.9	7.2	3.6
(of which pension expenses)		*2.0*		*1.1*
Subsidiaries	1,885.0	621.7	1,712.7	580.0
(of which pension expenses)		*152.1*		*133.7*
Group total	1,896.0	628.6	1,719.9	583.6
(of which pension expenses)		*154.1*		*134.8*
(of which defined-benefit plans)		*51.9*		*38.2*
(of which defined-contribution plans)		*102.2*		*96.6*

Salaries and other remuneration distributed among board/senior management and other employees

	2008		2007	
SEK million	Board/senior management	Other employees	Board/senior management	Other employees
Parent Company	11.0	–	7.2	–
	2.9	–	*2.4*	–
Parent Company total	11.0		7.2	–
(of which bonus etc.)	*2.9*		*2.4*	–
Subsidiaries total	12.0	1,873.0	18.1	1,694.6
(of which bonus etc.)	*1.4*	*14.1*	*2.4*	–
Group total	23.0	1,873.0	25.3	1,694.6
(of which bonus etc.)	*4.3*	*14.1*	*4.8*	–

Remuneration for senior management

The Board Chairman and board members receive a fee in accordance with the decision of the AGM. Employer and employee representatives do not receive a board fee. Remuneration for the CEO (Göran Näsholm) and other senior management is made up of a basic salary, variable remuneration, other benefits and pension, etc. Other senior management refers to the 8 people who along with the CEO constitute the group executive management.

The apportionment of the basic salary and variable remuneration must be in proportion to the responsibility and authority of the executive concerned. In the case of the Chief Executive Officer, the maximum variable remuneration is limited to one year's salary. The variable remuneration for other senior management executives is limited to a maximum of 30% - 100% of the basic salary. Variable remuneration is based on performance in relation to individually set goals.

Pensions and other benefits to the CEO and other senior management executives are paid as part of the total remuneration.

Preparation and decision processes

The Group implements a process in which preparation and decisions regarding salaries, remuneration, benefits and other employment terms and conditions for the CEO and other senior management executives who report directly to the CEO are established and approved by the Board Chairman.

Remuneration and other benefits

2008	Basic salary/ board fee	Variable remuneration	Other benefits	Pension expenses	Total
Rolf Börjesson, Board Chairman	1.1	-	-	-	1.1
Caroline Sundewall, board member	0.4	-	-	-	0.4
Göran Näsholm, President, CEO	4.5	2.0	0.2	1.4	8.1
Gunnar Haglund, Vice-President, Head of Finance	2.1	0.9	0.1	0.6	3.7
Other senior management (7 people)	10.6	1.4	0.5	1.6	14.1
Total	**18.7**	**4.3**	**0.8**	**3.6**	**27.4**

Variable remuneration for the 2008 financial year refers to a reported bonus, which was paid out in 2009. Other benefits refer to company cars.

2007	Basic salary/ board fee	Variable remuneration	Other benefits	Pension expenses	Total
Rolf Börjesson, Board Chairman	1.2	–	–	–	1.2
Caroline Sundewall, board member	0.2	–	–	–	0.2
Göran Näsholm, President, CEO	4.3	2.1	0.2	1.1	7.7
Gunnar Haglund, Vice-President, Head of Finance	2.0	1.0	0.1	0.6	3.7
Other senior management (8 people)	9.2	1.5	0.5	1.7	12.9
Total	**16.9**	**4.6**	**0.8**	**3.4**	**25.7**

Variable remuneration for the 2007 financial year refers to a reported bonus, which was paid out in 2008. Other benefits refer to company cars.

Bonus

The CEO's bonus is determined by the board of directors while the other bonuses are determined by the CEO.

Pension

The retirement age of the CEO is 60. Between 60 and 65 the pension is 60% of the pension-carrying salary. The pension-carrying salary is the basic salary and an average of the three latest years' variable remuneration. After the age of 65, the pension is determined by agreement.

For the Vice-President/Head of Finance a pension is payable from the age of 62 at 50-70% of the pension-carrying salary. After 65, the pension is determined by agreement.

The retirement age for other senior management varies between 60 and 67.

The pension commitment for the CEO and Vice-President was SEK 15.8 million at the year-end.

All retirement benefits are unconditional, i.e. not conditional upon future terms of employment.

Severance pay

The CEO has a termination period of 24 months plus an additional 24 months' severance pay if employment is terminated by the company. Severance pay is not deducted from other incomes. If employment is terminated by the CEO, the termination period is 6 months and there is no severance pay. If the Vice-President/Head of Finance's employment is terminated by the company there is a termination period of 12 months and severance pay of 12 monthly salaries. If employment is terminated by the Vice-President/Head of Finance, the termination period is 6 months and there is no severance pay. For other senior management employees there is a termination period of 2-18 months and between 2-6 months' termination period if employment is terminated by the employee. Two of the other senior management executives have a severance pay amounting to 15 and 18 monthly salaries respectively. For other employees there is no severance pay.

Incentive programmes

Senior management and other key employees in the Ahlsell group, which numbered 90 at the end of the year, are part of an incentive programme in the form of ownership of company shares and warrants in Ahlsell AB (publ).

The programme in Ahlsell AB (publ) includes 168,974 class B preference shares, 58,137 ordinary class B shares, 246,617 A warrants and 528,787 B warrants. Warrants mature on 31 January 2016 at an issue price of SEK 879.18 for A warrants and SEK 1,786.29 for B warrants. Shares in the incentive programme in Ahlsell AB (publ) are equivalent to around 4% of the shares and voting rights in the company and, when fully exercised, the warrants programme corresponds to approx. 16% of the shares and voting rights in the company incentive programme is regulated, among other things, by an agreement concluded by the parties in the programme, Ahlsell AB (publ) and Nybrojarl New 1 AB.

The premiums in the programme were paid for at their market value. The market value was determined by applying a multiple on the group's EBITA and from that amount, deducting the net deficit. EBITA-multiple was based on official figures at similar listed companies.

Changes in the number of outstanding warrants and their weighted combined redemption price are as follows:

	2008				2007			
	Issue price, SEK/share		No. of warrants		Issue price, SEK/share		No. of warrants	
Programme in Ahlsell AB (publ)	A	B	A	B	A	B	A	B
IB	879.2	1,786.3	246,617	528,787	-	-	-	-
Allocation new programme	-	-	-	-	879.2	1,786.3	246,617	528,787
UB	**879.2**	**1,786.3**	**246,617**	**528,787**	**879.2**	**1,786.3**	**246,617**	**528,787**

Note 4 Other operating income

Group, SEK million	2008	2007
Capital gains from divestment of operations	29.6	-
Sale of fixed assets	0.5	10.8
Rental income	1.8	2.0
Negative goodwill	-	0.6
Other	4.6	2.8
Total other operating income	**36.5**	**16.2**

Note 5 Other operating expenses

Group, SEK million	2008	2007
Rent costs	–1.9	-
Other	–4.1	–2.8
Total other operating expenses	**–6.0**	**–2.8**

Note 6 Depreciation, amortisation and write-downs

Distributed by asset class

Group, SEK million	2008	2007
Customer relations	–346.5	–301.8
Other intangible assets	–70.0	–26.3
Goodwill	–113.3	–105.2
Sub-total intangible assets	**–529.8**	**–433.3**
Buildings and land	–18.4	–15.2
Machinery and other technical facilities	–20.9	–21.5
Equipment, tools and installations	–83.8	–82.3
Sub-total tangible fixed assets	**–123.1**	**–119.0**
Total depreciation and write-downs	**–652.9**	**–552.3**

In 2008 there were write-downs of customer relations and the goodwill that was allocated to the Latvian operations. In total this has meant a write-down of SEK 149.1 million. This was due to the fact that the operation is being discontinued and will not be pursued in the future. See also note 16 Goodwill. In 2007 there was a goodwill write-down of SEK 105.2 million for the cash generating unit Denmark.

Depreciation is based on the assets' acquisition value and the estimated periods of use are reproduced in the accounting principles.

Total depreciation and write-downs distributed by function

Group, SEK million	2008	2007
Cost of goods sold	–78.4	–32.5
Sales expenses	–386.7	–502.2
Administrative expenses	–34.4	–15.8
Income from discontinuing operations	–153.4	–1.8
	–652.9	**–552.3**

All amortisation and write-downs of intangible assets are attributable to selling expenses of SEK -328.1 million (-423.0), cost of goods sold of SEK -49.6 million (-8.5) and income from discontinuing operations of SEK -152.1 million (-1.4).

Note 7 Operational leasing

Group, SEK million	2008	2007
Financial year's leasing fees	–422.5	–374.7
Future minimum leasing fees for non-cancellable contracts fall due as follows:		
Within one year	–372.1	–353.4
Two to five years	–1,019.8	–894.4
Later than five years	–652.6	–378.4
Total operational leasing	**–2,044.5**	**–1,626.2**

The above leasing fees include rent costs for central warehouses in Sweden. The contract for the central warehouse in Sweden has been renegotiated. The new contract expires in 2028. According to the current lease, the rent for 2009 will be SEK 26.0 million. During parts of 2008, depreciation totalling SEK 2.3 million (3.0) for the acquisition analysis of surplus values in the leasing contract was charged to the result. In conjunction with the new lease contract signed in 2008, the remaining surplus of (SEK 41.8 million) was written down to zero, see note 16.

Leasing objects consist of a large number of items including storage premises, offices, other buildings and inventories and IT equipment, office equipment, etc.

Note 8 Auditors' fees and expenses

Group, SEK million	2008	2007
KPMG		
Audit	–8.1	–6.3
Other assignments	–2.6	–6.8
Total fees	**–10.7**	**–13.1**

The Group also uses other auditors at a cost of SEK 0.3 million (0.1).

Audit refers to the examination of the Annual Report and the administration of the board of directors and President. Everything else counts as Other assignments.

Note 9 Costs distributed by type of cost

Group, SEK million	2008	2007
Goods for resale	–15,773.8	–15,742.3
Costs of remuneration for employees	–2,495.4	–2 297.3
Depreciation and write-downs	–457.7	–445.3
Write-downs	–41.8	–105.2
Transport costs	–776.1	–722.3
Costs for premises	–582.2	–536.4
Other expenses	–981.1	–850.9
Total operating expenses	**–21,108.1**	**–20,699.7**

Parent Company, SEK million	2008	2007
Costs of remuneration for employees	–16.5	–10.8
Other expenses	–14.7	–15.0
Total operating expenses	**–31.2**	**–25.8**

Note 10 Financial income

Group, SEK million	2008	2007
Interest income	76.3	50.2
Net change in value after revaluation of interest and currency derivatives	753.7	113.8
Net change in value after revaluation of interest derivatives	-	21.7
Other	-	1.8
Total financial income	**830.0**	**187.5**
Value change per valuation category		
Financial assets held for trading valued at fair value	753.7	135.5
Loans and accounts receivable	76.3	50.2
Total financial income	**830.0**	**185.7**

Parent Company, SEK million	2008	2007
Interest income, group companies	645.2	547.3
Total financial income	**645.2**	**547.3**

Note 11 Financial expenses

Group, SEK million	2008	2007
Interest expense, other	–1,054.3	–921.3
Interest expense on pension commitments	–8.3	–3.8
Net change in value after revaluation of interest derivatives	–340.6	-
Other banking expenses	–9.0	-10.5
Exchange rate differences	–1,064.2	–333.4
Total financial expenses	**–2,476.4**	**–1,269.0**
Change in value per valuation category		
Financial liabilities held for trading valued at fair value	–340.6	-
Other financial liabilities	–2,118.5	–1,254.7
Total financial expenses from financial instruments	**–2,459.1**	**–1,254.7**

Parent Company, SEK million	2008	2007
Interest expense, Group companies	–23.3	-
Other	–0.1	-
Total financial expenses	**–23.4**	**-**

Note 12 Income tax

Group, SEK million	2008	2007
Current tax	–40.2	–192.4
Deferred tax	308.0	230.2
Total income tax	**267.8**	**37.8**

Specification of effective tax

	2008		2007	
Group	%	Amount	%	Amount
Profit before tax		–739.5		–291.3
Tax according to applicable tax rate for Parent Company	–28.0%	207.1	–28.0%	81.6
Effect of other tax rates for foreign subsidiaries	–0.2%	1.3	–0.2%	0.7
Tax-free income	–1.3%	9.3	–0.6%	1.8
Non-deductible write-down of goodwill	-	-	9.0%	–26.3
Other non-deductible expenses	1.5%	–11.3	5.7%	–16.7
Adjustment of tax attributable to previous years	–0.3%	2.0	0.3%	–0.9
Increase in loss carry forward without equivalent Capitalisation of loss carry-forward	–0.5%	3.9	-	-
Changed tax rate in Denmark	-	-	–1.4%	4.2
Changed tax rate in Sweden	–9.0%	66.3	-	-
Other	–0.1%	1.1	0.8%	–2.2
Recognised effective tax	–36.2%	**267.8**	–13.0%	**37.8**
Applicable rate for income tax in Sweden		–28.0%		–28.0%
Effective tax rate		–36.2%		–13.0%

Deferred and current tax have not been taken into account for the surplus and result in Estonia as the tax consequences do not arise until the dividend has been paid to the shareholders (Ahlsell Sverige AB).

Parent Company, SEK million	2008	2007
Current tax	–168.2	–148.0
Total income tax	**–168.2**	**–148.0**

Specification of effective tax

	2008		2007	
Parent Company	%	Amount	%	Amount
Profit (loss) before income taxes		600.1		528.4
Tax according to applicable tax rate for Parent Company	–28.0%	–168.0	–28.0%	–148.0
Non-deductible expenses	0.0%	–0.1	-	-
Recognised effective tax	–28.0%	**–168.1**	–28.0%	**–148.0**
Applicable tax rate for income tax in Sweden				
Effective tax rate		–28.0%		–28.0%
Tax according to applicable tax rate for Parent Company		–28.0%		–28.0%

Note 13 Income from discontinuing operations

Ahlsell's operations in Latvia are under liquidation and in 2008 they were reclassified as Profit/loss from discontinuing operations. According to IFRS 5, the previous year's figures in the income statement have been moved to the row "Profit from discontinuing operations, net after tax".

The following income statement items have been moved to "Income from discontinuing operations, net after tax".

SEK million	2008	2007
Net sales	209.1	111.8
Cost of goods sold	–186.2	–100.7
Gross profit	**22.9**	**11.1**
Selling expenses	–235.8	–18.3
Administrative expenses	–7.1	–2.6
Other operating income	1.4	-
Other operating expenses	–9.5	-
Operating profit	**–228.1**	**–9.8**
Financial income	-	-
Financial expenses	–10.3	–1.8
Net financial items	–10.3	–1.8
Profit (loss) before income taxes	**–238.4**	**–11.6**
Income tax	5.8	–3.4
Net profit (loss)	**–232.6**	**–15.0**
Profit after revaluation to fair value after deductions for sales expenses	–35.7	-
Tax attributable to above revaluation	-	-
Total income from discontinuing operations, net after tax	**–268.3**	**–15.0**

Amortisation of intangible assets totalling SEK 3.0 million and write-downs of intangible assets totalling SEK 149.1 million has been charged to the above operating profit.

The following balance sheet has been reclassified according to IFRS 5.

SEK million	2008-12-31	Revalu-ation	Net
ASSETS			
Fixed assets			
Intangible fixed assets			
Other intangible assets	2,6	–2,6	-
Total intangible fixed assets	**2,6**	**–2,6**	**-**
Tangible fixed assets			
Inventories, tools and installations	6,1	–4,9	1,2
Total tangible fixed assets	**6,1**	**–4,9**	**1,2**
Total fixed assets	**8,7**	**–7,5**	**1,2**
Current assets			
Stock			
Goods for resale	46,6	–30,3	16,3
Total stock	**46,6**	**–30,3**	**16,3**
Current receivables			
Accounts receivable	18,6	-	18,6
Prepaid tax	1,6	-	1,6
Other receivables	5,2	–2,6	2,6
Total current receivables	**25,4**	**–2,6**	**22,8**
Liquid assets	**9,8**	**-**	**9,8**
Total current assets	**81,8**	**–32,9**	**48,9**
TOTAL ASSETS	**90,5**	**–40,4**	**50,1**

SEK million	2008-12-31	Revalu-ation	Net
EQUITY AND LIABILITIES			
Equity			
Share capital	11,2	-	11,2
Other capital provided	144,0	-	144,0
Reserves	6,8	–4,7	2,1
Profit carried forward including profit for the year	–121,6	–35,7	–157,3
Total equity	**40,4**	**–40,4**	**-**
Current liabilities			
Liabilities to credit institutions	2,7	-	2,7
Advances from customers	1,0	-	1,0
	35,1	**-**	**35,1**
Other interest-bearing current liabilities	6,6	-	6,6
Accrued costs and prepaid income	4,7	-	4,7
Total current liabilities	50,1	-	50,1
TOTAL EQUITY AND LIABILITIES	**90,5**	**–40,4**	**50,1**

Net cash flow from discontinuing operations

SEK million	Note	2008
Cash flow from the current operations		–73,4
Cash flow from investment activities		–0,9
Cash flow from financing activities		81,8
Net cash flow from discontinuing operations		**7,5**

Note 14 Customer relations

Group, SEK million	2008	2007
Accumulated acquisition values		
Opening acquisition value	4 898,0	4 634,6
Acquisition of subsidiaries	-	160,3
Translation differences for the year	76,1	103,1
Closing accumulated acquisition values	**4 974,1**	**4 898,0**
Accumulated amortisation		
Opening amortisation	–572,5	–262,3
Amortisation for the year	–310,7	–301,8
Translation differences for the year	–13,5	–8,4
Closing accumulated depreciation	**–896,7**	**–572,5**
Accumulated write-downs		
Opening write-downs	-	-
Write-downs for the year	–35,8	-
Translation differences for the year	–4,7	-
Closing accumulated write-downs	**–40,5**	**-**
Book value at end of period	**4 036,9**	**4325,5**

The whole reported value is made up of acquired assets.

Around SEK 3.1 billion of the reported value of customer relations has a remaining amortisation period of 17 years; the remaining value attributable to customer relations has a remaining amortisation period of 7 years.

Note 15 Trademark

Group, SEK million	2008	2009
Accumulated acquisition values		
Opening acquisition value	2,400.0	2,400.0
Acquisition of subsidiaries	-	-
Book value at end of period	**2,400.0**	**2 400.0**

The whole reported value consists of acquired assets.

Impairment testing – Trademark
Ahlsell's trademark is considered to have an indefinite life. Its life is indefinite when the trademark concerned is well-established and the group intends to retain and further develop it. At the time of acquisition (1 Feb. 2006) the acquisition value of the Ahlsell trademark was determined in accordance with the relief-from-royalty method and the reported value at the year-end was SEK 2,400 million. Impairment testing is performed annually in the fourth quarter. The assessment is conducted using the royalty rate applying on the acquisition date, which was 1 per cent, and projected future sales trends. To extrapolate the projected sales trend beyond the budgeted period, a growth rate of 2 (2) per cent has been used. This amount is discounted using the Group's current cost of capital before tax of 8.5 (9.5) per cent. The impairment test in 2008 showed that there is currently no impairment need.

Note 16 Other intangible assets

2008

Group, SEK million	Capitalised expenses	Licences	Tenancy and similar rights	Lease contract central warehouse	Advances on intangible assets	TOTAL
Accumulated acquisition values						
Opening acquisition value	73.0	81.5	18.5	50.0	2.5	225.5
New acquisitions	9.1	2.0	1.4	-	-	12.5
Divestments and disposals	–3.9	-	–0.1	–50.0	-	–54.0
Reclassification for held for sale	-	-	–2.4	-	-	–2.4
Reclassifications	1.9	-	2.4	-	–2.5	1.8
Translation differences for the year	-	0.6	3.0	-	0.0	3.6
Closing accumulated acquisition values	**80.1**	**84.1**	**22.8**	**-**	**-**	**187.0**
Accumulated amortisation						
Opening amortisation	–33.7	–16.0	–11.3	–6.0	-	–67.0
Divestments and disposals	3.9	-	-	8.2	-	12.1
Reclassification to holding for sale	-	-	0.1	-	-	0.1
Reclassifications	-	-	-	-	-	-
Amortisation for the year	–12.5	–11.6	–1.9	–2.2	-	–28.2
Translation differences for the year	-	–0.1	–2.0	-	-	–2.1
Closing accumulated amortization	**–42.3**	**–27.7**	**–15.1**	**-**	**-**	**–85.1**
Accumulated write-downs						
Opening write-downs	-	-	-	-	-	-
Divestments and disposals	-	-	-	41.8	-	41.8
Write-downs for the year	-	-	-	–41.8		–41.8
Translation differences for the year	-	-	-	-	-	-
Closing accumulated write-downs	**-**	**-**	**-**	**-**	**-**	**-**
Book value at end of period	**37.8**	**56.4**	**7.7**	**-**	**-**	**101.9**

2007

Group, SEK million	Capitalised expenses	Licences	Tenancy and similar rights	Lease contract central warehouse	Advances on intangible assets	TOTAL
Accumulated acquisition values						
Opening acquisition value	67.8	68.2	14.0	50.0	-	200.0
Acquisition of subsidiaries	-	-	0.2	-	1.7	1.9
New acquisitions	9.9	12.2	3.5	-	0.7	26.3
Divestments and disposals	–4.1	–0.1	-	-	-	–4.2
Reclassifications	–0.4	0.4	-	-	-	0.0
Translation differences for the year	–0.2	0.8	0.8	-	0.1	1.5
Closing accumulated acquisition values	**73.0**	**81.5**	**18.5**	**50.0**	**2.5**	**225.5**
Accumulated depreciation						
Opening depreciation	–27.1	–5.3	–9.2	–3.0	-	–44.6
Acquisition of subsidiaries	-	-	-	-	-	-
Divestments and disposals	4.1	0.1	-		-	4.2
Reclassifications	0.1	–0.1	-	-	-	-
Depreciation for the year	–10.8	–10.7	–1.8	–3.0	-	–26.3
Translation differences for the year	0.0	0.0	–0.3	-	-	–0.3
Closing accumulated amortization	**–33.7**	**–16.0**	**–11.3**	**–6.0**	**-**	**–67.0**
Book value at end of period	**39.3**	**65.5**	**7.2**	**44.0**	**2.5**	**158.5**

Capitalised expenses and licences refer to Ahlsell's ordering, storage and purchasing systems.
The whole reported value is accounted for by acquired assets. Capitalised expenses refer to external consultancy fees.

Note 17 Goodwill

Group, SEK million	2008	2007
Accumulated acquisition values		
Opening acquisition value	4,424.7	3,904.8
Acquisition of subsidiaries	15.7	433.9
Translation differences for the year	115.0	86.0
Closing accumulated acquisition values	**4,555.4**	**4,424.7**
Accumulated write-downs		
Opening write-downs	–107.7	-
Write-downs for the year	–113.3	–105.2
Translation differences for the year	–31.7	–2.5
Closing accumulated write-downs	**–252.7**	**–107.7**
Book value at end of period	**4,302.7**	**4,317.0**

Impairment testing for goodwill

Goodwill is distributed among the Group's cash-generating units identified by country of operation.

A summarised distribution of goodwill by geographic area follows below:

	2008	2007
Sweden	2,761.0	2,761.0
Norway	586.2	631.0
Finland	844.1	715.7
Estonia	80.6	69.9
Latvia	-	112.7
Denmark	30.8	26.7
	4,302.7	**4,317.0**

Recoverable amounts for cash-generating units (CGU) are based on calculations of useful value. These calculations are based on expected future cash flow projections before tax based on the geographic areas' business plans that have been approved by management and which cover a five-year period.

Cash flow projections beyond the five-year period are extrapolated using the long-term growth prospects of the company. The growth rate does not exceed the long-term growth rate of the industry in which the CGUs operate. Discounted cash flow is compared with working capital in each geographic area.

Key assumptions that have been used in calculating value in use:
– Budgeted operating margin
– Growth rate for extrapolating projections beyond the budget period
– Discount rates applied for expected future cash flows

These assumptions have been used for analysing CGUs in each geographic area.

Management has budgeted the operating margin based on previous results and projected future market trends. The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent budgets. An average discount rate in the local currency before tax has also been used in the calculations. The discount rate was adjusted to reflect the specific risks that exist. In general terms, the discount rate used was 8.5 per cent.

Impairtment testing was perfomed in the fourth quarter. The 2008 test showed that the goodwill which was associated with the Latvian operations was unjustifibale given the decision to discontinue the operations that was taken during the year. This means that goodwill associated with the operations in Latvia has been written down to zero. Write-downs totalled SEK 113.3 million.

Note 18 Buildings and land

Group, SEK million	2008	2007
Accumulated acquisition values		
At start of the year	406.7	343.9
Acquisition of subsidiaries	-	20.9
New acquisitions	2.3	57.9
Reclassifications	34.0	
Divestments and disposals	–35.5	–28.1
Translation differences for the year	43.6	12.1
Closing accumulated acquisition values	**451.1**	**406.7**
Accumulated depreciation		
At start of the year	–72.6	–56.3
Acquisition of subsidiaries	-	0.0
Divestments and disposals	2.9	0.4
Depreciation for the year	–18.4	–15.2
Translation differences for the year	–7.8	–1.5
Closing accumulated depreciation	**–95.9**	**–72.6**
Book value at end of period	**355.2**	**334.1**
Group		
Tax assessment value, buildings (in Sweden)	28.5	28.2
Equivalent book value	59.2	70.0
Tax assessment value, land (in Sweden)	10.2	10.1
Equivalent book value	*8.6*	*8.6*
Building held under financial leasing agreements are included at the following amounts:		
Acquisition value	183.6	127.7
Accumulated depreciation	–37.9	–24.9
Book value	**145.7**	**102.8**

Buildings held under financial leasing agreements consist of a central warehouse in Finland (Hyvinge). The lease expires in 2023.

Total minimum leasing fees and their present values		
Total minimum leasing fees	263.0	191.3
Present value of minimum leasing fees	168.7	118.1
Total minimum leasing fees		
Within one year	16.0	10.7
From 2–5 years	81.3	45.0
Later than 5 years	165.7	135.6
	263.0	
Present value of minimum leasing fees		
Within one year	5.2	3.3
From 2–5 years	37.1	17.1
Later than 5 years	126.4	97.7
	168.7	**118.1**

The year's payments for financial leased assets totalled SEK 14.9 million (9.1). During the year SEK 9.0 million (6.1) was recognised as interest expense and SEK 5.9 million (3.0) as amortised liabilities. Depreciation of financial leased assets totalled SEK 8.0 million (5.7). Total amount for financial leased assets charged to the accounts was SEK 17.0 million (11.8).

Note 19 Machinery and other technical facilities

Group, SEK million	2008	2007
Accumulated acquisition values		
At start of the year	294.3	273.5
Acquisition of subsidiaries	-	3.1
New acquisitions	9.3	15.4
Divestments and disposals	–8.5	–4.1
Reclassifications	–0.6	–2.7
Translation differences for the year	2.2	9.1
Closing accumulated acquisition values	**296.7**	**294.3**
Accumulated depreciation		
At start of the year	–232.5	–208.6
Divestments and disposals	7.7	3.9
Reclassifications	-	0.0
Depreciation for the year	–20.9	–21.5
Translation differences for the year	-0.1	–6.3
Closing accumulated depreciation	**–245.8**	**–232.5**
Book value at end of period	**50.9**	**61.8**

Group, SEK million	2008	2007
Total minimum leasing fees and their present value		
Total minimum leasing fees	95.3	102.5
Present value of minimum leasing fees	90.7	97.2
Total minimum leasing fees		
Within one year	24.5	27.4
Total minimum leasing fees	70.8	75.1
Later than 5 years	-	0.0
	95.3	**102.5**
Present value of minimum leasing fees		
Within one year	22.2	23.4
Between 2–5 years	68.4	73.8
Later than 5 years	0.1	0.0
	90.7	**97.2**

The year's payments for financial leased assets totalled SEK 30.0 million (28.3). During the year SEK 4.9 million (3.9) was recognised as interest expense and SEK 25.1 million (24.4) as amortised liabilities. Depreciation of financial leased assets totalled SEK –21.6 million (25.9). Total amount for financial leased assets charged to the accounts was SEK 26.5 million (29.8).

Note 20 Equipment, tools and installations

Group, SEK million	2008	2007
Accumulated acquisition values		
At start of the year	759.4	667.1
Acquisition of subsidiaries	-	46.1
New acquisitions	79.2	123.4
Divestments and disposals	–66.9	–99.9
Reclassification for held for sale	–7.0	-
Reclassifications	11.0	2.7
Translation differences for the year	12.2	20.0
Closing accumulated acquisition values	**787.9**	**759.4**
Accumulated depreciation		
At start of the year	–483.7	–444.6
Acquisition of subsidiaries	-	–25.0
Divestments and disposals	39.2	80.7
Reclassification for held for sale	1.7	-
Reclassifications	-	0.0
Depreciation for the year	–83.8	–82.3
Translation differences for the year	–10.3	–12.5
Closing accumulated depreciation	**–536.9**	**–483.7**
Book value at end of period	**251.0**	**275.7**
Inventories held as part of financial leasing agreements are included at the following amounts		
Acquisition value	204.8	184.1
Accumulated depreciation	–108.9	–80.5
Book value at end of period	**95.9**	**103.6**

Inventories that are held as part of financial leasing agreements mainly refer to leased cars in Sweden and Finland.

Note 21 Financial investments

Shares and participation that constitute fixed assets

Group, SEK million	2008	2007
Opening book value	4.8	5.9
Increase through the acquisition of subsidiaries	-	0.1
New acquisitions	-	0.1
Disposals	–0.7	–1.5
Translation differences	0.3	0.2
Closing book value	**4.4**	**4.8**

The above-specified financial investments are included in the category "Financial assets that are available for sale".

It has not been possible to determine the fair value of the above shares and participations, which are unlisted, in a reliable manner, which means they are valued at acquisition value.

Note 22 Shares in subsidiaries

Parent Company, SEK million	2008	2007
Accumulated acquisition values		
At start of the year	850.7	673.4
Non-cash issue in progress	-	177.3
Book value at end of period	**850.7**	**850.7**

The above-specified shares in subsidiaries refer to shareholdings in Nybrojarl New 3 AB, which total 1,139,016 shares.

Participation in group companies

Companies as at 31 Dec 2007	Corp ID	Head office/ Country	Share of capital[1]
Nybrojarl New 3 AB	556715-7861	Stockholm	100
Nybrojarl Holding AB	556687-9200	Stockholm	100
Nybrojarl Invest AB	556687-9184	Stockholm	100
Ahlsell Group AB	556678-2842	Stockholm	100
Ahlsell Norden AB	556661-3534	Stockholm	100
Ahlsell Investco AB	556680-8704	Stockholm	100
Ahlsell Holding AB	556578-4732	Stockholm	100
Ahlsell Sverige AB	556012-9206	Stockholm	100
Flex Scandinavia AB	556209-4085	Hammarö	100
Ahlsell Maskin AB	556044-1767	Örebro	100
CA Invest AB	556246-2662	Stockholm	100
Tempcold Group AB	556225-3585	Solna	100
Ahlsell Norge Holding AS	988918962	Stavanger (N)	100
Ahlsell Oil & Gas AS	991527885	Stavanger (N)	100
Ahlsell Norge AS	910 478 656	Stavanger (N)	100
Bergens Rørhandel AS	988 454 214	Stavanger (N)	100
Stavanger Rørhandel AS	888 454 152	Stavanger (N)	100
TKP-tools Oy	0160876-3	Joensuu (SF)	100
Ameronic Oy	1044930-3	Turku (SF)	100
Oy Pohjolan Sähkötarvike AB	0970164-7	Helsinki (SF)	100
Oy Kokkolan Sähkötarvike AB	0603469-0	Kokkolan (SF)	100
Karjalan Sähkötarvike Oy	1975242-1	Joensuu (SF)	100
Pohjan Laakeri Oy	088662-6	Raahe (SF)	100
Savon Hitsauskeskus Oy	1046821-3	Iisalmi (SF)	100
Työkalupari Oy	0953426-0	Tornio (SF)	100
Pohjan Tarvike Oy	0954494-4	Raahe (SF)	100
Tarvikeykköset Oy	1542117-4	Tampere (SF)	100
Ahlsell Oy	1819153-8	Helsinki (SF)	100
Aninkaisten Tapetti ja Väri Oy	0197404-2	Helsinki (SF)	100
Ahlsell Åland Ab	2080009-9	Jomala (SF)	100
Ahlsell Danmark ApS	19541142	Brøndby (DK)	100
TP- Tempcold Ltd	0000094018	Warszawa (PL)	100
ZAO Ahlsell Spb	7813090758	St Petersburg (RU)	100
AS FEB	10109270	Tallin (EST)	100
SIA Profs Latvija	000355221	Riga (LAT)	100

[1]Share of capital, which is also in line with the share of votes for the total number of shares.

Note 23 Receivables from group companies

Parent Company, SEK million	2008	2007
Accumulated acquisition values		
At start of the year	4,397.1	3,214.3
Additional receivables	645.2	1,182.8
Settled receivables	–561.7	-
Book value at end of period	**4,480.6**	**4,397.1**

Of the above figure, SEK 4,397.1 million consists of receivables from subsidiaries.

Note 24 Deferred income tax

Reported deferred tax and tax liabilities

	2008			2007		
Group, SEK million	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Loss carry-forward	251.7	-	251.7	286.2	-	286.2
Intangible fixed assets	-	–1,613.4	–1,613.4	-	–1,824.2	–1,824.2
Provisions / accrued	39.6	–5.1	34.5	4.7	–3.5	1.2
Financial assets	86.9	-	86.9	22.7	-12.4	10.3
Current receivables and stock	12.8	-	12.8	21.8	-	21.8
Long-term liabilities	29.1	-	29.1	36.5	-	36.5
Machinery and inventories	21.4	–28.3	–6.9	24.4	–25.5	–1.1
Buildings and land	-	–11.3	–11.3	-	–18.7	–18.7
Untaxed reserves	-	–9.8	–9.8	-	–35.8	–35.8
Other	3.4	-	3.4	5.2	–2.1	3.1
Total	**444.9**	**–1,667.9**	**–1,223.0**	**401.5**	**–1,922.2**	**–1,520.7**
Offset of receivables / liabilities	–442.1	442.1	-	–396.5	396.5	-
Balance sheet total	**2.8**	**–1,225.8**	**–1,223.0**	**5.0**	**–1,525.7**	**–1,520.7**

Loss carry-forwards refer mainly to Ahlsell's operations in Sweden, Norway and Finland. In these countries future profits are expected to be of sufficient scope to allow capitalised loss carry-forwards to be performed. The loss carry-forwards that have arisen during the year in Ahlsell Sweden's Finnish subsidiary and in Russia have not been capitalised. They total SEK 11.9 million (4.4). There is no established maturity period for the deficit that exists in the Group. Total deficit which is not capitalised in the Group amounts to SEK 32.0 million (13.0), excluding the operations in Latvia which are being discontinued.

Change in deferred tax liabilities regarding temporary differences and loss carry-forward

2008

SEK million	Opening balance	Acquired/sold companies	Recognised in income statement	Translation difference/ Recognised in equity	Closing balance
Loss carry-forward	286.2	-	–28.7	–5.8	251.7
Intangible fixed assets	–1,824.2	-	223.3	–12.4	–1,613.3
Provisions / accrued	1.2	-	33.5	–0.2	34.5
Financial assets	10.3	-	65.6	11.0	86.9
Current receivables and stock	21.8	-	–8.2	–0.8	12.8
Long-term liabilities	36.5	-	–5.2	–2.2	29.1
Machinery and inventories	–1.1	-	–6.0	0.2	–6.9
Buildings and land	–18.7	-	7.7	–0.3	–11.3
Untaxed reserves	–35.8	-	26.0	-	–9.8
Other	3.1	-	0.0	0.2	3.3
Total change	**–1,520.7**	**-**	**308.0**	**–10.3**	**–1,223.0**

2007

SEK million	Opening balance	Acquired/sold companies	Recognised in income statement	Translation difference/ Recognised in equity	Closing balance
Loss carry-forward	198.8	-	82.5	4.9	286.2
Intangible fixed assets	–1,880.5	–42.5		–21.8	–1,824.2
Provisions / accrued	41.6	-	–40.4	0.0	1.2
Financial assets	–9.8	-	19.1	1.0	10.3
Current receivables and stock	22.4	3.7	–5.9	1.6	21.8
Long-term liabilities	43.8	-	–10.2	2.9	36.5
Machinery and inventories	–26.1	-	24.9	0.1	–1.1
Buildings and land	–50.3	-	32.2	–0.6	–18.7
Untaxed reserves	–44.4	–2.6	11.2	-	–35.8
Other	11.1	–0.9	–7.2	0.1	3.1
Total change	**–1,693.4**	**–42.3**	**226.8**	**–11.8**	**–1,520.7**

Ahlsell Sweden AB has subsidiaries in Estonia. In Estonia no income tax is paid on earnings until they are paid to the shareholders. If earned but as-yet-unpaid gains are allocated to the Parent Company the Estonian government can claim a maximum of 21 per cent, which is the SEK 29 million (5) as at 31 December 2008. No deferred tax has been taken into account for the surplus values from acquisitions of companies in Estonia.

Note 25 Other long-term receivables

Group, SEK million	2008	2007
Accumulated acquisition values		
At start of the year	17.8	21.8
Settled receivables	–0.3	–4.9
New acquisitions during the year	14.4	-
Translation differences for the year	4.4	0.9
Closing accumulated acquisition values	**36.3**	**17.8**
Accumulated write-downs		
Opening write-downs	-	–2.1
Reversed write-downs	-	2.1
Closing accumulated write-downs	-	-
Book value at end of period	**36.3**	**17.8**

Of the above value SEK 36.3 million (17.8) is made up of interest-bearing receivables.

The majority of the long-term receivables refer to a deposit (interest-bearing) attributable to the central warehouse in Finland (Hyvinge).

Note 26 Stock

Group, SEK million	2008	2007
Goods for resale valued at acquisition value	2,803.9	3,041.4
Goods for resale valued at net sales value	345.4	269.1
Total stock	**3 ,149.3**	**3,310.5**

There are no significant differences in the book value of stock and its fair value. No part of stock has been adjusted as a result of the increase in the net sales value.

Expenses for stock that have been charged to the accounts are included in the item Cost of goods sold and amounted to SEK 15,773.8 million (15,843.0).

Stocks of finished products were written down by SEK –95.1 million (–103.7).

Note 27 Accounts receivable

Group, SEK million	2008	2007
Accounts receivable, gross	2,271.7	2,709.0
Reservations for doubtful receivables	–32.8	–32.3
Total accounts receivable	**2,238.9**	**2,676.7**

Provisions for the recoverability reserves for doubtful accounts receivable are included in the income statement item Sales expenses. Provision is based on the customers' creditworthiness.

Provision for doubtful receivables

Group, SEK million	2008	2007
Provision at start of year	–32.3	–32.0
Reserves for expected losses	–43.1	–24.7
Established losses	43.1	22.0
Translation differences	–0.5	2.4
Provision at end of year	**–32.8**	**–32.3**

The net amount for the year's cost of established and recovered customer losses was SEK 38.2 million (16.9).

Concentration of credit risk

There is no geographic concentration of credit risks for accounts receivable as the Group has a large number of customers spread across the whole Nordic and Baltic region and Poland. Concentration of credit risk has not been changed from previous years.

Exposure to credit risk

Group, SEK million	No. of customers	% total no. of customers	% of portfolio
As at 31 Dec. 2007			
Exposure < 1.5 SEK million	93,843	99.8%	72.5%
Exposure 1.5 – 10.0 SEK million	146	0.2%	18.9%
Exposure > 10.0 SEK million	11	0.0%	8.6%
Total	**94,000**	**100%**	**100%**

Time analysis accounts receivable

Group, SEK million	2008	2007
Not matured	1,801.5	1,951.1
0 – 30 days	316.7	502.0
31 – 60 days	51.4	83.9
61 – 90 days	24.5	31.9
> 91 days	44.8	107.8
Total	**2,238.9**	**2,676.7**

Note 28 Prepaid expenses and accrued income

Group, SEK million	2008	2007
Prepaid rent	59.4	59.8
Accrued suppliers' bonuses	614.3	639.6
Prepaid IT expenses	8.1	9.1
Accrued income for delivered but non-invoiced goods	120.0	121.0
Other items	42.7	34.8
Total prepaid expenses and accrued income	**844.5**	**864.3**

Parent Company, SEK million	2008	2007
Other items	0.2	0.2
Total prepaid expenses and accrued income	**0.2**	**0.2**

Note 29 Equity

GROUP

On 31 December equity totalled SEK 1,964.9 million (2,681.8).

Reserves

	Hedge reserve	Translation reserve	Total
Opening balance, 1 January 2007	30.5	–92.3	–61.8
Translation differences for the year	-	284.3	284.3
Hedging of currency risk in foreign operations	-	–52.2	–52.2
Cash flow hedging recognised directly in equity	–9.4	-	–9.4
Tax on transactions recognised directly in equity	2.6	–50.7	–48.1
Closing balance, 31 December 2007	**23.7**	**89.1**	**112.8**
Opening balance, 1 January 2008	**23.7**	**89.1**	**112.8**
Translation differences for the year	-	58.7	58.7
Hedging of currency risk in foreign operations	-	–19.2	–19.2
Cash flow hedging recognised directly in equity	–32.9	-	–32.9
Tax on transactions recognised directly against equity	9.2	7.3	16.5
Closing balance, 31 December 2008	**-**	**135.9**	**135.9**

The translation reserve covers all exchange rate differences that arise when recalculating financial reports from foreign operations that have prepared their financial reports in accordance with a currency other than the one used by the Group in its financial reports. Hedging of currency risk in foreign operations embraces the hedging of net assets in local currency in Norway and Finland.

Hedge reserves also cover the change in value of interest rate swaps that qualify for hedge accounting.

PARENT COMPANY

RESTRICTED AND NON-RESTRICTED EQUITY

Restricted reserve funds

Restricted reserve funds may not be reduced through profit distribution.

Statutory reserve

The purpose of the statutory reserve has been to save part of the net profit which is not used for covering loss carry-forwards.

Non-restricted equity

Share premium reserve

When shares are issued at a premium (their price is higher than their quoted value), an amount equivalent to the surplus in the value should be transferred to the share premium reserve.

Profit carried forward

Consists of the previous year's profit after any dividend payments have been made. Together with the profit for the year and share premium reserve, the total non-restricted equity (the amount that is available for distribution to the shareholders).

Total equity in Ahlsell AB (publ) on the balance sheet date was SEK 4,699.7 million (4,700.2).

NO. OF SHARES

No. of shares at the start of year was 5,473,741. At the year-end the total number of shares was 5,473,741 with a quoted value of SEK 100. The average number of shares during the year was 5,473,741.

There are four kinds of shares that can be issued according to the Articles of Association adopted at the extraordinary shareholders meeting on 31 January 2007: ordinary class A and B shares and class A and B preference shares. In total there are now 3,902,812 class A preference shares; 168,974 class B preference shares; 1,343,818 ordinary class A shares and 58,137 ordinary class B shares in the company.

The shares were issued in accordance with the Swedish Companies Act (2005:551) and the ownership rights associated with the shares can only be changed in accordance with the procedures prescribed in the Swedish Companies Act.

All classes of shares in the company entitle one vote per share and can be issued to the maximum number of shares permissible under the Articles of Association. For new share issues, holders of existing shares are given priority when subscribing for shares of the same class.

Class A preference shares can be converted to ordinary class A shares and class B preference shares can be converted to ordinary class B shares following the decision of the company's board. The company's board can also decide on a reduction in the share capital by redeeming the class A and B preference shares.

In the event of a dividend payment, preference shares of class A and B have priority to the dividend before class A and B ordinary shares at an amount which corresponds to 16.5 per cent cumulative interest calculated in accordance with §7 of the Articles of Association. Apart from this, preference shares do not carry an entitlement to a dividend. The equivalent allocation will apply in the event of the company's liquidation. Class B preference shares and class B ordinary shares are subject to the consent and preferential rights provisions in the Articles of Association.

For outstanding warrants, see note 3.

Note 30 Pension provisions

The Group has defined-benefit plans for retirement pensions in Sweden, Norway and Finland. With these plans employees are guaranteed a pension equivalent to a certain percentage of their final salary. Ahlsell also has defined-contribution plans in these countries and in Denmark, Estonia, Latvia, Russia and Poland. Defined-contribution plans constitute a percentage portion of the employee's salary and are included in the income statement.

Group, SEK million	2008	2007
Present value of commitments in funds	729.9	732.1
Fair value of plan assets	–381.3	–365.7
Total of commitments partly or fully in funds	**348.6**	**366.4**
Present value of commitments in funds	22,4	35,6
Unrecognised actuarial profit (plus) and loss (minus)	–232,6	–242,6
Net liability in balance sheet	**138,4**	**159,4**
Amount recognised in balance sheet – liabilities	138,4	159,4

The amounts in the balance sheet are distributed across the following geographical areas:	Sweden	Norway	Finland
Present value of commitments in funds	15,9	692,4	21,6
Fair value of plan assets	–6,1	–375,2	-
Present value of commitments in funds	22,4	-	-
Unrecognised actuarial profit (plus) and loss (minus)	–10,8	–223,8	2,0
Net liability in balance sheet	**21,4**	**93,4**	**23,6**

Group, SEK million	2008	2007
Cost of pensions earned during the year	63.8	38.2
Renegotiated pension agreements	–22.6	-
Interest expenses	32.1	21.5
Expected return on plan assets	–23.9	–16.8
Amortisation of actuarial profit/loss	10.7	0.6
Other	–0.6	1.2
Cost of defined-benefit plans	**59.5**	**44.7**
Cost of defined-contribution plans	102.2	96.6
Payroll tax	23.7	23.9
Total cost of remuneration after terminated employments	**185.4**	**165.2**
Cost of defined-benefit pension plans recognised in the following items in the income statement:		
Cost of goods sold	9.0	6.2
Sales expenses	27.4	21.6
Administration expenses	14.9	13.1
Financial expenses	8.2	3.8
	59.5	**44.7**

Present value of defined-benefit commitments during the year has changed as follows:

Group, SEK million	2008	2007
Current value of defined-benefit commitments at start of year	**744,0**	**455,1**
Cost of service during current year	63.8	38.2
Interest expenses	32.1	21.5
Payments of benefits	–15.6	–15.8
Liabilities attributable to acquired operations	-	8.1
Reclassifications	40.8	–23.7
Actuarial gains (minus) and losses (plus)	21.1	238.3
Effect of reductions and adjustments	–85.3	-
Exchange rate differences on foreign plans	–48.6	22.3
Current value of defined-benefit commitments at end of year	**752.3**	**744.0**

Fair value of plan assets during the year has changed as follows:

Group, SEK million	2008	2007
Fair value of plan assets at start of year	**389.4**	**312.7**
Expected return on plan assets	23.9	16.8
Funds contributed by the employer	66.9	54.6
Assets attributable to acquired operations	–14.3	–13.5
Compensation	-	23.7
Reclassifications	0.0	–7.5
Actuarial gains (plus) and losses (minus)	–61.5	-
Other	5.2	–1.2
Exchange rate differences on foreign plans	–28.3	3.8
Fair value of plan assets at end of year	**381.3**	**389.4**

The actual return on plan assets amounted to SEK 23.8 million (9.3).

Group	2008	2007
Shares	5.0%	29.4%
Interest-bearing securities	78.0%	56.0%
Properties	17.0%	11.5%
Other	0.0%	3.2%

Group, SEK million	2008	2007	2006
Historical information			
Present value of defined-benefit commitments	752.3	744.0	455,1
Fair value of plan assets	–381.3	–389.4	–312,7
Surplus (minus)/Deficit (plus)	371.0	354.6	142,4
Cumulative adjustments of plan assets	0.0	–7.5	–7,9

Cumulative adjustments of defined-benefit commitments totalled SEK 14.6 million (2.9).

Assumptions in the calculations

2007	Sweden	Norway	Finland
Discount rate %	3.2%	3.8%	4.5%
Expected return on plan assets %	3.5%	5.8%	
Annual settlement of pensions during payment		2.8%	
Annual salary increase %	4.0%	4.0%	3.0%
Mortality table	DUS06	K2005	

2006	Sweden	Norway	Finland
Discount rate %	4.0%	4.5%	5.0%
Expected return on plan assets %	6.0%	5.8%	
Annual settlement of pensions during payment		4.3%	
Annual salary increase %	3.0%	4.5%	3.0%
Mortality table	P94	K-2005	

The assets' expected return is, as concerns interest-bearing assets on risk-free market interest, and as concerns other assets, based on assumptions about risk premiums in addition to risk-free interest.

The increase in the unrecognised actuarial losses for the year is attributable to the Norwegian pension plans. These losses are due mainly to changes in the assumptions regarding life expectancy and annual payments (annual settlement of pensions during payment).

The Group expects to make payments for defined-benefit plans in 2009 totalling SEK 46 million (57).

Obligations relating to family pensions for white-collar workers in Sweden are secured by an insurance policy in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a multi-employer benefit plan. During the financial year the company did not have access to the information it needed to define this as a defined benefit plan. Supplementary pension plans which are secured through an insurance policy with Alecta are thus reported as a defined contribution plan. The year's fees for supplementary pension insurances which are taken out with Alecta amounted to SEK 35.4 million (33.5). Alecta's surplus can be distributed to the policyholder and/or the insured. At the end of 2008, Alecta's surplus in the form of its collective consolidation level is 112 (152) per cent. The collective consolidation level consists of the market value of Alecta's assets as a percentage of the pension undertakings calculated according to Alecta's actuarial calculation assumptions, which are not in line with IAS 19.

Note 31 Other provisions

Group, SEK million	2008	2007
Amount at start of year	23.6	54.9
New/increased provisions	186.3	7.4
Reclassifications	-	–17.7
Used provisions	–8.9	–23.1
Translation differences	1.7	2.1
Amount at end of year	**202.7**	**23.6**

	2008	2007
Other provisions		
Restructuring reserves	189.6	9.7
Guarantee undertakings	2.1	2.1
Social security fees for pensions	9.9	11.8
Other items	1.1	-
Total other provisions	**202.7**	**23.6**
Provisions consist of:		
Long-term portion	76.6	11.8
Current portion	126.1	11.8
Total provisions	**202.7**	**23.6**

During the year, provisions were made for the restrucuting work in Sweden, Norway, Finland and Denmark. The provisions are mainly intended for non-working employees who receive a salary and costs for premises that will no longer be used.

Note 32 Accrued expenses and deferred income

Group, SEK million	2008	2007
Accrued interest	110.4	87.9
Accrued holiday pay	249.3	244.2
Accrued bonus salaries	37.4	22.5
Other personnel expenses	2.5	7.0
Accrued social security costs	63.9	84.2
Other items	72.0	83.8
Total accrued expenses and deferred income	**535.5**	**529.6**

Parent Company, SEK million	2008	2007
Accrued holiday pay	2.3	2.1
Accrued bonus salaries	2.9	3.1
Accrued social security costs	1.8	1.5
Other items	1.5	3.4
Total prepaid expenses and accrued income	**8.5**	**10.1**

Note 33 Financial instruments and financial risk management

Group

Ahlsell's financial assets consist of derivative instruments, long-term receivables, accounts receivable and shares, and liquid assets.

Ahlsell's financial liabilities consist mainly of loans raised to finance the operations, and accounts payable.

Financial assets and liabilities give rise to various kinds of risks, which are mainly handled with different derivative instruments.

Ahlsell uses derivative instruments mainly for the purpose of:

– Converting floating interest rate loans to fixed interest rate loans.
– Limiting interest rate risk in floating-rate loans.
– Reducing the Group's exposure to foreign currencies.

Not all instruments are subject to hedge accounting. Those instruments are, however, always used to hedge an underlying exposure and not for speculation.

Financial risk management

Ahlsell's policy for the management of financial risks has been drawn up by Ahlsell's board of directors. It forms a framework of guidelines and rules in the form of a risk mandate for financing activities. The overall objective of Ahlsell's finance department is to ensure that the risks are optimised at a level which gives a healthy return to the shareholders within the framework of the board's risk mandate.

Risk management is handled by a central finance department in accordance with policies established by the board of directors. The group finance department identifies, evaluates and hedges financial risks in close collaboration with the group's operating units. The board draws up written principles both for the overall risk management and for specific areas such as currency risk, interest rate risk, credit risk, use of derivatives and investment of surplus liquidity. International business entails various types of risks on a daily basis. These risks can be split into two main categories: financial and commercial risks. The financial risks can in turn be divided into five main groups:

Refinancing risk: which is the risk that mature loans cannot be refinanced when they fall due, or that existing loans are cancelled.

Interest rate risk, which is the risk that the Group's profit will be negatively affected by interest rate fluctuations.

Currency risk, which is divided into transaction exposure and translation exposure.

Transaction exposure: the risk that the Group's income will be reduced due to exchange rate fluctuations Translation exposure in foreign net assets:

the risk of negative equity effects when converting foreign subsidiaries' assets and liabilities into Swedish krona.

Credit risk: which is the risk that counterparties will not fulfil their payment obligations as agreed.

Liquidity risk: which is the risk of encountering difficulties in using liquid assets to fulfil undertakings associated with financial instruments.

Refinancing risk

Ahlsell's refinancing risk is related to its financial undertakings agreed with the banks. The financing agreements concluded by Ahlsell include business acquisition loans, overdraft facilities and other loan facilities.

The business acquisition loan is for a total of SEK 1,500 million and SEK 1,381 million had been used on 31 Dec. 2008. Other loans include a senior loan and a Mezzanine loan. The business acquisition loan has a floating interest rate in the currencies EUR, SEK and NOK. The Mezzanine loan is in EUR and has a fixed interest rate. See also Interest rate risk. Linked to this financing there are also financial undertakings knows as Covenants, which the Group is obliged to settle on a quarterlybasis. The covenants on which Ahlsell is measured are:

– Consolidated EBITDA in relation to net financial expenses
– Consolidated EBITDA in relation to total net liability
– Operating cash flow in relation to amortisation and interest payments

There are special definitions for each component. Certain one-off items, for example, are excluded from EBITDA. Covenants were fulfilled as at 31 December.Ahlsell's financing risk also influences the Group's possibilities for refinancing maturing loans, or paying loans due from its own existing financial headroom. The maturity profile in Ahlsell's banking facilities is shown in the table below:

At the year-end Ahlsell's borrowings and any related upper limits were as follows:

	2008-12-31		2007-12-31	
Borrowing	Total borrowing	Upper limit	Total borrowing	Upper limit
Business acquisition loan[1]	1,381.0	1,500.0	1,277.9	1,500.0
Senior loan[1]	9,364.0	-	8,767.1	-
Overdraft facility[2]	-	373.9	58.0	429.0
Mezzanine loan[3]	1,897.2	-	1,446.1	-
Other	1.6	-	8.0	-
Total	**12,643.8**		**11,557.1**	

[1] The loan has a floating interest rate in currencies EUR, SEK and NOK.
[2] Floating interest rate and pre-determined margin, and in currencies EUR, SEK, NOK and DKK.
[3] Fixed interest rate EUR.

The Ahlsell Group's loan maturity profile, liabilities to credit institutions, SEK million

Maturity

	Group	
	2008-12-31	2007-12-31
2008	-	250.8
2009	250.3	258.4
2010	495.2	491.6
2011	692.5	674.1
2012	741.9	725.1
2013	589.8	592.6
>2013	9,874.1	8,564.5
Total	**12,643.8**	**11,557.1**

Liabilities for which assets are pledged total SEK 12,848* million (11,805). Security for bank loans consists of the Group's floating charges, certain accounts receivable and some shares in subsidiaries (note 34).

Leasing liabilities are hedged because the rights to the leased assets return to the lessor in the event of non-payment. Specification of leasing assets and present values of financial leasing can be found in note 20, Inventories, tools and installations, and in note 18, Buildings and land.

Maturity profile leasing

	Group	
SEK million	2008-12-31	2007-12-31
Within 1 year	25.6	26.7
Maturity, 1–5 years from balance sheet date	107.4	90.9
Maturity, later than 5 years	126.5	97.4
Total	**259.5**	**215.0**

Total maturity profile

SEK million	31-12-2008	31-12-2007
Within 1 year	275.9	278.2
Maturity, 1–5 years from balance sheet date	2,626.8	2,240.1
Maturity, later than 5 years	10,000.6	9,253.8
Total	**12,903.3**	**11,772.1**

[1] The difference in the amount in the balance sheet is due to capitalised loan expenses.

Interest rate risk

Ahlsell's interest rate risk is the risk that interest rate fluctuations will have a negative impact on Ahlsell's result due to the increase in loan expenses. Interest rate risk can be counteracted by making loans on a fixed-rate, or by using different types of financial derivative instruments such asinterest rate ceilings and floors.

The Group has an interest rate ceiling of SEK 3,000 million until 30 March 2011 of 5.50% and an interest rate floor of 4.50% at the same maturity and amount.It has another ceiling of SEK 3,000 million at an interest rate of 5.90% maturing on 30 September 2011 and an interest rate floor of 4.50% maturing 30 September 2010 at the same amount. The Group's Mezzanine facility in EUR is equivalent to SEK 1,897 million at a fixed interest rate of 13% until maturity on 31 December 2016. Interest rate risk is also handled at Group level by Ahlsell's finance department using the instruments and the interest rate lock-down norms decided by the board of directors. The key floating interest rates are EURIBOR, STIBOR and NIBOR.

The year's impact of interest rate derivatives on the net financial items amounted to SEK -340.6 million (21.7). The year's negative impact is due to the sharp fall in market interest rates during the year.

Given the same loan debts, hedges, current investments, cash and cash equivalents and the same interest rate lock-down periods as at the the year-end, the change in the market interest rate of 100 interest rate points (1 per cent) would change interest expense by around SEK 50 million and interest income by around SEK 14 million. Without hedging, the change in the market of 100 interest rate points (1 per cent) would change interest expense by around SEK 110 million. Financial investments are not hedged.

Liabilities to credit institutions and interest rate lock-down distributed by currency, SEK million

Group Currency	2008-12-31 Liabilities to credit institutions	Portion in %	Interest lock-down, days	2007-12-31 Liabilities to credit institutions	Portion in %	Interest lock-down, days
SEK	2,634.1	21%	91	2,762.3	24%	91
EUR	9,266.9	73%	670	7,852.6	68%	682
NOK	741.2	6%	91	876.1	8%	91
DKK	-	-	-	4.0	0%	30
LVL	-	-	-	54.0	0%	90
EEK	1.6	0%	30	8.1	0%	30
Total	**12,643.8**	**100%**	**508**	**11,557.1**	**100%**	**493**

Effective interest rate on the balance sheet date was

	2008-12-31				2007-12-31			
	SEK	NOK	EUR	Other	SEK	NOK	EUR	Other
Bank loans	4.90%	6.55%	7.37%	4.50%	7.76%	8.28%	8.65%	4.50%
Leasing liabilities	3.04%	-	5.69%	-	4.96%	-	7.48%	-

Currency risk

Ahlsell's transaction exposure is concentrated on imports of goods and loans in foreign currencies. Finance policy states that future payment flows can be hedged up to 12 months in advance. Transaction exposure from imports is limited. As at 31 Dec. 2007 there were no hedges on the imports of goods.

As a rule, payment flow hedging activities are limited. As the Group has loans in foreign currencies, there is a certain exposure, see above.

Liabilities to credit institutions are distributed by currency. To reduce exposure the Group has used currency swaps. Exposure in EUR has been reduced by SEK 5,370 million and increased in SEK by SEK 4,866 million and in NOK by SEK 504 million, which reduces the exposure compared with the above table to SEK 59%, EUR 31% and NOK 10%. These instruments do not qualify for hedge accounting.

Based on 2008's income and expenses in foreign currencies, a 5 per cent change in the Swedish krona against other currencies, excluding currency hedging, would affect the annual operating result by around SEK 6 million (10). The effect of a 5 per cent change in net financial items, including the currency hedges that existed at year-end, would be equivalent to around SEK 228 million (235).

The year's impact of currency derivatives on the net financial items amounted to SEK 753.7 million (113.8). The positive effect was due to the fact that Swedish krona lost ground against EUR. The year's exchange rate differences on loans was SEK -1,064.2 million (-333.4). The impact of exchange rate effects on net financial items was SEK -310.5 million (-219.6).

The Group has a number of holdings in foreign operations whose net assets are exposed to translation exposure. See table below.

Exposure of foreign net assets by country, SEK million

Group Currency (country)	2008-12-31 Net assets	Hedged	Net	2007-12-31 Net assets	Hedged	Net
EUR (Finland)	751.9	–439.7	312.3	485.1	–130.7	354.4
DKK (Denmark)	293.9	-	293.9	49.3	-	49.3
NOK (Norway)	1,580.1	–520.4	1,059.7	1,804.9	–597.3	1,207.6
EEK (Estonia)	291.0	-	291.0	31.5	-	31.5
PLN (Poland)	21.8	-	21.8	37.1	-	37.1
LVL (Latvia)	-	-	-	–15.3	-	–15.3
RUB (Russia)	–22.1	-	-22.1	–5.2	-	–5.2
Total	**2,916.6**	**–960.1**	**1,956.6**	**2,387.4**	**–728.0**	**1,659.3**

Ahlsell's net assets in foreign currencies are hedged in cases where exposure is substantial. Ahlsell has hedged its net assets in local currency in Norway and Finland. For other countries no hedge accounting was implemented.

Fair value

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing on each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps, currency swaps and interest ceilings is based on the credit institution's valuation, and is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments on the balance sheet date.

The nominal values less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

As regards borrowing there will not be any tangible differences between book value and fair value, as the Group's borrowing is mainly at floating interest rates.The previously mentioned Mezzanine loans are fixed-rate and have a fair value which is SEK 90.1 million higher than their book value. Furthermore the Group does not have any other financial assets or liabilities outside the balance sheet.

Fair value of financial instruments

	2008-12-31		2007-12-31	
Financial assets	Book value	Fair value	Book value	Fair value
Financial assets held for trading valued at fair value				
Cross currency interest swaps	821.0	821.0	66.8	66.8
Interest rate ceiling	0.8	0.8	4.9	4.9
Currency swaps	1.1	1.1	-	-
Total	**822.9**	**822.9**	**71.9**	**71.9**
Financial assets held for hedging valued at fair value				
Interest rate swaps for cash flow hedges	-	-	39.5	39.5
Total	**-**	**-**	**39.5**	**39.5**
Loans and accounts receivable				
Other long-term receivables	36.3	36.3	17.8	17.8
Accounts receivable	2,238.9	2,238.9	2,676.7	2,676.7
Liquid assets	1,425.7	1,425.7	1,040.6	1,040.6
Total	**3,700.9**	**3,700.9**	**3,735.1**	**3,735.1**
Financial assets available for sale				
Financial investments	4.4	4.4	4.8	4.8
Total	**4.4**	**4.4**	**4.8**	**4.8**

Financial liabilities	Book value	Fair value	Book value	Fair value
Financial liabilities held for trading valued at fair value				
Interest rate swaps	1.6	1.6	-	-
Currency swaps	301.6	301.6	-	-
Total	**303.2**	**303.2**	**-**	**-**
Other financial liabilities				
Liabilities to credit institutions	12,903.3	12,813.2	11,772.1	11,889.0
Accounts payable	2,745.5	2,745.5	3,277.6	3,277.6
Shareholders' loans	-	-	-	-
Other current interest-bearing liabilities	-	-	6.6	6.6
Total	**15,648.8**	**15,558.7**	**15,056.3**	**15,173.2**

Credit risk

Credit risk is handled at the Group level. Credit risk arises through liquid assets, derivative instruments and balances, and bank and financial institutions, and through credit exposure to customers, including outstanding receivables. Only banks and financial institutions that are given, by independent valuers, the lowest credit rating "A" are accepted as counterparties. Ahlsell's credit policy has guidelines that ensure that sales are made to customers who have a suitable credit background and that credit decisions are made by people with the required authorisation. All Ahlsell's customer credit is evaluated by credit departments at country level. Credit policy is followed up by each country's credit department. This is conducted with the help of built-in system support in Ahlsell's trading system as regards who has the right to authorise what, both through continuous checks of authorisations and approvals. Individual risk limits are established based on internal and external credit checks in accordance with the boundaries established by the board of directors. The use of credit limits is followed up regularly. Ahlsell's maximum exposure to credit risk consists of the reported value of the company's financial assets. Ahlsell's total credit risk is also followed up via a special database application, which enables the analysis of the total value of sales ledgers down to the lowest level. See also note 27 Accounts receivable.

Liquidity risk

Liquidity risks are basically managed with caution by maintaining sufficient liquid funds and marketable securities, keeping available financing through adequate contracted credit facilities and having the possibility to close market positions. Due to the dynamic nature of the underlying operations, the Group finance department strives to retain flexibility in financing by drawing up agreements on fixed interest loans.
See table below for the maturity profile of the Group's accounts payable.

Maturity profile, accounts payable

Group	2008-12-31	2007-12-31
Not matured	2,003.2	2,242.3
Within a month	705.6	948.8
Longer than one month but no more than 3 months	17.2	63.1
Longer than three months	19.5	23.3
Total	**2,745.5**	**3,277.5**

Parent Company

Ahlsell AB (publ) only has financial receivables and financial liabilities to group companies, see also note 23, and note 39 Information about associates.

Exchange rates used in the accounts

	2008		2007	
Currency	Average rate	Closing rate	Average rate	Closing rate
EUR	9.606	10.936	9.248	9.474
NOK	1.171	1.104	1.155	1.188
DKK	1.288	1.468	1.241	1.271
EEK	0.614	0.699	0.591	0.606
PLN	2.743	2.620	2.445	2.630
LVL	13.670	15.480	13.210	13.600
RUB	0.264	0.263	0.264	0.264

Note 34 Contingent liabilities and pledged assets

Group, SEK million	2008	2007
Contingent liabilities	None	None
Pledged assets		
Floating charges	6,178.4	5,923.8
Property mortgages	7.0	6.1
Shares in subsidiaries	neg	neg
Accounts receivable	906.8	1,048.6
Total pledged assets	**7,092.2**	**6,978.5**

Shares in Nybrojarl New 3 AB (corp ID 556715-7861), and shares in underlying subsidiaries have been pledged as security for the external borrowing. The Group value of Nybrojarl New 3 Group is negative.

Note 35 Received/paid interest

Group, SEK million	2008	2007
Interest received	75.4	50.2
Interest paid	–777.0	–744.1

Note 36 Adjustments for non-cash flow items, etc.

Group, SEK million	2008	2007
Depreciation, amortisation and write-downs of assets	652.9	552.3
Capitalised and accrued interest	219.8	125.7
Unrealised exchange rate differences	1,019.8	21.4
Change in value from revaluation of interest and currency derivatives	–413.1	–135.5
Capital loss from sale of fixed assets	11.5	–12.6
Profit from sale of operating/subsidiaries	–29.6	-
Provisions for pensions	–16.9	–64.9
Negative goodwill	-	–0.6
Profit from revaluation of discontinuing operations	35.7	-
Other provisions	177.4	–33.4
Total	**1,657.5**	**452.4**

Parent Company, SEK million	2008	2007
Capitalised interest	-	–547.3
Total	**-**	**–547.3**

Items not included in the operating cash flow

Group, SEK million	2008	2007
Depreciation, and write-downs of assets	500.8	550.5
Capital loss from sale of fixed assets	11.5	–12.6
Profit/loss from sale of operating/subsidiaries	–29.6	-
Provisions for pensions	–16.9	–64.9
Negative goodwill	-	–0.6
Other provisions	177.4	–33.4
Total	**643.2**	**439.0**

Note 37 Acquisition of operations

Acquisitions for the year

All the company's acquisitions during the year are taken up in the consolidated accounts in accordance with the acquisition method.

Acquisitions in 2008

A supplementary purchase sum regarding the acquisition of Tarvikeykköset Oy was settled. The amount paid totalled SEK 15.7 million. The consolidated goodwill has increased by the corresponding amount.

The previous year's operating acquisitions

Group, SEK million Company	Country	Date of acquisition	Share of ownership
Ålands Elcenter (acquisition of assets and liabilities)	Finland	2007-01-01	100%
AB T Idestrands	Sweden	2007-02-01	100%
Pohjan Laakeri Oy, Savon Hitsauskeskus Oy, Työkalupari Oy, Pohjan Tarvike Oy	Finland	2007-03-19	100%
TKP-Tools Oy	Finland	2007-04-17	100%
Ameronic Oy	Finland	2007-04-26	100%
Industripartner i Småland AB	Sweden	2007-05-02	100%
Borst-Anders AB	Sweden	2007-06-04	100%
Satter AS	Estonia	2007-07-02	100%
Oy Pohjolan Sähkötarvike AB, Oy Kokkolan Sähkötarvike AB, Karjalan Sähkötarvike Oy	Finland	2007-08-15	100%
SIA Profs Latvija	Latvia	2007-09-11	100%
Tarvikeykköset Oy	Finland	2007-12-20	100%
Total acquisitions			

Acquisition price per segment	
Sweden	203,6
Norway	-
Finland	505,5
Denmark	-
Total acquisitions	**709,1**

Information about acquired net assets and goodwill is specified below:

Purchase sum	
– cash payment	–705.2
– direct expenses in conjunction with the acquisition	–3.9
Combined purchase sum	**–709.1**

Goodwill is attributable to key synergy effects that are expected to arise after the Group's acquisition of the companies.

Assets and liabilities included in the acquisitions are as follows:

	Book value before acquisition	Fair value adjustment	Book value recognised in Group
Liquid assets	24,7	-	24,7
Tangible fixed assets	36,4	8,7	45,1
Financial fixed assets	0,1	-	0,1
Customer relations	-	160,3	160,3
Other intangible assets	1,9	-	1,9
Stock	266,8	–13,6	253,2
Receivables	239,7	-	239,7
Liabilities	–249,4	-	–249,4
Borrowing	–157,5	-	–157,5
Deferred tax liabilities, net	–6,9	–35,4	–42,3
Net assets	**155,8**	**120,0**	**275,8**
Acquired net assets			275,8
Consolidated goodwill			433,9
Negative goodwill			–0,6
Paid purchase sum			**–709,1**
Additional purchase sum AS FEB			–0,7
Deduction for liquid assets in acquired companies			24,7
Effect on Group's liquid assets			**–685,1**

Negative goodwill is attributable to the acquisition of Pohjan Laakeri Oy. No intangible assets have been identified in this acquisition statement. Negative goodwill arose due to the acquired operations having been loss-making prior to acquisition. Negative goodwill has been booked as other operating income in the income statement.

As the acquired companies are being integrated into Ahlsell's existing operations immediately after the acquisition date, disclosures about how much the acquired companies contributed to the Group's turnover and result are not available.

If all the acquisitions in 2007 had been performed on 1 January, turnover would have been SEK 570 higher and EBITA would have been SEK 6 million higher.

Note 38 Disposal of assets and liabilities and operations

In September Ahlsell exercised an option to acquire a building in Hallsberg which is a central warehouse in Sweden. The building was acquired by the subsidiary Ahlsell Fastighets AB. Ahlsell Fastighets AB was in turn sold to Wilfast i Hallsberg AB. The capital gain from this transaction was SEK 29.6 million.

Note 39 Information about associates

Group

Ahlsell AB (publ), corp ID 556715-7820, which has its head office in Stockholm, is owned at 95.85% by Nybrojarl New 1 AB (corp ID 556715-7812) which has its head office in Stockholm and which prepares the consolidated accounts for the senior group in Sweden. The remaining 4.15% is owned by senior managemnt in the Ahlsell Group. Nybrojarl New 1 AB is owned by the Luxembourg-based company Alchemy Holding S.á.r.l, which in turn is is owned by Goldman Sachs Capital Partners and Cinven.

In 2008 Ahlsell AB (publ) group management was invoiced a fee by Goldman Sachs Capital Partners and Cinven totalling SEK 5.3 million (4.9).

Information about personnel expenses and remuneration to senior management can be found in note 3 Personnel.

Parent Company

Ahlsell AB (publ) has receivables from other group companies, see note 23, and a current liability to subsidiary

Ahlsell Sverige AB of SEK 626.1 million. In addition the company has receivables from group companies of SEK 3.1 million.

The company has an immediate family association with its subsidiaries, see note 22.

Note 40 Key assessments and accounting assumptions

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expected future events that are regarded as reasonable under the prevailing circumstances.

Important assessments and accounting assumptions

The Group makes assessments and assumptions about the future. Accounting assessments will by definition seldom correspond to the actual result. The assessments and assumptions that entail a significant risk of substantial adjustments in the reported values for assets and liabilities for the next financial year are discussed below.

Customer relations

A series of parameters have been used to establish the value of customer relations such as WACC, projected growth, fall-off of existing customers and discount rate. Changes in these parameters would have an effect on the magnitude of customer relations.

Impairment assessment for goodwill and trademark

Every year the Group examines whether there is any necessary impairment relating to goodwill and the trademark in accordance with the above accounting principles. The recoverable amount for the cash-generating units is decided by calculating value in use. The recoverable value for trademarks has been established according to the relief-from-royalty method. Assessments are necessary for the process of making these calculations (notes 15 and 17).

For goodwill the Group has assessed that a possible change in the key assumptions that are used in calculating the recoverable value of goodwill, such as gross margin and discount rate, would not mean that the combined reported value of goodwill attributable to each geographic area will exceed the goodwill's recoverable value for each geographic area.

For trademarks of an indefinite period of use (the Ahlsell trademark) the Group has made the assessment that any possible change in the key assumptions that are used in calculating the recoverable value, such as projected future sales trends, royalty rate and discount rate, will not mean that the reported value of the Ahlsell trademark would exceed its recoverable value.

Income taxes

The Group has an obligation to pay tax in all its countries of operation. Extensive assessments are required for determining the combined income tax liability. There are many transactions and calculations where the final tax figure is uncertain at the time when the transactions and calculations are carried out. The Group reports the tax liability for expected tax audit issues based on an assessment regarding whether further tax liabilities will arise. In cases where the final tax amount differs from the amounts initially reported, these differences will affect the current tax and deferred tax for the period in which they are determined.

Deferred tax is calculated on temporary differences arising between the tax bases of assets and liabilities. There are mainly two types of assumptions and assessments that impact on the reported deferred tax: assumptions and asssessments that are used to establish the book value of assets and liabilities and future taxable profit.

At year-end SEK 252 million (286) was recognised as deferred tax assets based on such assumptions and assessments. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks.

Pensions

Costs such as the value of pension obligations for defined-benefit pension plans are based on actuarial calculations that are based on assumptions on discount rate, anticipated return on plan assets, future salary increases, inflation and demographic conditions. Changes in these assumptions can significantly affect the value of the pension commitments.

Note 41 Information about the company

Ahlsell AB (publ), corp ID 556715-7820, registered in Sweden and with its head office in Stockholm, is owned at 95.85% by Nybrojarl New 1 AB (org nr 556715-7812), which has its head office in Stockholm. The remaining 4.15% is owned by senior management in the Ahlsell Group. Ahlsell AB (publ)'s address is Liljeholmsvägen 30, SE-117 98 Stockholm. Ahlsell offers professional users a broad range of products and peripheral services in the areas of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. Ahlsell conducts operations in Sweden, Finland, Norway, Denmark, Estonia, Russia, Poland and Latvia (discontinued operations).

Stockholm, 19 March 2009

Rolf Börjesson Chairman	Göran Näsholm President
Guy Davison	Caroline Sundewall
Magnus Hildingsson	Sanjay Patel
Steven Sher	