

Financial year 2007 Ahlsell

ahlsell

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

We make it easier to be professional

Business concept

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

Vision and objective

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

Our strategy

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

The History of Ahlsell

1877

History starts in 1877 with the establishment of the Bernström & Co sales company. In 1922 the Company merged with R Ahlsell & Co, at which time the focus on heating and plumbing products was strengthened, and the foundation was set for the Group of today.

1964

Ahlsell & Ågren is listed on the Stockholm stock exchange.

1977

The Company changes its name to Ahlsell.

1986

Acquisition of El-Partner and the establishment of the electrical business.

Ahlsell is delisted from the stock exchange.

1987

Ahlsell becomes a subsidiary within the Trelleborg Group.

1990

The refrigeration business is established by acquiring Sandblom & Stohne.

A central warehouse is built in Hallsberg.

1996

The DIY business is established by acquiring Gelia.

1997

Skoogs Elektriska, which is listed on the stock exchange, is acquired and Ahlsell becomes the leading wholesaler within the electrical business as well.

1999

Nordic Capital becomes the new principal owner. LVI Tukku Oy is acquired and a Finnish platform is established.

2001

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

2002

Ahlsell celebrates its 125th anniversary.

2003

Reorganization – from product organization to market organization.

A central warehouse is established in Finland.

2004

Ahlsell becomes the market leader within Heating & Plumbing in Norway through the acquisition of Bergens and Stavanger Rørhandel. The market-leading position within Tools & Machinery in Sweden is further enhanced through the acquisition of TotalPartner.

Nordic Capital acquires the Trelleborg owner share of Ahlsell and becomes the only principal owner.

2005

Ahlsell becomes the market leader within DIY on the Finnish market through the acquisition of Malk Oy.

After acquiring Nexans Distribution AS, Ahlsell becomes the leading provider within the electrical business in Norway.

2006

Goldman Sachs and Cinven acquire Ahlsell and become the new principal owners as of January 1, 2006. Ahlsell strengthens its position within refrigeration within the Nordic countries through the acquisition of Tempcold. Heating & plumbing acquisitions in Estonia and the electrical acquisition on the island of Åland open new markets.

2007

Ahlsell celebrates its 130th anniversary.

Ahlsell acquires Idestrands. Through this acquisition, Ahlsell strengthens its market position vis-à-vis the Swedish construction industry. Acquisitions within the product area of Tools & Machinery in Finland strengthen Ahlsell's leading position within this business, both in Finland and the Nordic countries.

Our Operations

Ahlsell's business is organized around a geographical perspective, as markets are ultimately local. Ahlsell has outlets in Sweden, Norway, Finland, Denmark, Estonia, Latvia and Russia.

All business is local business and Ahlsell's organization, with its many autonomous units is created to support that view. The organization is characterized by few levels, clear responsibility, many stores and local offices with local managers who are close to their customers.

Proximity is a competition factor

Local proximity has been a competition factor for Ahlsell since the company was founded in 1877, and the wealth of local offices are a result of this. Local knowledge and proximity to the customer form the best conditions for understanding customers' needs and winning their trust. It is also the reason for our long and good customer relationships. The local offices create a strong base for the entire organization and act as the motive force for the entire business. The Ahlsell Group's organization and resources support these units. Its continued expansion brings Ahlsell closer to more customers at new locations.

Ahlsell currently has more than 220 establishments in the countries in which it operates, over 90 of them are in Sweden. Altogether, they form the base for continued growth and profitability for Ahlsell.

Market organization

The needs of Ahlsell's customers vary. Products and services must be adaptable, must be developed and delivered to both large and small companies in various trade sectors. Ahlsell has organized the geographical markets into market segments, that in their turn are split into customer segments. Specialization within the respective

customer segments and a clear focus on customers' needs are the reasons for this market organization.

MARKET SEGMENT

Single point of contact for a unique product range

Ahlsell's sales efforts are organized into market segments, which in their turn consist of customer segments. This split contributes to clearer focus on customers and their needs, to continued concept development and growth. There are specialized salespeople within the respective segments to give customers advice about available products, services and solutions. By offering a single point of contact to a very wide range of products, Ahlsell can offer its customers an opportunity to increase their efficiency and reduce costs.

- **Heating & Plumbing** covers a complete range for both service and contractors, and is focused on small, medium sized and large businesses in the plumbing, ventilation and insulation sector.
- **Electrical installation** covers a complete range of products for both service and contractors, and is focused on everything from small, local electrical contractors to major nationwide companies.
- **Industrial** includes products that are aimed at industrial companies. Our customers encompass the petrochemical industry, paper and pulp industry, as well as the traditional engineering industry.
- **Construction** includes a product range aimed at customers within the

fields of water and drainage, as well as construction companies. Municipalities make up a large customer group within the drainage sector, although many customers are local construction contractors. The building companies are mainly a number of major Nordic region building contractors. The organization is characterized by few levels, clear responsibility, many stores and local offices with local managers who are close to their customers.

- **Refrigeration** is primarily aimed at installers and so called OEM (Original Equipment Manufacturer) companies. Project management skills and technical skills are important parts of Ahlsell's range within this segment.
- **DIY (Do it yourself)** includes major ironmongers, electrical and building materials companies, as well as the major Nordic region supermarket chains.

AHLSSELL GIVES YOU MORE

What you see:

- The product

What you get from Ahlsell:

- Access to unique assortment breadth with one supplier
- Unique logistics system
- Quick and effective delivery
- Customized invoicing routines
- Approximately 150,000 items in stock
- Great opportunities when using EDI
- 24-hour service
- The product

The Ahlsell Concept

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



Wide product range

UNIQUE PRODUCT VARIETY FROM ONE LOCATION

Ahlsell offers a wide and detailed assortment from the leading suppliers of installation products, tools and machinery. Ahlsell's customers have access to a wide product range and peripheral services within five product areas through a single contact. This enables the customers to increase their efficiency and reduce their costs. In combination with large volumes, this wide assortment contributes to a good foundation for Ahlsell's cost-efficient product management.

The assortment and the supplier relations evolve constantly. Within each product area, Ahlsell strives for diversity, concerning the design and functionality of the products, as well as the quality and cost.



Local Presence

ALWAYS CLOSE TO THE CUSTOMER MARKET

In order to meet the needs of the customers in the best possible way, it is necessary to be in close proximity to the customer and to have good knowledge of the local market. Today, Ahlsell has more than 220 stores and sales offices throughout the Nordic countries. The stores offer fast and easily accessible service and are an obvious meeting place for many professional tradesmen.

By running the business in many local units, with a high degree of independence and clearly stated results-oriented responsibilities, the local managers have what is required to optimize quality in customer relations and create motivation amongst the employees.



Skilled specialists

WE SHARE KNOWLEDGE AND EXPERIENCE

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

The sales organization is arranged in market segments and meets the customer based on his or her specific needs. The combination of a wide product offering and specialist expertise within each market segment creates a good basis for long-term customer relations as well as new businesses.



Centralized Functions

COORDINATION CREATES COST ADVANTAGES

By using centralized purchasing functions, we can create cost synergies in the purchasing process as we enable advantages in supplier relations. IT systems and support functions that are common to the Group are also important parts of the ambition to safeguard the scaling advantages.

The hub of the Ahlsell business consists of the Group's efficient logistics system with modern, central storage facilities at strategic locations in the Nordic countries. The foundation of a profitable business is made up of product management that is efficient both regarding cost and capital, in combination with large volumes. By providing central warehousing, fast order management, and direct deliveries from the warehouse, the customers receive the right products at the right time, and to the right location.

As critical volume is achieved, a central warehouse is established in each country of business. The goal is to run the operation in each country as one legal unit with shared logistics, IT and administration systems.



Growth Through Acquisition

ACQUISITION STRATEGY

Ahlsell strives to meet the needs of the customers, irrespective of size and wishes. The proximity to the customers, an attractive offering, and the simplification of peripheral services make us competitive. Our strategy for growth and acquisitions strengthens our role as a strong trading partner for both customers and suppliers.

Potential acquisitions can be divided into (1) acquisitions that are being performed in order to expand the geographic coverage, and (2) acquisitions that complement existing product areas in markets where Ahlsell already has businesses.

The geographic expansion acquisitions are intended to widen the customer base and enable processing of a larger market according to the Ahlsell concept. These acquisitions create an opportunity to become an even stronger partner to our customers and suppliers. Ahlsell prioritizes acquisitions with obvious cost synergies, and it is Ahlsell's goal to have all acquisitions integrated into existing systems within twelve months from the time of the acquisition.





Growth Through Acquisition (continued)

In most cases this means coordination of administration, purchasing, IT systems, logistics and sales offices.

Historically, Ahlsell has mostly acquired businesses with low profitability that has been improved after the integration. In these cases, the Ahlsell concept has contributed to a significant creation of value.

ACQUISITION POTENTIAL

The potential acquisition targets in the Nordic countries are primarily independent wholesale companies that are only active in one country and that do not have an explicit plan for Nordic expansion. The acquisition possibilities vary in the different segments, both in geography and product areas. Since 1996, Ahlsell has carried out approximately 45 acquisitions with a combined turnover of approximately SEK 11 Billion. Please visit www.ahlsell.com for more information about the acquisition potential and our acquisition history.



Markets

A broad selection in a growing market

Ahlsell's geographical focus lies on the Nordic countries, the Baltic States and Russia. The Group offers professional users a wide range of products and associated services within the product areas of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY (Do it yourself).

TRENDS

Customers increasingly demand diversity. A large product range, in combination with ever more advanced technology, has meant that trading companies must deliver comprehensive product ranges and offer their customers the service they require.

Employees must be knowledgeable about the products if they are to be able to assist customers, thereby maximizing sales. Trends favour large players who can manage the resources that are required if they are to meet these needs.

Broader line of products

Over the last ten years, the product range on the market has increased considerably. Both technical advances and new customer requirements lie behind these developments. Today, there are significantly stricter requirements to both the technology content of the products and the diversity in product range, in both design and cost perspectives.

In total, the Ahlsell product range amounts to around 500,000 articles. The increased demands to general partnerships favour large companies that, to a greater extent than the smaller players, have the resources to meet customer demands. Major general partnerships have, for example, better

preconditions for delivering alternative and cheaper products through direct import from manufacturers.

Consolidation among customers

Ahlsell's customers are primarily made up of installation companies, as well as construction and industrial companies. In all, these customer groups are responsible for more than 80 percent of sales in Ahlsell's product range.

There has been ongoing consolidation in the industry for a long time. Companies expand through acquisition in a strong market, in which the number of players is decreasing. Installation companies are becoming fewer in number and larger, as the number of multi-disciplinary installation engineers, so-called turnkey installation engineers, increase as a result of more complex and integrated installations.

But despite these changes, the companies still operate to a great degree based on local conditions. For general partnerships, this has meant increased demands on geographical presence in several companies, with the aim of being able to deliver products and services to large customers.

Consolidation among suppliers

Virtually all product suppliers, both global and local, approach general partnerships as the sales channel to reach local markets. The supplier structure varies to a certain extent between the product areas, because design content and level of standardization differs in the various product areas.

At present, there is also a move towards consolidation among suppliers. The number of suppliers is reducing, at the same time as the product range is increasing. The trend is clearest within

the electrical sector. The explanation for this is that electrical products are standardized to a greater extent than other products by legislation, regulations and the market's design preferences.

Increased consolidation in the supplier stage leads to increased geographical distance between suppliers and the end customer, which contributes to a strengthening of the trading company's role in the market.

Changes ordering patterns

Following the introduction of new IT solutions, customers' order patterns have changed. Customers order products around the clock, throughout the year, thanks to the increase in e-commerce and EDI (Electronic Data Interchange).

Ahlsell is far in the forefront of the industry in the field of e-commerce and the number of orders in the online shop is constantly increasing. In the latter part of 2007, a completely new online shop was launched, in order to further meet customers' needs for new functions and increased efficiency.

OUR CUSTOMERS

Ahlsell's customers are primarily made up of installation companies, industrial, building and real estate companies, water and drainage contractors, electrical network companies as well as municipalities and retailers. The Group's customer base amounts to around 100,000 customers. Ahlsell's ten largest customers are responsible for slightly less than 15 percent of the Group's net sales, and no single customer is responsible for more than 3 percent of the net sales.

COMPETITIVE SITUATION

The Nordic market for general partnerships is dominated by a few players. Among the largest Nordic players, only Ahlsell and the Finnish company Onninen are established within more than one of the five product sectors Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. Ahlsell is one of the leading players within all of the product areas, and our goal is to be the market leader within all of the product areas in each market.

Heating & Plumbing The Heating & Plumbing market shows a high degree of consolidation. This is especially clear in Sweden, Norway and Finland, where Ahlsell and Dahl dominate the market.

Electrical Over the last few years, the electrical market has been characterized by a certain degree of consolidation, with the result that a few players now have significant market shares in their respective countries. Consolidation in the electrical sector is mainly driven by European companies that have acquired local companies, while Nordic companies dominate the ownership of the Heating & Plumbing area. This trend is a result of, among other things, electrical products being standardized to a greater extent than Heating & Plumbing products in an European perspective. Heating & Plumbing products also have a greater design content, as preferences vary between northern and southern Europe. In all, this provides greater purchasing advantages within the electrical sector, compared to the Heating & Plumbing area.

Tools & Machinery The tools and machinery market is highly fragmented and is characterized by a large number of small companies.

Refrigeration The refrigeration market in the Nordic region is a mature and concentrated market that is dominated by two players; Ahlsell and G & L Beijer.

DIY The DIY (Do It Yourself) market is also fragmented, with a majority of small companies focused on local markets.

Environmental

Ahlsell strives to be an industry leader with regards to environmental issues. Our impact on the environment is therefore central to all our operations and decisions. Our approach to the environment is based on the knowledge, insight and commitment of every employee.

Ahlsell is subject to environmental laws and regulations in all of the countries in which we operate. We handle a small number of products in our central warehouses that are classified as hazardous substances under environmental law, including refrigerants, adhesives and oils. These substances require specialized know-how and arrangements in terms of use, handling, transportation, storage and disposal, and we maintain a roster of qualified staff members to perform such functions. However, these substances represent only a very small portion of our product portfolio, and we believe that our overall environmental risk is limited. Given the nature of our business, as a distributor of products that are manufactured by others, we believe that our impact on the environment is small, primarily occurring through our choice of products, product transportation and operations at our central warehouses. Our logistics cen-

ter in Hallsberg, and our purchasing and distribution operations in Sweden, are environmentally certified according to ISO 14001, an international standard for environmental management.

As an essential part of our environmental strategy, all levels of the supply chain in Sweden have been environmentally audited – from materials handling, heating and lighting to internal and external transportation by forklift and truck. A number of areas have been deemed especially important in this environmental work, and Ahlsell has established clear guidelines for these areas. This means that Ahlsell will:

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

Employees and Personnel Development

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

At December 31, 2007, Ahlsell had approximately 5,300 full and part-time employees. The following table sets forth the average number of our employees by geographic market and function for the periods indicated.

Ahlsell promotes skills development through an extensive training program

called the Ahlsell School. In addition, a number of tools have been developed to support managers in their efforts to develop business together with employees, including a trainer's manual which sets forth sales strategies and policies used by managers to train employees. Introductory training for new employees is offered periodically at the logistical center in Hallsberg, Sweden, particularly for employees from acquired companies. Recurring training occurs on a regular basis at our central warehouse, including management training and training in the proper handling and storage of the limited range of hazardous substances we sell.

Most of Ahlsell's employees are members of unions. Union member-

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

Average number of employees		
	1 Jan 2007 – 31 Dec 2007	1 Feb 2006 – 31 Dec 2006
<i>Geographic Market</i>		
Sweden	2,493	2,218
Norway	1,226	1,115
Finland	456	398
Denmark	226	172
Estonia	158	46
Russia	110	103
Latvia	60	-
Poland	56	25
Total	4,786	4,077

Board of Directors

At present, the Board of Directors consists of seven members, including the Chairman. The table below sets forth the members of our Board of Directors, the year they were born, the year of their respective initial election and their independence.

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

Guy Davison has been a member of our Board of Directors since 2007. Since 1988, Mr. Davison has worked at Cinven Ltd., where he currently serves as member of the Board of Directors. From 1984 to 1988, Mr. Davison worked at the venture capital firm Larpent Newton and prior to that as a qualified chartered accountant with KPMG LLP in London. Mr. Davison also serves on the Board of Directors of Gala Coral Group Limited and various companies within the Ahlsell group. Mr. Davison holds a Master's degree in history from Magdalene College, Cambridge University.

Caroline Sundewall has been a member of our Board of Directors since 2007. She currently also serves as a member of the Board of Directors of Electrolux AB, Haldex AB, Lifco AB, Pägengruppen AB, and TeliaSonera AB. Her professional experience includes positions at Ratos AB, Chase Manhattan Bank, Svenska Handelsbanken AB, as well as experience as an analyst in the business divisions of Finanstidningen, Sydsvenskan, Affärsvärlden and Dagens Industri. Ms. Sundewall holds a Master's degree in business from Stockholm School of Economics and has studied at Insead in France.

Göran Näsholm has been a member of our Board of Directors since 2007. He is also our Chief Executive Officer, a position he has held since 1999. Prior to joining the company he worked in different positions within the Alfa Laval group. From 2001 to 2003, he served as the Chairman of the Board of Directors of the Swedish Heating & Plumbing Federation (Svenska Rörgrossistföreningen VVS) and from 2004 to 2006 he served as a member of the Board of Directors of the Swedish Trade Federation (Svensk Handel). Mr. Näsholm is a member of the Board of Directors of Profun Förvaltnings AB. Mr. Näsholm holds a Bachelor's degree in mechanical engineering from Örebro Technical Institute and a Master's degree in economics and business from University of Uppsala.

Sanjay Patel has been a member of our Board of Directors since 2007. Mr. Patel is co-head of private equity investing efforts within the Principal Investment Area of Goldman Sachs in Europe where he sits on the Investment Committee and the Operating Committee. He is also co-head of private equity in India. Mr. Patel joined Goldman Sachs in New York in 1983 where he worked in the Mergers &

Acquisitions Department as an analyst until 1985. From 1987 to 1990, he was an associate within the Leveraged Buyout Department and from 1990 to 1996 he was vice president. In 1996, Mr. Patel became a managing director in the Principal Investment Area and a partner upon rejoining the firm in London, in 2005. Prior to rejoining Goldman Sachs, Mr. Patel joined GSC Partners as a managing director in April 1998 and was promoted to co-president of GSC Partners in 1999. He became a senior advisor of GSC Partners in January 2004, a position he held till December 2004. Mr. Patel also serves as a member of the Board of Directors of ISS A/S, The Endemol Group, Sigma Electric Company, GET Holdings, Odyssey Entertainment Limited, and the R.L. Winston Rod Company. He is also a strategic advisor to the India Real Estate Opportunities Fund and Gaja Capital Partners. Mr. Patel received an A.B. (Honours) degree, magna cum laude, and an SM degree in engineering from Harvard University in 1983 and a MBA from the Graduate School of Business at Stanford University in 1987 where he was an Arjay Miller Scholar.

Steven Sher has been a member of our Board of Directors since 2007. Since 2006, he has been a Managing Director of Goldman Sachs International. Mr. Sher joined Goldman Sachs in 1997 in the Investment Banking division and moved to the Principal Investment Area in 2000, where he is currently responsible for the private equity activities of Goldman Sachs Capital Partners in the Nordic region. Prior to joining Goldman Sachs, he served as a chartered accountant with Price Waterhouse in London from 1994 to 1997. Mr. Sher also serves as a member of the Board of Directors of ISS and Endemol. Mr. Sher holds a Bachelor of Commerce degree and a postgraduate Bachelor of Accounting from the University of Witwatersrand.

Name	Position	Born	Member Since¹	Independent
Rolf Börjesson	Chairman of the board	1942	2007	Yes
Guy Davison	Board member	1957	2007	No
Caroline Sundewall	Board member	1958	2007	Yes
Göran Näsholm	Board member	1955	2007	No
Sanjay Patel	Board member	1961	2007	No
Steven Sher	Board member	1970	2007	No
Magnus Hildingsson	Board member	1973	2007	No

¹Several of the board members have been members of the previous operating boards of the Ahlsell group. Mr. Börjesson, Mr. Davison, Mr. Patel, Mr. Sher and Mr. Hildingsson have been members of the boards of such companies since 2006. Mr. Näsholm has been a member of the boards of such companies since 1999.

Magnus Hildingsson has been a member of our Board of Directors since 2007. He joined Cinven in 2005 as a Principal. Mr. Hildingsson is a member of the Nordic and Industrials sector teams at Cinven. Magnus previously spent four years at Intermediate Capital Group specializing in Nordic investment opportunities. Prior to this he worked in private equity and corporate finance at Nomura for five years. Mr. Hildingsson also serves as a member of the Board of Directors of Coor Service Management Holding AB, Coor Service Management Group AB, Venoor Invco 2 AB and Venoor Invco 3 AB. He holds a Bachelor of Science from the London School of Economics.

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

GOVERNANCE ISSUES

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

Directors' report

THE GROUP

Operations

The group's operations are conducted mainly under the brand name of Ahlsell, which is one of the leading trading companies in the Nordic countries offering professional users a broad range of products and peripheral services in the areas of Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. Ahlsell operates in Sweden, Finland, Norway and Denmark, Latvia, Russia, Estonia and Poland.

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 net sales were SEK 21,586 million (17,650¹) with growth particularly strong at the beginning of the year. Operating profit was SEK 780 million (967¹). The reduced operating margin for 2007 is attributable primarily to the fourth quarter and the operations in Sweden and Norway. The group's net financial items totalled SEK 1,083 million (1,071¹), which is equivalent to an interest expense of around 8 per cent. Loss for the year was SEK -268.5 million (-79.0¹).

Net sales from the operations in Sweden totalled SEK 11,282 million (9,610¹) with an operating profit of SEK 640 million (658¹). The decline in the

operating margin is attributable to the fourth quarter and is due mainly to a slow down in sales and the restructuring of customer agreements which had a temporary negative impact.

Net sales from the operations in Norway totalled SEK 6,431 million (5,383¹) with an operating profit of SEK 133 million (204¹). The reduction in profit is attributable mainly to rising transport costs caused by temporary shortcomings in warehouse logistics.

Net sales from the operations in Finland, which also incorporates the operations in Latvia, Estonia and Russia, totalled SEK 3,359 million (2,225¹) with an operating profit of SEK 143 million (116¹). The financial year saw a large number of acquisitions focusing on the Tools & Machinery product segment. Ahlsell also established a foothold in a new geographic market, Latvia.

The operations in Denmark, which incorporate operations in Poland, posted net sales of SEK 863 million (699¹) with an operating loss of SEK 100 million (17 million¹). The reduction in profit is due mainly to a write-down of goodwill in the Danish operations of around SEK 105 million.

Market

A continuation in favourable economic conditions and a high level of activity in the building and engineering industry helped fuel a market surge at the beginning of 2007 in all Ahlsell's countries of operation. The record-breaking growth rate in the first few months of the year lost momentum in the last quarter of 2007.

Investments

In 2007, gross investments in tangible fixed assets amounted to SEK 227 million (105¹) and could mainly be ascribed to investments in activities in stores,

logistics and IT. Around SEK 60 million of these investments went to the extension work on the central warehouse in Finland (Hyvinge). Annual depreciation of tangible fixed assets according to plan totalled SEK 119 million (104¹).

Financing

The Ahlsell group's financing consists mainly of three overdraft facilities administered by Nordea Bank AB (publ): a Senior Facility of SEK 8,767 million and a Mezzanine Credit Facility of SEK 1,446 million and, for acquisitions, there is also an Acquisition Credit Facility available for utilisation totalling SEK 1,500 million.

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

Key events in 2007

Acquisitions and integration work

In January 2007 Ahlsell Åland Ab acquired the electrical wholesaler Ålands Elcenter Ab's operations. Ålands Elcenter has a strong position in Åland's market and, combined with Ahlsell's width of range, this will create new business opportunities. Annual turnover is around SEK 30 million.

In February 2007 Ahlsell Sweden AB acquired the Swedish trading group AB T. Idestrands which sells tools, machinery and building products to industrial and building companies in the Stockholm, Malmö and Gothenburg regions. Idestrands has a turnover of around SEK 350 million and some 90 employees.

In March 2007 Ahlsell Sweden AB formed a subsidiary in Finland which acquired the Finnish companies Pohjan Laakeri Oy, Savon Hitsauskeskus Oy, Työkalupari Oy and Pohjan Tarvike Oy. All companies are retailers in the tools and

¹ Applies to the period February – December 2006.

machinery sector and are strong players in industrial supplies in the Finnish market. The companies have a combined turnover of around SEK 70 million.

In April 2007 Ahlsell Sweden AB's Finnish office acquired the Finnish company TKP-tools. The company is a retailer of tools and machinery and other industrial supplies and has a combined annual turnover of around SEK 150 million and some 45 employees. In April, the Finnish company Ameronic Oy was also acquired. It too is a retailer of tools and machinery and other industrial supplies. It has an annual turnover of around SEK 50 million and some 20 employees.

At the beginning of May 2007 Ahlsell Sweden AB acquired Industripartner i Småland AB, a retailer of tools and machinery, industrial supplies and unalloyed steel. The operations are concentrated in the general area around Emmaboda and Ahlsell Sweden AB is strengthening its position in Småland on the back of this acquisition. The company has an annual turnover of around SEK 40 million and 11 employees.

At the beginning of June Ahlsell Sweden AB took over the acquired company Borst-Anders AB following the approval of the Swedish Competition Authority. Borst-Anders is a retailer of tools and machinery as well as other building and industrial supplies, with operations concentrated mainly in the Gothenburg and Malmö regions. The company has an annual turnover of around SEK 160 million and some 50 employees.

In July Ahlsell Sweden AB acquired the Estonian company Satter AS. Satter AS distributes tools and machinery and has an annual turnover of around SEK 60 million and some 30 employees. After the acquisition Ahlsell AB is the market leader in Tools & Machinery in Estonia.

In August Ahlsell Sweden AB's Finnish office acquired three Finnish distributors of electrical products: Pohjolan Sähkötervike, Kokkolan Sähkötervike and Karjalan Sähkötervike. The companies have a combined net sales of around SEK 120 million and some 23 employees. With this acquisition Ahlsell is establishing its fifth product segment, Electrical, in the Finnish market.

In September Ahlsell gained a foothold in a new geographic market through the acquisition of the Latvian company SIA Profs. Profs is Latvia's largest distributor of electrical installation products. SIA Profs is also active in the Heating & Plumbing and Tools & Machinery segments. The company has 180 employees and an annual turnover of approximately SEK 400 million. The acquisition was performed by Ahlsell Sweden AB.

In December Ahlsell consolidated its position in the Finnish Tools & Machinery market through the acquisition of Tarvikeykköset. The company's annual turnover is around SEK 50 million, the company has 18 employees and a strong position in the Tammerfors region. The acquisition was performed by Ahlsell Sweden AB's Finnish associate.

To realise synergies and improve our customer offering, the acquired companies will be integrated into Ahlsell's existing operations as quickly as possible. Among other things, this means changing the IT system, relocations, a new logistics structure and transferring the acquired companies to Ahlsell's legal structure. The change process will commence immediately after the takeover is completed. The process of integrating the companies acquired in 2007 has largely been completed with the exception of the most recent acquisition in Finland. They are expected to be fully integrated in the first quarter of 2008.

Establishment in China

In August Ahlsell Sweden AB opened a representative office in China to forge contacts with and monitor developments in the Asian market for products in Heating & Plumbing, Electrical, Tools & Machinery and Refrigeration. The representative office will assist in making purchases from China and South-East Asia and will establish a network of contacts with suppliers.

Group-internal restructuring

The group-internal restructuring that commenced in 2006 continued into 2007. On 31 January 2007 the company's subsidiary Nybrojarl Holding AB acquired the remaining shares – the equivalent of 4.15 per cent of the capital and voting rights – in the subsidiary Nybrojarl Invest AB from the other 96 shareholders, which are mainly senior management in the Ahlsell group. The acquisition was performed both through Nybrojarl Holding AB buying up a portion of the shares in cash, and a non-cash issue in progress in which the remaining shares were acquired in exchange for new shares in Nybrojarl Holding AB. The shares which the senior management received through this initiative in Nybrojarl Holding AB were then replaced by non-cash issues in Nybrojarl New 3 AB and Ahlsell AB (publ), and finally with new shares in Ahlsell AB (publ).

As part of the group-internal restructuring process, Ahlsell AB (publ) on 31 January 2007 acquired all warrants in Nybrojarl Invest AB, which were held by senior management. This was conducted via a non-cash issue where Ahlsell AB (publ) issued new warrants in exchange for the warrants in Nybrojarl Invest AB. When the restructuring is complete, the senior management will have shares in Ahlsell AB (publ)

to the equivalent of 4 per cent of the capital and voting rights, and warrants in Ahlsell AB (publ) which, after maximum dilution, will increase the senior management's total shareholdings to around 16 per cent.

On 31 January 2007 Nybrojarl Holding AB and Nybrojarl New 3 AB repaid a loan to Alchemy Holding S.á.r.l totaling SEK 2.7 billion. The funds to repay these loans were produced mainly by raising new loans while refinancing the Group's previous loans.

Financial risks

The company 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. 24 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 60 per cent. The key individual currencies are SEK against EUR and NOK.

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 38 million. On 31 Dec. 2007 the interest rate lock-in period for Ahlsell's three facilities was on average 16 months.

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 2007 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 prioritizes 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 to 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 the customers.

Warehousing and distribution

Ahlsell relies on a few main warehouses and distribution facilities, including the central warehouse in Hallsberg. 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 4,786 (4,077). The number of employees in the group on 31 December was 5,328 (4,673).

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. The company has also applied for a storage permit for flammable liquids >100 litres at a time and indoor gas storage, which affects some 75 stores. A limited number of stores have also applied for a permit to have a gas depot and handle explosives (rounds for bolt guns).

Ahlsell endeavours to be the sector's leading company in environmental protection. Clear guidelines have been set for those parts of the business with 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 transports, waste, chemico-technical articles and energy consumption.

Events after the balance sheet date

In January Ahlsell exercised an option to buy a previously leased building in Hallsberg which is used as a central warehouse. The aim is to sell the building and then continue renting the premises.

PARENT COMPANY

In October 2007 the name of Nybrojarl New 2 AB was changed to Ahlsell AB (publ).

Ahlsell AB (publ) is owned by Nybrojarl New 1 AB. 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 6.9 million. At the year-end the company had two employees.

The group-internal restructuring process that commenced in 2006 continued into 2007. During this process a number of share issues in progress were completed which increased the share capital by SEK 524.6 million and SEK 3,352.8 million has been transferred to the share premium reserve. See also group-internal restructuring above.

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	264,988,452
Profit for the year	380,398,019
Total	4,152,802,436

The President and board of directors propose that the available profit of SEK 4,152,802,436 be carried forward.

For information on the company's profit and financial 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	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Net sales	2	21,585.5	17,649.7
Cost of goods sold		-16,435.0	-13,332.1
Gross profit		5,150.5	4,317.6
Sales expenses		-3,768.5	-2,796.8
Administration costs		-615.0	-579.9
Other operating income	4	16.2	27.9
Other operating expenses	5	-2.8	-1.8
Operating profit	2,3,6,7,8,9	780.4	967.0
Financial income	10	187.5	104.0
Financial expenses	11	-1,270.8	-1,175.4
Net financial items		-1,083.3	-1,071.4
Profit before tax		-302.9	-104.4
Income tax	12	34.4	25.4
Profit for the year		-268.5	-79.0
PROFIT FOR THE YEAR ATTRIBUTABLE TO			
Parent Company shareholders		-268.5	-92.3
Minority holdings		-	13.3

Consolidated Cash Flow Statement

SEK million	Note	2007-01-01 2007-12-31	2006-02-01 2006-12-31
CURRENT OPERATIONS			
Profit before tax		-302.9	-104.4
Adjustment for non-cash flow items	35	452.4	895.2
		149.5	790.8
Paid tax		-168.9	-180.7
Cash flow from the current operations before changes in operating capital		-19.4	610.1
CASH FLOW FROM CHANGES IN OPERATING CAPITAL			
Changes in stock		-162.7	-306.9
Changes in operating receivables		274.3	-570.3
Changes in operating liabilities		15.0	753.8
Cash flow from the current operations		107.2	486.7
INVESTMENT ACTIVITIES			
Acquisition of operations	36	-685.1	-1,986.8
Acquisition of minority holdings		-117.0	-
Sale of operations	37	-	92.4
Acquisition of intangible fixed assets		-26.3	-49.8
Acquisition of tangible fixed assets		-143.5	-65.7
Sale of tangible fixed assets		42.9	35.5
Sale of interest-bearing receivables		3.8	3.1
Cash flow from investment activities		-925.2	-1,971.3
FINANCING ACTIVITIES			
Received shareholders contributions		75.5	-
New share issues		-	1,265.7
Raised loans		5,579.7	4,937.8
Amortisation of debt		-4,547.8	-3,963.1
Cash flow from financing activities		1,107.4	2,240.4
Cash flow for the year		289.4	755.8
Liquid assets – opening balance		754.4	0.1
Exchange rate difference in liquid assets		-3.2	-1.5
Liquid assets – closing balance		1,040.6	754.4
Unused overdraft facility	32	371.0	362.4
Disposable liquid assets including unused overdraft facility at year-end		1,411.6	1,116.8

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 Group-wide operations.

Operating cash flow

SEK million	Note	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Operating profit		780.4	967.0
Adjustment for non-cash flow items	35	440.8	268.8
Operating cash flow before changes in operating capital		1,221.2	1,235.8
OPERATING CASH FLOW FROM CHANGES IN OPERATING CAPITAL			
Changes in stock		-162.7	-306.9
Changes in operating receivables		274.3	-570.3
Changes in operating liabilities		15.0	753.8
Operating cash flow before investments		1,347.8	1,112.4
Acquisition of intangible fixed assets		-26.3	-49.8
Acquisition of tangible fixed assets		-143.5	-65.7
Sale of tangible fixed assets		42.9	35.5
Cash flow from operating investments		-126.9	-80.0
Operating cash flow after investments		1,220.9	1,032.4

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	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Operating cash flow before investments	1,347.8	1,112.4
Financial income (according to Income Statement)	187.5	104.0
Financial expenses (according to Income Statement)	-1,270.8	-1,175.4
Paid tax (according to Cash Flow Statement)	-168.9	-180.7
Difference in adjustment of non-cash flow items	11.6	626.4
Cash flow from the current operations	107.2	486.7
Cash flow from operating investments	-126.9	-80.0
Acquisition of operations and minority interests	-802.1	-1,986.8
Divestment of operations	-	92.4
Sale of interest-bearing receivables	3.8	3.1
Cash flow from investment activities	-925.2	-1,971.3
Cash flow from financing activities	1,107.4	2,240.4
Cash flow for the year	289.4	755.8

Consolidated Balance Sheet

SEK million	Note	2007	2006
ASSETS			
FIXED ASSETS			
<i>Intangible fixed assets</i>			
Customer relations	13	4,325.5	4,372.3
Trademarks	14	2,400.0	2,400.0
Other intangible assets	15	158.5	155.4
Goodwill	16	4,317.0	3,904.8
Total intangible fixed assets		11,201.0	10,832.5
<i>Tangible fixed assets</i>			
Buildings and land	17	334.1	287.6
Machinery and other technical facilities	18	61.8	64.9
Inventories, tools and installations	19	275.7	222.5
Fixed assets under construction and advances relating to tangible fixed assets		32.4	0.8
Total tangible fixed assets		704.0	575.8
<i>Financial fixed assets</i>			
Financial investments	20	4.8	5.9
Derivative instruments	32	44.3	48.9
Other long-term receivables	24	17.8	19.7
Total financial fixed assets		66.9	74.5
Deferred tax liability	23	5.0	16.4
Total fixed assets		11,976.9	11,499.2
CURRENT ASSETS			
<i>Stock</i>			
Goods for resale	25	3,310.5	2,781.0
Total stock		3,310.5	2,781.0
<i>Current receivables</i>			
Accounts receivable	26	2,676.7	2,570.4
Derivative instruments	32	67.0	20.4
Tax liabilities		145.0	61.3
Other receivables		79.1	161.1
Prepaid expenses and accrued income	27	864.3	802.0
Total current receivables		3,832.1	3,615.2
Liquid assets		1,040.6	754.4
Total current receivables		8,183.2	7,150.6
TOTAL ASSETS		20,160.1	18,649.8

SEK million	Note	2007	2006
EQUITY AND LIABILITIES			
EQUITY			
	28		
Share capital		547.4	0.1
Other capital contributions		4,144.6	3,877.4
Reserves		112.8	-59.3
Profit carried forward including profit for the year		-2,123.0	-1,359.9
Equity attributable to the Parent Company shareholders		2,681.8	2,458.3
Minority interests		-	202.3
Total equity		2,681.8	2,660.6
LONG-TERM LIABILITIES			
Liabilities to credit institutions	32	11,494.6	7,479.0
Shareholders' loans	32	-	2,679.3
Pension provisions	29	159.4	149.7
Other long-term provisions	30	11.8	14.2
Deferred tax liabilities	23	1,525.7	1,709.8
Other non-interest-bearing liabilities		17.8	-
Other liabilities		-	0.1
Total long-term liabilities		13,209.3	12,032.1
CURRENT LIABILITIES			
Liabilities to credit institutions	32	277.5	237.3
Advances from customers		14.7	8.1
Accounts payable		3,277.6	3,037.1
Derivative instruments	32	-	84.0
Current tax liabilities		13.3	12.7
Other current provisions	30	11.8	40.7
Other non-interest-bearing current liabilities		137.9	119.1
Other interest-bearing current liabilities		6.6	-
Accrued costs and prepaid income	31	529.6	418.1
Total current liabilities		4,269.0	3,957.1
TOTAL EQUITY AND LIABILITIES		20,160.1	18,649.8

For information about the group's pledged assets and contingent liabilities, see Note 33.

Consolidated Statement of Change in Equity

SEK million	Note	Equity attributable to shareholders					Total	Minority interests	Total equity
		Share capital	Other capital contribution	Reserves	Profit carried forward including year's profit				
Opening balance on 1 February 2006		-	-	-	-	-	-	-	
Year's change in hedging reserve	28	-	-	40.6	-	40.6	1.8	42.4	
Translation differences for the year	28	-	-	-116.0	-	-116.0	-5.0	-121.0	
Tax on transactions reported directly in equity	28	-	-	16.1	-	16.1	0.7	16.8	
Total transactions reported directly in equity		-	-	-59.3	-	-59.3	-2.5	-61.8	
Profit for the year		-	-	-	-92.3	-92.3	13.3	-79.0	
Total reported income and expenses		-	-	-59.3	-92.3	-151.6	10.8	-140.8	
Formation of company		0.1	-	-	-	0.1	-	0.1	
Acquisition of subsidiaries		-	-	-	-	-	203.0	203.0	
New share issue in progress		-	3,877.4	-	-	3,877.4	-	3,877.4	
Group-internal restructuring ²		-	-	-	-1,279.1	-1,279.1	-	-1,279.1	
Group contribution from minority ³		-	-	-	11.5	11.5	-11.5	-	
Total transactions attributable to shareholders		0.1	3,877.4	-	-1,267.6	2,609.9	191.5	2,801.4	
Closing balance on 31 December 2006		0.1	3,877.4	-59.3	-1,359.9	2,458.3	202.3	2,660.6	
Opening balance on 1 January 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	28	-	-	-9.4	-	-9.4	-	-9.4	
Translation differences for the year	28	-	-	232.1	-	232.1	-	232.1	
Tax on transactions reported directly in equity	28	-	-	-48.1	-	-48.1	-	-48.1	
Total transactions reported directly in equity		-	-	174.6	-	174.6	-	174.6	
Profit for the year		-	-	-	-268.5	-268.5	-	-268.5	
Total reported income and expenses		-	-	174.6	-268.5	-93.9	-	-93.9	
Registered new share issue		524.6	-524.6	-	-	-	-	-	
Shareholders' contribution		-	637.2	-	-	637.2	-	637.2	
Issue of warrants		-	9.4	-	-	9.4	-	9.4	
Non-cash issue in progress		22.7	145.2	-	-	167.9	-	167.9	
Buy-out of minority ¹		-	-	-2.5	-90.2	-92.7	-202.3	-295.0	
Group contribution provided, Nybrojarl New 1 AB		-	-	-	-561.7	-561.7	-	-561.7	
Tax on transactions attributable to shareholders		-	-	-	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	

Items that during the year were reported directly in equity include income tax totalling SEK 109.2 million.

¹ During the year 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.

² Ahlsell AB (publ), previously Nybrojarl New 2 AB, was founded on 17 November 2006 by Alchemy Holding Sarl. The subsidiary Nybrojarl New 3 AB was founded at the same time. Nybrojarl New 3 AB acquired Nybrojarl Holding AB from Alchemy Holding Sarl on 22 December 2006. As Nybrojarl Holding AB and Nybrojarl New 3 AB were controlled by the same owner, Alchemy Holding Sarl, both before and after the acquisition of Nybrojarl Holding AB, this is a common control transaction. See also under Note 1 Accounting principles.

³ The group contribution provided by the minority to a group company higher up in the group structure. The group company that received the group contributions is part of the Ahlsell AB (publ) group.

Income Statement – Parent Company

SEK million	Note	2007-01-01 2007-12-31	2006-11-17 2006-12-31
Net sales		6.9	-
Gross profit		6.9	-
Administration expenses	9	-25.8	0.0
Operating profit		-18.9	0.0
PROFIT FROM FINANCIAL ITEMS			
Interest income and similar profit/loss items	10	547.3	11.7
Profit after financial items		528.4	11.7
Tax on profit for the year	12	-148.0	-3.3
Profit for the year		380.4	8.4

Cash Flow Statement – Parent Company

SEK million	Note	2007-01-01 2007-12-31	2006-11-17 2006-12-31
CURRENT OPERATIONS			
Profit before tax		528.4	11.7
Adjustment for non-cash flow items	35	-547.3	-11.6
		-18.9	0.1
Paid tax			
		-	-
Cash flow from the current operations before changes in operating capital		-18.9	0.1
CASH FLOW FROM CHANGES IN OPERATING CAPITAL			
Change in operating receivables		-16.7	-
Change in operating liabilities		11.0	-
Cash flow from the current operations		-24.6	-
INVESTMENT ACTIVITIES			
Investments in interest-bearing receivables		-75.5	-
Cash flow from investment activities		-75.5	-
FINANCING ACTIVITIES			
Shareholders' contribution received		75.5	-
Raised loans		26.9	-
Cash flow from financing activities		102.4	-
Cash flow for the year		2.3	0.1
Liquid assets at start of year			
		0.1	-
Liquid assets at end of year		2.4	0.1
Unused overdraft facility		-	-
Disposable liquid assets at year end including an unused overdraft facility		2.4	0.1

Balance Sheet – Parent Company

SEK million	Note	2007	2006
ASSETS			
FIXED ASSETS			
<i>Financial fixed assets</i>			
Shares in subsidiaries	21	850.7	673.4
Receivables from group companies	22	4,397.1	3,214.3
Total financial fixed assets		5,247.8	3,887.7
Total fixed assets		5,247.8	3,887.7
CURRENT ASSETS			
<i>Current receivables</i>			
Receivables from group companies		19.3	-
Other receivables		2.1	-
Prepaid expenses and accrued income	27	0.2	1.5
Total current receivables		21.6	1.5
Cash and bank balances		2.4	0.1
Total current assets		24.0	1.6
TOTAL ASSETS		5,271.8	3,889.3
EQUITY AND LIABILITIES			
EQUITY			
28			
<i>Restricted equity</i>			
Share capital (5,473,741 shares)		547.4	0.1
New share issue in progress		-	524.6
<i>Non-restricted equity</i>			
Share premium reserve		3,507.4	-
New share issue in progress		-	3,352.8
Profit carried forward		265.0	-
Profit for the year		380.4	8.4
Total equity		4,700.2	3,885.9
CURRENT LIABILITIES			
Liabilities to group companies		555.6	-
Income tax liability		3.3	3.3
Other non-interest-bearing liabilities		2.6	0.1
Prepaid income and deferred expenses		10.1	-
Total current liabilities		571.6	3.4
TOTAL EQUITY AND LIABILITIES		5,271.8	3,889.3
PLEGDED ASSETS AND CONTINGENT LIABILITIES			
PLEGDED ASSETS			
– Shares		850.7	None
– Group-internal receivables		3,835.4	None
Contingent liabilities		None	None

Change in Equity – Parent Company

SEK million	Restricted equity		Non-restricted equity			Total equity
	Share capital	New share issue in progress	Share premium reserve	New share issue in progress	Profit carried forward/ profit for the year	
Profit for the year	-	-	-	-	8,4	8,4
Total reported income and expenses	-	-	-	-	8,4	8,4
Formation of company	0,1	-	-	-	-	0,1
New share issue in progress	-	524,6	-	3 352,8	-	3 877,4
Total transactions attributable to shareholders	0,1	524,6	-	3 352,8	-	3 877,5
Closing balance on 31 December 2006	0,1	524,6	-	3 352,8	8,4	3 885,9
Opening balance on 1 January 2007	0,1	524,6	-	3 352,8	8,4	3 885,9
Profit for the year	-	-	-	-	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

See also Note 28, 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 2008. The consolidated accounts and Parent Company income statements and balance sheets will be presented for adoption at the Annual General Meeting on 21 April 2008.

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 council's recommendation RR 30 Supplementary Accounting Regulations for Groups has also been applied. The consolidated accounts have been prepared in accordance with the acquisition value method except for the 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 39.

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 2007

IFRS 7 Financial instruments: Reporting and associated changes in IAS 1: The preparation of financial reports includes meeting requirements for extensive information about the significance of financial instruments for the company's financial position and results, as well as qualitative and quantitative information about the scope and character of risk. IFRS 7 and associated changes in IAS 1 will mean additional information in the Group's financial reports for 2007 with regard to the Group's financial targets and capital management. The standards have not necessitated any changes to the accounting principles, only changes in the disclosure requirements regarding financial instruments.

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

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 will be effective from the financial year commencing 1 January 2009; earlier application permitted.

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 if and when the customers redeem the points. The interpretation is effective for financial years commencing 1 July 2008; earlier application permitted.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction: how entities should determine the limit placed by IAS 19 on the amount of a surplus in a pension plan they can recognise as an asset. The interpretation is effective for financial years commencing 1 January 2008. Earlier application permitted.

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

Operating acquisitions that include companies under common control

Ahlsell AB (publ)'s parent company Nybrojarl New 1 AB was formed on 17 November 2006 by Alchemy Holding Sarl. Subsidiaries Ahlsell AB (publ), formerly Nybrojarl New 2 AB and Nybrojarl New 3 AB, were formed at the same time. On 22 December 2006 Nybrojarl New 3 AB acquired Nybrojarl Holding AB from Alchemy Holding Sarl. Nybrojarl Holding AB was a dormant group until 1 February 2006 when Ahlsell Group AB was acquired. As Nybrojarl Holding AB and Nybrojarl New 3 AB were controlled by the same owner (Alchemy Holding Sarl) both before and after the acquisition of Nybrojarl Holding AB this is a common control transaction. As a result Ahlsell AB (publ) has reported its assets and liabilities in Nybrojarl Holding AB and their book value in the Nybrojarl Holding group in the consolidated accounts. The assets and liabilities in Nybrojarl Holding group have therefore not been revalued at fair value.

The 2006 result from the Nybrojarl Holding group has been taken up by Ahlsell AB (publ) group in its entirety. Nybrojarl Holding group was dormant until 1 February 2006 when the Ahlsell Group was acquired. The profit which is reported in the Ahlsell AB (publ) group figures for 2006 therefore covers the period commencing 1 February 2006.

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 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with minority shareholders

Group reports changes in ownership after the controlling influence has been transferred, and which does not mean it loses the controlling influence, as ownership transactions. This means that the acquisition of minority participation 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. Sale of participations to minority interests results in a gain or loss that is recognised in the consolidated income statement. Acquisition of minority shares can result in goodwill if the cost exceeds the carrying amount of the acquired net assets. For divestments of participations in minority shareholdings where the received purchase sum deviates from the book value of the portion of the net assets that are 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 presentation currencies

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

Change in fair value of monetary securities issued in foreign currency and classified as financial assets available for sale is analysed and the change attributable to changed exchange rates is reported in the income statement, while other unrealised change is reported in equity. Translation differences that are attributable to changes in accrued acquisition value are recognised in the income statement and other changes in book value are recognised in equity.

Translation differences for non-monetary financial assets and liabilities are recognised as part of the gain/loss in fair value. Translation differences for non-monetary financial assets and liabilities, such as shares valued at fair value are recognised via the income statement. Translation differences for non-monetary financial assets and liabilities, such as shares that are classified as financial assets that are available for sale are entered as a fund for fair value under equity, which is included in the item Reserves in 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.

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.

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 licensor, software and lease contracts) are recognised at acquisition value. The assets have a limited useful life and are recognised at acquisition value less accumulated amortization. Amortization 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 amortization. Amortization 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.

Impairment losses of non-financial assets

Assets with an indefinite useful life are not amortised, but rather tested each year for possible impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount that the asset's carrying amount exceeds its recoverable value. Recoverable value is the higher of an asset's fair value reduced by sales costs and its value in use. In impairment testing, assets are grouped at the lowest level at which separate cash generating units can be identified. Assets other than goodwill that have been depreciated, are tested every balance sheet date to see whether they are recoverable.

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 instru-

ment is reported. The Group has divided its financial instruments into the following categories:

(a) Financial assets valued at fair value in the income statement

Financial assets valued at fair value in the income statement are financial assets that are held for trading. A financial asset belongs to this category if it is acquired to be sold within a short time. Derivatives are classified as assets for trading if they are not identified as hedges.

(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 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.

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 are recognised as part of Financial income when the Group's right to receive payment has been established.

Changes in the fair value of securities in foreign currency, which are classified as financial assets available for sale, are distributed among translation differences caused by changes in the securities' accrued acquisition value and other changes in the securities' book value.

Translation differences in monetary securities are recognised in the income statement, while translation differences in non-monetary securities are recognised in equity.

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 have been calculated using the effective interest rate method are 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 statement 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 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 a 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 32. Changes in the hedging reserves in equity are outlined in Note 28. The fair value of a hedging derivative is classified as a fixed asset or long-term liability if the hedge conditions have maturity over 12 months, and as current assets or short-term liabilities for maturities less than 12 months. Derivative instruments which are held for trading are always classified as current assets or current liabilities.

(a) 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 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 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.

(b) Derivatives which do not fulfil the terms of hedge accounting

Some derivative instruments do not fulfil the terms of hedge accounting. Changes in fair value for such derivative instruments which do not fulfil the terms of hedge accounting are recognised immediately in the income statement under Financial income or Financial expenses.

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 thereafter at accrued acquisition value by applying the effective interest method less any reserves for decline in value. They are then reported 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 receivables' expected maturity is short, and the value is therefore reported at nominal value with-

out 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 a borrowing under Current liabilities.

The cash flow statement was prepared in accordance with the indirect method. Reported cash flow only covers transactions that involve incoming or outgoing payments.

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 payment 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 tax

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 liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying 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 accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax is provided on temporary differences arising on investments 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 reverse 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 periodical 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 lie outside the so-called ten-per cent corridor (i.e. exceeding the higher of 10 per cent of the present value of the obligation or the fair value of plan assets) are charged or 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 and family pension for civil servants in Sweden are secured by insurance policies provided by Alecta. According to a statement from the Emerging Issues Task Force, URA 42 of the Swedish Financial Accounting Standards Council, this is a multi-employer benefit plan. During financial year 2007, 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 33.5 million (35.1).

For contribution defined 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 company.

(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.

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 leaser is classed as operational leasing. At present, the Group only has operational leasing contracts. Payments made during the leasing period are expensed straight-line 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 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 Accounting Standards Council recommendation RR32:06 Accounting for Legal Entities. The recommendations of the Emerging Issues Task Force apply to public limited liability companies. RR 32:06 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

Subsidiaries are all 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 ceases.

Financial instruments

Due to the change in the Swedish Financial Accounting Standards Council's recommendation RR 32 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

In the Parent Company, untaxed reserves including deferred tax liability are recognised. 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 Emerging Issues Task Force (URA 7). The shareholders' contribution is booked directly to equity at the recipient and capitalised in stocks and shares at the giver, 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 segmented by country but is reported as a central asset as it is difficult to distribute this at country level.

Primary segments

1 Jan 2007–31 Dec 2007	Sweden	Norway	Finland ¹	Denmark ²	Central and eliminations ⁵	Total
Income						
External sales	10,964.9	6,429.0	3,356.5	835.1	-	21,585.5
Internal sales	317.5	2.0	2.4	28.2	-350.1	-
Total sales	11,282.4	6,431.0	3,358.9	863.3	-350.1	21,585.5
Gross profit						
	2,858.0	1,421.8	612.5	258.2	-	5,150.5
EBITA ⁴	858.8	185.2	191.4	14.5	-36.2	1,213.7
Operating profit/loss	640.2	133.2	143.1	-99.9	-36.2	780.4
Financial income	-	-	-	-	187.5	187.5
Financial expenses	-	-	-	-	-1,270.8	-1,270.8
Income tax	-	-	-	-	34.4	34.4
Loss for the year						-268.5

1 Feb 2006–31 Dec 2006	Sweden	Norway	Finland ¹	Denmark ²	Central and eliminations ⁵	Total
Income						
External sales	9,372.0	5,382.2	2,224.3	671.2	-	17,649.7
Internal sales	238.0	0.7	0.8	28.0	-267.5	-
Total sales	9,610.0	5,382.9	2,225.1	699.2	-267.5	17,649.7
Gross profit						
	2,386.6	1,298.4	421.0	211.6	-	4,317.6
EBITA ⁴	847.4	251.9	152.9	25.7	-28.7	1,249.2
Operating profit/loss	657.9	204.4	116.0	17.4	-28.7	967.0
Financial income	-	-	-	-	104.0	104.0
Financial expenses	-	-	-	-	-1,175.4	-1,175.4
Income tax	-	-	-	-	25.4	25.4
Loss for the year						-79.0

2007	Sweden	Norway	Finland ¹	Denmark ²	Central and eliminations ⁵	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
Amortization 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

2006	Sweden	Norway	Finland ³	Denmark ²	Central and eliminations ⁵	Total
Other disclosures						
Assets	8,954.5	3,809.3	2,073.0	628.7	2,318.6	17,784.1
Undistributed assets	-	-	-	-	865.7	865.7
Total assets	8,954.5	3,809.3	2,073.0	628.7	3,184.3	18,649.8
Liabilities	1,950.8	1,320.8	435.4	174.7	-81.4	3,800.3
Undistributed liabilities	-	-	-	-	12,188.9	12,188.9
Total liabilities	1,950.8	1,320.8	435.4	174.7	12,107.5	15,989.2
Investments in tangible and intangible assets	-109.8	-271	-11.7	-6.0	-	-154.6
Depreciation/impairment	-242.4	-69.2	-59.6	-14.4	-2.1	-387.7
Amortization of intangible assets	-189.3	-475	-36.9	-8.3	-	-282.0
Depreciation of tangible fixed assets	-53.1	-21.7	-22.7	-6.1	-	-103.6
Significant expenses and income not in line with payments	12.6	-139.2	-2.4	10.2	52.8	-66.0

¹ Including Latvia, Russia and Estonia.

² Including Poland.

³ Including Russia and Estonia.

⁴ EBITA = Operating profit/loss excluding write-downs and depreciation of intangible assets.

⁵ From 2007 central expenses from Sweden are recognised separately. The comparative figure for 2006 has therefore been adjusted.

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 is Sweden's leading supplier of installation products, tools and machinery. The operations in Sweden include the Group's product segments: Heating & Plumbing, Electrical, Tools & Machinery, Refrigeration and DIY. In 2007, 51 (53) per cent of the Group's external net sales was generated in the Swedish market. Turnover in Sweden amounted to SEK 11,282 million (9,610). 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 2007 the Norwegian operation accounted for 30 (30) per cent of the group's external net sales. Turnover in Norway was SEK 6,431 million (5,383). 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 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 863 million (699). At the year-end Ahlsell had some 15 sales units in Denmark.

Secondary segment

	2007-01-01 2007-12-31	2006-02-01 2006-12-31
External sales, SEK million		
Heating & Plumbing	12,370.0	10,143.3
Electrical	4,525.8	4,003.8
Tools & Machinery	3,112.5	2,136.2
Refrigeration	879.6	731.0
DIY	697.6	635.4
Total external sales	21,585.5	17,649.7

Ahlsell's operations are based on our product segments (secondary segment) 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

	1 Jan 2007– 31 Dec 2007		1 Feb 2006– 31 Dec 2006	
	Number	of which men	Number	of which men
<i>Parent Company</i>	1	100%	-	-
The company has had employees since 1 June 2007.				
<i>Group</i>				
Sweden	2,493	81%	2,218	81%
Norway	1,226	83%	1,115	82%
Finland	456	77%	398	77%
Denmark	226	67%	172	68%
Estonia	158	83%	46	81%
Russia	110	63%	103	63%
Latvia	60	62%	-	-
Poland	56	88%	25	85%
Group total	4,786	80%	4,077	80%

Gender distribution in management at year-end

	Per cent of women	
	2007	2006
Parent Company		
Board of directors	14%	0%
Finland	0%	0%
Group total		
Board of directors	5%	3%
Other senior management (9 people)	11%	11%

Sick-leave

	Women		Men		Total	
	2007	2006	2007	2006	2007	2006
Total sick-leave as a percentage of regular work hours	5.2%	5.4%	2.7%	2.7%	3.2%	3.2%
Percentage of total sick-leave in consecutive periods of of 60 days or more	40.0%	51.0%	26.1%	41.0%	30.9%	44.0%
<i>Sick-leave by age category</i>						
29 or younger	5.5%	7.5%	3.2%	8.5%	3.9%	8.1%
30–49	5.8%	5.1%	2.5%	1.7%	3.2%	2.3%
50 or older	3.7%	4.8%	2.8%	3.0%	3.0%	3.3%

Sick-leave covers the entire Swedish operation.

Salaries, other remuneration and social security expenses

SEK million	1 Jan 2007–31 Dec 2007		1 Feb 2006–31 Dec 2006	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	7.2	3.6	-	-
<i>(of which pension expenses)</i>		1.1		
Subsidiaries	1,712.7	580.0	1,510.2	485.2
<i>(of which pension expenses)</i>		133.7		108.2
Group total	1,719.9	583.6	1,510.2	485.2
<i>(of which pension expenses)</i>		134.8		108.2
<i>(of which defined-benefit plans)</i>		38.2		38.3
<i>(of which defined-contribution plans)</i>		96.6		69.9

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

SEK million	1 Jan 2007–31 Dec 2007		1 Feb 2006–31 Dec 2006	
	Board/senior management	Other employees	Board/senior management	Other employees
Parent Company	7.2	-	-	-
<i>(of which bonus etc.)</i>	2.4	-	-	-
Parent Company total	7.2	-	-	-
<i>(of which bonus etc.)</i>	2.4	-	-	-
Subsidiaries total	18.1	1,694.6	16.9	1,493.3
<i>(of which bonus etc.)</i>	2.4	-	3.3	-
Group total	25.3	1,694.6	16.9	1,493.3
<i>(of which bonus etc.)</i>	4.8	-	3.3	-

Remuneration for senior management

The Board Chairman and board members receive a fee in accordance with the decision of the AGM. There is no separate fee payable for committee work. 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 one year's salary. The variable remuneration for other sen-

ior management executives is limited to a maximum of 30–100 per cent 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 which report directly to the CEO, are established and approved by the Board Chairman.

Remuneration and other benefits

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 (7 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.

2006	Basic salary/ board fee	Variable remuneration	Other benefits	Pension expenses	Total
Rolf Börjesson, Board Chairman	1.0	-	-	-	1.0
Göran Näsholm, President, CEO	3.7	1.4	0.1	0.7	6.0
Gunnar Haglund, Vice-President, Head of Finance	1.7	0.7	0.1	0.6	3.1
Other senior management (8 people)	7.7	3.2	0.5	1.8	13.2
Total	14.1	5.3	0.7	3.1	23.2

The figures for 2006 are for the period February–December.

Variable remuneration for the 2007 financial year refers to a bonus which has been charged to the accounts and 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 per cent of the pension-carrying salary. After 65, the pension is determined by agreement.

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).

During the reporting periods and up until 1 February 2006, the subsidiaries Ahlsell Holding AB and Ahlsell Group AB had an incentive programme which was decided at an extraordinary shareholders' meeting of Ahlsell Holding AB on 30 November 2004. The programme was designed as a replacement for an older programme from 2000 and 2002. The programme from 2004 was replaced in 2005 with a new programme in the Ahlsell Group AB which in its turn was replaced by another programme in Nybrojarl Invest AB in February 2006.

In conjunction with the acquisition of Ahlsell Group by Nybrojarl Invest AB in February 2006 certain senior executives in the then Ahlsell group

contributed shares in and shareholders' loans to Ahlsell Group AB to a value of approx. SEK 200 million in exchange for shares and warrants in Nybrojarl Invest AB. Through a non-cash issue these senior management executives received 75,702 ordinary B shares and 302,827 class B preference shares and 411,750 series 1 warrants and 897,599 series 1 B warrants in Nybrojarl Invest AB.

In February 2006, new shares and warrants were also issued in Nybrojarl Invest AB against cash payment to units controlled by Goldman Sachs Capital Partners and Cinven (the principal owners). Approximately SEK 19 million were paid for the issues. Through the cash issues the principal owners received 7,185 ordinary B shares and 28,714 preference B shares and 38,237 series 2 A warrants and 67,310 series 2 B warrants in Nybrojarl Invest AB. Later during 2006 the principal owners handed over all these warrants and shares to executives in the group.

The programme from February 2006 in Nybrojarl Invest AB means that the participants in the programme were able to purchase ordinary and preference shares at a fair value of SEK 49,711 and series 1 and 2 A warrants and series 1 and 2 board warrants at the fair value of SEK 25.00 and SEK 1.50 at an issue price of SEK 745.67 and SEK 1,242.78 respectively. Participants in the programme paid fair value for the shares and warrants. No part of the programme is subject to special conditions; the allocation is free from earnings requirements and the rights of the programme are immediately unconditional. The regulation method for the warrants is a new share issue where owners of warrants can subscribe to shares at the pre-determined price.

On 31 January 2007 the programme in Nybrojarl Invest AB was replaced with a new programme in Ahlsell AB (publ), formerly Nybrojarl New 2 AB, on equivalent terms. 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 per cent 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.

To establish the value of the warrants on 31 January 2007 a theoretical value was calculated using the Black-Scholes valuation model. Based on the analysis of the historical volatility of the Ahlsell Group's value, the expected volatility during the warrants maturity period is estimated to be 20 per cent. The following key parameters were used in the calculation: share value SEK 739.16, risk-free interest rate at 3.5 per cent, expected maturity for the warrants is 1.5 years.

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

	2007				2006			
	Issue price, SEK/share		No. of warrants		Issue price, SEK/share		No. of warrants	
	A	B	A	B	A	B	A	B
Programme in Nybrojarl Invest AB								
IB	745.7	1,242.8	449,987	964,909	-	-	-	-
Allocation new programme					745.7	1,242.8	449,987	964,909
Completed programme	-745.7	-1,242.8	-449,987	-964,909	-	-	-	-
UB	-	-	-	-	745.7	1,242.8	449,987	964,909

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

Note 4 Other operating income

Group, SEK million	2007-01-01	2006-02-01
	2007-12-31	2006-12-31
Capital gains from divestment of operations	-	11.5
Sale of fixed assets	10.8	6.6
Rental income	2.0	1.2
Negative goodwill	0.6	5.4
Other	2.8	3.2
Total other operating income	16.2	27.9

Note 5 Other operating expenses

Group, SEK million	2007-01-01	2006-02-01
	2007-12-31	2006-12-31
Other	-2.8	-1.8
Total other operating expenses	-2.8	-1.8

Note 6 Depreciation of tangible fixed assets and amortization and write-downs of intangible fixed assets

Distributed by asset class

Group, SEK million	2007-01-01	2006-02-01
	2007-12-31	2006-12-31
Customer relations	-301.8	-265.5
Other intangible assets	-26.3	-16.5
Goodwill	-105.2	-
Sub-total intangible assets	-433.3	-282.0
Buildings and land	-15.2	-12.3
Machinery and other technical facilities	-21.5	-19.1
Inventories, tools and installations	-82.3	-72.2
Sub-total tangible fixed assets	-119.0	-103.6
Total depreciation and write-downs	-552.3	-385.6

In 2007 there was a goodwill write-down of SEK 105.2 million for the cash generating unit Denmark. The write-down was mainly due to a write-down in the forecasts for the next few years, as the expected growth rate was not achieved. See also Note 16 Goodwill. There were no write-downs in 2006.

Depreciation and amortization are 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	2007-01-01	2006-02-01
	2007-12-31	2006-12-31
Cost of goods sold	-24.0	-19.1
Sales expenses	-512.5	-350.8
Administration expenses	-15.8	-15.7
	-552.3	-385.6

All depreciation and write-downs of intangible assets SEK -433.3 million (-282.0) are attributable to sales expenses.

Note 7 Operational leasing

Group, SEK million	2007-01-01	2006-02-01
	2007-12-31	2006-12-31
Financial year's leasing fees	-374.7	-337.2
<i>Future minimum leasing fees for non-cancellable contracts fall due as follows:</i>		
Within one year	-353.4	-309.1
Two to five years	-894.4	-871.4
Later than five years	-378.4	-271.5
Total operational leasing	-1,626.2	-1,452.0

The above leasing fees include rent costs for central warehouses in Sweden. The contract for the central warehouse expires in 2019. The rent for the central warehouse is largely determined by the prevailing interest rate. The annual cost at the interest rate which prevailed at the beginning of 2008 is SEK 21.4 million (15.0). There is also depreciation totalling SEK 3.0 million (3.0) for surplus value in the leasing contract allocated to the acquisition analysis, see Note 15.

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	2007-01-01 2007-12-31	2006-02-01 2006-12-31
KPMG		
Audit	-6.3	-4.7
Other assignments	-6.8	-3.7
Total fees	-13.1	-8.4

The Group also uses other fees at a cost of SEK 0.1 million (0.0).

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	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Goods for resale	-15,843.0	-12,770.4
Costs of remuneration for employees	-2,303.5	-1,995.4
Depreciation and write-downs	-552.3	-385.6
Transport costs	-722.3	-523.9
Costs for premises	-539.5	-439.7
Other expenses	-860.7	-595.6
Total operating expenses	-20,821.3	-16,710.6

Parent Company, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Costs of remuneration for employees	-10.8	-
Other expenses	-15.0	-
Total operating expenses	-25.8	-

Note 10 Financial income

Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Interest income	50.2	17.1
Net change in value after revaluation of interest and currency derivatives	135.5	-
Exchange rate differences	-	84.7
Other	1.8	2.2
Total financial income	187.5	104.0

Value change per valuation category

Financial assets held for trading valued at fair value	135.5	-
Loans and accounts receivable	50.2	101.8
Total financial income	185.7	101.8

Parent Company, SEK million	2007-01-01 2007-12-31	2006-11-17- 2006-12-31
Interest income, group companies	547.3	11.7
Other	-	-
Total financial income	547.3	11.7

Note 11 Financial expenses

Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Interest expense, shareholders' loans	-	-556.2
Interest expense, other	-923.1	-559.6
Interest expense on pension commitments	-3.8	-3.3
Net change in value after revaluation of interest and currency derivatives	-	-19.3
Cost of change in financing	-	-20.4
Other banking expenses	-10.5	-14.5
Exchange rate differences	-333.4	-
Write-down of long-term receivables	-	-2.1
Total financial expenses	-1,270.8	-1,175.4

Change in value per valuation category

Financial liabilities held for trading valued at fair value	-	-19.3
Other financial liabilities	-1,256.5	-1,136.2
Loans and accounts receivable	-	-2.1
Total financial expenses	-1,256.5	-1,157.6

Note 12 Income tax

Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Current tax	-192.4	-48.5
Deferred tax	226.8	73.9
Total income tax	34.4	25.4

Specification of effective tax

Group	2007-01-01–2007-12-31		2006-02-01–2006-12-31	
	Per cent	Amount	Per cent	Amount
Profit before tax		-302.9		-104.4
Tax according to applicable tax rate for Parent Company	-28.0%	84.8	-28.0%	29.2
Effect of other tax rates for foreign subsidiaries	0.3%	-0.8	-3.4%	3.5
Tax-free income	-0.6%	1.8	-1.8%	1.9
Non-deductible write-down of goodwill	8.7%	-26.3	-	-
Other non-deductible expenses	5.5%	-16.7	9.7%	-10.1
Adjustment of tax attributable to previous years	0.3%	-0.9	-	-
Increase in loss carry forward without equivalent				
Capitalisation of deferred tax	3.1%	-9.5	-1.7%	1.8
Changed tax rate in Denmark	-1.4%	4.2	-	-
Other	0.7%	-2.2	1.0%	-1.0
Recognised effective tax	-11.4%	34.4	-24.3%	25.4
Applicable rate for income tax in Sweden		-28.0%		-28.0%
Effective tax rate		-11.4%		-24.3%

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 (Ahsell Sweden AB).

Parent Company, SEK million	2007-01-01 2007-12-31	2006-11-17- 2006-12-31
Current tax	-148.0	-3.3
Total income tax	-148.0	-3.3

Specification of effective tax

Parent Company	2007-01-01–2007-12-31		2006-11-17–2006-12-31	
	Per cent	Amount	Per cent	Amount
Profit before tax		528.4		11.7
Tax according to applicable tax rate for Parent Company	-28.0%	-148.0	-28.0%	-3.3
Recognised effective tax	-28.0%	-148.0	-28.0%	-3.3
Applicable tax rate for income tax in Sweden		-28.0%		-28.0%
Effective tax rate		-28.0%		-28.0%

Note 13 Customer relations

Group, SEK million	2007	2006
Accumulated acquisition values		
Opening acquisition value	4,634.6	-
Acquisition of subsidiaries	160.3	4,679.3
Translation differences for the year	103.1	-44.7
Closing accumulated acquisition values	4,898.0	4,634.6
Accumulated amortization		
Opening depreciation	-262.3	-
Amortization for the year	-301.8	-265.5
Translation differences for the year	-8.4	3.2
Closing accumulated amortization	-572.5	-262.3
Book value at end of period	4,325.5	4,372.3

The whole reported value is made up of acquired assets.

Around 3.2 billion of the reported value of customer relations has a remaining depreciation period of 19 years, the remaining value attributable to customer relations has a remaining depreciation period of 8 years.

Note 14 Trademark

Group, SEK million	2007	2006
Accumulated acquisition values		
Opening acquisition value	2,400.0	-
Acquisition of subsidiaries	-	2,400.0
Book value at end of period	2,400.0	2,400.0

The whole reported value consists of acquired assets.

Impairment testing – Trademark

Ahsell'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 February 2006) the acquisition value of the Ahsell 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 trend. 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 9.5 (9.5) per cent. The impairment test in 2007 showed that there is currently no impairment need.

Management's assessment is that any possible changes to the applied variables would not have a sufficiently strong effect to individually reduce their recoverable value below their reported value.

Note 15 Other intangible assets

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 amortization						
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	-	-	-	-
Amortization 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

2006

Group, SEK million	Capitalised expenses	Licences	Tenancy and similar rights	Lease contract central warehouse		TOTAL
Accumulated acquisition values						
Opening acquisition value	-	-	-	-	-	-
Acquisition of subsidiaries	46.3	44.0	13.9	50.0	-	154.2
New acquisitions	24.6	24.6	0.6	-	-	49.8
Divestments and disposals	-3.1	-	-	-	-	-3.1
Translation differences for the year	-	-0.4	-0.5	-	-	-0.9
Unappropriated liquid assets including unused overdraft facility at year end	67.8	68.2	14.0	50.0	-	200.0
Accumulated amortization						
Opening depreciation	-	-	-	-	-	-
Acquisition of subsidiaries	-24.0	-	-7.5	-	-	-31.5
Divestments and disposals	3.1	-	-	-	-	3.1
Amortization for the year	-6.2	-5.4	-1.9	-3.0	-	-16.5
Translation differences for the year	-	0.1	0.2	-	-	0.3
Closing accumulated amortization	-27.1	-5.3	-9.2	-3.0	-	-44.5
Book value at end of period	40.7	62.9	4.8	47.0	-	155.4

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 16 Goodwill

Group, SEK million	2007	2006
Accumulated acquisition values		
Opening acquisition value	3,904.8	-
Acquisition of subsidiaries	433.9	4,026.5
Divestments and disposals	-	-87.4
Translation differences for the year	86.0	-34.3
Closing accumulated acquisition values	4,424.7	3,904.8
Accumulated write-downs		
Opening write-downs	-	-
Write-downs for the year	-105.2	-
Translation differences for the year	-2.5	-
Closing accumulated write-downs	-107.7	-
Book value at end of period	4,317.0	3,904.8

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:

	2007	2006
Sweden	2,761.0	2,641.5
Norway	631.0	581.4
Finland	715.7	504.7
Estonia	69.9	48.8
Latvia	112.7	-
Denmark	26.7	128.4
	4,317.0	3,904.8

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 three-year period.

Cash flow projections beyond the three-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.

Impairment testing is performed in the fourth quarter. The test conducted in 2007 showed that there is an impairment need for Denmark. Goodwill in Denmark has therefore been written down by SEK 105 million. While reviewing the goodwill for Denmark a discounting factor of 9.62 (9.14) per cent was used.

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 used discount rate used is in the 8.6 - 9.6 per cent interval.

Management's assessment is that, for all geographic areas outside Denmark, any reasonable possible changes to the applied variables would not have an effect sufficient to individually reduce the recoverable values to below their reported value.

Note 17 Buildings and land

Group, SEK million	2007	2006
Accumulated acquisition values		
At start of the year	343.9	-
Acquisition of subsidiaries	20.9	390.2
New acquisitions	57.9	0.7
Divestments and disposals	-28.1	-43.1
Translation differences for the year	12.1	-3.8
Closing accumulated acquisition values	406.7	343.9
Accumulated depreciation		
At start of the year	-56.3	-
Acquisition of subsidiaries	0.0	-56.1
Divestments and disposals	0.4	10.7
Depreciation for the year	-15.2	-12.3
Translation differences for the year	-1.5	1.4
Closing accumulated depreciation	-72.6	-56.3
Book value at end of period	334.1	287.6
Group		
Tax assessment value, buildings (in Sweden)	28.2	19.8
Equivalent book value	70.0	63.7
Tax assessment value, land (in Sweden)	10.1	8.0
Equivalent book value	8.6	8.5
Building held under financial leasing agreements		
are included at the following amounts:		
Acquisition value	127.7	91.1
Accumulated depreciation	-24.9	-18.2
Book value	102.8	72.9

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	191.3	103.2
Present value of minimum leasing fees	118.1	84.5
Total minimum leasing fees		
Within one year	10.7	7.5
From 2-5 years	45.0	30.1
Later than 5 years	135.6	65.6
	191.3	103.2

Present value of minimum leasing fees

Within one year	3.3	1.9
From 2-5 years	17.1	10.5
Later than 5 years	97.7	72.2
	118.1	84.5

The year's payments for financial leased assets totalled SEK 9.1 million (6.6). During the year SEK 6.1 million (3.2) was recognised as interest expense and SEK 3.0 million (3.4) as amortised liabilities. Depreciation of financial leased assets totalled SEK 5.7 million (4.2). Total amount for financial leased assets charged to the accounts was SEK 11.8 million (7.4).

Note 18 Machinery and other technical facilities

Group, SEK million	2007	2006
Accumulated acquisition values		
At start of the year	273.5	-
Acquisition of subsidiaries	3.1	264.7
New acquisitions	15.4	17.7
Divestments and disposals	-4.1	-1.7
Reclassifications	-2.7	-
Translation differences for the year	9.1	-7.2
Closing accumulated acquisition values	294.3	273.5
Accumulated depreciation		
At start of the year	-208.6	-
Acquisition of subsidiaries	-	-196.6
Divestments and disposals	3.9	1.2
Reclassifications	0.0	-
Depreciation for the year	-21.5	-19.1
Translation differences for the year	-6.3	5.9
Closing accumulated depreciation	-232.5	-208.6
Book value at end of period	61.8	64.9

Note 19 Inventories, tools and installations

Group, SEK million	2007	2006
Accumulated acquisition values		
At start of the year	667.1	-
Acquisition of subsidiaries	46.1	678.1
New acquisitions	123.4	86.4
Divestments and disposals	-99.9	-83.0
Reclassifications	2.7	-
Translation differences for the year	20.0	-14.5
Closing accumulated acquisition values	759.4	667.1
Accumulated depreciation		
At start of the year	-444.6	-
Acquisition of subsidiaries	-25.0	-436.9
Divestments and disposals	80.7	53.4
Reclassifications	0.0	-
Depreciation for the year	-82.3	-72.2
Translation differences for the year	-12.5	11.1
Closing accumulated depreciation	-483.7	-444.6
Book value at end of period	275.7	222.5
Inventories held as part of financial leasing agreements are included at the following amounts		
Acquisition value	184.1	144.7
Accumulated depreciation	-80.5	-58.7
Book value at end of period	103.6	86.0

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

Group, SEK million	2007	2006
Total minimum leasing fees and their present value		
Total minimum leasing fees	102.5	78.6
Present value of minimum leasing fees	97.2	73.1
Total minimum leasing fees		
Within one year	27.4	24.5
Total minimum leasing fees	75.1	54.1
Later than 5 years	0.0	-
	102.5	78.6
Present value of minimum leasing fees		
Within one year	23.4	22.0
Between 2-5 years	73.8	51.1
Later than 5 years	0.0	-
	97.2	73.1

The year's payments for financial leased assets totalled SEK 28.3 million (22.1). During the year SEK 3.9 million (4.5) was recognised as interest expenses and SEK 24.4 million (17.6) as amortised liabilities. Depreciation of financial leased assets totalled SEK 25.9 million (18.9). Total amount for financial leased assets charged to the accounts was SEK 29.8 million (23.4).

Note 20 Financial investments

Shares and participation that constitute fixed assets

Group, SEK million	2007	2006
Opening book value	5.9	-
Increase through the acquisition of subsidiaries	0.1	9.0
New acquisitions	0.1	-
Disposals	-1.5	-2.9
Translation differences	0.2	-0.2
Closing book value	4.8	5.9

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 participation, which are unlisted, in a reliable manner, which means they are valued at acquisition value.

Note 21 Shares in subsidiaries

Parent Company, SEK million	2007	2006
Accumulated acquisition values		
At start of the year	673.4	-
Acquisitions	-	673.4
Non-cash issue in progress	177.3	-
Book value at end of period	850.7	673.4

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 Sweden 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
ABT Idestrands in liquidation	556061-6780	Stockholm	100
Tempcold Group AB	556225-3585	Solna	100
Tempcold AS	959476098	Oslo (N)	100
Ahlsell Norway Holding AS	988918962	Stavanger (N)	100
Ahlsell Oil & Gas AS	991527885	Stavanger (N)	100
Ahlsell Norway 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
Ahlsell Investco Finland Oy	1819153-8	Helsinki (SF)	100
TKP-tools Oy	0160876-3	Joensuu (SF)	100
Ameronic Oy	1044930-3	Turku (SF)	100
Oy Pohjan 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	Raahel (SF)	100
Savon Hitsauskeskus Oy	1046821-3	Iisalmi (SF)	100
Työkalupari Oy	0953426-0	Tornio (SF)	100
Pohjan Tarvike Oy	0954494-4	Raahel (SF)	100
Tarvikeykköset Oy	1542117-4	Tampere (SF)	100
Ahlsell Oy	0353811-3	Helsinki (SF)	100
Aninkaisten Tapetti ja Väri Oy	0197404-2	Helsinki (SF)	100
Ahlsell Åland Ab	2080009-9	Jomala (SF)	100
Ahlsell Denmark Holding ApS	348864	Brøndby (DK)	100
Ahlsell Denmark A/S	230924	Brøndby (DK)	100
TP-Tempcold Ltd	0000094018	Warsaw (PL)	100
ZAO Ahlsell Spb	7813090758	St Petersburg (RU)	100
AS FEB	10109270	Tallinn (EST)	100
SATTER AS	10237312	Tallinn (EST)	100
SIA Profs Latvija	000355221	Riga (LAT)	100

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

Note 22 Receivables from group companies

Parent Company, SEK million	2007	2006
Accumulated acquisition values		
At start of the year	3,214.3	-
Additional receivables	1,182.8	3,214.3
Book value at end of period	4,397.1	3,214.3

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

Note 23 Deferred income tax

Reported deferred tax and tax liabilities

Group, SEK million	2007			2006		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Loss carry-forward	286.2	-	286.2	198.8	-	198.8
Intangible fixed assets	-	-1,824.2	-1,824.2	-	-1,880.5	-1,880.5
Provisions / accrued	4.7	-3.5	1.2	49.0	-7.4	41.6
Financial assets	22.7	-12.4	10.3	6.9	-16.7	-9.8
Current receivables and stock	21.8	-	21.8	22.4	-	22.4
Long-term liabilities	36.5	-	36.5	43.8	-	43.8
Machinery and inventories	24.4	-25.5	-1.1	0.9	-27.0	-26.1
Buildings and land	-	-18.7	-18.7	-	-50.3	-50.3
Untaxed reserves	-	-35.8	-35.8	-	-44.4	-44.4
Other	5.2	-2.1	3.1	11.8	-0.7	11.1
Total	401.5	-1,922.2	-1,520.7	333.6	-2,027.0	-1,693.4
Offset of receivables / liabilities	-396.5	396.5	-	-317.2	317.2	-
Balance sheet total	5.0	-1,525.7	-1,520.7	16.4	-1,709.8	-1,693.4

Loss carry-forwards refer mainly to Ahlsell's operations in Sweden, Norway and Finland. In Finland the result for 2007 was improved as a result of investments in the logistics system and centralised warehousing. The improved result will probably allow the Finnish loss carry-forwards to be used. In Sweden and Norway future profits are expected to be of sufficient scope to allow capitalised loss carry-forwards to be used. The loss carry-forwards that have arisen during the year in Denmark, Latvia, Poland and Russia have not been capitalised. They total SEK 9.5 million. There is no established maturity period for the deficit that exists in the Group, except in Poland where the deficits need to be exercised within 3 years. Total deficit which is not capitalised in the group amounts to SEK 13.0 million (3.5). Change in deferred tax liabilities regarding temporary differences and loss carry-forward.

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	120.6	-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

2006

SEK million	Opening balance	Acquired/sold companies	Recognised in income statement	Translation difference/Recognised in equity	Closing balance
Loss carry-forward	-	172.1	28.1	-1.4	198.8
Intangible fixed assets	-	-1,965.8	73.3	12.0	-1,880.5
Provisions / accrued	-	56.1	-11.4	-3.1	41.6
Financial assets	-	-4.9	-4.9	-	-9.8
Current receivables and stock	-	31.2	-9.2	0.4	22.4
Long-term liabilities	-	46.1	-1.9	-0.4	43.8
Machinery and inventories	-	-25.4	-0.9	0.2	-26.1
Buildings and land	-	-46.7	-4.6	1.0	-50.3
Untaxed reserves	-	-44.7	0.3	-	-44.4
Other	-	5.2	5.1	0.8	11.1
Total change	-	-1,776.8	73.9	9.5	-1,693.4

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 5 per cent in tax which, as at 31 December 2007, is the equivalent of SEK 5 million. No deferred tax has been taken into account for the surplus values from acquisitions of companies in Estonia.

Note 24 Other long-term receivables

Group, SEK million	2007	2006
Accumulated acquisition values		
At start of the year	21.8	-
Acquisition of subsidiaries	-	21.5
Settled receivables	-4.9	-
New acquisitions during the year	-	0.8
Translation differences for the year	0.9	-0.5
Closing accumulated acquisition values	17.8	21.8
Accumulated write-downs		
Opening write-downs	-2.1	-
Reversed write-downs	2.1	-
Write-downs for the year	-	-2.1
Closing accumulated write-downs	-	-2.1
Book value at end of period	17.8	19.7

Of the above value, SEK 17.8 million (19.7) 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 25 Stock

Group, SEK million	2007	2006
Goods for resale valued at acquisition value	3,041.4	2,488.6
Goods for resale valued at net sales value	269.1	292.4
Total stock	3,310.5	2,781.0

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 15,843.0 million (12,770.4).

Stocks of finished products were written down by SEK 103.7 SEK million (105.7) during the period.

Note 26 Accounts receivable

Group, SEK million	2007	2006
Accounts receivable, gross	2,709.0	2,602.4
Reservations for doubtful receivables	-32.3	-32.0
Total accounts receivable	2,676.7	2,570.4

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	2007	2006
Provision at start of year	-32.0	-
Acquisition of subsidiaries	-	-42.6
Reserves for expected losses	-24.7	-8.8
Established losses	22.0	20.0
Translation differences	2.4	-0.6
Provision at end of year	-32.3	-32.0

The net amount for the year's cost of established and recovered customer losses was SEK 16.9 million (15.5).

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	Per cent total no. of customers	Per cent of portfolio
As at 31 Dec. 2007			
Exposure < 1.5 SEK million	93,715	99.7%	64.7%
Exposure 1.5 – 10.0 SEK million	268	0.3%	24.6%
Exposure > 10.0 SEK million	17	0.0%	10.7%
Total	94,000	100%	100%

Time analysis accounts receivable

Group, SEK million	2007	2006
Not matured	1,951.1	1,704.4
0 – 30 days	502.0	676.9
31 – 60 days	83.9	65.2
61 – 90 days	31.9	21.3
> 91 days	107.8	102.6
Total	2,676.7	2,570.4

Note 27 Prepaid expenses and accrued income

Group, SEK million	2007	2006
Prepaid rent	59.8	43.3
Accrued suppliers' bonuses	639.6	596.3
Prepaid IT expenses	9.1	9.1
Accrued income for delivered but non-invoiced goods	121.0	136.1
Other items	34.8	17.2
Total prepaid expenses and accrued income	864.3	802.0

Parent Company, SEK million	2007	2006
Accrued interest income	-	1.5
Other items	0.2	-
Total prepaid expenses and accrued income	0.2	1.5

Note 28 Equity

GROUP

On 31 December equity totalled SEK 2,681.8 million (2,660.6), of which minority interests totalled – SEK million (202.3).

Reserves

	Hedge reserve	Translation reserve	Total
Opening balance, 1 February 2006	-	-	-
Translation differences for the year	-	-121.0	-121.0
Hedging of currency risk in foreign operations	-	-	-
Cash flow hedging recognised directly in equity	42.4	-	42.4
Tax on transactions recognised directly in equity	-11.9	28.7	16.8
Closing balance, 31 December 2006	30.5	-92.3	-61.8
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 against equity	2.6	-50.7	-48.1
Closing balance on 31 December 2007	23.7	89.1	112.8

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).

During the year, the issue which was reported on 31 December 2006 as being in progress, has been registered with the Swedish Companies Registration Office, and the share capital has increased by SEK 524.6 million and SEK 3,352.8 million has been allocated to the share premium reserve.

During the year Ahlsell AB (publ) received a shareholders' contribution of SEK 637.2 million from the Parent Company Nybrojarl New 1 AB and minority shareholders. Part of the contribution is made up of SEK 561.7 million which Ahlsell Sweden AB provided to Nybrojarl New 1 AB as a group contribution.

Ahlsell AB (publ) provided a group contribution to the subsidiary Ahlsell Sweden AB totalling SEK 528.6 million, which including tax has reduced the profit carried forward by SEK 380.6 million.

The extraordinary shareholders meeting on 31 January 2007 decided to issue 246,617 A warrants and 528,787 B warrants in the company via a non-cash issue. See also below.

Total equity in Ahlsell AB (publ) on the balance sheet date was SEK 4,700.2 SEK million (3,885.9).

NO. OF SHARES

No. of shares at the start of year was 1,000. 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 5,134,236. The issue that was reported in progress on 31 December 2006 has been registered. It has increased the number of shares by 3,902,812 class A preference shares and 1,342,818 class A ordinary shares.

At the extraordinary shareholders meeting on 31 January 2007 it was decided, through a non-cash issue, to issue 168,974 class B preference shares and 58,137 ordinary class B shares. As payment, 227,111 shares in Nybrojarl New 3 AB, 556715-7861 were received to a total value of SEK 167,871,808. The non-cash issue was conducted as part of a group-internal restructuring and refinancing initiative.

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.

At the extraordinary shareholders meeting on 31 January 2007 it was decided to conduct a non-cash issue of 246,617 A warrants and 528,787 B warrants in the company. Each warrant carries the right to subscribe to one ordinary class B share until 31 January 2016. The issue price for A warrants is SEK 879.18 and for B warrants it is SEK 1,786.29. As payment for A warrants, 411,750 series 1 A warrants and 38,237 series 2 A warrants in Nybrojarl Invest AB, 556687-9184, were received to a total value of SEK 9,435,890. As payment for B warrants, 897,599 series 1 B warrants and 67,310 series 2 B warrants in Nybrojarl Invest AB, 556687-9184, were received to a total value of SEK 13,077.

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.

Note 29 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	2007	2006
Present value of commitments in funds	732.1	425.7
Fair value of plan assets	-365.7	-312.7
Total of commitments partly or fully in funds	366.4	113.0

Present value of commitments in funds	35.6	29.5
Unrecognised actuarial profit (plus) and loss (minus)	-242.6	7.2
Net liability in balance sheet	159.4	149.7

Amount recognised in balance sheet – liabilities	159.4	149.7
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Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Cost of pensions earned during the year	38.2	38.3
Interest expenses	21.5	18.3
Expected return on plan assets	-16.8	-15.1
Amortization of actuarial profit/loss	0.6	-
Other	1.2	-
Cost of defined-benefit plans	44.7	41.5

Cost of defined-contribution plans	96.6	69.9
Employer's contribution	23.9	18.0
Total cost of remuneration after terminated employments	165.2	129.4

Cost of defined-benefit pension plans recognised in the following items in the income statement:		
Cost of goods sold	6.2	5.7
Sales expenses	21.6	20.3
Administration expenses	13.1	12.2
Financial expenses	3.8	3.3
	44.7	41.5

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

Group, SEK million	2007	2006
Current value of defined-benefit commitments at start of year	455.1	-
Cost of service during current year	38.2	38.3
Interest expenses	21.5	18.3
Payments of benefits	-15.8	-13.1
Liabilities attributable to acquired operations	8.1	444.2
Reclassifications	-23.7	-
Actuarial gains (minus) and losses (plus)	238.3	-16.8
Exchange rate differences on foreign plans	22.3	-15.8
Current value of defined-benefit commitments at end of year	744.0	455.1

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

Group, SEK million	2007	2006
Fair value of plan assets at start of year	312.7	-
Expected return on plan assets	16.8	15.1
Funds contributed by the employer	54.6	42.7
Assets attributable to acquired operations	-	282.9
Compensation	-13.5	-7.9
Reclassifications	23.7	-
Actuarial gains (plus) and losses (minus)	-7.5	-7.9
Other	-1.2	-
Exchange rate differences on foreign plans	3.8	-12.1
Fair value of plan assets at end of year	389.4	312.7

The actual return on plan assets amounted to SEK 9.3 million (8.0).

Plan assets distributed across the following categories as percentage of total plan assets:

Group	2007	2006
Shares	29.4%	29.0%
Interest-bearing securities	56.0%	55.5%
Properties	11.5%	11.5%
Other	3.2%	4.0%

Group, SEK million	2007	2006
Historical information		
Present value of defined-benefit commitments	744.0	455.1
Fair value of plan assets	-389.4	-312.7
Surplus (minus)/Deficit (plus)	354.6	142.4
Cumulative adjustments of plan assets	-7.5	-7.9

Cumulative adjustments of defined-benefit commitments totalled SEK 2.9 million. Because the actuary was not able to get access to the cumulative adjustments for defined-benefit commitments for 2006 they are not included.

Assumptions in the calculations

2007	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	

2006	Sweden	Norway	Finland
Discount rate %	5.0%	4.4%	4.5%
Expected return on plan assets %	6.0%	5.4%	
Annual settlement of pensions during payment		1.6%	
Annual salary increase %	3.0%	3.8%	3.0%
Mortality table	P94	K-1963	

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 unrecognised actuarial losses for the year are 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 2008 totalling SEK 57 million (46).

Obligations relating to retirement and family pension for civil servants in Sweden are secured by insurance policies provided by Alecta. According to a statement from the Emerging Issues Task Force, URA 42 of the Swedish Financial Accounting Standards Council, this is a multi-employer benefit plan. During financial year 2007, 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 insurances concluded with Alecta amount to SEK 33.5 million (35.1).

Alecta's surplus can be distributed to the policyholder and/or the insured. At the end of 2007, Alecta's surplus in the form of its collective consolidation level is 152 (143) 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 30 Other provisions

Group, SEK million	2007	2006
Amount at start of year	54.9	-
Additional provisions for acquisitions	-	96.1
Deductible item for divestment of subsidiaries	-	-2.6
New/increased provisions	7.4	22.3
Reclassifications	-17.7	-
Used provisions	-23.1	-63.3
Translation differences	2.1	2.4
Amount at end of year	23.6	54.9

	2007	2006
Other provisions		
Restructuring reserves	9.7	22.6
Guarantee undertakings	2.1	0.3
Social security fees for pensions	11.8	14.2
Other items	-	17.8
Total other provisions	23.6	54.9

Provisions consist of:		
Long-term portion	11.8	14.2
Current portion	11.8	40.7
Total provisions	23.6	54.9

In conjunction with the acquisition of AS Bergens R rhandel and AS Stavanger R rhandel in 2004 and Nexans in 2005 reserves were made for future restructuring initiatives. At year-end there remained SEK 3.7 million of the initial amount to be used up. The remaining amount refers to provisions for social security contributions for pensions in Norway, as well as guarantee undertakings and provisions in conjunction with restructuring activities in Sweden. It is expected that all current provisions will be used up during 2008.

Note 31 Accrued expenses and deferred income

Group, SEK million	2007	2006
Accrued interest	87.9	54.9
Accrued holiday pay	244.2	214.5
Accrued bonus salaries	22.5	32.6
Other personnel expenses	7.0	12.9
Accrued social security costs	84.2	62.9
Other items	83.8	40.3
Total accrued expenses and deferred income	529.6	418.1

Parent Company, SEK million	2007	2006
Accrued holiday pay	2.1	-
Accrued bonus salaries	3.1	-
Accrued social security costs	1.5	-
Other items	3.4	-
Total prepaid expenses and accrued income	10.1	-

Note 32 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 kronor.

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 on 31 Dec. 2007 SEK 1,278 million had been used. 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 known as Covenants, which the Group is obliged to settle on a quarterly basis. 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:

Borrowing	31-12-2007		31-12-2006	
	Total borrowing	Upper limit	Total borrowing	Upper limit
Business acquisition loan ¹	1,278	1,500	477	1,500
Senior loan ¹	8,767	-	5,795	-
Overdraft facility ²	58	429	-	362
Mezzanine loan ³	1,446	-	1,273	-
Shareholders' loan ⁴	-	-	2,679	-
Other	8	-	7	-
Total	11,557		10,232	

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, DKK and LVL.

³ Fixed interest rate EUR.

⁴ Shareholders' loans are subordinated and have a fixed interest rate of 16.5 per cent. The entire loan is in SEK.

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

Maturity

	Group	
	31-12-2007	31-12-2006
2007	-	214
2008	251	283
2009	258	404
2010	492	473
2011	674	526
2012	725	-
>2012	9,157	5,651
Total	11,557	7,552

Liabilities for which assets are pledged total SEK 11,805¹ million (7,760). Security for bank loans consists of the Group's floating charges, certain accounts receivable and some shares in subsidiaries (Note 33).

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 19, Inventories, tools and installations, and in Note 17, Buildings and land.

Maturity profile leasing

SEK million	Group	
	31-12-2007	31-12-2006
Within 1 year	27	23
Maturity, 1–5 years from balance sheet date	91	69
Maturity, later than 5 years	98	72
Total	215	164

Total maturity profile

SEK million	Group	
	31-12-2007	31-12-2006
Within 1 year	278	237
Maturity, 1–5 years from balance sheet date	2,240	1,755
Maturity, later than 5 years	9,254	5,724
Total	11,772	7,716

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 as interest rate swaps. On 31 December 2007 there was an interest rate derivative at the nominal value of SEK 2,949 million which was swapped from floating to fixed interest rate. It qualifies for hedge accounting. Hedge agreements mature on 30 September 2008 and the fixed interest rate varies between 2.839 per cent and 3.775 per cent. The Group also has a 3.70 per cent interest rate ceiling of SEK 1,393 million until 31 March 2008 and two interest rate ceilings in EUR. One at the equivalent value of SEK 438 million until 20 March 2008 at 4.25 per cent and one at the equivalent value of SEK 663 million until 30 September 2008 at 4.75 per cent. These instruments do not qualify for hedge accounting. The Group's Mezzanine loan in EUR is the equivalent of SEK 1,446 million at a fixed interest rate of 13 per cent 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.

Given the same loan debts, hedges, current investments, cash and cash equivalents and the same interest rate lock-down periods as at the year-end, the change in the market interest rate of 100 interest rate points (1 per cent) would change interest expenses by around SEK 47 million and interest income by around SEK 10 million.

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

Group Currency	31-12-2007			31-12-2006		
	Liabilities to credit institutions	Portion in per cent	Interest lock-down, days	Liabilities to credit institutions	Portion in per cent	Interest lock-down, days
SEK	2,762	24%	91	2,446	33%	89
EUR	7,853	68%	682	4,247	56%	1,002
NOK	876	8%	91	852	11%	91
DKK	4	0%	30	-	-	-
LVL	54	0%	90	-	-	-
EEK	8	0%	30	7	0%	91
Total	11,557	100%	493	7,552	100%	602

Effective interest rate on the balance sheet date was

	31-12-2007				31-12-2006			
	SEK	NOK	EUR	Other	SEK	NOK	EUR	Other
Bank loans	7.76%	8.28%	8.65%	4.50%	5.82%	6.41%	8.79%	5.50%
Leasing liabilities	4.96%	-	7.48%	-	3.99%	-	6.53%	-

Gains and losses from interest rate swaps as at 31 December 2007, which are recognised in the hedging reserve in equity, will be continuously transferred to the income statement until the loan is repaid – see above, Loan maturity profile.

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 a rule, payment flow hedging activities are limited. As at 31 December 2007 there were no hedges on the imports of goods. As the Group has loans in foreign currencies, there is a certain exposure, see above, Liabilities to credit institutions distributed by currency. To reduce exposure the Group has used currency swaps. Exposure in EUR has been

reduced by SEK 4,287 million and increased in SEK by SEK 3,675 million and NOK by SEK 543 million, which reduces the exposure compared with the above table. These instruments do not qualify for hedge accounting. The nominal value of outstanding currency swap agreements as at 31 December 2007 was SEK 4,287 million.

Based on 2007'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 10 million (15). 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 235 million (165).

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)	31-12-2007			31-12-2006		
	Net assets	Hedged	Net	Net assets	Hedged	Net
EUR (Finland)	485	-131	354	539	-	539
DKK (Denmark)	49	-	49	9	-	9
NOK (Norway)	1,805	-597	1,208	1,514	-	1,514
EEK (Estonia)	31	-	31	12	-	12
PLN (Poland)	37	-	37	9	-	9
LVL (Latvia)	-15	-	-15	-	-	-
RUB (Russia)	-5	-	-5	-1	-	-1
Total	2,387	-728	1,659	2,083	-	2,083

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. At the end of 2006 no foreign net assets were hedged.

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 117 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

	31-12-2007		31-12-2006	
	Book value	Fair value	Book value	Fair value
Financial assets				
<i>Financial assets held for trading valued at fair value</i>				
Currency swaps	67	67	17	17
Interest rate ceiling	5	5	4	4
Total	72	72	21	21
<i>Financial assets held for hedging valued at fair value</i>				
Interest rate swaps for cash flow hedges	39	39	49	49
Total	39	39	49	49
<i>Loans and accounts receivable</i>				
Other long-term receivables	18	18	20	20
Accounts receivable	2,677	2,677	2,570	2,570
Total	2,695	2,695	2,590	2,590
<i>Financial assets available for sale</i>				
Financial investments	5	5	6	6
Total	5	5	6	6
Financial liabilities				
<i>Financial liabilities held for trading valued at fair value</i>				
Interest rate swaps	-	-	20	20
Currency swaps	-	-	64	64
Total	-	-	84	84
<i>Other financial liabilities</i>				
Liabilities to credit institutions	11,772	11,889	7,716	7,641
Accounts payable	3,278	3,278	3,037	3,037
Shareholders' loans	-	-	2,679	2,679
Other current interest-bearing liabilities	7	7	-	-
Total	15,057	15,174	13,433	13,358

Derivative instruments that do not qualify for hedge accounting are classified as current assets or current liabilities. Changes in their value are recognised in the income statement. The fair value of a derivative instrument which qualifies as a hedging instrument is classified as a fixed asset or long-term liability if the hedged item's remaining maturity period is more than 12 months, and as a current asset or current liability if the hedged item's remaining maturity is less than 12 months.

Gains and losses from interest rate swaps as at 31 December 2007, which are recognised in the hedging reserve in equity, will be continuously transferred to the income statement until the loan is repaid – see above, Loan maturity profile. No effects were reported for 2007 in the income statement due to ineffectiveness of hedges.

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 lowest level. See also note 26 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	31-12-2007	31-12-2006
Not matured	2,242	2,188
Within a month	949	798
Longer than one month but no more than 3 months	63	32
Longer than three months	23	18
Total	3,278	3,037

Parent Company

Ahlsell AB (publ) only has financial receivables and financial liabilities to group companies, see also Note 22, and Note 38 Information about associates.

Exchange rates used in the accounts

Currency	2007		2006	
	Average rate	Balance sheet date rate	Average rate	Balance sheet date rate
EUR	9.25	9.47	9.25	9.05
NOK	1.16	1.19	1.15	1.09
DKK	1.24	1.27	1.24	1.21
EEK	0.59	0.61	0.59	0.58
PLN	2.45	2.63	2.38	2.36
LVL	13.21	13.60	-	-
RUB	0.26	0.26	0.27	0.26

Note 33 Contingent liabilities and pledged assets

Group, SEK million	2007	2006
Contingent liabilities	None	None
Pledged assets		
Floating charges	5,923.8	4,429.0
Property mortgages	6.1	5.8
Shares in subsidiaries	neg	2,165.5
Accounts receivable	1,048.6	1,090.6
Total pledged assets	6,978.5	7,690.9

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

In 2006 shares in Ahlsell Norden AB (corp ID 556661-3534), and shares in underlying subsidiaries have been placed as security for the external borrowing. Group value of Ahlsell Norden Group 2006 was SEK 2,165.5 million.

Note 34 Received/paid interest

Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Interest received	50.2	17.1
Interest paid	-744.1	-545.6

Note 35 Adjustments for non-cash flow items, etc.

Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Depreciation and write-downs of assets	552.3	387.7
Capitalised and accrued interest	125.7	573.6
Unrealised exchange rate differences	21.4	-0.9
Change in value from revaluation of interest and currency derivatives	-135.5	53.7
Capital loss from sale of fixed assets	-12.6	-5.5
Profit from sale of operating/subsidiaries	-	-11.5
Provisions for pensions	-64.9	-69.0
Negative goodwill	-0.6	-5.4
Other provisions	-33.4	-27.5
Total	452.4	895.2

Parent Company, SEK million	2007-01-01 2007-12-31	2006-11-17 2006-12-31
Capitalised interest	-547.3	-11.6
Total	-547.3	-11.6

Items not included in the operating cash flow

Group, SEK million	2007-01-01 2007-12-31	2006-02-01 2006-12-31
Depreciation, amortization and impairment losses	552.3	387.7
Capital loss from sale of fixed assets	-12.6	-5.5
Profit/loss from sale of operating/subsidiaries	-	-11.5
Provisions for pensions	-64.9	-69.0
Negative goodwill	-0.6	-5.4
Other provisions	-33.4	-27.5
Total	440.8	268.8

Note 36 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 2007

In January 2007 Ahlsell Åland AB acquired the electrical wholesaler Ålands Elcenter AB's operations. Ålands Elcenter has a strong position in Åland's market and, combined with Ahlsell's breadth of range, this will create new business opportunities. Annual turnover is around SEK 30 million.

In January 2007 Ahlsell Sweden AB acquired the Swedish trading group AB T. Idestrands which sells tools, machinery and building products to professional users and had at the acquisition date a turnover of around SEK 350 million and some 90 employees. The acquisition strengthened Ahlsell's leading position in the Tools & Machinery segment.

In March 2007 Ahlsell acquired four Finnish companies, Pohjan Laakeri Oy, Savon Hitsauskeskus Oy, Työkalupari Oy and Pohjan Tarvike Oy. The family companies were leading retailers in the Finnish market for the Tools & Machinery segment and other industrial supplies. The companies had a combined turnover of SEK 70 million and around 25 employees.

In April 2007 the Finnish company TKP-tools was acquired. The company is a retailer of tools and machinery and other industrial supplies and has a combined annual turnover of around SEK 150 million and some 45 employees. The company has nine stores in Helsinki, Vanda, Kouvola, Joensuu and Villmanstrand. In April, the Finnish company Ameronic Oy was also acquired. It too is a retailer of tools and machinery and other industrial supplies. It has an annual turnover of around SEK 50 million and some 20 employees. Finnish company Ameronic was also acquired in April 2007. The company is a wholesaler of tools and machinery and other industrial supplies, and its customers are mainly in the engineering industry. Ameronic has an annual turnover of around SEK 50 million and 23 employees and five sales units in south-west Finland. The two Finnish acquisitions, Ameronic and TKP-tools, strengthen Ahlsell as a leading player in the Finnish market in the Tools & Machinery segment.

At the beginning of May 2007 Ahlsell Sweden AB acquired Industripartner i Småland AB, a retailer of tools and machinery, industrial supplies and unalloyed steel. The operations are concentrated in the general area around Emmaboda, a region where Ahlsell has operated previously, and Ahlsell Sweden AB is strengthening its position in Småland on the back of this acquisition. The company has an annual turnover of around SEK 40 million and 11 employees.

The Swedish Borst-Anders AB, a wholesaler of tools, machinery, building and industrial supplies, was acquired in 2007. The company has annual turnover of around SEK 160 million and 50 employees. The operations are concentrated around the Gothenburg and Malmö regions, with customers mainly in the building industry.

Ahlsell has acquired Satter AS, the market leading tool and machinery company in Estonia. The Estonia company has annual sales of approximately SEK 60 million, 30 employees and 5 sales units with its head office in Tallinn.

In August Ahlsell established sales units in the Finnish electrical products market by acquiring: Pohjolan Sähkötervike, Kokkolan Sähkötervike and Karjalan Sähkötervike. The companies are separate but with cross-ownership and a distribution collaboration. They have sales units in Helsinki, Karleby in western Finland and in Joensuu in the east of the country. The acquisition meant that Ahlsell established its fifth product segment, Electrical, in the Finnish market. The companies have a combined turnover of around SEK 120 million and some 23 employees.

With the acquisition of SIA Profs Latvija, Latvia's largest distributor of electrical installation products, Ahlsell set up operations in a new geographical market. The company has annual sales of approximately SEK 400 million and 180 employees.

In December consolidated its position in the Tools & Machinery segment in Finland through the acquisition of Tarvikeykköset. The company has an annual turnover of around SEK 50 million and some 18 employees and a strong position in the Tammerfors region.

Group, SEK million Company	Country	Date of acquisition	Share of ownership	Acquisition price
Ålands Elcenter (acquisition of assets and liabilities)	Finland	01-01-2007	100%	16.0
AB T Idestrands	Sweden	01-02-2007	100%	140.3
Pohjan Laakeri Oy, Savon Hitsauskeskus Oy, Työkalupari Oy, Pohjan Tarvike Oy	Finland	19-03-2007	100%	37.7
TKP-Tools Oy	Finland	17-04-2007	100%	76.3
Ameronic Oy	Finland	26-04-2007	100%	16.6
Industripartner i Småland AB	Sweden	02-05-2007	100%	27.4
Borst-Anders AB	Sweden	04-06-2007	100%	35.9
Satter AS	Estonia	02-07-2007	100%	36.6
Oy Pohjolan Sähkötarvike AB, Oy Kokkolan Sähkötarvike AB, Karjalan Sähkötarvike Oy	Finland	15-08-2007	100%	137.7
SIA Profs Latvija	Latvia	11-09-2007	100%	137.8
Tarvikeykköset Oy	Finland	20-12-2007	100%	46.8
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 had been performed on 1 January, turnover would have been SEK 570 higher and EBITA would have been SEK 6 million higher.

All statements regarding acquisitions made in 2007 are preliminary.

Previous year's operating acquisitions

Group, SEK million Company	Country	Date of acquisition	Share of ownership	Acquisition price
Ahlsell Group AB	Sweden	01-02-2006	100%	2,312.7
Mcom Sweden AB	Sweden	01-02-2006	100%	0.2
Mcom Eesti OÜ	Estonia	28-02-2006	100%	2.4
TIAB, Tjust Industritillbehör AB	Sweden	31-03-2006	100%	2.5
Kojaltek Oy	Finland	29-05-2006	100%	82.1
Tempcold Group AB	Sweden	13-06-2006	100%	105.1
AS FEB	Estonia	08-09-2006	100%	166.8
Total acquisitions				2,671.8

Information about acquired net assets and goodwill is specified below:

	Ahlsell Group AB	Other
Purchase sum		
– cash payment	–2,312.7	–357.6
– direct expenses in conjunction with the acquisition	-	–1.5
Total purchase sum	–2,312.7	–359.1

The assets and liabilities included in the acquisition are as follows:

	Ahlsell Group AB			Other		
	Book value before acquisition	Fair value adjustment	Book value recognised in Group	Book value before acquisition	Fair value adjustment	Book value recognised in Group
Liquid assets	676.5	-	676.5	8.5	-	8.5
Tangible fixed assets	488.4	42.0	530.4	70.2	42.6	112.8
Financial fixed assets	25.6	-	25.6	5.0	-	5.0
Customer relations	-	4,600.0	4,600.0	-	79.3	79.3
Trademark	-	2,400.0	2,400.0	-	-	-
Other intangible assets	25.8	94.0	119.8	3.1	-	3.1
Stock	2,352.3	-	2,352.3	184.8	–8.1	176.7
Receivables	2,495.9	-	2,495.9	177.4	–0.8	176.6
Liabilities	–2,715.4	–11.6	–2,727.0	–106.1	–6.4	–112.5
Borrowing	–10,123.4	-	–10,123.4	–193.9	-	–193.9
Deferred tax liabilities, net	80.9	–1,833.7	–1,752.8	-	–17.4	–17.4
Net assets	–6,693.4	5,290.7	–1,402.7	149.0	89.2	238.2
Acquired net assets			–1,402.7			238.2
Group goodwill			3,900.2			126.3
Negative goodwill			-			–5.4
Paid purchase sum			–2,312.7			–359.1
Deductible liquid assets in acquired companies			676.5			8.5
Effect on Group's liquid assets			–1,636.2			–350.6

Negative goodwill is attributable to the acquisition of Mcom Sweden AB and Mcom Eesti OÜ. No intangible assets have been identified in this acquisition statement.

Negative goodwill has arisen when the acquired operations have 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 had been made on 1 January turnover would have been SEK 1,740 million higher and EBITA would have been around SEK 75 million higher.

Note 37 Disposal of assets and liabilities and operations

Group, SEK million	2007	2006
Disposal of assets and liabilities		
Intangible fixed assets	-	87.4
Stock	-	4.9
Current receivables	-	58.3
Liabilities	-	69.7
Received purchase sum	-	105.1
Liquid assets in sold operations	-	12.7
Effect on liquid assets	-	92.4

Note 38 Related party disclosures

Group

Ahlsell AB (publ), corp ID 556715-7820, which has its head office in Stockholm, is owned by Nybrojarl New 1 AB (corp ID 556715-7812) which has its head office in Stockholm, which prepares the consolidated accounts in Sweden. Nybrojarl New 1 AB is owned by the Luxembourg-based company Alchemy Holding S.à.r.l, which in turn is owned by Goldman Sachs Capital Partners and Cinven.

In 2007 Ahlsell AB (publ) group management was invoiced a fee by Goldman Sachs Capital Partners and Cinven totalling SEK 4.9 million (5.1).

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

Information about shareholders' loans can be found in Note 32 Financial instruments and financial risk management.

Parent Company

Ahlsell AB (publ) has receivables from other group companies, see Note 22, and a current liability to subsidiary Ahlsell Sweden AB of SEK 556 million. In addition the company has receivables from group companies of SEK 19.3 SEK million, of which SEK 10.9 SEK million is a receivable from Parent Company Nybrojarl New 1 AB.

An interest rate of 16.5 per cent applies to the long-term inter-company transactions.

The company has an immediate family association with its subsidiaries, see Note 21.

Note 39 Important estimates and judgements for accounting purposes

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 14 and 16).

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. This does not apply to Denmark where a change in the assumptions could lead to further write-downs.

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 between the carrying amounts and the tax values of assets and liabilities. There are primarily

two areas where assumptions and assessments affect recognised deferred tax. One is assumptions and assessments used to determine the reported value of the different assets and liabilities. The other is assumptions and assessments related to future taxable profits, where a future utilisation of deferred tax assets depends on this. At year-end SEK 286 million (198) 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 40 Information about the company

Ahlsell AB (publ), corp ID 556715-7820, registered in Sweden and with its head office in Stockholm, is a wholly-owned subsidiary of Nybrojarl New 1 AB (corp ID 556715-7812) which has its head office in Stockholm. 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, Latvia, Russia and Poland.

Stockholm, 19 March 2008

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The logo for Ahlsell, featuring the word "ahlsell" in a bold, blue, lowercase sans-serif font.