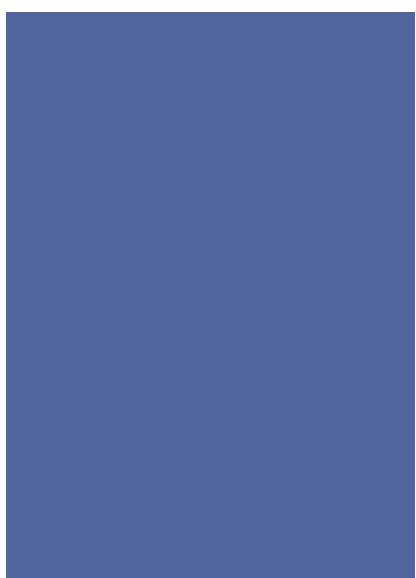

Financial Year 2014



ahlsell

The History of Ahlsell

Entrepreneurship has always been a driving force for Ahlsell. Throughout its history, Ahlsell has expanded its business through mergers and acquisitions. As a result, Ahlsell's employees have always focused on developing the business, combining the best practices of these companies to create something even stronger.

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

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

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

1987 Ahlsell became a subsidiary of the Trelleborg Group.

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

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

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

1998 Ahlsell acquired Storm Elektro and VVS Trading, and expanded into the Electrical segment in Norway and the HVAC segment in Denmark.

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

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

2003 A central warehouse was built in Finland.

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

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

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

2007 Ahlsell acquired Idestrands, strengthening its market position in the Swedish construction industry. Acquisitions in the Tools & Machinery product segment in Finland strengthened Ahlsell's leading position in this business line, both in Finland and the Nordic countries.

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

2012 Ahlsell was acquired by CVC Capital Partners.

2013 Ahlsell strengthened its market position in Tools & Machinery in Norway by acquiring ProffPartner AS, Norway's leading supplier of tools and personal protective equipment. Further automation of the central warehouses in Hallsberg and Hyvinkää increased Ahlsell's logistic capacity and efficiency.

2014 In accordance with Ahlsell's ambition to strengthen its presence as a supplier at an earlier stage of construction projects, Ahlsell acquired SKB Väst AB and Haucon, two leading companies in concrete, reinforcement and formwork. Ahlsell also continued to increase its local presence through further acquisitions and establishment of new stores in Sweden. Substantial investments in developing and expanding the e-commerce platform were made.

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The year in summary

- ◆ Strong construction market, but somewhat cautious industry sector in Sweden.
- ◆ Weak market hits sales and earnings both in Norway and Finland.
- ◆ Resilient earnings and cash generation within the Group.
 - Net sales increased by 6.6 per cent to SEK 21,779 million (20,435).
 - Earnings (EBITA) fell by 1.4 per cent to SEK 1,757 million (1,782).
 - EBITA margin was 8.1 per cent (8.7).
 - Net financial expenses totaled SEK -1,477 million (-1,328).

- ◆ Strategic acquisitions in Sweden, broadening the product offering and enabling Ahlsell to enter construction projects at an earlier stage.
- ◆ Increased local presence through acquisitions and establishment of new stores in Sweden.
- ◆ Strong increase in e-commerce sales and further development of the online shop and mobile shop applications.
- ◆ Further integration of the strategic and sizeable acquisition of Proffpartner AS in Norway.



KEY FIGURES FOR THE GROUP

	2014	2013	2012	2011	2010
Sales, SEK million	21,779	20,435	20,639	20,434	19,256
EBITA, SEK million	1,757	1,782	1,617	1,626	1,250
EBITA margin	8.1	8.7	7.8	8.0	6.5
Net income, SEK million	-21	640	191	265	492
Average number of employees	4,586	4,256	4,383	4,309	4,206

Ahlsell in 3 minutes

Business concept

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



Visions and goals

To be the customer's preferred choice for purchasing installation products, tools and machinery. Our goals are to generate good overall growth and high profitability. The Group aims to be a market leader in all product segments and in every market in which it operates.



Strategy

Ahlsell's strategy is grounded in offering a wide product range and specialist expertise, while maintaining local presence and strong customer relationships. Centralised functions such as purchasing, logistics and administration also contribute to profitability. Growth through acquisition is another key component to achieving additional synergies such as improved market access, higher service levels and additional profitability.

STRENGTHS

Wide product range



Strong customer relationships



Skilled specialists

OBJECTIVES

2015 Ahlsell aims to achieve overall good growth and high profitability. It will fulfil this by meeting the following targets.

- ◆ Growth in new and existing sectors.
- ◆ Acquisitions that complement the core business.
- ◆ Implementation of a new IT-system and the launch of an enhanced and extended online shop.
- ◆ Substantial investment plans in logistics in Sweden and Estonia.

THE MARKET

AHLSELL PRESENCE

The market in brief

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

Governing trends

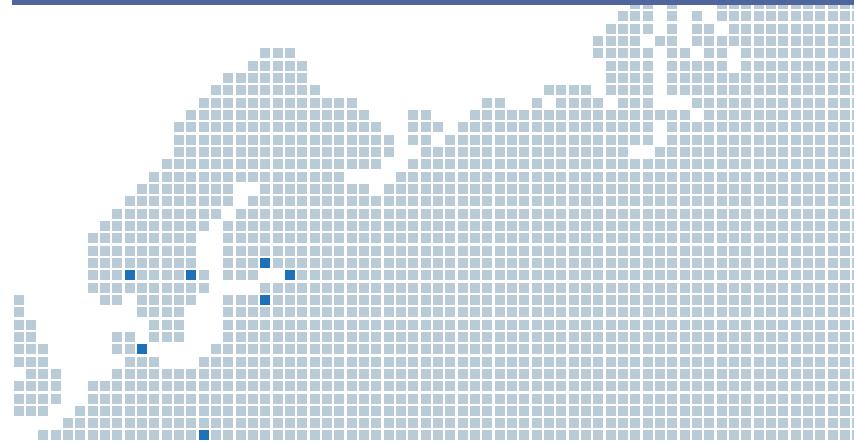
Industrial companies tend to move towards fewer suppliers. Ahlsell attracts these customers with its wide product range and its integrated concept.

A wider product selection in combination with more advanced technology also means that commercial companies must supply a broad product assortment while offering customers the services needed. Ahlsell's highly specialised sales staff are well equipped to meet these needs.

Energy-efficient and environmentally friendly products are another customer trend for which Ahlsell's green efforts and environmentally friendly tools and activities are well matched.

Growing market

The market in which Ahlsell operates is dependent on economic developments in general and on the level of activity in the construction sector in



particular. Ahlsell is active in geographic markets whose economies are relatively small. The influence of neighbouring economies will have a strong impact, as will domestic demand.

The Nordic market is projected to grow in the next few years, accompanied by residential investments and an industrial sector that is starting to show positive signs. For Ahlsell, this means new sales opportunities and a positive growth market for professional products.

outlets and sales offices, designed to keep customers close to the widest product range in the market.

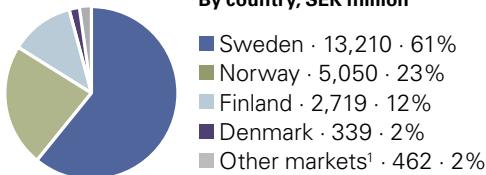
Customers

Ahlsell provides a broad range of tools and products for professional customers such as electrical, industrial, installation, refrigeration, and heating and plumbing contractors. Customers have a single point of contact and a single supplier for their complete product needs.

Local presence

Proximity to customers and excellent knowledge of the local markets are essential. Ahlsell has more than 200

EXTERNAL NET SALES IN 2014

By country, SEK million

¹ Russia, Estonia and Poland

By product segment, SEK million

Ahlsell's product segments

With over 150,000 items in stock, Ahlsell can satisfy extreme demands on diversity in relation to design, performance and cost. Ahlsell offers a comprehensive concept which gives customers access to the entire range through one contact.

To meet the great demand for environmentally certified products Ahlsell makes extensive efforts to offer a full range of environmentally certified products in all product segments. The products consist mainly of private label assortments, supplemented with products from established brands.



HVAC

Ahlsell's HVAC product segment includes heating, ventilation and sanitation products. Everything from heating systems to products for the modern bathroom is available for heating and plumbing contractors and construction companies. A wide range of meters, valves, hoses, pumps, pipes, and pipe accessories in different materials are marketed for industrial use. Many water and drainage products, spanning from individual components to complete systems, are also available. The segment also includes ventilation and insulation products.

ELECTRICAL

Ahlsell lists electrical items for electrical contractors and companies within the industrial, property, and power sectors. The segment includes cables, installation and automation products, lighting, heating and data, telecommunications and security products.

TOOLS & MACHINERY

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

The Ahlsell concept

Ahlsell is the leading technical wholesaler for installation products in the Nordic region. Ahlsell offers professional users a wide range of goods and peripheral services in the HVAC, Electrical and Tools & Machinery product segments.

The Ahlsell concept forms the overall strategy for steering Group companies towards Ahlsell's vision and goals. The strategy consists of five pillars.



WIDE PRODUCT RANGE

With more than 150,000 items in its product range, Ahlsell lives up to its customers' extreme demands for diversity in regard to design, function, quality and cost. Ahlsell is currently the only player to offer a complete range in the installation sector, and has a strong position in all product segments. At Ahlsell, customers are given access to a unique and wide product range through a single point of contact and supplier.



SKILLED SPECIALISTS AND STRONG CUSTOMER RELATIONS

Knowledgeable employees are essential to be able to offer knowledgeable advice based on customer needs. Extensive industry experience, combined with continual training and trend monitoring, mean that Ahlsell's employees have intrinsic knowledge of the products, the market, and evolving trends. Ahlsell works as a specialist wholesaler for various customer categories within the framework of its extensive range. The sales function is organised into a number of market sectors, and interacts with customers based on their specific needs. The combination of a broad product range, specialist expertise, and strong customer relationships in each market sector creates a good foundation for long and strong customer relationships, as well as new business.

CENTRALISED FUNCTIONS

Centralised purchasing functions allow Ahlsell to achieve cost synergies in the purchasing process as well as benefits in supplier relationships. The corporate IT system and support functions are other important parts of our efforts to maintain economies of scale. At the centre of Ahlsell's operations is the Group's highly efficient logistics system with its modern distribution centres located strategically throughout the Nordic region. Cost-efficient goods handling with little capital tie-up, combined with large volumes, are the foundation for profitable business. Distribution centres have been established in the various countries of operation in line with key volumes. Ahlsell aims to operate as one legal entity in each country, while maintaining centralised logistics, IT and administration systems.

LOCAL PRESENCE

Local presence has been a competitive advantage for Ahlsell since the company's beginnings in 1877. Proximity to customers and excellent knowledge of the local market are essential to meet customers' needs in the best possible way. Ahlsell has more than 200 outlets and sales offices, which keep customers close to the widest product range in the market. Our stores offer quick, easily accessible service and are a natural meeting place for many tradesmen. Ahlsell carries out its operations in highly independent local units that have a clear responsibility for profit. Local managers work closely with their customer base, allowing them to optimise the quality of interaction with customers and motivate their employees. Continued expansion is bringing Ahlsell closer to more customers at new locations.

GROWTH THROUGH ACQUISITIONS

Company acquisitions are an important part of Ahlsell's strategy for achieving the Group-wide goal of profitable growth. Ahlsell strengthens its competitive advantage through acquisitions, widening its product range and increasing its presence in existing local markets. These actions enable Ahlsell to become an even stronger partner to its customers and suppliers and improve service and accessibility for customers. Another important motive for acquisitions is an opportunity for synergies,



primarily in purchasing, IT, logistics and administration functions. Acquisitions also enable Ahlsell to establish itself in new geographic markets. Ahlsell aims for all acquisitions to be integrated as quickly as is practically possible.

CEO's statement

Continued investments for future growth and a focus on profitability



Göran Näsholm
President and CEO

“ Our targeted investments in the Swedish construction sector are bearing fruit and will continue with the same intensity.

It gives me great satisfaction to announce that Ahlsell succeeded in delivering a strong performance in 2014. Sales increased to SEK 21,779 million and operating profit (EBITA) totalled SEK 1,757 million. It is first and foremost the Swedish operations that continue to deliver an outstanding performance, while Denmark too maintained a good level of profitability, despite challenging market conditions. The operations in Norway and Finland, on the other hand, did not achieve their set targets. Other markets have been sluggish, except for Estonia where we are now building a new central warehouse.

Our e-commerce business continues to grow and now accounts for a significant percentage of sales. It is pleasing to see that our leading position will now become even stronger thanks to the digital initiatives that have made our online and mobile shops (via Ahlsell's app) simpler and more accessible. The efficiency improvements made in the purchasing organisation and our focus on private labels also resulted in a positive outcome.

Cash flows were adversely affected for part of the year in connection with the introduction of our new financial system, which led to an unnecessary tie-up of working capital. Active measures were taken to reverse this trend and we were able to report operating cash flows of SEK 1,709 million for the full year. During the year, SEK 2.5 billion of shareholder loans were repaid and external borrowings increased by SEK 1.8 billion. As a result of the excellent performance and strong cash flows, Ahlsell is in a strong position for future expansion.

STRONG GROWTH IN SWEDEN, WHILE NORWAY AND FINLAND LOST MOMENTUM

Activity in the construction sector is the most important driving force for Ahlsell's sales growth and accounts for more than half of its total sales. Targeted investments in the Swedish construction sector are bearing fruit and will continue. When it comes to Ahlsell's

operations outside of Sweden, I have to report that growth in Norway has fallen short of expectations and its potential. It is disappointing that the integration of Proffpartner AS into Ahlsell has taken longer than expected, particularly as this has negatively impacted sales and earnings. Furthermore, the Norwegian economy lost momentum in the second half of the year due to the sharp decline in oil prices, which triggered a rapid deterioration in the investment climate. We therefore undertook measures to speed up the process of putting essential tools into place for sales support, IT, logistics and product range management. We are also prepared to complement these with further measures and activities, depending on future developments.

In 2014, the toughest pressure was on Finland as its economy continued to contract. The country is dependent on a small number of export-oriented industries, which has stymied growth and affected the market sectors in which Ahlsell is active. Ahlsell's current position in relation to other competitors in Finland is also slightly weaker than in Sweden and Norway. In view of the weak growth in Finland, we decided at the end of the year to make a number of cutbacks. It may be necessary for us to make additional changes in response to the market situation. Ahlsell is moving forward with its strategy to further enhance its position in the electrical components market.

STRATEGIC ACQUISITIONS AND EXPANDED LOCAL PRESENCE

Ahlsell has a strong tradition of acquiring businesses, which involves combining organic growth with an active acquisition plan. We feel that the acquisition market has gradually improved in recent years and that we have been seeing more realistic valuations for interesting companies. Five key acquisitions were made during the year in priority market sectors and product segments in Sweden. They include two market-leading companies operating in different sectors of the concrete market and represent strategi-

cally important acquisitions for Ahlsell as they enable us to enter construction projects at an earlier stage. Consequently, Ahlsell's product offering to the prefabricated building industry and the traditional construction market has been significantly boosted by a wider product mix that can now be combined with Ahlsell's efficient logistics system. We have also built up our local presence over the year by making major investments in market expansion and we have decided to establish more new business activities throughout 2015. We are expanding the store network in Sweden and continuing to invest in shop-in-shops in the area of personal safety and protection equipment. The process of integrating Proffpartner into the business in Norway has led to store mergers and the closure of some stores.

TARGETED INVESTMENTS IN IT, E-COMMERCE AND LOGISTICS

Ahlsell's market-leading position requires us to stay at the forefront of digitisation and efficient IT systems. Considerable resources are being expended to bring a more efficient and enhanced offering to our customers. For example, we've been working on upgrading our online shop during the year and we expect to launch it later in 2015. Together with Ahlsell's mobile app, the new online shop will further increase accessibility, speed and service. Quite simply, we're making it easier to be professional in the digital age.

We are considering implementing major investments in logistics too, particularly in Sweden but also other markets, to improve cost-effectiveness and customer service even further.

SYSTEMATIC SUSTAINABILITY INITIATIVES KEY TO SUCCESS

Ahlsell wants to lead the industry and set an example in sustainability. We are therefore conducting an ambitious project that focuses on ecology, economics and ethics. Based on our own Code of Conduct, we set the bar extremely high for ourselves and

our suppliers to consistently achieve resource reduction and cost savings in our offerings to customers and our internal processes. For example, we make significant efforts to meet the considerable call for certified products by offering an ever-expanding range of environmentally classified products, primarily private labels, complemented by products from others. We also adopt a systematic approach to road safety issues and transport-efficiency improvements through box optimisation, with specific goals to reduce the number of road freight trips and thus our impact on the environment.

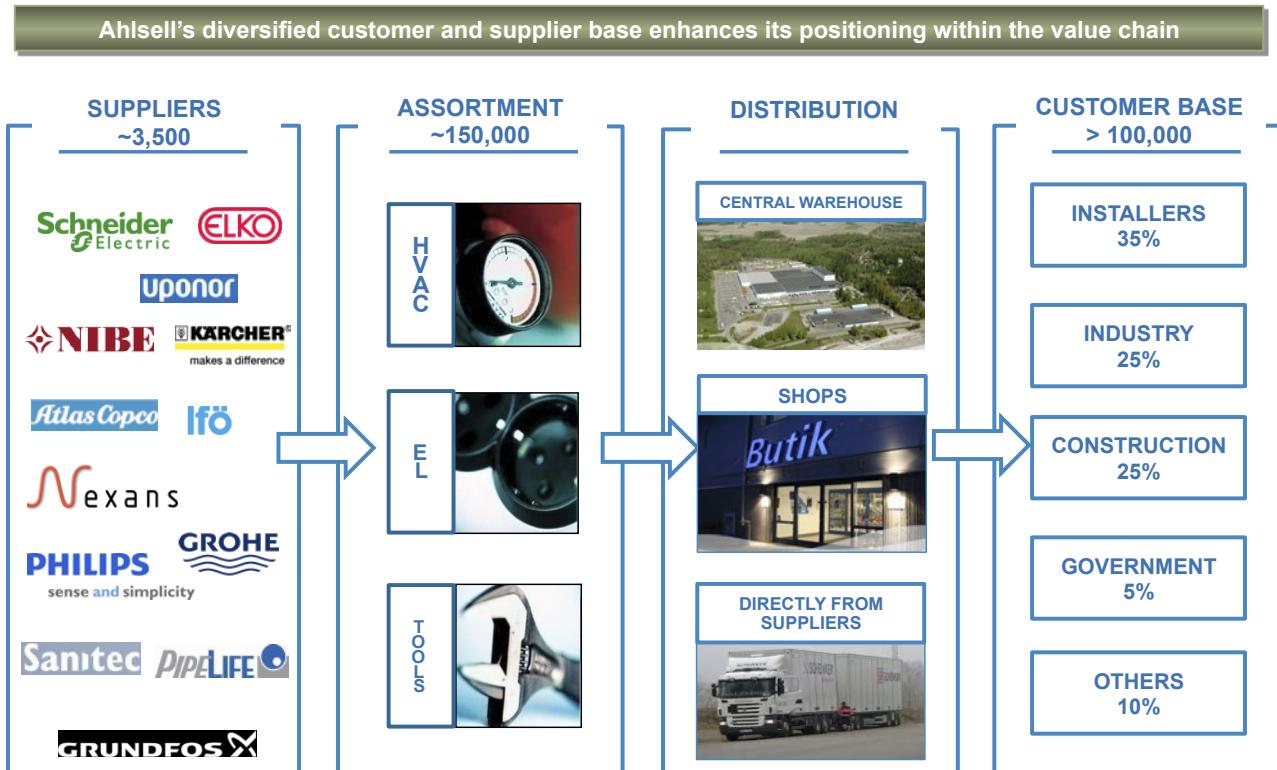
STRONG CONSTRUCTION MARKET AND MORE POSITIVE ECONOMIC INDICATORS

There are signs of a slight acceleration in economic activities across the markets, which means that conditions for Sweden's export industry will be more favourable. The construction sector is enjoying a good period of growth and, looking back on the first quarter, we can see that 2015 got off to a stronger start, in terms of volume, than the previous year. Looking ahead at our key markets, we have great confidence in the Swedish construction market. Activities in the industrial sector also appear to have growth potential, even if the signs are somewhat tentative at this stage. It is more difficult to assess the economic outlook for Norway and Finland. Investments in construction and infrastructure are expected to grow moderately in Norway, while expectations for the Finnish economy are currently low. We are prepared to take necessary actions to adapt to the prevailing market conditions while maintaining our focus on profitability, regardless of whether economic recovery is slow or rapid. Moreover, we have the financial strength to continue to invest and grow in our priority market segments and product areas, organically and through acquisitions.



Five key acquisitions were made during the year in priority market sectors and product segments in Sweden.

CEO's statement



THANK YOU AND GOODBYE!

After careful consideration, I announced to Ahlsell's Board last autumn that I had decided to retire from the position of CEO in 2015.

I based my decision on the belief that the company will benefit from new leadership in good time before the next "exit" from its current owners. A scenario that we know will happen sooner or later. After almost 28 years with the company and its 17th as CEO, I also feel that a new leader with fresh ideas and initiatives will be good for the company. What's more, I've turned 60.

Our owners, CVC Capital Partners, have invited me to remain on the Board, which I have gladly accepted.

It has been a privilege for me to be part of an incredibly exciting journey. It

began at the end of the 1980s with my role as President of Jirva AB, owned by Ahlsell, which formed the platform for today's tool operations. Now, having led and represented the Nordic region's leading technical trading company, it is time for my operative Ahlsell journey to end. Some of the more eventful years were in the early 1990s when we built our central logistics structure in Sweden and, of course, all the follow-up investments and expansions of our logistics operations. It has been an honour to have been part of Ahlsell over the years, seeing it progress and grow from an HVAC distributor in Sweden into a Nordic player with operations in multiple product segments.

Ahlsell is a fantastic company in many ways. But first and foremost, it

is the close contact that I have enjoyed with so many competent and committed colleagues in the company that I will miss the most. Your enthusiasm and positive attitude have been a source of inspiration that has made everyday life so much easier, especially during turbulent times.

There are always challenges to face, but the opportunities for building a world-class trading company are far, far greater.

Stockholm, April 2015

Göran Näsholm
President and CEO

Sweden

OPERATIONS

Ahlsell's history began in 1877, when partners John Bernström and Jakob Tornblad founded John Bernström & Co mainly to sell machinery, pumps, oil and agricultural equipment. The foundations of the present Group were laid in 1922 when Bernström & Co merged with R Ahlsell & Co to form Ahlsell and Bernström, giving it a stronger focus on heating and plumbing products. The company is now Sweden's leading supplier of installation products, tools and machinery. Operations in Sweden include the Group's product segments HVAC, Electrical and Tools & Machinery.

In 2014, activities aiming to further penetrate the construction market sector continued. The acquisitions of SKB Väst in Göteborg and Haucon in Hallsberg broadened Ahlsell's product offering as a supplier in an earlier stage of construction projects. Ahlsell's market position was also strengthened through the acquisitions of Almén in Vänersborg, Hjelmbergs in Karlshamn och Rob. Holmquist in Borås and Falkenberg. These acquisitions, along with three new store openings, further increased Ahlsell's local presence. Expansion in the personal protective equipment (PPE) area continued with the establishment of 15 new shop-in-shops. As a consequence of a greater focus on ventilation and insulation, a new Climate division was established during the second half of the year.

The Swedish business accounted for 61 per cent (61) of Group net sales in 2014. Through acquisitions and new establishments Ahlsell increased

its outlets in Sweden to about 100. The average number of employees was 2,556. The number of customers totalled about 80,000, of which the ten biggest accounted for about 10 per cent of net sales.

POSITION AND COMPETITORS

In the HVAC product segment, Ahlsell shares the marketing leading position with Dahl. In the Electrical segment, Ahlsell is number two among electrical suppliers, where Elektroskandia continues to be the market leader, while the Rexel-owned companies Selga and StorEL together share the third position. The Swedish market for Tools & Machinery has been in a consolidation phase the last decade, and Ahlsell has taken an active role in this consolidation. Ahlsell now holds a leading position followed by B&B Tools in the Swedish market. Ahlsell also holds a strong market position in commercial refrigeration in Sweden. In the more fragmented domestic cooling market, Ahlsell is one of many players. In the DIY market, Ahlsell is the market leader for electrical, heating and plumbing products. Other major players include Dahl, Amiga and Malmbergs.

PERFORMANCE DURING THE YEAR

Sweden is Ahlsell's largest and most profitable market segment. In 2014, sales increased to SEK 13,210 million (12,398). Earnings (EBITA) totalled SEK 1,479 million (1,388), corresponding to an EBITA margin of 11.2 per cent.

Market performance was supported

by strong growth within the construction industry in 2014 and the year had a good start due to favourable weather conditions, allowing high activity on construction sites. Growth somewhat slowed during the second quarter but the construction industry continued to perform well also during the second half of the year. The industrial sector was somewhat restrained most of the year, primarily due to low demand on major export markets. Some signs of improvement could be noticed during the second half of 2014.

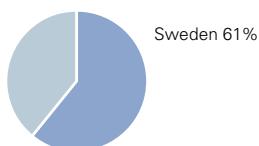
Ahlsell managed to keep, or even strengthen, its market positions in all product segments during the year.

E-commerce continued to grow steadily and Ahlsell is in the frontline of providing e-solutions. The development of the online shop and the mobile shop app has increased the service level further and made it easier for professional customers to order.

OUTLOOK

The outlook for the Swedish economy is relatively good and GDP growth is expected to remain at current levels or even increase some during 2015. The construction industry is expected to continue to perform well, driven mainly by investments in the residential sector. The gradual improvements in the market conditions in Europe, together with a weak Swedish Krona, support the Swedish export industry and give positive signs of a recovery in the industrial sector.

SHARE OF THE GROUP'S EXTERNAL NET SALES

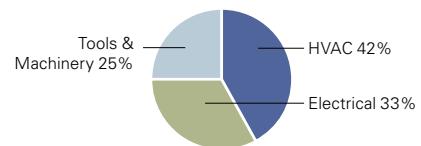


SHARE OF GROUPS EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Norway

OPERATIONS

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

In the fall of 2013 the company ProffPartner AS was acquired, Norway's leading supplier in the Tools & Machinery product segment and PPE. During 2014, nine stores merged as a result of the integration of ProffPartner, while three stores were closed. A new platform to support cross-selling and increase customer service has been established in order to meet future demand, including e-commerce solutions. Furthermore, Ahlsell's improved customer concept now offers a wider Tools & Machinery range to professionals.

During the third quarter investments were made at the central warehouse in Gardemoen to further increase the efficiency and level of automation.

In 2014, Ahlsell's Norwegian business accounted for roughly 23 per cent (22) of Group net sales, of which just over half is attributable to HVAC. By the end of the year, the company had 61 outlets in Norway and the average number of employees was 1,050. The number of customers amounted to roughly 30,000, of which the ten biggest accounted for about 11 per cent of net sales.

POSITION AND COMPETITORS

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

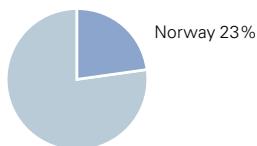
PERFORMANCE DURING THE YEAR

In 2014, net sales in the Norwegian operation totalled SEK 5,050 million (4,498). Earnings (EBITA) fell to SEK 193 million (277), corresponding to a margin of 3.8 per cent. After a relatively strong first quarter, falling oil prices during the second half of the year hit the Norwegian economy, affecting both the oil service sector and the mainland economy. Subsequently, a drop in demand affected also Ahlsell's markets and operation. The process of integrating the ProffPartner acquisition continued during the year. It has been more challenging and time consuming than expected, and has involved both merging and closing outlets at selected locations. During the latter period of the year, further measures were taken to adapt the organisation to prevailing market conditions.

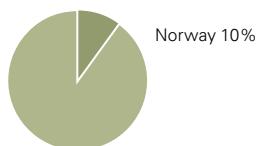
OUTLOOK

The sharp fall in oil prices during the second half of 2014 slowed down the Norwegian economy. This had a negative impact on investments, especially in the oil service sector, but also in the mainland economy and the construction industry. As a consequence there is some uncertainty about the outlook for 2015, and although some growth is expected within construction and infrastructure, events in 2014 are believed to influence the level of investments and demand on Ahlsell's markets also in the beginning of 2015.

SHARE OF THE GROUP'S EXTERNAL NET SALES

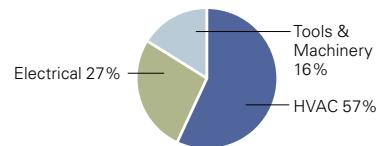


SHARE OF GROUP'S EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Finland

OPERATIONS

Ahlsell established its operations in Finland in 1990 through acquisitions in the refrigeration market. The operation expanded in 1999 through acquisitions in the HVAC product segment and expanded into the Tools & Machinery segment in Finland in 2006 through the acquisition of Kojaltek. Since then several Tools & Machinery companies have been acquired and now form the foundation of the Tools & Machinery division.

Ahlsell acquired the Sähkötarvike Group in 2007 and Solar Finland in 2010. Together they enable Ahlsell Finland to provide a range of electrical supplies to the Finnish market. The Electrical segment is a prioritised growth area that is expanding and an increased number of electrical products are sold through cross-selling.

In 2014, Ahlsell's Finnish business accounted for roughly 12 per cent (13) of Group net sales. By the end of the year, the company had 35 outlets in Finland. The average number of employees was 604. The number of customers totalled about 20,000, of which the ten biggest accounted for about 8 per cent of net sales.

POSITION AND COMPETITORS

Ahlsell, along with Dahl, has a strong position in the HVAC segment in Finland, after the market leader Onninen. In Tools & Machinery, Ahlsell is a major

player together with B&B TOOLS, the Etola Group and Würth. Ahlsell has also become an established player in the Electrical segment, where Sonepar, Rexel and Onninen are the main competitors. In refrigeration, commercial refrigeration and domestic cooling, Ahlsell shares the top position with Combi Cool and Onninen. Ahlsell also operates in the DIY market.

PERFORMANCE DURING THE YEAR

In 2014, net sales in Finland totalled SEK 2,719 million (2,705). Earnings (EBITA) totalled SEK 120 million (153), corresponding to an EBITA margin of 4.4 per cent.

Despite some positive signs at the beginning of 2014 the market slowed during the second quarter and was followed by a sharp fall during the second half of the year. Overall, the year was characterised by a weak economy and yet another year of declining market development in Ahlsell's segments, resulting in an overall pressure on margins and market shares. The exception is the Electrical segment which has performed well, both in terms of market development and where Ahlsell's initiatives to increase sales have paid off.

During the year investments were made in a new automated mini-load system at the logistics facility in Hyvinkää. This was fully operational in the second quarter of 2014.

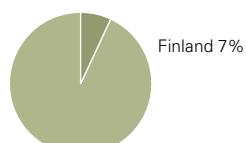
OUTLOOK

The outlook for 2015 is rather gloomy with low domestic demand and weak expectations for the export industry. Although no major setback in expectations has occurred, there is no quick recovery in sight and Finland is expected to have the weakest growth of the Nordic countries during 2015. Another year of a challenging overall market is expected with the potential of a slight pick up during the second half of the year. With a new government taking office, some political uncertainty is also added. Ahlsell will take necessary measures to keep positions and continue to focus on efficiency and the ambitious efforts in the Electrical segment.

SHARE OF THE GROUP'S EXTERNAL NET SALES

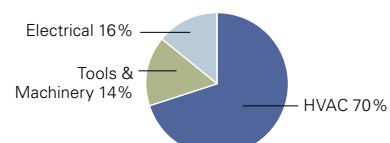


SHARE OF GROUP'S EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Denmark

OPERATIONS

Ahlsell established its presence in Denmark in 1990 through the acquisition of its refrigeration operation. The Danish operation has since expanded to include the DIY product segment after the acquisition of VVS Trading in 1998. Ahlsell Denmark accounted for 2 (2) per cent of the Group's external net sales in 2014. The average number of employees in the Danish operation totalled 99.

POSITION AND COMPETITORS

Ahlsell has a strong position in the refrigeration market, and is the market leader in commercial refrigeration products. The second largest is H Jessen Jürgensen, owned by G & L Beijer. In the DIY segment, Ahlsell is the market leader for HVAC products.

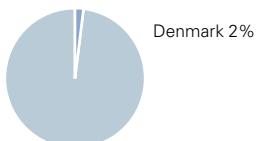
PERFORMANCE DURING THE YEAR

Net sales in Denmark totalled SEK 339 million (312). Earnings (EBITA) rose to SEK 37 million (27), corresponding to an EBITA margin of 10.8 per cent. Ahlsell has a leading position in the refrigeration product area and the DIY market, with the latter being strongly related to private consumption, and both showing strong earnings despite an overall weak market in Denmark.

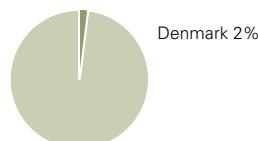
OUTLOOK

Some gradual improvement of the Danish economy is expected during 2015, which is likely to have a positive impact on both the construction market and private consumption. As neighbouring economies are turning, also the Danish export industry is predicted to pick up.

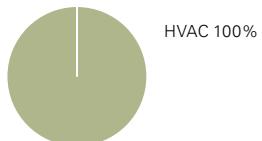
SHARE OF THE GROUP'S EXTERNAL REVENUE



SHARE OF GROUP'S EBITA*



SALES PER PRODUCT SEGMENT



*) Excluding central expenses

Other markets

OPERATIONS

Ahlsell established operations in Russia in 1995. The business focuses on supplying a range of HVAC products for professional constructors and installers in western Russia. During 2014 the operation was downsized and several outlets were closed. The average number of employees was 68.

Through the acquisition of FEB in 2006, Ahlsell established operations in Estonia, which immediately gave Ahlsell a market-leading position in HVAC. In 2007, the acquisition of Satter broadened the product offering to also include the Tools & Machinery segment. These two operations merged in 2008, and together they form Ahlsell's operations in Estonia. In 2014, the market improved and sales increased with a satisfactory level of profitability. The average number of employees was 138.

Ahlsell established operations in Poland in 2006 as part of the acquisition of Tempcold. The operation includes a smaller sales unit in the Polish refrigeration product segment and the average number of employees was 59. The Polish market was weak during 2014, which had an impact on both sales and profitability during the year.

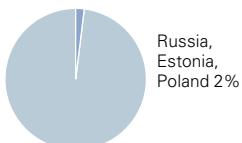
PERFORMANCE DURING THE YEAR

Net sales in Estonia, Poland and Russia totalled SEK 462 million (523). Earnings (EBITA) totalled SEK 8 million (16), corresponding to an EBITA margin of 1.7 per cent.

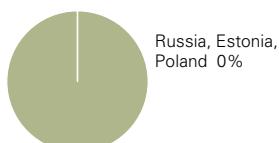
OUTLOOK

A gradual improvement of the Estonian market is expected in 2015 and Ahlsell is making substantial investments within the logistics area to meet a predicted sales growth. The prospects for the operations in Poland and Russia are weaker.

SHARE OF THE GROUP'S EXTERNAL NET SALES

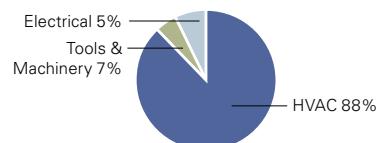


SHARE OF GROUP'S EBITA*



*) Excluding central expenses

SALES PER PRODUCT SEGMENT



Sustainability at every level

Ahlsell endeavours to be one of the leading companies in the industry and focuses hard on sustainability. The company has clear guidelines for the areas of its business. These include the Code of Conduct, internal audits and supplier inspections, which comprise the basis for Ahlsell's own everyday actions as well as how suppliers are expected to run their business from a sustainability perspective.

Sound financials and sustainable business practices go hand in hand. Ahlsell focuses on sustainability, mainly in three areas: environment, finance and ethics. Ahlsell's Environmental Policy states how the company shall work to reduce the environmental impacts of its operations within the framework of efficient commercial activities.

The environmental work is based on knowledge, insight, and commitment of all employees. Ahlsell meets environmental laws and regulations in the countries in which the company operates.

This means that Ahlsell, in its focus on sustainability, works to:

- increase the supply of sustainable products and services.
- secure safe handling of chemical products.
- use climate efficient transports.
- use energy more efficiently, measured as electricity consumption in relation to delivery volume.
- increase recycling rates and reduce the total amount of waste.
- have employees with knowledge of how to prevent situations that could lead to the emission of pollutants.

- increase understanding of the environmental impact of the product range at every level of the Group's activities.

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

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

Some substances, like refrigerants, adhesives and oils, require specialised know-how and arrangements for their use, handling, transportation, storage and disposal, and the company maintains a roster of qualified staff members

to perform such functions. Since these substances represent only a very small portion of the product portfolio, the overall environmental risk is limited.

As an essential component in the environmental strategy, the supply chain has been environmentally audited at all levels – from materials handling, heating and lighting to internal and external transportation by forklift and truck. Several areas have been deemed especially important in this environmental work, and Ahlsell has established clear guidelines for these areas.

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

SUSTAINABILITY IN 2014

During the year, Ahlsell continued to raise the bar for sustainability practices. The adopted business plan includes several environmental and sustainability goals, e.g.:

- **Waste and recycling.** The amount of recycled waste increases. 2014, the recycling ratio was 79 per cent. The goal for 2018 is 91 per cent.
- **Products with environmental assessment.** To make it easier for the company's customers to make professional choices and to meet the increasing demand, Ahlsell has increased the supply of products that have undergone assessments. Every year at least ten sustainable services or products are to be launched.
- **Transports and haulier contracts.** Ahlsell is constantly aiming for better filled vehicles. A clearly-defined initiative has been launched to reduce the environmental impact of freight transports. Ahlsell has multiple-year contracts with its hauliers and continues to develop partnerships in a sustainable and professional way.
- **Communication activities.** Ahlsell is in the forefront when it comes to sustainability work and as one of the industry's leading companies, Ahlsell was invited to participate in several external events, where examples of sustainability activities within the Group was presented.

Employees and Personnel Development

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

Ahlsell wants to be an attractive employer that strives for a good work environment. All Ahlsell employees should feel safe, secure and happy at work. An active and systematic approach helps to develop the workplace for good physical and mental health and safety, increasing gender equality and prevent discrimination, preventing illness and accidents. Ahlsell believes in equal opportunities, fairness and diversity.

Ahlsell wants to attract, develop and retain skilled and motivated employ-

ees, and works actively to increase skills through ongoing training and development to ensure that employees have the opportunity to develop within the company. Ahlsell promotes skills development through an extensive training program called the Ahlsell Business School. The company has an internal training department tasked with providing employees with training in internal processes and systems. Ahlsell has also established systems to record and monitor education and training of all employees. All new managers receive special training that reviews topics such as labour legislation, internal processes and corporate culture. In addition, a number of tools have been developed to support managers in their efforts to develop business together with employees, including a trainer's manual which sets forth sales strategies and policies used by managers to train employees. Introductory training for new employees is offered periodically at the logistics centre in Hallsberg, Sweden, particularly for employees from acquired companies. Recurring training occurs on a regular basis at the central warehouse, including management training and training in the proper handling and storage of the limited range of hazardous substances we sell.

Motivated employees possessing a deep product expertise and at the same time having a good understanding of customer needs is a critical success factor. Through education and intelligence Ahlsell's employees develop in-depth knowledge of products, market and trends.

Most of Ahlsell's employees are members of unions. Union membership varies by country and employee type. The company is bound by several collective bargaining agreements. Relationships with employees and their labour unions are considered to be good, and Ahlsell has not experienced or been subject to any material work stoppage, slowdown or collective employee action. In addition to salary and other benefits in kind, Ahlsell provides pension plans for employees, both defined-contribution plans and defined-benefit plans. These pension plans are provided on a country-by-country basis.

As of 31 December 2014, Ahlsell had approximately 4,800 full time employees. The following table shows the average number of employees by geographic market and function for the periods indicated.



AVERAGE NUMBER OF EMPLOYEES

Group	1 Jan 2014–31 Dec 2014		1 Jan 2013–31 Dec 2013	
	Number	of which men	Number	of which men
Sweden	2,556	80%	2,410	80%
Norway	1,050	83%	845	79%
Finland	604	82%	582	81%
Denmark	99	69%	100	69%
Estonia	138	87%	140	88%
Russia	68	47%	106	50%
Poland	59	80%	62	79%
China	12	67%	11	73%
Group total	4,586	80%	4,256	79%

Governance

Ahlsell's corporate governance is based on several sources, including its Articles of Association and Swedish legislation such as the Companies Act and the Swedish Corporate Governance Code.

SHAREHOLDERS

The company is 92% owned by CVC Capital Partners and 8% by its senior employees.

THE ARTICLES OF ASSOCIATION

The Articles of Association are agreed at the Annual General Meeting (AGM) and contain mandatory information of a fundamental character for the company. They include details of the kind of activity in which the company is engaged, the size and regular meeting place of its Managing Board, the amount of its equity capital, specifications concerning various types of shares, the number of shares and how the company's AGMs are to be convened.

THE ANNUAL GENERAL MEETING

At the AGM, Ahlsell's shareholders decide on key questions such as ratifying the income statement and the balance sheet, dividend pay-outs to the shareholders, the Board's composition, discharge from liability for the directors and CEO, changes in the Articles of Association, appointment of auditors and the principles for remunerating the company's management.

BOARD OF DIRECTORS

At present, the Board of Directors consists of six members, including the Chairman. The table below sets forth the members of the Board of Directors elected by the AGM, the year they were born, the year of their respective initial election and their independence of the owners or of the company.

THE WORK OF THE BOARD 2014

The Board's work follows an annual plan for the presentation of reports which is scheduled in its procedural rules. Prior to each Board meeting, the Board is provided with basic data compiled according to agreed procedures. These procedures aim to ensure that the Board obtains relevant information and a basis for making decisions before each Board meeting.

The Board meetings start with a discussion of the company's financial situation, which focuses on sales, expenditures, results and capital tie-ups. The Board decides on the interim reports and annual report. Accounting and auditing questions are prepared by the Audit Committee and reported to the Board.

GOVERNANCE ISSUES

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for the organisation and management of a company. The articles of association provide that the Board of Directors must be elected by the shareholders and must consist of between three and ten directors (with no deputy directors). In addition to the provisions in the articles of association, Swedish law provides that the labour unions which represent the employees have the right to appoint up to three additional directors and up to three deputy directors. Under Swedish law, the chief executive officer and at least half of the board members must be residents of a country within the European Economic Area, unless the Swedish Companies

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

AUDIT COMMITTEE

The main task of the Audit Committee is to assist the Board in supervising the financial reporting and accounting procedures and the accounting principles as well as following up the audits for the parent company and the Group. In addition, the Committee evaluates the quality of the Group's reporting and risk-handling functions as well as participating in the auditors' reports and viewpoints.

The audit committee comprises the Board members Peter Törnquist (Committee Chairman) and Gustaf Martin-Löf. Gunnar Haglund, CFO of Ahlsell (until 31 May), Kennet Göransson, CFO of Ahlsell (from 1 June) and Bengt Colmander, Secretary of the Audit Com-

Name	Position	Born	Member Since*	Independent	Audit Committee	Compensation committee
Kenneth Bengtsson	Chairman of the Board	1961	2012	Yes		X
Peter Thörnquist	Board member	1953	2012	No	X	X
Sören Vestergaard-Poulsen	Board member	1969	2012	No		X
Gustaf Martin-Löf	Board member	1977	2012	No	X	
Terje R Venhold	Board member	1950	2014	Yes		
Göran Näsholm	Board member / CEO	1955	1999	No		

mittee also participated in the meetings held during the year together with members of the Company's controlling and reporting staff who reported issues related to the Audit Committee tasks.

In 2014, the Audit Committee held four meetings. The external auditors participated during these meetings. During the year, the Committee dealt with questions relating to the company's financial reporting inclusive of interim reports. The company's Internal control systems and risk management were also discussed.

REMUNERATION COMMITTEE

The Group applies a process whereby recommendations and decisions for salaries, remuneration, benefits and other employment terms and conditions for the CEO and other senior executives, who report directly to the CEO, are determined and approved by the Remuneration Committee. The Remuneration Committee shall consist of at least three directors, which may not be employees of the company or any other company within the Ahlsell group. The members shall be independent of the company and its management. The chairman of the Board of Directors shall chair the Committee. The members of the Committee shall be elected for a term of one year, however no longer until the time of the next Annual General Meeting.

AUDITORS

The auditors are appointed by the shareholders at the AGM, normally for a period of one year. The auditors inspect the company's annual report, Group report and accounts as well as the corporate administration by the Board and CEO. At the AGM, the professional services firm KPMG was chosen as Ahlsell's external auditor. The authorised public accountant Thomas Thiel from KPMG is mainly responsible for the audit.

INTERNAL AUDIT

The company has a simple legal and operational structure and has elaborated a system of governance and internal inspection. The Board follows up the company's review of the internal inspection, for instance through discussions with the company's auditors. Against the background of the above, the Board has decided not to have a special internal audit function.

THE COMPANY MANAGEMENT

The CEO is appointed by the Board and tasked with assuming the responsibility for the ongoing administration of the company according to the Board's instructions. The CEO reports to the Board about Ahlsell's development and prepares the basis for making decisions on investments, company establishments, and more. The CEO manages and checks that the company is run in accordance with the Swedish Companies Act, other laws and regulations, the Articles of Association and the Board's instruments of internal governance. In Ahlsell's organisation, the country heads and the members of Group management, report directly to the CEO.