Annual Report 2016

ahlsell

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The cover photo shows employees from the Central Warehouse in Hallsberg and Ahlsell's branch in Älvsjö. Of Ahlsell's more than 5,000 employees, around 1,700 work in branches, and 1,000 at our three central warehouses.

This is a translated copy from the Swedish original. If any conflict occurs in the translation the Swedish will prevail.

Ahlsell is a market leader for the distribution of installation products, tools and supplies for professional customers in the Nordic region.

An investment in Ahlsell gives part ownership of a market-leading distributor that operates in three attractive key markets in which growth is driven by global trends and structural drivers. Ahlsell has a broad customer base with complex requirements, served by an expert, locally anchored sales force.

Ahlsell's unique business model generates stable cash flows and profitable growth, driven by continuous business development and acquisitions.

Financial targets

Growth	Adjusted EBITA margin	Cash flow	Indebtedness	Dividend
+2-3 pp. above market growth[1]	Continuous **increase**	**90%** Annual average value of operating cash flow/ EBITDA	**2.0-3.0x** Net debt/ Adjusted EBITDA	**40-60%** of net profit, depending on strategic scope
Outcome 2016				
+9%	**+0.4pp**	**90%**	**3.3x**	**0.35 kr**[2]

1) The target is based on forecast market growth of 4 percent on average for 2015-2018. Read more in Ahlsell's prospectus from 2016.

2) Proposed dividend, see page 51.

Net sales, billion SEK

25

Number of items

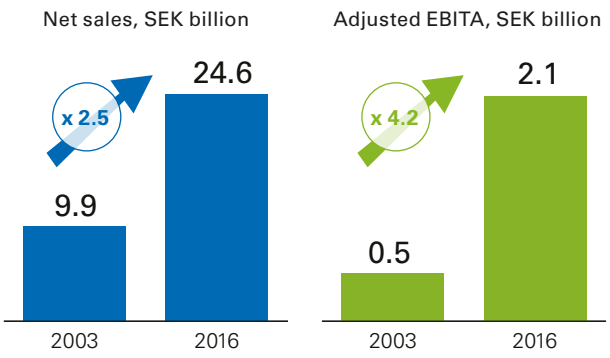
1 million

Dividend [1], SEK

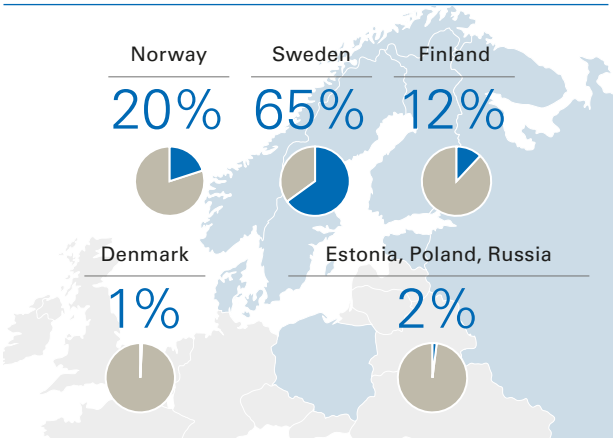
0.35

1) Proposed dividend.

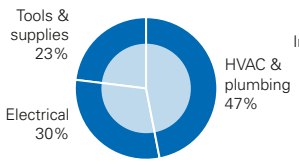
Development over time



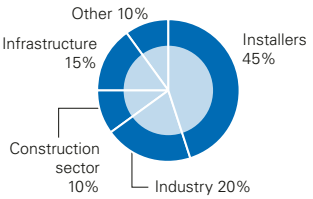
Net sales by country



Product segment



Customer segment



With **5,000** employees, more than **200** branches, and **3** central warehouses, we deliver on our customer promise every day:

Ahlsell makes it easier to be professional

The year in review

+9%
net sales growth
2016

Sustainability goals and outcomes

- During the next five years, the ratio of environmentally classified and energy-efficient products in Ahlsell's product offering will increase by:

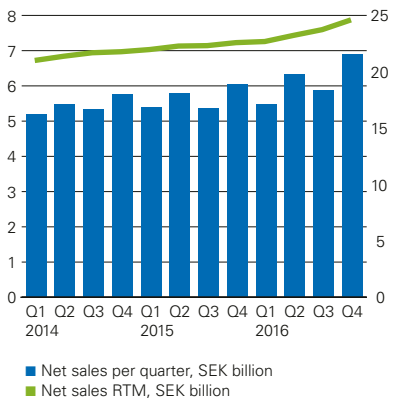
10%

- Ahlsell measures its carbon footprint in tonnes of carbon equivalents per million Swedish kronor in net sales. In 2016 this amounted to:

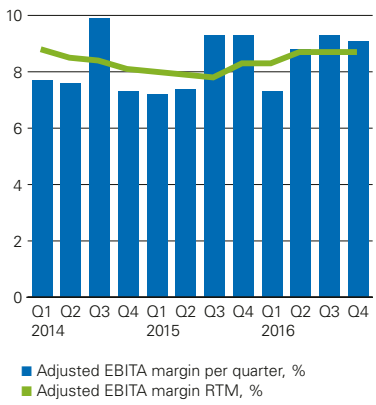
1.49

- By 2020, Ahlsell will have assessed 50 percent of its suppliers from a sustainability perspective.

Net sales

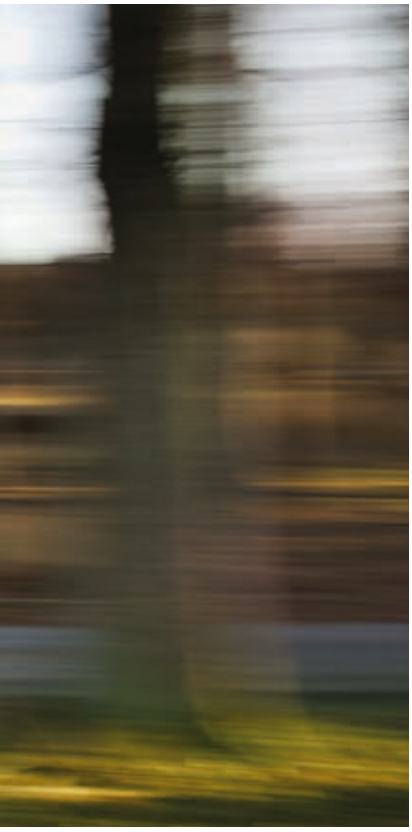


Adjusted EBITA margin



Financial summary	2016	2015
Net sales, SEK million	24,606	22,586
Organic growth, %	7%	3%
Operating profit (EBIT), SEK million	1,719	1,505
Profit (EBITA), SEK million	2,058	1,837
Adjusted EBITA, SEK million	2,131	1,878
EBITA margin, %	8.4%	8.1%
Adjusted EBITA margin, %	8.7%	8.3%
Profit after tax, SEK million	342	70
Earnings per share, SEK[1)]	1.11	0.21
Operating cash flow/EBITDA (cash conversion), %	90%	92%
External net debt/adjusted EBITDA, ratio	3.3	3.9

1) Refers to basic and diluted earnings per share.



In favourable market conditions, Ahlsell's more than 5,000 employees achieved record-high results. The ambition to grow through internal improvement, acquisitions and strategic market initiatives led to many transactions with both new and existing customers, further broadening of our product offering, and three acquisitions. Important steps were also taken towards a stronger Group within the framework of ONE Ahlsell.

- Net sales increased by 9 percent to SEK 24,606 million (22,586). Organic growth was 7 percent (3). Ahlsell made three acquisitions during the year with combined annual sales of approximately SEK 600 million.
- Profit (EBITA) increased by 12 percent to SEK 2,058 million (1,837). Adjusted EBITA increased by 13 percent to SEK 2,131 million (1,878), representing an adjusted EBITA margin of 8.7 percent (8.3).
- The parent company changed name to Ahlsell AB (publ).
- The Board of Directors proposes dividend of SEK 0.35 per share (0.00) for 2016.

IPO

Ahlsell was listed on Nasdaq Stockholm on 28 October 2016. 34.5 percent of the shares gained new owners, at a subscription price of SEK 46.

Augmented Board of Directors and Executive Board

The Board of Directors was augmented with the new election of Magdalena Gerger and Satu Huber.

The Group Executive Board was augmented with Claes Seldeby, CEO of Ahlsell Sweden, and Anna Björklund, HR Director.

New financial objectives

Ahlsell set new financial objectives. The objectives are based on the assumption of continued market growth and that Ahlsell can strengthen its market position with the support of strategic growth initiatives, acquisitions and the aim of increased effectiveness.

The objectives include net sales growth, EBITA margin, cash conversion, net debt and dividend distribution.

On our way to an even stronger Ahlsell

As a result of successful growth initiatives, a strong underlying market and three acquisitions we exceeded our growth and profit targets. We also passed two important milestones with the rollout of our strategic plan, Ahlsell 2020, and the IPO in October. Overall, 2016 was a very strong year for Ahlsell.

Ahlsell's development in 2016 was very robust. We experienced an increase in both sales and results in all three of our key markets. Our 2016 performance is the direct result of dedicated employees using the Ahlsell model to leverage positive market conditions to strengthen our position. Overall, net sales increased by 9 percent, of which organic growth accounted for the largest share. Our organic growth was created by successful market investments, continued development of growth initiatives, internal improvements and favourable market conditions.

Our result, measured as adjusted EBITA, was the best result in our 140 year history, with an increase of 13 percent from 2015. We also improved our EBITA margin, despite a slightly lower gross margin in the second half of the year.

Stronger position in our three key markets

Ahlsell's Swedish operation strengthened its market position and increased its net sales by 11 percent for the year. Favourable market conditions, growth initiatives, internal improvements and three acquisitions all contributed to these positive results. During the year, we continued to focus on market initiatives within building, lighting and personal protection equipment, which all contributed. We also achieved encouraging outcomes from the further development of Ahlsell's store concept and our new e-commerce solutions.

In Norway, demand in the oil and gas-related industry stabilised, and structural economic changes contributed to growth in such areas as residential construction, aquaculture and infrastructure. Overall, we benefited from market development and the Norwegian operation delivered both increased growth and improved results. At the same time, we undertook a number of major organisational changes. New management and our transition to a matrix organisation, combined with staff changes, have created a more results-oriented organisation. Looking at the positive development in our fourth quarter, the impact of these initiatives are promising.

Our Finnish business also gave a strong performance, with net sales increasing by 10 percent. The operation benefited from a recovery in the market that was driven by increased construction and a slightly stronger industry sector. In 2016 Ahlsell's focus was on strengthening our market positions within HVAC & Plumbing and Electrical. We also concentrated on developing our sales force, expanding our product range and strengthening our network with additional full-range branches and an increased presence in the Helsinki region.

Other segments, accounting for 3 percent of net sales, showed more varying outcomes. In Denmark, sales and results were unchanged, while Estonia, Poland and Russia were affected by the continuation of challenging market conditions.

New business plan and vision for change

Our strategic plan Ahlsell 2020 was rolled out in March 2016. The plan calls for increased focus on cooperation within the Group and the consistent implementation of the Ahlsell model throughout the company. We will continue to develop our broad offering and the competitive advantages it offers using the successfully proven mix of growth initiatives and acquisitions. An important new element of the business plan is the concept of ONE Ahlsell, which through increased cooperation will lead to more sharing of best practice and consistent operations within the Group. With this, the entire Group will benefit from the expertise available throughout the organisation.

Ahlsell back on the stock exchange

On 28 October 2016, I had the privilege of opening trading on Nasdaq Stockholm and watching the first trades of the Ahlsell share. The IPO gives us increased visibility, which I hope will strengthen awareness of our brand among customers, employees and in the capital market.

Acquisitions to strengthen our position

Acquisitions are a key element of Ahlsell's business model and growth strategy. In 2016, we reviewed our acquisition process and integrated it even more closely into Ahlsell's operating activities. This resulted in a boost in activity and increased our list of potential acquisition targets. We made three acquisitions with combined annual sales of approximately SEK 600 million. These acquisitions strengthen our position in southwestern Sweden and prepare us for the large infrastructure plan for Western Sweden and related projects in the region.

Ahlsell is never far away

We started 2016 with a redesigned online store and its development continued during the year in an effort to strengthen both customer experience and our offering. We have seen a strong appetite for our e-commerce concept and we can conclude that our multiple sales channels cross-supplement and drive sales.

Increased focus on HR

In the Ahlsell 2020 business plan, HR was identified as a strategic focus area and a key to success. Ahlsell's HR function will help develop leadership and expertise supporting managers and leaders with recruitment and other HR work. In 2016, our companies in Sweden, Norway and Finland began the process of creating a shared platform for leadership, education and development of a strong employer brand. Our aim is to retain and attract dedicated and entrepreneurial employees.

An industry leader within sustainability

Ahlsell's vision is to be an industry leader within sustainability and to take clear economic, social and environmental responsibility.

Corporate sustainability requires work in several areas. We are working to achieve more sustainable products, perform responsible procurement, and minimise our own environmental footprint. Responsible procurement includes responsible production, which we achieve with a clear code of conduct, reliable systems for assessment of suppliers and their production, and continuous audits. Our code of conduct is based on the principles set by the ISO 26000 standard and describes the minimum sustainability requirements for both our own conduct and for how our suppliers run their businesses. In 2016 we raised the sustainability agenda to Group level, formulated a Group strategy and began work on a sustainability report.

Future outlook: Increased value with ONE Ahlsell

In 2017, we will continue to develop operations and strengthen our position and brand in all of our markets. We will also drive sustainable development in the industry. We expect market conditions to continue to be favourable and I am certain that we have not yet benefited the full effect of our continuous focus on internal improvement. Overall, our strategic work is leading to increased value for customers, employees, suppliers and shareholders. When our customers are doing well, Ahlsell will also prosper. Therefore we always strive to increase our customers' competitiveness.

Stockholm, March 2017

Johan Nilsson, Group President and CEO, Ahlsell AB

We expect continued favourable market conditions and I am certain that we have not yet benefited the full effect of our continuous focus on internal improvement.

Ahlsell makes it easier to be professional

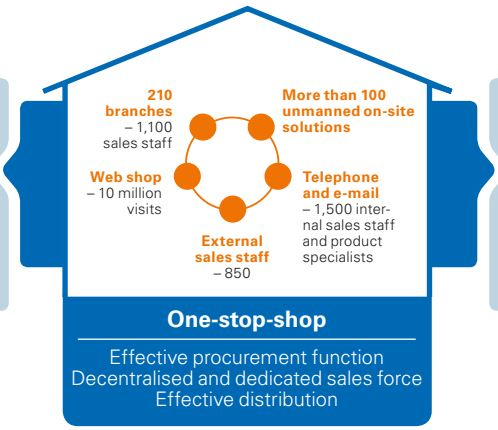
Ahlsell is never far away. One single contact person gives the customer access to Ahlsell's entire product range and the right expertise. Ahlsell's sales staff and product specialists are updated on the latest developments, helping customers to solve problems or find new solutions. Via its multi-channel offer, Ahlsell has created a one-stop-shop which saves both time and money for professional customers.

Ahlsell offers:

- A reliable future partner
- The widest range in the market
- Technical specialists
- Branches in over 200 locations in the Nordic region
- A well-stocked web shop
- Value adding services
- High availability
- Rapid and reliable delivery

For suppliers

- Large scale
- Cost-effective access to a fragmented customer base
- Close customer relations



For customers

- Extensive product range
- Available advisory services
- Flexible delivery

Multi-channel model for the best service

Ahlsell creates value when customers get the right product, at the right time and in the right quality. Added value also includes that the customer gets clear instructions and advice, ensuring the products are used in the right way.

Customers reach Ahlsell by telephone, e-mail, web, in branches, in unmanned on-site-solutions, and at personal meetings with some of the Group's many sales representatives. Customers may need help to find the right product or the advice of a specialist to solve a problem. In other cases fast delivery of a standard item is required.

The branches are important for the local brand, offering immediate availability and service. Experience shows that the branches contribute to increased sales through all channels in the region. They also have an important social function as a natural meeting point for the area's installation technicians, builders and other customer groups.

Ahlsell's e-commerce platform was launched back in 1998 and is fully integrated with Ahlsell's other IT systems. The platform consists of a web shop, and EDI (Electronic Data Interchange) service, the Ahlsell app and other online tools. At the end of 2015, a modern web shop was launched, with an improved user interface, expanded functions and better search functionality. The launch of the web shop is the first stage of development towards a significantly improved customer interface, to make Ahlsell even more accessible. The interface is being developed continuously, and the aim is to offer the same experience as in consumer-targeted e-commerce solutions. Ahlsell's web shop has more than 600,000 items, of which 180,000 are held in stock.

More than a million items

Ahlsell provides over a million items within the HVAC & Plumbing, Electrical and Tools & Supplies product segments. Ahlsell thus has one of the market's widest product ranges, and can meet the needs of customers from many different industries.

Of the total number of items, 180,000 are held in stock, ready for delivery within 24 hours once an order is placed. The branches hold around 20,000 of the most frequently sold items in stock.

Within each product segment there is also a selection of ecolabelled and environmentally-classified products, which is in line with Ahlsell's sustainability strategy.

HVAC & PLUMBING

Comprises installation materials for heating, ventilation, refrigeration, water, sanitation and drainage.

ELECTRICAL

Comprises cables and installation materials, lighting, automation, data, telecommunications, safety products, and other electrical products, such as measurement instruments.

TOOLS & SUPPLIES

Comprises tools, machines, personal protection equipment, construction products and other supplies.

The personal handshake is what makes us stand out from the crowd. Our proximity to customers and local anchoring are the cornerstones of our operations," says Johan Nilsson, CEO of Ahlsell.

Unique delivery capacity and flexibility

Effective logistics are at the heart of Ahlsell's business model. The customer chooses delivery method and more than 20 percent of the goods are delivered via branches, while around 50 percent are sent from our central warehouse straight to the customer. Remaining volumes are transferred directly from the manufacturer to the customer.

To offer customers reliable deliveries, Ahlsell has a customised information system to ensure high logistics precision. A central warehouse in each key market guarantees short delivery times. Ahlsell's central warehouses are located in Hallsberg (Sweden), Gardermoen (Norway) and Hyvinkää (Finland).

Share of services is increasing steadily

Ahlsell offers customers a range of services to support and save time for customers. The range includes everything from "Runners" who unpack and arrange inbound deliveries, to temporary unmanned branches with automatic filling, located at workplaces. Ahlsell also offers a number of add-on services, including insurance, safety training and printing of logotypes on workwear.

The palette of services is growing steadily, as new needs arise. The outsourcing trend is driving the market towards solutions whereby products are part of a more comprehensive offering.

Private label of guaranteed quality

Ahlsell has developed a number of own brands consisting of carefully selected products of good quality, to supplement the existing assortment. Private label products are often developed in cooperation with selected established brand suppliers.

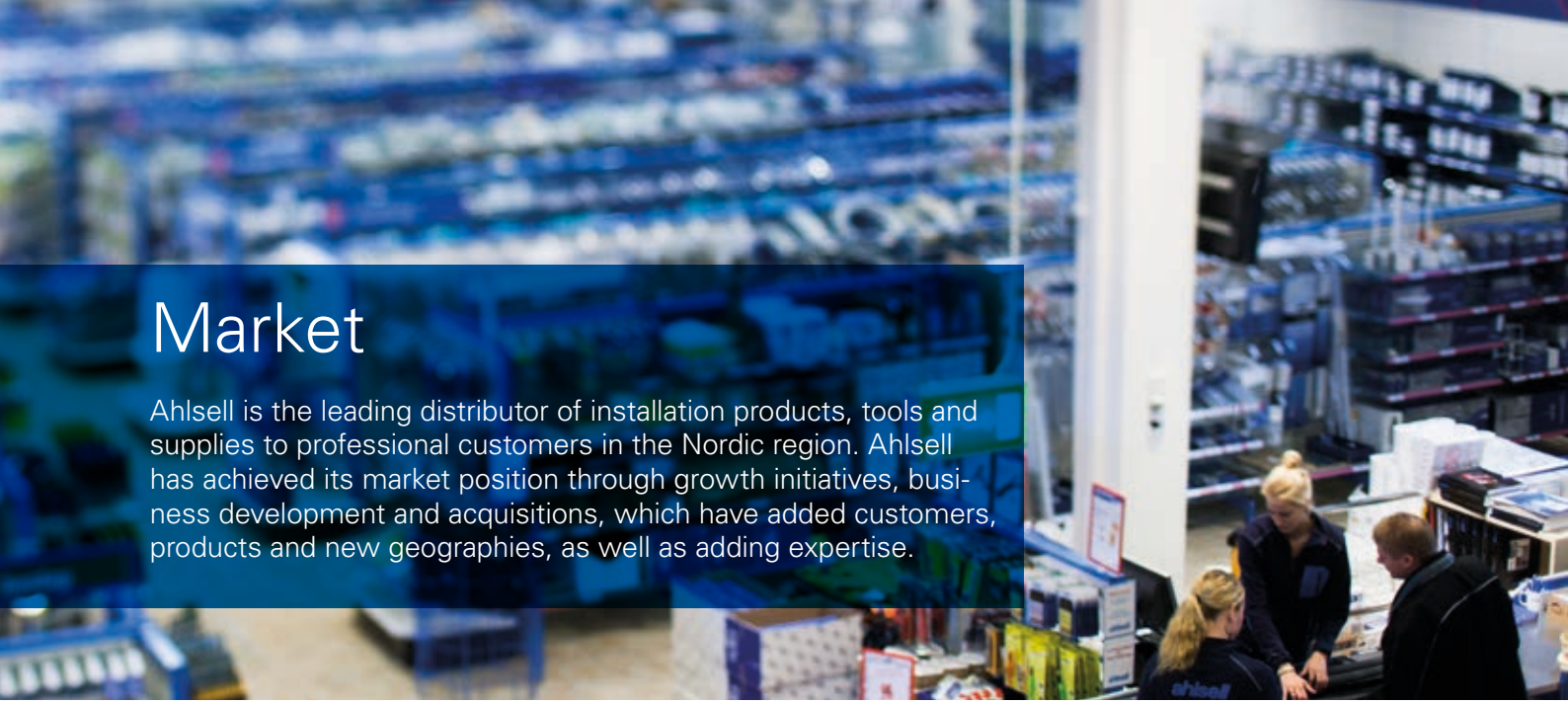
a-collection

FIXX

ACTIVEWEAR®

Ahlsell also makes things easy for suppliers

Ahlsell offers suppliers an effective distribution channel, with access to more than 100,000 professional customers. Ahlsell's major customers within installation, construction, industry and infrastructure account for around 60 percent of net sales, while small and medium-sized enterprises (SME) account for the rest. The ratio of SME customers is increasing year by year.



Market

Ahlsell is the leading distributor of installation products, tools and supplies to professional customers in the Nordic region. Ahlsell has achieved its market position through growth initiatives, business development and acquisitions, which have added customers, products and new geographies, as well as adding expertise.

Size and growth

Ahlsell has operations in Sweden, Norway, Finland, Denmark, Estonia, Russia and Poland. Products are offered in the HVAC & Plumbing, Electrical and Tools & Supplies segments. According to a 2015 market analysis, Ahlsell's primary market, comprising Sweden, Norway and Finland, totalled approximately SEK 150 billion, of which around SEK 105 billion comprises sales via distributors. Market growth is estimated at 4 percent p.a. on average up to 2018, of which around 2 percentage points are attributable to annual supplier price increases. The market analysis is based on the assumption of sound growth in all three primary markets, driven by increased new construction and infrastructure activity, a continued strong renovation market, and a certain degree of recovery for industrial output.

Based on these growth assumptions, Ahlsell's addressable market in 2016 is estimated at approximately SEK 110 billion.

Customers and competition

The market is fragmented, and in addition to major nationwide customers there are a large number of small and medium-sized customers, spread over a considerable geographical area. Customers' purchasing behaviour is characterised by many orders, often from several product categories, and in small quantities. Customers can thus save both time and money by buying from a multi-segment distributor like Ahlsell. Relatively large customers also tend to operate on a decentralised basis, resulting in fragmented purchasing and delivery patterns.

Ahlsell's average customer spends more than SEK 200,000 p.a. at Ahlsell, distributed on around 100 orders, equivalent to an average order value of more than SEK 2,000.

Customers typically consolidate 60-70 percent of their purchases to their main distributor and only 20 percent state that they have changed main distributor in the last five years.

Competition

There is intense competition, with many large and small competitors. Ahlsell's main competitors are typically specialised in specific product segments and are unable to meet customers' who demand a broad assortment with products from multiple segments.

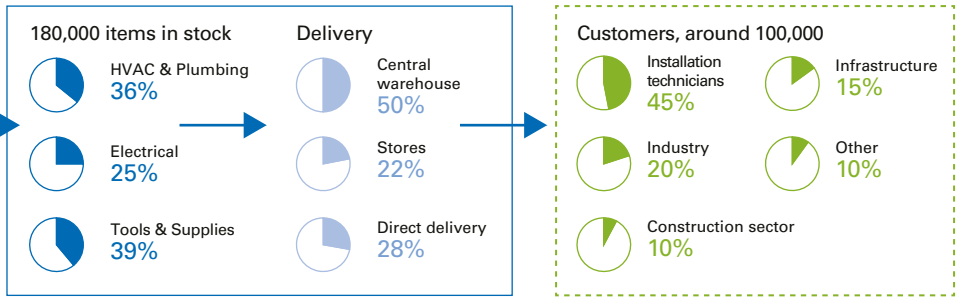
Size is a key competitive advantage in the distribution market. Ahlsell's size entails scale economies within sales, purchasing, logistics, branches, IT and general costs. Together they create favorable conditions for a competitive offering and sound profitability. The competitive advantages clearly stand out in the branch network, whereby Ahlsell, thanks to its multi-segment offering, can operate profitable branches at smaller locations.

Ahlsell in the market

Manufacturers
Ahlsell has around 3,300 suppliers worldwide. Manufacturers sell around **70 percent** via distributors which handle marketing, sales and aftersales.

Of manufacturers' output, **around 30 percent** goes directly to customers without being handled by distributors.

Ahlsell provides the best product offering in the market



Trends

Ahlsell has identified the following four trends as crucial to Ahlsell's development in a more long-term perspective.

Urbanisation

People are moving to cities, and more homes, offices, hospitals, schools and other infrastructure need to be built.

Ahlsell is tackling this development by e.g. increasing its presence in growth regions, and developing offerings and delivery methods that meet the market demand.

Outsourcing

Society is becoming increasingly specialised, and companies are more prone to buy services that are not part of their core activities. This development also affects Ahlsell's customers, who prefer flexible solutions for procurement, stockpiling, advisory services, delivery, payment and administration.

Ahlsell is continuously focused on adding value to the customer offering, with an emphasis on creating a better working situation and to lower the total cost for the customer.

Sustainability and environmental requirements

Society and our customers increasingly require sustainable companies and more sustainable products. This development affects future product offerings, materials selection, transport and logistics solutions, waste handling and recycling.

Ahlsell considers the sustainability trend to be a business opportunity. Ahlsell aspires to be a leader in the industry regarding its own environmental footprint and the sustainability of its products distributed.

Technical development and digitalisation

New technology and digitalisation affect our activities in many ways. Customers' purchasing patterns are changing and increased automation contributes to higher productivity. The number of technical installations in buildings is also increasing, and the introduction of 5G with connected installations will drive future demand.

Ahlsell actively participates in the technical development, which provides new tools to increase productivity in operations and develop the customer offering.

Drivers

New construction and renovation

The demand within new construction and renovation of residential buildings (renovations, conversions and extensions) is affected by population growth, interest rate levels, and the turnover rate for sales of homes. For non residential premises, new construction and renovation are driven by the turnover rate, vacancy levels, the property portfolio's total area, and average age. New construction varies considerably over time, while in historical terms the renovation, conversion and extension market has been relatively stable.

Industrial production

Demand in the industry segment is highly dependent on production levels, investments and the number of industrial workers in the relevant sectors. The demand related to employee numbers, such as personal protection equipment, is relatively stable, while sales, which are affected by the industrial output and investment levels, show greater variation.

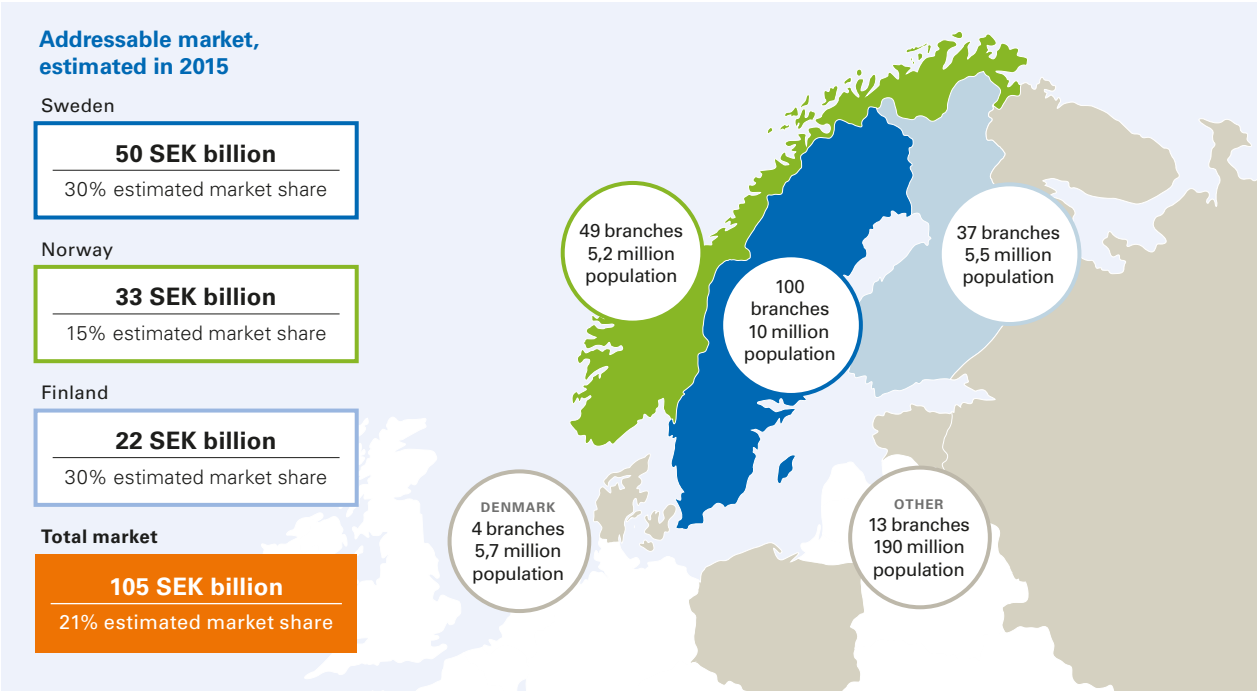
Infrastructure

Investments in plant and infrastructure are generally driven by population increases, urbanisation, the age of existing infrastructure, and public investments.

Construction and renovation				Industrial	Infrastructure
New construction		Renovation		Industrial production	Plant Infrastructure
Residential	Non residential	Residential	Non residential		
• Population growth • Interest rate level • Number of homes • House prices • Number of new construction projects	• Vacancy levels • Number of properties and total area	• Number of homes • Regulations and subsidies • Average property age • Conversion and refurbishing	• Average age of the property stock • Leases	• Industrial output • Industrial investments	• Population growth • Urbanisation • Age of existing infrastructure • Political initiatives
15% of net sales	**15%** of net sales	**35%** of net sales		**20%** of net sales	**15%** of net sales

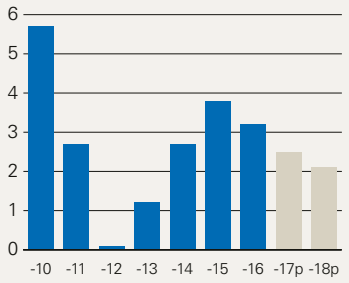
Markets by segment

Ahlsell's main markets are Sweden, Norway and Finland, which together account for 97 percent of the Group's net sales. In 2015, Ahlsell estimated that these three countries accounted for a total market turnover of approximately SEK 150 billion. Around 70 percent of these volumes are handled by distributors of which Ahlsell, with a market share of more than 20 percent, is the largest player.



Sweden

GDP
%, fixed prices



Source: National Institute of Economic Research (NIER), Dec. 2016.

Market size and market share

- The total market comprises net sales of more than SEK 70 billion, of which around 70 percent, equivalent to SEK 50 billion, is via distributors.
- Ahlsell's market position is number one or two in the respective product segments.
- The market share is around 30 percent.

Market development

The Swedish economy had a positive GDP development in 2016, with real growth of 3.2 percent. GDP is expected to continue to grow by around 2 percent p.a. in 2017-2018.

The construction sector is benefiting from an increased number of major plant and infrastructure projects, a high level of new residential construction, and stable development for commercial properties. The industry segment showed varying demand, and the strongest demand came from sub sectors within the manufacturing industry.

Customers

In Sweden, small and medium-sized customers accounted for around 40 percent of Ahlsell's net sales. The rest of the volume was generated by larger customers within installation, industry, facility management and construction and services related activities.

Around 70 percent of customers purchase from more than one product segment. Examples of large customers are Assemblin, Bravida, Skanska, Boliden and LKAB.

Competitors and competitive landscape

The Swedish market is mature, with a small number of large distributors which dominate the market in their respective product segments.

Ahlsell is the only distributor in the industry with a comprehensive offering within three product segments.

Ahlsell has a leading market position within all product segments in Sweden. The strongest relative market position is within Tools & Supplies.

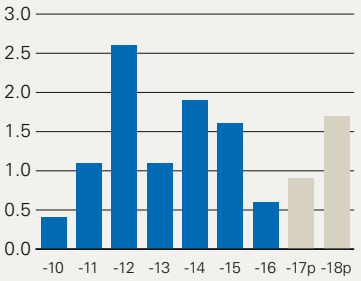
HVAC & Plumbing is the largest product segment, accounting for approximately 40 percent of net sales.

Examples of competitors

HVAC & Plumbing: Dahl
Electrical: Sonepar, Rexel, Solar
Tools & Supplies: BB Tools, Swedol

Norway

GDP
%, fixed prices



Source: National Institute of Economic Research (NIER), Dec. 2016.

Market size and market share

- The total market comprises net sales of close to SEK 50 billion, of which around 70 percent, equivalent to SEK 33 billion, is via distributors.
- Ahlsell's market position is number one or two within HVAC & Plumbing, and number three to five for other product segments.
- The market share is around 15 percent.

Market development

The Norwegian economy showed modest growth in 2016 since the downturn in the oil- and gas-related industry also affected the mainland economy negatively. The decline stabilised during the year, and GDP is expected to grow by around 0.8 percent in 2017, and more than 1.5 percent in 2018.

The construction sector, on the other hand, showed sound development during the year, with a strong increase in new construction, primarily residential. The sector was driven by rising home prices and low interest rates. Infrastructure investments remained stable, at a high level.

Customers

In Norway, small and medium-sized customers accounted for 30 percent of Ahlsell's net sales. Many installation technicians are members of purchasing associations. Together, they accounted for 28 percent of sales. Remaining volumes were primarily sales to industry and facility management companies. Around 25 percent of customers purchase from more than one product segment. Examples of large customers are Varme og Bad, Olav Thon Gruppen, Yara and Eidsiva.

Competitors and competitive landscape

The Norwegian market is mature, and has a more fragmented customer base than other markets. However, the presence of purchasing associations and chain retailers contribute to a relatively competitive situation.

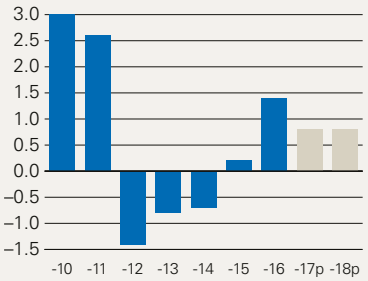
Ahlsell is the only distributor with a significant presence in all three product segments. The strongest position is held in the HVAC & Plumbing product segment.

Examples of competitors

HVAC & Plumbing: Dahl
Electrical: Rexel, Onninen, Solar
Tool & Supplies: BB Tools, Würth

Finland

GDP
%, fixed prices



Source: National Institute of Economic Research (NIER), Dec. 2016.

Market size and market share

- The total market comprises net sales of close to SEK 35 billion, of which around 60 percent, equivalent to SEK 22 billion, is via distributors.
- Ahlsell's market position is between number three and five within all product segments.
- The market share is around 11 percent.

Market development

The Finnish economy recovered during 2016 and GDP increased by 1.4 percent. The economy benefited from low interest rates, which stimulated private consumption and increased investments. GDP is expected to continue to grow by around 1 percent p.a. in 2017-2018.

The construction sector showed increased activity, driven by high demand for new homes in expanding urban regions. Construction also increased outside the residential sector.

Customers

In Finland, small and medium-sized customers accounted for around 55 percent of Ahlsell's net sales. Around 30 percent of customers purchase from more than one product segment. Examples of large customers are Saipu, Are, Yara, SSAB and Outokumpu.

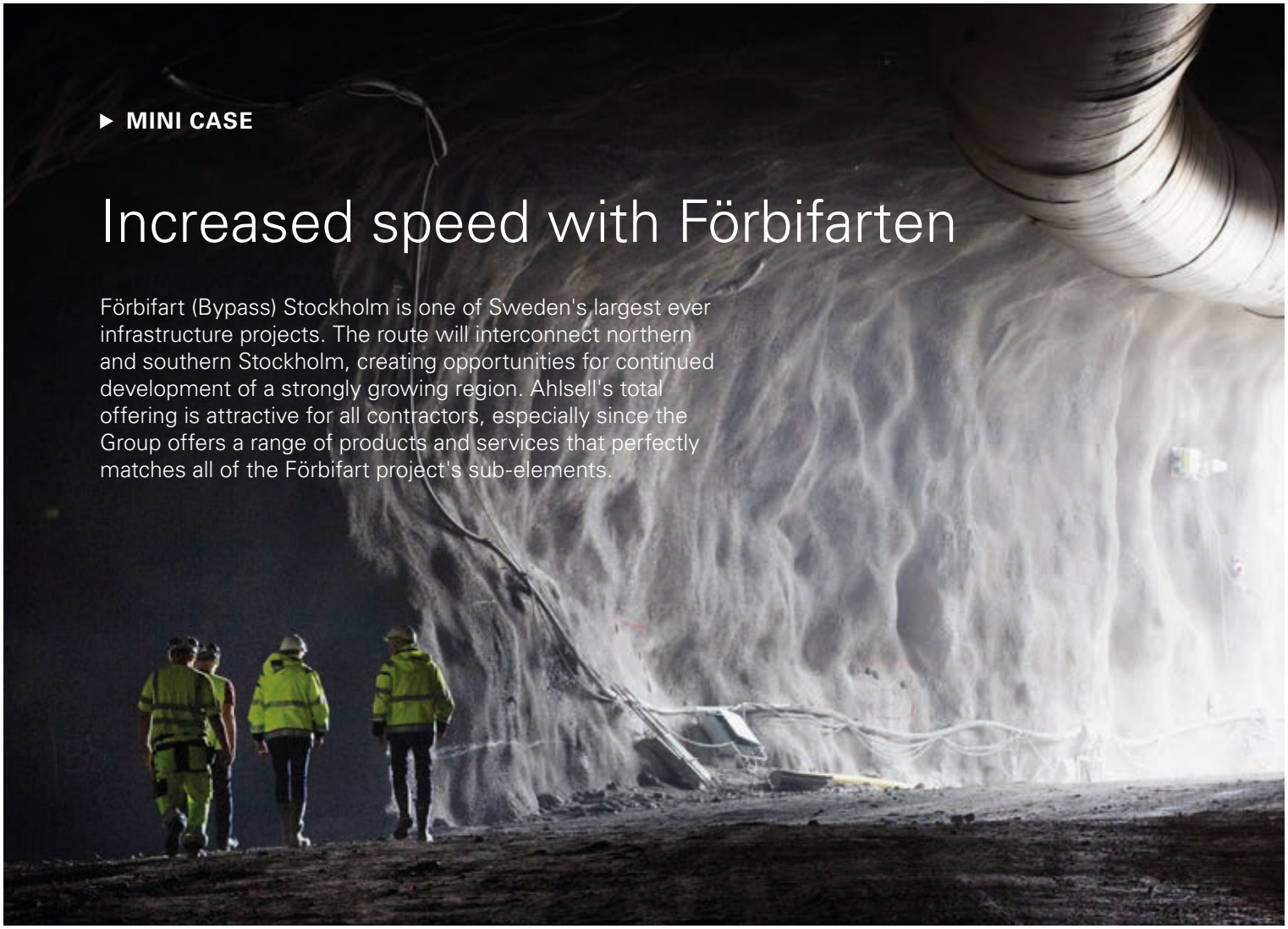
Competitors and competitive landscape

The Finnish market differs from Sweden and Norway, and is characterised by lower costs and lower gross margins, partly related to a higher ratio of direct sales typical for the Finnish market. Onninen is the market leader in the Finnish market. Their offering covers several segments.

Ahlsell's strongest position is in the HVAC & Plumbing product segment. The organisation is primarily focused on building strong regional market presence based on its already established position within HVAC & Plumbing.

Examples of competitors

HVAC & Plumbing: Onninen, Dahl
Electrical: Sonepar (SLO), Onninen, Rexel
Tools & Supplies: Würth, Etra, BB Tools



▶ **MINI CASE**

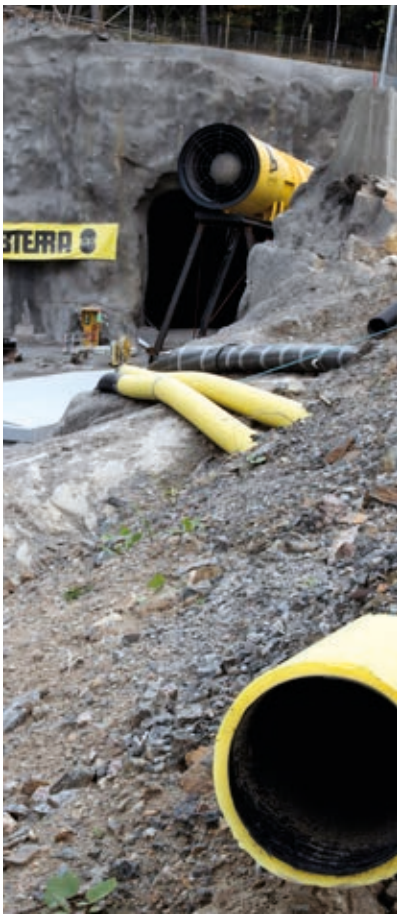
Increased speed with Förbifarten

Förbifart (Bypass) Stockholm is one of Sweden's largest ever infrastructure projects. The route will interconnect northern and southern Stockholm, creating opportunities for continued development of a strongly growing region. Ahlsell's total offering is attractive for all contractors, especially since the Group offers a range of products and services that perfectly matches all of the Förbifart project's sub-elements.

▶ **The work on Förbifart Stockholm** has been ongoing since 2006. In the first years, the focus was on planning, organisation, studies and applications for various permits. The extensive project design work was gradually started up, and various elements are now under way.

The project is divided into stages that, over time, will involve all of Ahlsell's product segments. Initially, there are a lot of earthworks and civil engineering projects that will require concrete supplements, construction fixings, and water and drainage solutions. Construction-related products will be required throughout the journey, concluding with a need for products within climate control, electrical, heating, and sanitary installations.

Ahlsell has three well-stocked branches in direct proximity to the tunnel construction work, and these branches' product offering is continuously adjusted, in line with demand. Ahlsell can also further streamline material flows by providing flexible on-site stockpiling solutions.



Technical installations for Förbifart Stockholm

Once the tunnel blasting operations are completed, the work of installing technical equipment can commence. The installations for E4 Förbifart Stockholm will for example require:

- ✓ Approximately 20,000 lighting fittings
- ✓ 900 – 1,000 cameras
- ✓ Around 150 kilometres of fibre cable
- ✓ Six air exchange stations, air extraction and supply
- ✓ Four air extraction stations in Hjulsta, Vinsta, Smista and Kungens Kurva
- ✓ Around 150 variable directional signs
- ✓ Around 950 lane signals
- ✓ Around 950 detectors

Objectives and business idea

Ahlsell aims to be its customers and suppliers instinctive choice for purchasing and distribution of installation products, tools and supplies. The Group also seeks to have the most satisfied customers in the sector, the highest employee commitment, and to create sustainable and profitable growth.

Business concept
To create effective trading in installation products, tools and supplies for professional users.

Customer promise
We make it easier to be professional.

Sustainability objective
Ahlsell will be an industry leader within sustainability and innovation.

Financial targets
Ahlsell's financial targets include growth, profitability, stable cash flows, financial position and dividend. The targets are based on the assumption of continued market growth and that Ahlsell can strengthen its market position with the support of strategic growth initiatives, acquisitions and increased effectiveness.

Overall objective
Ahlsell's objective is to continuously contribute to strengthening our customers' competitiveness. We will develop our offering continuously in order to fulfil our customers' requirements and exceed their expectations. We will also continue to grow through a combination of organic growth and acquisitions, and by making operational improvements. Ahlsell's objective is to be a leading distributor within the respective product segments in its primary markets.

GROWTH

Ahlsell's objective is to achieve growth of between 2 and 3 percentage points above the market growth (in its primary markets of Sweden, Norway and Finland combined) through a combination of organic growth and acquisitions.

Outcome 2016

Ahlsell exceeded its target. Net sales increased by 9 percent, which is 5 percentage points above the estimated average market growth[1] for 2015-2018.

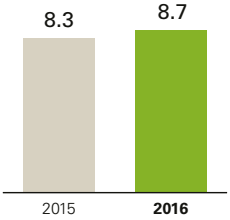
+9%

ADJUSTED EBITA MARGIN

Ahlsell seeks to continuously increase the adjusted EBITA margin.

Outcome 2016

Ahlsell met its target. The adjusted EBITA margin was 8.7 percent, which is 0.4 percent higher than in 2015.



CASH FLOW

Ahlsell's objective is to achieve annual cash conversion of approximately 90 percent. Cash conversion is defined as operating cash flow/EBITDA.

Outcome 2016

Ahlsell achieved its target. Annual cash conversion was 90 percent.

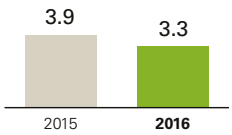
90%

INDEBTEDNESS

Ahlsell's objective is for net debt to amount to 2.0-3.0 times adjusted EBITDA. The capital structure shall provide flexibility and allow the Group to take advantage of strategic opportunities while maintaining a solid financial position.

Outcome 2016

In accordance with what was previously communicated Ahlsell reduced its net debt during the year. Ahlsell has significant cash flow generation capacity and net debt at the end of 2016 was 3.3 times adjusted EBITDA; just above the target range.



DIVIDEND

Ahlsell's objective is to pay a dividend, without hampering strategic flexibility, equivalent to 40-60 percent of net profit. The dividend proposal must consider Ahlsell´s potential acquisitions, financial position, cash flows and take future growth opportunities into account.

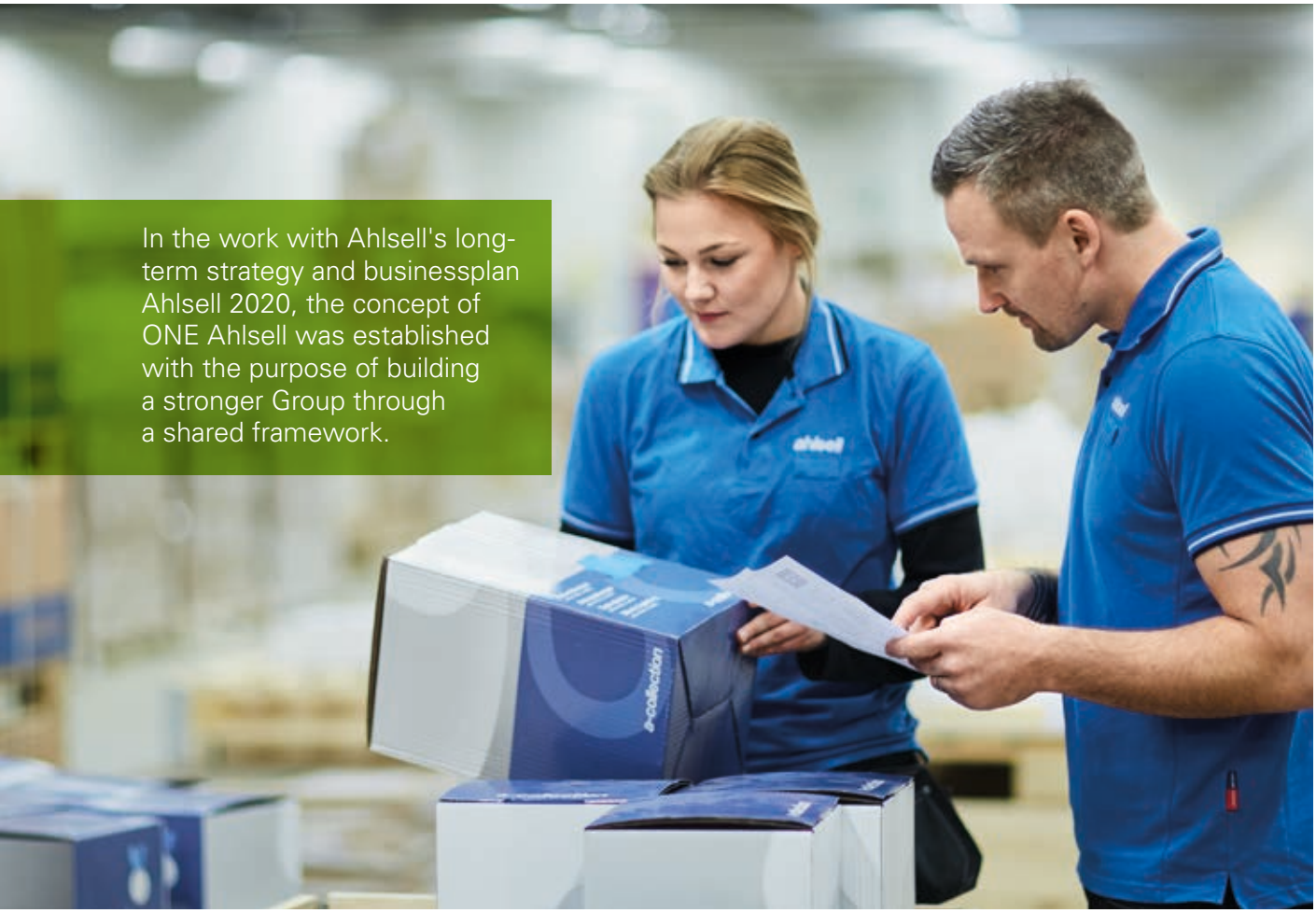
Outcome 2016

Ahlsell's Board of Directors proposes dividend of SEK 0.35 per share, which is in line with objectives. The dividend proposal is based on the result for the fourth quarter, which is roughly equivalent to the period of time in which the company has been publicly listed, adjusted for costs incurred from the company's IPO and pro forma costs for new financing. SEK:

0.35[2]

1) The target is based on forecast market growth of 4 percent on average for 2015-2018. Read more in Ahlsell's prospectus from October 2016.
2) Proposed dividend, see also page 51.

Strategy – Ahlsell 2020



In the work with Ahlsell's long-term strategy and businessplan Ahlsell 2020, the concept of ONE Ahlsell was established with the purpose of building a stronger Group through a shared framework.

In the Group's decentralised organisation, ONE Ahlsell ensures a clear understanding of shared goals and fundamental strategies. It also facilitates and encourages lateral sharing of ideas and best practice, as well as increased cooperation. Certain overall matters are initiated at Group level, but carried out by each market's local organisation.

Examples of overall Group initiatives are Ahlsell's focus on sustainability, business-supporting HR, continued development of a customer-oriented multi-channel offering, increased sales effectiveness, more effective purchasing and the development of private label products.

Ahlsell's four areas for development towards ONE Ahlsell

- **The Ahlsell Model**

Ahlsell will continue to develop the company according to the Ahlsell Model in all primary markets. The Ahlsell Model defines the customer offering, as well as fundamental success factors such as added value, scale, breadth, local presence and strong business support.

- **The Ahlsell Way**

The Ahlsell Way describes how we work and are organised, and how we relate to each other and the world at large. The Ahlsell Way includes values, leadership, sustainability, code of conduct, processes, management and organisation.

- **Profitable growth**

Profitable growth is achieved through organic growth and high acquisition activity. Besides market growth, Ahlsell must proactively run growth initiatives to add new customer groups and products. Acquisitions strengthen the market position and drive growth.

- **Improvement**

Continuous improvement is a natural, prioritised element of our day-to-day activities. Development is achieved by allocating time and resources to continuously identify and prioritise areas for improvement.

Strategy | The Ahlsell Model

The Ahlsell Model defines the customer offering, as well as fundamental success factors such as added value, scale, assortment breadth, local presence and effective business support. To ensure value realisation, the model requires strong positions within at least two product segments in each market. This will give sufficient volume to achieve scale economies and market synergies.

The Ahlsell Model has shown its potential in the Swedish operation, which holds a market-leading position within all product segments. In Norway and Finland, the work is continuing to gradually strengthen and implement the model in our business.

Added value

Ahlsell will offer customers a positive experience that fulfils its customer promise: Ahlsell makes it easier to be professional! The customers are offered the added value of an effective work situation, lower total costs and thereby increased competitiveness.

Scale

A strong market position and high volumes will give scale economies within purchasing, sales, logistics and business support, which is a key factor in achieving profitable distribution. High volumes will also make Ahlsell more attractive to suppliers.

Breadth

A broad customer offering will reduce customers' total costs and increase customer loyalty, while allowing for profitable cross-selling and cost synergies. Expert advice and depth within each product range are offered via an effective matrix organisation.

▶ **Many customers start their day at Ahlsell, to collect the items they need for the day's work. The Ahlsell branches often fill an important social and relationship-building function, where experts in different trades can meet over a cup of coffee.**

Local presence

A majority of Ahlsell´s customers operate in the proximity of the branch and a local presence allows for close customer relations and exposes the brand. Branches provide an extensive product range available for immediate purchase, and the collection of pre-ordered items. Ahlsell also offers advisory and expertise services at the branch, via telephone or at personal meetings.

Enabling customers to buy their goods through several different channels is an important competitive advantage and is valued by many large and medium-sized customers, as well as multi-segment buyers.

Effective business support

Effective business support is a fundamental condition for Ahlsell's offering. Business support includes a purchasing organisation, a decentralised sales force, specialist expertise, effective logistics and distribution channels, and a stable and well-integrated IT platform.

Activities/initiatives in 2016

- Continued work to strengthen the Ahlsell Model by focusing on increased cross-sales, the development of the customer interface and a higher ratio of private label products.
- In Sweden, the focus has been on broadening the product range, improving the customer offering, strengthening the branch network and increasing investment in product specialists.
- In Norway and Finland, focus has been on increasing HVAC & Plumbing sales volumes, as this is an important prerequisite for successful implementation of the Ahlsell Model.
- The Group has also adopted a digital strategy to address the opportunities and challenges that come with increased digitalisation.

Our customer promise "Ahlsell make it easier to be professional", is about offering an effective work situation and lower total costs, thereby contributing to greater competitiveness for our customers.

Strategy | Ahlsell Way

The Ahlsell Way describes how we should relate to the world around us and to each other, as well as how we are organised and work. The Ahlsell Way includes values, leadership, sustainability, code of conduct, processes, organisation and management.

Values

Ahlsell values are part of everything we do. It describes how we work and how we relate to customers, suppliers, society and, most important, to each other. Our values makes it easy for customers and suppliers to understand how we do business.

Employeeship and leadership

Ahlsell's culture is characterised by strong business acumen and entrepreneurial spirit. Personal drive and individual development are a prerequisite and the goal is to have motivated employees.

Sustainability

Ahlsell aims to be an industry leader within sustainability and environmental issues. Sustainability is a tool to create customer value. Training in sustainability is a key prerequisite for success. With knowledge, we can drive the development of new, more sustainable products and ranges, and help our customers to make the best choices.

Code of conduct

Our code of conduct describes how the company must be run on an ethically, socially and environmentally sustainable basis.

Processes, management and organisation

Ahlsell has a market-oriented and decentralised organisation with focus on customer benefit, profitability and entrepreneurship. Shared corporate principles and models set the framework for follow-up, management and development of the business. By learning from high-performing profit centres and exchanging experiences, we can create best practice and valuable knowledge, for the benefit of the company's development.

Business acumen and entrepreneurship defines the Ahlsell spirit and is best described by our values:

Activities/initiatives in 2016

- The Norwegian operation has been restructured, including managerial and staff changes and transition to a matrix organisation, for greater coordination and lower costs.
- An HR director position was established, with responsibility for the development of an overall Group HR strategy with focus on leadership and employee development. The HR organisation was restructured and connected more closely to the business activities.
- A new reporting structure was introduced in Norway and Finland, with the aim of increasing the focus on results and profitability.
- A Group sustainability organisation was established and it was decided to produce a sustainability report in accordance with the Global Reporting Initiative, see page 22.

The Ahlsell Way is about creating a corporate culture with a common set of values that develops good leadership, clear processes, and an effective, customer-oriented organisation where people thrive.

Strategy | Profitable growth

Ahlsell's successful strategy for profitable growth has laid the foundation for expansion within new customer segments, products and markets. Organic growth is supplemented with acquisitions and during 2016, three companies were acquired, with annual sales totalling approximately SEK 600 million.

Organic growth

Growing faster than the market demands innovation, creativity and other extra activities including strategic initiatives of all sizes to acquire new customers. Ahlsell works proactively to develop relationships with both new and existing customers. This includes expanding product range, developing new services and providing deeper specialist expertise.

Acquisitions

Ahlsell is continously strengthening its market position through both large and small acquisitions. In the last 20 years, Ahlsell has acquired around 70 companies, including three in 2016.

Acquisitions can take place in existing markets within established product categories, and also within obvious niches in which clear synergies exist. Acquisitions contribute increased product breadth, new customer segments and markets and, not least, new expertise and new employees.

Positive synergy effects

Ahlsell has considerable experience from identifying, acquiring and integrating companies. There are significant integration benefits and Ahlsell expects that the acquisition object's EBITA margin can be doubled in a long-term perspective, due to the synergy gains achieved from coordinating purchasing, logistics, administration and sales.

There are additional positive effects from a reduction of the operating capital requirement in the acquired company, including the coordination of stocks.

A structured process

Ahlsell has determined that there are a large number of potential acquisition candidates in the Nordic region.

These are considered using a structured process through which a central acquisition function, supported by the Group management and local managers, assesses potential acquisition targets.

Through an ongoing and meticulous search process Ahlsell has identified around 100 companies to put through closer scrutiny. Ahlsell will contact the most interesting in order to initiate dialogue. Certain ventures can take many years before reaching completion, while others proceed more quickly.

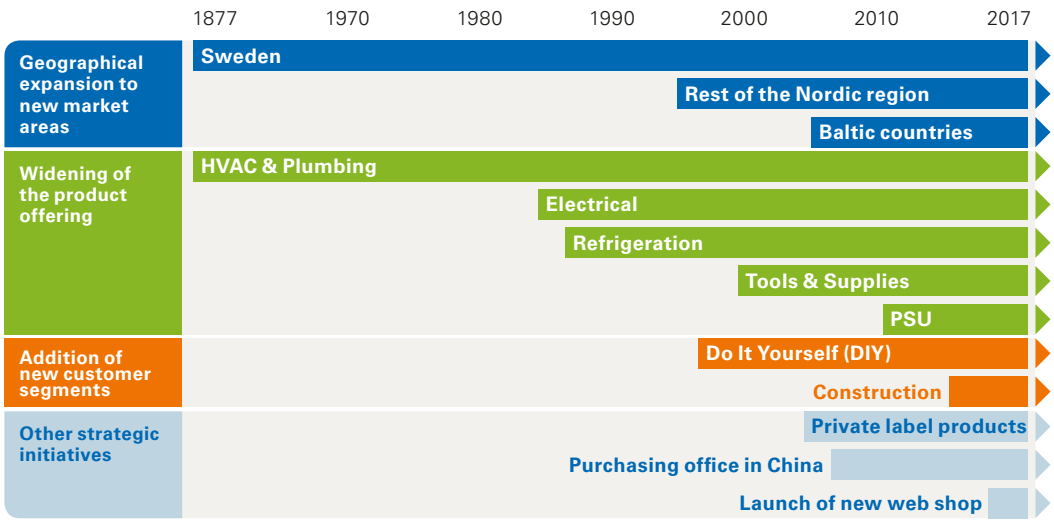
Four types of acquisitions

Ahlsell has divided acquisitions into four categories: supplementary acquisitions that are fully integrated into the company, major strategic acquisitions that contribute a new customer segment or geographies, acquisitions to broaden the product range, and niche acquisitions. In recent years, Ahlsell has made acquisitions in all four of these categories.

Activities/initiatives in 2016

- The Group has initiated projects to increase sales effectiveness and cross-sales.
- Several initiatives took place in the Group's primary markets in order to broaden and deepen our product range, and thereby strengthen Ahlsell's position within attractive customer segments such as property management, the power station industry, and plant and infrastructure.
- Development of the branch network is another area of improvement. The branches are important for the brand and to expose the wide range of the Group's offering.
- A review of the acquisition organisation led to increased local involvement and higher activity. During the year, Prevex, Elgross´n and Värmematerial VVS were acquired, with combined annual sales totalling approximately SEK 600 million. At the end of February 2017, G:ESS Yrkeskläder was acquired.

Ahlsell has identified around 100 companies to put through closer scrutiny.



Ahlsell's leading market position has been built up over 140 years.

Organic growth is the foundation, and is created through internal improvement, strategic initiatives and business development. This is supplemented with acquisitions to reinforce, broaden and expand internal initiatives.

The Group's growth and profitability have accelerated during the last 20 years.

▶ MINI CASE

Acquisitions as the foundation for the future

The acquisition of HauCon Sverige AB and SKB Väst AB are excellent examples of Ahlsell's growth strategy in which acquisitions are important components of a wider market strategy. Since 2001, Ahlsell has made a number of strategic acquisitions in order to take a position as a significant supplier to the construction sector.

▶ **The acquisitions of** HauCon Sverige and SKB Väst are typical examples of what Ahlsell categorises as niche acquisitions. They add expertise within specific product segments and are usually market leaders within niche markets. The acquisitions of HauCon Sverige and SKB Väst have opened up a whole new market for Ahlsell, with new customer categories and new products. The specialist expertise they have contributed is now the core of Ahlsell's technical and competence centre for casting and formwork.

"Acquisitions are important for our continued focus on the construction industry and infrastructure projects," says Christer Mårs, division head of Construction in Sweden. "With this type of products in our offering we can be involved in the project right from the start, and often already in the planning and design phase."

HauCon Sverige is one of the leading suppliers of special products and technical expertise for the building and construction sector in the Nordic countries. The company also has some own production and can create object-adapted solutions at short notice. SKB Väst is focused on providing the construction industry with quality products within a number of areas such as reinforcement techniques, form accessories, casting, assembly details and fixings.

Strategy | Improvement

A focus on continuous development and improvement is prioritised. The Group initiates and drives corporate improvement projects within business-critical processes. In addition, each segment and profit centre are expected to drive their own improvement projects.

Ahlsell's success is based on the ability to predict the market development and quickly act on market changes.

Basic ideas are:

- Seeking continuous improvement
- Insights into Ahlsell's success factors
- A limited number of Group projects with central support
- Planning, follow-up and structure

Activities/initiatives in 2016

Four Group improvement projects were launched in 2016:

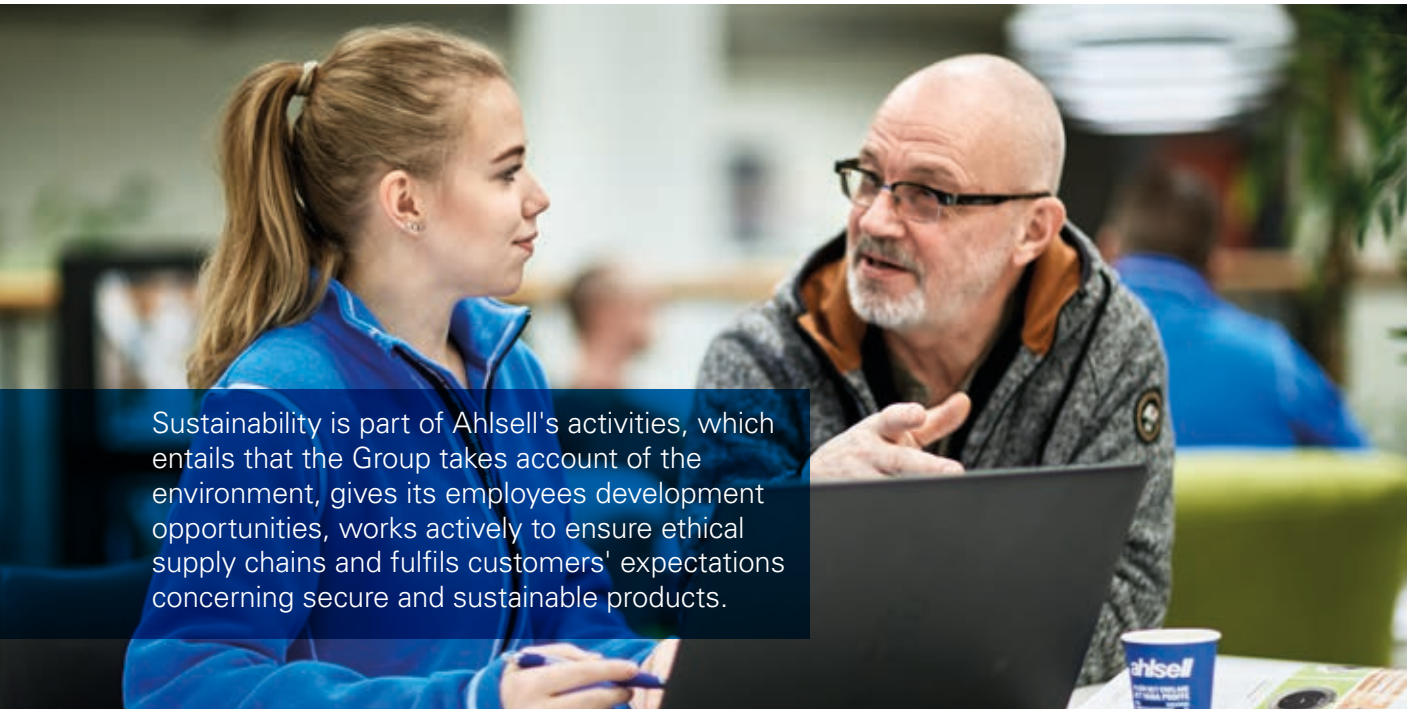
- Sales efficiency
- Pricing
- Purchasing and category management
- Customer interface

Improvement projects driven to increase productivity

- Decentralisation
- Clear organisation structure
- Simplicity and reduction of administration
- Conversion and extension in Hallsberg
- Increased automation and digitalisation

Improvement is a priority, and integrated into our daily business.

Sustainability



Sustainability is part of Ahlsell's activities, which entails that the Group takes account of the environment, gives its employees development opportunities, works actively to ensure ethical supply chains and fulfils customers' expectations concerning secure and sustainable products.

Ahlsell's vision is to be an industry leader within sustainability and to take clear economic, social and environmental responsibility.

VI STÖDJER BARNCANCER FONDEN

Ahlsell supports The Swedish Childhood Cancer Foundation.

Ahlsell's sustainability report 2016 is integrated in this annual report and has been drawn up on the basis of the Global Reporting Initiative (GRI), see page 109 for the GRI index. The ambition for the 2017 Sustainability Report is to follow GRI Standards in full.

Stakeholder views

Ahlsell's stakeholders directly or indirectly affect or are affected by Ahlsell's business. The dialogue with these groups took place via a survey[1] and stakeholders' views determined the issues Ahlsell's sustainability report has focused on. The process follows the requirements under the GRI Standards.

Significant issues

Ahlsell's stakeholders consider it very important that Ahlsell maps its operation to ensure employees' welfare, suppliers' responsibility and product safety. Stakeholders responded that they give priority to occupational injuries and illness, environmental and employment law criteria for suppliers, and how the Group reviews the safety of its products.

New targets, new key figures

During 2017 Ahlsell will determine its new sustainability targets to apply up to 2020. The targets have been created on the basis of the UN's sustainable development targets and the focus will be on responsible procurement, sustainable innovation, reduced environmental impacts and social responsibility.

Sustainability targets have already been established as key figures in the Swedish company and for 2017 these will be introduced throughout the Group. All of the sustainability targets must be quantifiable and concrete, so that both Ahlsell and the Group's stakeholders can subsequently follow up on the targets.

Policies and regulatory documents describing how the Group will work on these issues are available on Ahlsell's website, and employees receive continuous training in how the Group works with sustainability.

Learning together, internally and externally

In 2016, Ahlsell launched the "Helping your customers with sustainability" training programme. The aim of the training is for the Group to become better at discussing environmental and sustainability issues with customers, and for employees to build up internal knowledge. Ahlsell has also created an interactive training programme to roll out and anchor the code of conduct internally in its own organisation.

1) All groups, except the Society and Organisations groups, have received the survey. Society's views were assessed by the sustainability report's steering group, and the Organisations group's views were not addressed. The dialogue with these groups will be initiated and considered in the sustainability report for 2017.

Sustainability | Employees

Today Ahlsell has 5,000 employees in seven countries. To succeed with the Group's expansion strategy, Ahlsell needs to attract competent new employees and develop existing talent in the company. In 2017, Ahlsell will continue to develop the company into a workplace where everyone has the opportunity to develop and grow.

In the Ahlsell 2020 business plan, Human Resources (HR) was identified as a strategic focus area. In 2016 an HR director was appointed resulting in a new HR strategy and organisation with local HR managers in Norway, Sweden and Finland.

In 2017 the focus is on leadership development, drawing up new values, competence development and improved internal communication.

A safe and healthy workplace

Ahlsell's employees must thrive in their work. Every year, the respective countries hold internal questionnaire surveys in order to assess employees' satisfaction with their workplace. In 2017 the aim is to design a shared Group employee satisfaction index in order to more easily monitor and improve development.

Ahlsell's stakeholders believe that a safe workplace is Ahlsell's most important responsibility. Ahlsell takes safety very seriously and works actively to reduce the number of occupational injuries. The majority of the injuries suffered by Ahlsell's employees occur in one of the Group's central warehouses, which therefore have a number of safety rules and directives. In 2016 there were 60 incidents or injuries at the central warehouse in Hallsberg.

Coaching and leadership with continuous follow-up

Ahlsell's objective is to be the sector's most attractive employer in 2020. The key to this is coaching and leadership with clear goals and continuous follow-up. Regular employee appraisals must be held, and each employee must have an individual development plan in sync with Ahlsell's overall business plan.

When individuals grow, the organisation thrives

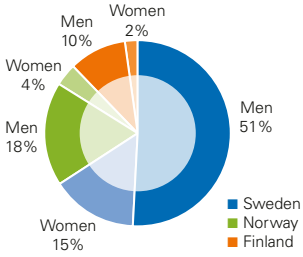
Competence development is an important condition for sustained profitable growth. Within the Group, training is available for managers and employees in product knowledge, sales, purchasing and leadership. One example of an initiative during the year is a new sales and leadership training programme which started up in Finland. It is aimed at sales and regional managers, as well as sales coaches. Equivalent training will be started in Sweden and Norway during spring 2017.

A compass for the future

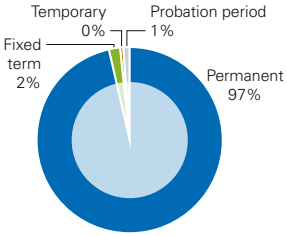
Ahlsell's values are an important element of the ONE Ahlsell vision for change. These values will serve as Ahlsell's compass and will among other things describe our approach to colleagues, customers and suppliers.

Ahlsell's work around values began in 2016, and this continues to be a priority in 2017. In the coming years our values will be anchored in Ahlsell's activities. The values will be an integral part of employee profiles, manager profiles and development appraisals, and will be followed up as part of the ongoing business monitoring. The values are also an important element of Ahlsell's acquisition strategy. Shared values support the integration of new employees and companies.

Number of employees and gender distribution [1)]



Number of employees and employment form[1)]



Average absence due to illness/employee [1)]

3,8%

1) Includes the operations in Sweden, Norway and Finland.

TARGETS FOR 2017

- Launch new values.
- Development of leadership through provision of leadership training for all managers, better succession planning and new employee appraisals.
- Focus on building a strong employer brand.
- Launch a new intranet.

Sustainability | Suppliers

A company as large as Ahlsell has a responsibility which extends beyond its own activities. The products which Ahlsell sells must come from suppliers that, like Ahlsell itself, take human rights and environmental issues seriously. This means that the Group sets higher requirements of both its own and suppliers' activities than stipulated by law, especially for suppliers whose operations or subsuppliers lie in risk areas.

Ahlsell sets requirements

To ensure that all companies with which the Group trades fulfil Ahlsell's requirements, Ahlsell has a code of conduct which all suppliers are required to sign. Our code of conduct is based on the principles in the ISO 26000 standard and describes the minimum requirements for the Group's own conduct and for how our suppliers operate their activities, from a sustainability viewpoint. The market must be able to trust that Ahlsell conducts itself with the greatest integrity concerning economic, environmental and social sustainability.

New suppliers must be approved

Before an agreement is signed with a new supplier, the supplier's activities and policies must be assessed. All suppliers with which Ahlsell entered into cooperation during 2016 were assessed on the basis of environmental and ethical factors, according to Ahlsell's code of conduct.

Ahlsell thereafter continuously follows up on its suppliers to check that they continue to fulfil the Group's requirements.

TARGETS FOR 2017

- **Ahlsell will continue to audit suppliers according to a sustain–ability perspective. By the end of the year, 33 percent of the Group's purchasing spend should come from audited suppliers. The target for 2020 is for this figure to increase to 50 percent.**

Continuous assessment for shared development

In 2015 and 2016, Ahlsell gave priority to assessing its largest suppliers. Size is based on purchased value, which means that the Group´s most important suppliers in terms of trading volume are assessed first. During the last two years more than 20 percent of the suppliers were audited, based on purchased value.

When Ahlsell audits its suppliers, the aim is to improve together. Ahlsell has chosen not to focus solely on finding deficiencies, but instead to identify development opportunities and implement new ideas, together with the suppliers. The Group therefore measures the number of development opportunities found, and not only the number of deficiencies. The audits are performed by an internal audit team. Any deficiencies are documented and followed up.

Focus on working conditions

In accordance with the code of conduct, both suppliers and Ahlsell must ensure that no forced labour, work outside statutory working hours, or work in unsafe working environments take place at any of Ahlsell's suppliers. If Ahlsell identifies any risk of non-compliance with these terms, an action plan will be established. If this action plan is not fulfilled, Ahlsell will terminate the cooperation.

Zero tolerance of child labour

Ahlsell does not tolerate child labour in its activities, or in companies operated by the Group's suppliers, including their subsuppliers. If Ahlsell identifies any risk of child labour taking place at a supplier, Ahlsell will terminate its cooperation with this company.

Ethical business conduct is imperative

One of the core requirements in Ahlsell's code of conduct is ethically correct conduct based on honesty, fairness and integrity. Suppliers also undertake to report all of their business transactions on a fully correct basis, in accordance with generally accepted accounting principles and applicable Acts and provisions. Ahlsell always follows up on suspected unethical conduct and corruption.

Protecting the environment

Ahlsell's suppliers must be able to show that they comply with the environmental legislation applying in the countries in which they operate. Suppliers must also comply with the special requirements made by Ahlsell in accordance with ISO 14001.

Clear responsibility

Ahlsell's Board of Directors has designated the Group President and heads of operations in the respective countries as responsible for implementing and ensuring compliance with the code of conduct. To support this implementation, there are policies and regulations with which Ahlsell's employees must be familiar. Suppliers that enter into agreements with Ahlsell are responsible for implementing and following up that Ahlsell's code of conduct is complied with in the supplier's organisation.

Sustainability | Safe products for a safe workplace

Customers must be able to trust that the products they buy from Ahlsell are safe to use and correctly labelled. The Group continuously adds new products to improve occupational health and safety for both customers and employees. In addition, Ahlsell has developed several different training programmes, safety protection offers, and information material to make it easier for customers to make wise and safe choices.

Joining forces to reduce occupational injuries

Ahlsell has many customers that operate in sectors with a high risk of occupational injuries, which makes ensuring safe products a crucial sustainability issue for Ahlsell. Together with customers, the Group will contribute to minimising the risk of injury and help customers to choose solutions to make their working environment safer. Products are assessed continuously and reports concerning injuries related to specific items are taken very seriously.

Ahlsell's catalogue of protection equipment and industry sector manuals are also available for the Group's customers to minimise risks of injuries at their own workplaces.

Ahlsell also offers several different safety training programmes, such as a fall protection course, so that customers can learn more about techniques and working methods to minimise the risk of falls in the workplace.

All new products are inspected

Every year, Ahlsell adds new products to the product range. However, before these products can be sold to customers, they must be approved by the product manager responsible and by Ahlsell's market council. New products must not only be safe to use. Ahlsell has the ambition to each year actively increase its assortment of environmentally classified, energy-effective products.

Safety has a clear place in Ahlsell's offering

The right protection equipment is just as important as the right tools. Ahlsell offers a wide range of equipment for personal protection of the head, hearing, eyes, respiration, hands and feet. The Group also has protective clothing, fall protection equipment, rescue equipment and hygiene items. This is one of the most complete offerings in Sweden, and Ahlsell only represents suppliers whose products comply with current regulations.

Ahlsell also offers its customers safety-related services. An example is PSU safety bags for protection from technical chemical products, a solution whereby Ahlsell arranges a bag with personal protection equipment based on the technical chemical products with which the installation technician will be in contact in the working environment. The content is matched to the technician's requirements and the aim is to make the working day both easier and safer.

TARGETS FOR 2017

- Launch at least ten more sustainable products and services to contribute to increased sustainability.
- The ratio of environmentally-classified and energy-effective products must increase by 10 percent during the next five years.

Sustainability | Environment

Ahlsell complies with all environmental legislation and provisions in the countries in which it is active. Additionally the Group aims to lead the industry within this field. Ahlsell should always consider the impact on environmental and other sustainability perspectives in all business decisions.

ENVIRONMENTAL TARGETS

- Increase the range of sustainable products and services
- Ensure safe handling of chemical products
- Use climate-efficient transport
- High energy efficiency in the Group's facilities
- Increase the recovery rate and reduce the total waste volume
- Train employees in prevention of environmentally-hazardous situations
- Train customers and employees in the environmental impacts of Ahlsell's products
- Assess and follow up on suppliers

Ahlsell's emission levels are measured in tonnes of carbon equivalents per million Swedish kronor in net sales[1].

1.49

Material, recovery ratio

71%

1) The calculation is based on documents from the activities in Sweden, Norway and Finland. For Denmark, Poland, Estonia and Russia, the estimates are based on net sales in the respective countries in relation to Sweden, Norway and Finland's net sales. Conversion factors to carbon dioxide equivalents are taken from Swedish emission data (SMED). For conversion of kilowatt hours, Nordic energy mix is used and obtained from the Swedish Energy Agency. Conversion of fuel oil is taken from Preem.

Ahlsell's activities are certified in accordance with the ISO 9001 and ISO 14001, quality and environmental management standards. This entails that the Group has clear quality and environmental procedures and works actively to continuously improve operations. Ahlsell also has an environmental policy.

Transports are important

As one of the largest transport buyers in the Nordic region, Ahlsell takes special responsibility for reducing emissions from freight transport.

In Sweden, the majority of the transport operations are from Ahlsell's central warehouse in Hallsberg. Around 150 trucks with 4,500 cubic metres of goods pass through Hallsberg every day, around the year. The lorries annually carry around 400,000 tonnes of goods to distribution points all over the country.

In recent years, Ahlsell in Sweden has set environmental targets, with annual follow-up, for its transport operations. In 2017, the companies in Norway and Finland will establish equivalent targets.

Energy use

In order to reduce its energy use during 2017, Ahlsell is focused on increasing the cooperation between countries, so that they can learn from each other. During the year, shared targets must be drawn up, and shared activities established.

In 2016, Ahlsell performed an energy audit in accordance with the new EU directive which was reported to the Swedish Energy Agency. In addition to Ahlsell's fulfilment of the statutory requirements, the audit also included measurement of new data and establishment of quantitative targets.

Increased recycling

For several years, Ahlsell has maintaned a successful recycling programme. The ratio of recycled materials in Ahlsell's central warehouse operations exceeds 90 percent. This work is continuing in accordance with Ahlsell's ambition to achieve continuous improvements.

Ecolabelled products

To really make a difference, it is not sufficient to focus solely on internal solutions. Ahlsell extends beyond its own activities by each year increasing the range of ecolabelled and energy-efficient products offered. It must be easy for Ahlsell's customers to make the right choices.

Customers demand for environmentally classified products is growing rapidly and, as a contract provider, Ahlsell is increasingly being called upon, to offer a product range that is both varied and environmentally-sustainable.

In 2015, Ahlsell launched an assortment of environmentally classified products and this was further expanded in 2016. The offering is predominately made up of Ahlsell's private label products, but is supplemented with other brand products.

TARGETS FOR 2017

- **Reduce environmental impacts from transport, energy and waste by 20 percent during the next five years.**

▶ MINI CASE

Complex deliveries for the tunnel construction under the Göta Älv

The construction of the new Marieholm tunnel in Gothenburg is in full swing. This is a spectacular project in many ways, not least because the tunnel is being constructed as an immersed tunnel under the Göta Älv. This work is an important part of the major infrastructure initiative, the "Västsvenska Paketet" for which Ahlsell is proving its strength as a full partner with both capacity and expertise.

Anything is possible – from concrete blocks to coffee

- ✓ **Concrete blocks** 170,000 items
- ✓ **Cutting discs** 2,800 items
- ✓ **Protective goggles** 700 items
- ✓ **LED headlamps** 90 items
- ✓ **Angle grinders** 24 items
- ✓ **Compressed air hose** 1,100 metres
- ✓ **Cooling pipes** 30,000 metres
- ✓ **Binding wire** 60,000 kilos
- ✓ **Coffee** 4,000 kilos

▶ **In November 2014, Ahlsell** established initial contact with the contractor Züblin that is responsible for the tunnel construction. After this, Ahlsell has continued to work on finding additional channels into the project so as to be able to offer technical expertise and the most complete product range for all aspects of the construction work.

Through Ahlsell's specialist unit Betongkomplement, we could deliver concrete blocks and reinforcement spacers. However, the largest product is the waterproofing membrane which is attached to the concrete's exterior to make it watertight.

In some cases, the deliveries for the Marieholm tunnel are very bulky, which means that orders and volumes cannot easily be stockpiled. The challenge is to stay one step ahead and to always be well-informed about the progress of the project.

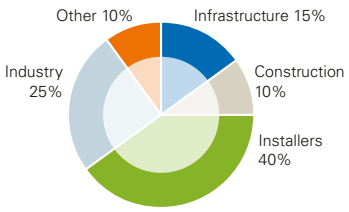
Segment | Sweden

Net sales, SEK billion	Organic growth	Adjusted EBITA margin
15.9	8%	12.2%

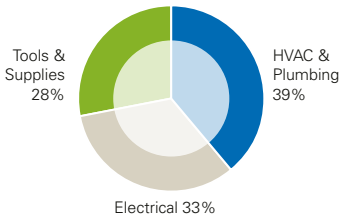
Ahlsell Sweden in brief, 2016

- Strong development in sales and results, driven by successful initiatives, internal improvements, three acquisitions and favourable market conditions.
- Acquisition of Elgross´n, Prevex and Värmematerial VVS contributed combined annual net sales of around SEK 600 million.

Sales per customer segment



Sales per product segment



Net sales and earnings

Sweden	2016	2015
External net sales, SEK million	15,874	14,328
Organic growth	8%	6%
Adjusted EBITA, SEK million	1,936	1,729
Adjusted EBITA margin, %	12.2%	12.1%

2016 was a successful year for Ahlsell Sweden, which strengthened its market positions in all product segments. Sales reached record-high levels, increasing by 11 percent, due to existing customers buying more, plus an influx of new customers. The operating profit also increased considerably. Three acquisitions were made.

Prioritised development areas were acquisitions, the customer offering, strategic initiatives, increased cross-sales and internal improvements and productivity-increasing activities.

Strategic initiatives

The strategic initiatives within construction, electrical infrastructure, lighting and personal protection equipment continued to develop through further expansion and development of the product offering.

The construction initiatives developed positively and grew strongly in a buoyant market. In 2014, through the acquisition of Haucon and SKB Väst, Ahlsell gained access to new products and expertise within construction and concrete supplements, which in 2016 had a positive impact on Building and Infrastructure's development.

Within electrical infrastructure, which includes the expansion of fibre cables to homes, the initiatives developed favourably. The lighting initiative also expanded and the strategic initiative which commenced before the ongoing technical shift continued to develop positively.

Within the Tools & Supplies product segment, continued focus on personal protection equipment led to strong growth figures. What began as a secondary service has become a strategically important product category that is growing, as a result of increased working environment protection requirements.

Besides strategic market initiatives, there has been added focus on increasing proximity to the customer and improving the customer offering to better showcase the breadth of the product and service offering and make cross-selling possible. These activities resulted in growth in the ratio of multi-segment customers.

The Ahlsell Model delivers

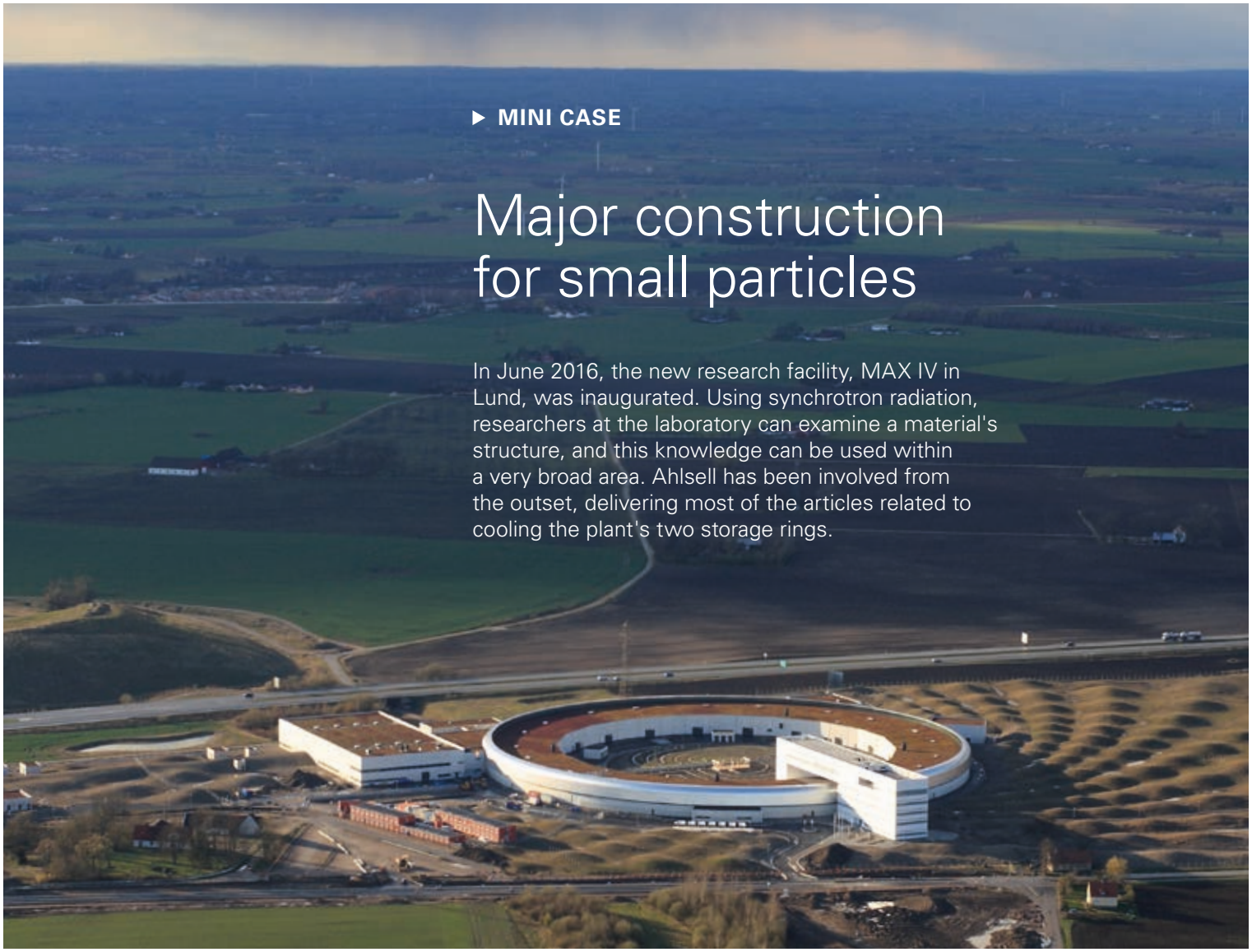
The result for the year proves the growth and profitability potential of the Ahlsell Model in an expanding market. With focus on improving the customer experience, sales efficiency and expertise development, Ahlsell continues to develop the customer offering. The ambition is to grow Ahlsell's share of the customer's total purchase and increase cross-selling, in order to convey more customers to purchase from several product segments.

Profitable growth and acquisitions

This year's three acquisitions contribute an estimated annual net sales of SEK 600 million. Two of the acquisitions are concentrated in the southwestern part of Sweden and contribute to further strengthening Ahlsell's position in the region within the major infrastructure investments that are underway, such as "Västsvenska paketet" (the package of traffic infrastructure investments for Western Sweden).

Increased rate of change

The priorities for 2017 are to further strengthen the market position by maintaining a high change and development rate in a number of areas. The development of the customer range and the meeting with customers, whatever the channel, take high priority, like the development of our sustainability initiatives. We also give priority to managerial and employee development in order to increase sales and customer expertise, as well as investments in digitisation such as the development of the web shop and other e-commerce platforms.



▶ MINI CASE

Major construction for small particles

In June 2016, the new research facility, MAX IV in Lund, was inaugurated. Using synchrotron radiation, researchers at the laboratory can examine a material's structure, and this knowledge can be used within a very broad area. Ahlsell has been involved from the outset, delivering most of the articles related to cooling the plant's two storage rings.

◀ Quick facts

Sweden

- Head of Operations: Claes Seldeby
- Around 3,000 employees
- Over 100 branches
- More than 100 unmanned on-site solutions
- 7.5 million web shop visits
- Central warehouse in Hallsberg
- 85,000 items in stock

▶ **In many ways, Lund is an exciting city** where the establishment of the MAX IV research facility has created spin-off effects to the entire region, also far beyond the world of science.

Using synchrotron radiation, MAX IV enables researchers to study very small particles. This can provide a basis for better batteries and solar cells, or new more effective medicine.

Ahlsell has been involved in the project from day one and delivered virtually everything related to the cooling water network. This includes pipes, couplings, pumps, valves and heat exchangers. Ahlsell has also equipped the laboratory's service workshops with tools and delivered personal protection equipment.

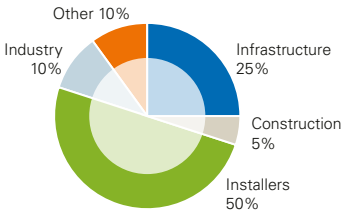
Segment | Norway

Net sales, SEK billion	Organic growth	Adjusted EBITA margin
4.9	7%	3.0%

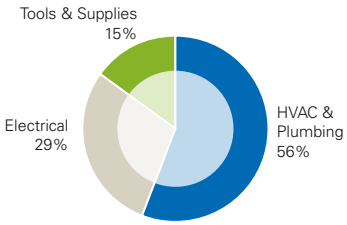
Ahlsell Norway in brief, 2016

- Positive development in sales and results, driven by strategic market initiatives, internal improvements and a positive reversal of market trends.

Sales per customer segment



Sales per product segment



Net sales and earnings

Norway	2016	2015
External net sales, SEK million	4,909	4,690
Organic growth	7%	–3%
Adjusted EBITA, SEK million	149	101
Adjusted EBITA margin, %	3.0%	2.2%

Ahlsell Norway achieved a turnaround in 2016 and delivered both sales growth and improved results. Planned managerial and organisational changes also took place, with positive effects for the company.

Prioritised development areas were internal improvement measures, and sales-directed and strategic initiatives to broaden the product range and strengthen Ahlsell's market position within HVAC & Plumbing.

Company restructuring

The restructuring took place to adapt the company to changed market conditions and to create a more result-oriented organisation. The changes included staff reductions in the southwestern region, and the transition to a result-oriented matrix structure with a regional customer focus, equivalent to a similar model in Sweden. The changes have generated increased productivity, a stronger focus on profitability and a clearer division of responsibility.

Strategic initiative

The aim to strengthen the market position within HVAC & Plumbing led to increased market focus and development of a wider product range. The initiative was successful, and resulted in increased volumes.

Broadening the customer offering was also on the agenda and one of many initiatives focused on developing a product range adapted for power stations. By investing in extensive specialist expertise, a customer-adapted range and the development of integrated logistics solutions, Ahlsell has been established as a clear and valued operator in the market.

Aquaculture, which has been a strategic development area for a few years, showed strong growth in 2016. Positive market conditions and increased demand were met with an expanded product range. In Aquaculture, Ahlsell works closely with customers and has been involved in the development of a number of solutions including one to count salmon lice.

The initiative to address new customer groups within construction and property was successful and Ahlsell gained several new customers within facility management. The initiative has led to the establishment of sales resources and the development of new services adapted to the target group. In a pilot project, Ahlsell entered into an agreement concerning lighting for a major property company. This project is interesting and takes the one-stop-shop concept to a new level.

Development of the branch network is another prioritised project within the framework of the Ahlsell Model. During the year, Norway has widened the product range in several branches and the intention is to convert more sites to full-range branches.

Profitable growth and acquisitions

During the year, Ahlsell Norway focused primarily on organic growth and strengthening its market position within HVAC & Plumbing. There have also been efforts to increase the loyalty of existing customers and expand the offering to new customer groups. Acquisitions are high on the agenda to grow the customer base and the product range offered.

Priorities in 2017

Prioritised areas in 2017 are continued growth within HVAC & Plumbing and increased cross-sales. The focus is also on addressing installation technicians, public utility companies and other customers for which Ahlsell's product range and effective distribution, offers more effective solutions and increased competitiveness. Finally, operations will continue to develop the branch network and the customer offering, reinforced with product specialists within added product categories.

▶ MINI CASE

A sea of opportunities

Ahlsell Norway has a good grasp of the Norwegian fisheries industry. This successful initiative has resulted in new contracts with the country's largest operators and increased net sales. Together with its suppliers, Ahlsell does its utmost to find solutions which can simplify and improve the everyday working conditions of people in the industry.

◀ Quick facts

Norway

- Head of Operations: Rune Flengsrud
- Around 1,000 employees
- Around 50 branches
- Around 30 unmanned on-site solutions
- 1.5 million web shop visits
- Central warehouse in Gardermoen
- 45,000 items in stock

▶ **Ahlsell's range for aquaculture is part of the HVAC & Plumbing product segment** and has always been part of Ahlsell Norway. A few years ago, Ahlsell decided to invest and develop an offering geared at this important and expanding industry.

Today, Ahlsell's aquaculture focus and range are apparent all along the Norwegian coast, from Kristiansand in the south to Kirkenes in the north. This has quickly become successful and in recent years agreements have been established with virtually every Norwegian producer of cultivated salmon. The objective going forward is to increase the level of cross-sales, and to deliver even more products, from additional product segments.

In many ways Ahlsell has become an important partner for the aquaculture sector and continue to support the industry.

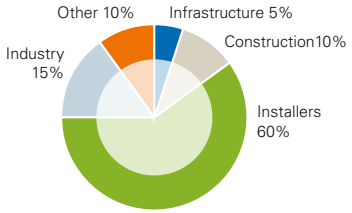
Segment | Finland

Net sales, SEK billion	Organic growth	Adjusted EBITA margin
3.1	7%	3.7%

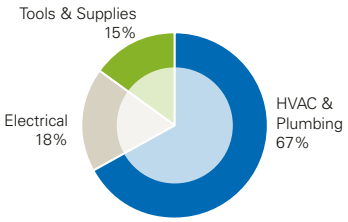
Ahlsell Finland in brief, 2016

- Positive development in sales and results, driven by strategic market initiatives, development of the branch network, internal improvements and favourable development in the construction market.

Sales per customer segment



Sales per product segment



Net sales and earnings

Finland	2016	2015
External net sales, SEK million	3,050	2,768
Organic growth	7%	–2%
Adjusted EBITA, SEK million	114	91
Adjusted EBITA margin, %	3.7%	3.3%

Ahlsell Finland achieved good development in 2016. The focus on increased sales within HVAC & Plumbing and Electrical yielded results. Organic growth was up 7 percent, and the adjusted EBITA margin improved. After many years of challenging market conditions, Ahlsell was able to benefit from the market reversal in the first half of 2016. Improved market conditions led to increased construction activity, more installation work and therefore increased demand. The priorities in 2016 were increased sales volumes and the development of the branch network, with an enhanced presence in growing major urban areas.

The Ahlsell Model and strategic initiatives

For the Finnish operations, ONE Ahlsell and the achievement of Ahlsell 2020 will be built up on the basis of the Ahlsell Model, with the long-term objective of a broad range in three strong product segments. To achieve this, several strategic initiatives have started with the aim of increasing the sales volume within HVAC & Plumbing and Electrical, improving the branch network, increasing e-commerce, and driving internal improvements. These initiatives have been successful and the market focus on HVAC & Plumbing resulted in clear volume increases and an improved market position.

The long-term goal is to transform all branches into multi-range branches. In 2016 there were some store relocations and amalgamations and one new branch was established in northern Helsinki. The focus was on increasing proximity in growing regions. Going forward, new branches will be established in accordance with Ahlsell's new store concept, with a new layout and a wider product range.

Profitable growth and acquisitions

The majority of the year's strategic initiatives were aimed at increasing organic growth by broadening and adapting the offering to new customer groups. These initiatives have entailed start-up costs to build up a sales organisation, establish a specially adapted assortment in the central warehouse, and to launch targeted market campaigns.

Another key initiative was the spotlight on increased e-commerce. This initiative commenced when Ahlsell's new web shop was launched in November 2015 and this work intensified during the year, resulting in a doubling of sales from the e-commerce platform during 2016.

The work of driving acquisitions is ongoing, with interesting dialogues concerning potential candidates.

Internal improvements

Within the framework of ONE Ahlsell several projects to increase effectiveness are underway. The Group's concentration on HR includes a strong focus on leadership and competence development. One improvement initiative rolled out by the Finnish operation in the spring of 2016 was a customised sales training programme which will run for several years.

Priorities in 2017

The priorities for 2017 are continued focus on volume growth and extending the offering geared towards new customer groups, strengthening the branch network through converting five branches, sustainability development and an improved customer offering. Acquisitions are also high on the agenda.

▶ MINI CASE

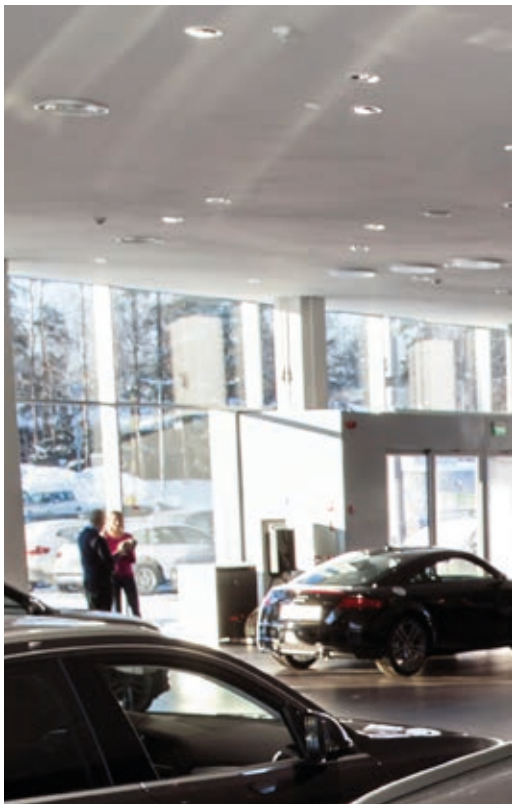
All lights on Finland

Ahlsell Finland has achieved strong growth in the lighting area. Ahlsell has won many new projects and is now considered to be a serious contender. The deliveries to Audi Center Esbo outside Helsinki are a good example of how car sales can be lifted to a new level with the help of the latest lighting solutions.

◀ Quick facts

Finland

- Head of Operations: Mika Salokangas
- 600 employees
- Over 30 branches
- More than 50 unmanned on-site solutions
- 1 million web store visits
- Central warehouse in Hyvinkää
- 55,000 items in stock



▶ **An LED system of the calibre which Ahlsell** delivered for Audi's facility in Esbo offers unimagined opportunities. It is flexible and can be controlled down to the smallest detail, with a low maintenance requirement, and helps to reduce costs since it is energy-effective.

The system comprises more than 1,000 light sources that communicate via a digitally addressable protocol. This e.g. means that cars can be located anywhere in the showroom and the lighting can be adjusted according to the parts and details to be highlighted.

The facility adheres to the car manufacturer's stringent directives, with a new architectural concept which corresponds to the brand's values – sporty, progressive and sophisticated. The store concept lifts the customer experience to a new level, since customers can view a new car and buy accessories in a light and transparent environment.

Segment | Denmark

Net sales, SEK billion	Organic growth	Adjusted EBITA margin
0.4	–1%	9.1%

Quick facts Denmark 2016

- Head of Operations: Erik Andersson
- Refrigeration activities and DIY products
- Around 90 employees
- Four branches

Ahlsell Denmark, whose activities are mainly geared towards the DIY market and refrigeration products, experienced stable growth with net sales and earnings at the level of previous years for the overall operation. In terms of sub-markets, Ahlsell's Danish refrigeration activities developed well, with improvements in both sales and results. The DIY operations showed weaker growth and were affected negatively by a sluggish consumer market and stronger competition, which overall had a negative impact on margin development.

Net sales and earnings

Denmark	2016	2015
External net sales, SEK million	364	359
Organic growth	–1%	3%
Adjusted EBITA, SEK million	33	33
Adjusted EBITA margin, %	9.1%	9.1%

Segment | Other (Estonia, Russia and Poland)

Net sales, SEK billion	Organic growth	Adjusted EBITA margin
0.4	–7%	2.2%

Quick facts Other 2016

- Head of Operations: Johan Nilsson
- Mainly HVAC & Plumbing
- More than 230 employees
- 13 branches

In the Other segment, cost saving measures were implemented in all markets. The activity in Russia achieved positive growth during the year due to an increase in installation projects. Margins weakened slightly as a consequence of price pressure and adjusted EBITA developed negatively for the year as a whole. The activities in Estonia and Poland showed negative net sales development as a consequence of generally weak market conditions and intense competition which, despite cost-saving measures, contributed to a deterioration in the adjusted EBITA margin.

Net sales and earnings

Other (Estonia, Russia, Poland)	2016	2015
External net sales, SEK million	410	440
Organic growth	–7%	–1%
Adjusted EBITA, SEK million	9	12
Adjusted EBITA margin, %	2.2%	2.6%

The Board of Directors and Managing Director of Ahlsell AB (publ)
Corp. ID 556882-8916
hereby present the

Annual Report and Consolidated Financial Statements

for the period 1 January to 31 December 2016

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Directors' report

Business review

Ahlsell AB (publ) is the Parent Company of the Ahlsell Group. The Ahlsell Group generates annual sales of approximately SEK 25 billion. It is one of the leading companies in its field in the Nordic region, offering professional users an extensive range of products and related services in the areas of HVAC & Plumbing, Electrical and Tools & Supplies. The Group has business operations mainly in Sweden, Norway and Finland, which are Ahlsell's main markets and account for 97 percent of sales, as well as Denmark, Estonia, Russia and Poland. Group operations are conducted primarily under the Ahlsell trademark.

The company operates locally and the organisational model of the Ahlsell Group is designed to support this. The organisational structure focuses on the local marketplace where it has a large number of sales offices and branches. The Group has a strong foundation with clearly defined areas of responsibility and multiple local entities in each country. This structure allows Ahlsell to maintain a high level of flexibility and proximity to its customers. Coordination of purchasing, logistics, administration and IT results in economies of scale in its operations.

Market trends

2016 has been marked by political uncertainty in both Europe and the USA. It is not yet clear, however, what the economic consequences of this will be, and the favourable economic trend has continued during the year. GDP growth has been positive in Sweden, Norway and Finland. Furthermore, the construction sector has benefited from favourable macroeconomic conditions, government stimulus packages and demographic effects. Statistics that are available for the industry show positive development for all of Ahlsell's product segments in Ahlsell's main geographic markets. Ahlsell, whose development is influenced by the macroeconomic conditions in the different countries and activity in the construction industry, has benefited from the developments during the year and has posted strong growth figures as a result.

Highlights 2016

The Ahlsell Group's initial public offering

Ahlsell began trading on the Nasdaq Stockholm stock exchange on 28 October. Prior to its IPO, Ahlsell concluded a number of transactions that increased the share capital to SEK 123,425,298 and the number of shares were increased to 436,302,187 ordinary shares. After the transactions, the par value was SEK 0.28 per share (1.00). See Note 29.

The listing gives the company a wider shareholder base. It is also expected to provide greater opportunities to strengthen the brand among customers, the labour market and the capital market. Via Keravel S.a.r.l., CVC Capital Partners retains a significant stake in the company after the IPO. The IPO price on the first day of trading was SEK 46 per share. Costs of SEK 65 million attributable to the company's flotation on the stock exchange have been included in the year's operating profit. New financing was provided and previous financing was fully repaid in connection with the flotation (see Note 33).

The Board of Directors decided to approve two incentive schemes in connection with the flotation (see Note 3).

Parent Company changes name to Ahlsell AB (publ)

Approval was given at an Extraordinary General Meeting of Shareholders on 14 September 2016 for the name of the Group Parent Company, Norrmalm 1.1 AB, to be changed to Ahlsell AB (publ) and for it to be registered as a public company.

Election of new Board members

Satu Huber and Magdalena Gerger were elected as members of the Board of Directors at an Extraordinary General Meeting on 31 August 2016.

New members of senior management

Claes Seldeby took over as Managing Director of Ahlsell Sverige AB on 1 February. Claes succeeds Johan Nilsson who was CEO since 2008. Prior to his new appointment, Claes was Managing Director of FM Mattsson Mora Group.

The appointment of Anna Björklund as Director of Human Resources on 1 April was a key step in the Group's focus on strategic and business oriented HR activities. Anna moves from her previous role as Director of Human Resources for Svenska Spel.

New financial targets

Ahlsell's Board of Directors has set new overall objectives and new financial targets.

Overall objectives

Ahlsell will be the number one choice of customers and suppliers in installation products, tools and supplies. The Group's overall objective is to continuously increase profits through a combination of organic growth and growth through acquisitions, and through improvements to its operating processes. Ahlsell's goal is to be a world-class distributor in all product segments and all markets in which Ahlsell operates.

Financial targets

Ahlsell has set its financial targets with a medium-term outlook. The targets are based on the assumption that the market will continue to grow and that Ahlsell will consolidate its market position through strategic growth initiatives, acquisitions and a focus on greater efficiency.

Sales growth

Ahlsell's target is to achieve growth of between 2 and 3 percentage points above the market growth (in its main markets of Sweden, Norway and Finland combined) through both organic growth and growth through acquisitions.

EBITA margin

Ahlsell is committed to continuously and systematically improving the adjusted EBITA margin.

Operating cash flow/EBITDA (Cash Conversion)

Ahlsell's target is to achieve an annual cash conversion of approximately 90 percent.

Net debt/adjusted EBITDA

Ahlsell's target is for net debt to amount to 2.0–3.0 times the adjusted EBITDA.

Its capital structure shall offer scope for flexibility and allow the Group to execute strategic opportunities while maintaining a solid financial position.

Dividend policy

Ahlsell's target is to retain a strategic flexibility that allows it to pay a dividend equal to 40 to 60 percent of net profit. The payment of the dividend shall take into account any acquisitions, the company's financial position, cash flows and future growth opportunities.

Three acquisitions with an annual turnover of approximately SEK 600 million

Acqusition of Elgross'n i Göteborg AB

Elgross'n i Göteborg AB was acquired in June 2016. Elgross'n holds a strong position in the market in Gothenburg. It specialises in lighting and electrical installation and has premises in Högsbo and Marieholm (Gothenburg). The majority of its customers are local installation companies. Gothenburg is a key growth market for Ahlsell and the acquisition affords an opportunity for it to further consolidate its position in the region. At the date of acquisition, Elgross'n had annual sales of approximately SEK 120 million.

Acquisition of Prevex AB

In June, Ahlsell signed an agreement to acquire the entire share capital of Prevex AB. The acquisition was finalised at the beginning of August following approval from the Swedish Competition Authority (Konkurrensverket). Prevex is a retailer for the professional construction market and has a strong market position in Gothenburg and Malmö with three strategically located branches. At the date of acquisition, Prevex had annual sales of approximately SEK 400 million and around 100 employees.

The total consideration for Prevex comprised a base purchase price along with additional contingent consideration. The additional consideration was valued at SEK 23 million in the acquisition analysis. The contingent consideration is dependent on the level of profit achieved in the company and is based on management's estimate of the most likely outcome. The additional consideration falls due for payment in 2020. The outcome will be in the range of SEK 0-40 million on the settlement date, depending on how the terms and conditions are met.

Acquisition of the operations of Värmematerial VVS AB

The operations of Värmematerial VVS AB were acquired in December. Värmematerial is a full range wholesale company within heating and sanitation, with warehouses and headquarters in Nässjö, and two branches in Borås and Visby. Through the acquisition of Värmematerial's business operations, Ahlsell strengthens its heating and sanitation position in these regions. Värmematerial has annual sales of approximately SEK 80 million and just over 20 employees.

Other disclosures

In March 2015, the Finnish Competition Authority carried out an inspection of a number of companies in the HVAC & Plumbing sector in Finland, including Ahlsell Oy. At the end of 2016, the Competition Authority contacted Ahlsell with additional questions but did not provide any further details on the reason for the inspection. Nor has the Authority communicated any decisions in connection with the inspection.

Net sales and operating profit

The Ahlsell Group, whose growth is affected by macroeconomic trends and the willingness to invest in the construction sector and industry, performed well in 2016, reporting strong growth in all of the Group's main markets. Although growth has been weaker in the markets that include the company's smaller geographic segments, the Group as a whole has reported strong sales growth and improved profitability.

The Group's net sales rose 9 percent to SEK 24,606 million (22,586). The increase is attributable to good organic growth, along with a positive contribution from acquired companies. Organic growth, measured as an increase in sales, adjusted for a difference in the number of working days, exchange rate movements and acquisitions, amounted to 7 percent (3). Exchange rate movements had a SEK –90 million impact on net sales.

Operating profit (EBIT) totalled SEK 1,719 million (1,505), representing a 7.0 percent (6.7) operating margin. The gross margin was slightly down on the previous year to 27.2 percent (27.5). EBITA totalled SEK 2,058 million (1,837), representing an EBITA margin of 8.4 percent (8.1). All of the main markets contributed to the margin expansion. EBITA adjusted for items impacting comparability (see Note 38) totalled SEK 2,131 million (1,878). Non-recurring costs of SEK 72 million were charged to the income statement. These are one-off costs relating to the company's IPO and to restructuring in the Norwegian operations.

Net sales and profit by segment

Sweden

External net sales for Sweden's area of operations totalled SEK 15,874 million (14,328). Organic growth was 8 percent. The EBITA profit totalled SEK 1,936 million (1,720), representing an EBITA margin of 12.2 percent (12.0). Operating profit (EBIT) was SEK 1,697 million (1,493).

Ahlsell's Swedish operations improved their market position during the year, which can be summarised as having registered positive sales growth, a higher level of profit and a stronger EBITA margin. These developments have been aided by positive macroeconomic conditions and the good growth rate of the Swedish economy. High population growth and continued low interest rates, which have been driving an historically high level of investment, particularly with respect to new home builds, have been the driving forces behind the growth in the construction sector. Another positive impact on growth came from several large-scale infrastructure projects during the year. Growth performance in the industrial segments has been more varied. Some parts of the manufacturing industry reported positive growth, while the mining industry posted a decline.

In 2016, the Swedish operations completed three acquisitions with estimated combined sales of SEK 600 million.

The acquisition of G:ESS, a Stockholm-based distributor of workwear and footwear, took place in early 2017. The company's estimated annual turnover is SEK 120 million.

Norway

External net sales for Norway's area of operations totalled SEK 4,909 million (4,690). Organic growth was 7 percent. Exchange rate movements had an adverse 3 percent impact on sales, corresponding to SEK –128 million.

The EBITA profit totalled SEK 142 million (78), representing an EBITA margin of 2.9 percent (1.7). Items impacting comparability totalling SEK 7 million were recognised in the income statement following operational cutbacks with about 30 jobs lost in south-west Norway, which

has been hit hard by the decline in the oil and gas sector. Adjusted EBITA totalled SEK 149 million (101). The adjusted EBITA margin was 3.0 percent (2.2). The increase over the previous year is due to greater efficiency across the organisation. The sales growth was achieved with fixed costs remaining generally unchanged. Operating profit (EBIT) was SEK 94 million (29).

Ahlsell's Norwegian operations were affected by the improving market conditions during the year. The growth of the GDP at the beginning of the year was slightly higher than anticipated, and the oil-driven recession that has also impacted the mainland economy appears to have bottomed out. The construction sector has also seen good growth over the year, chiefly driven by new builds, mainly in the residential sector, and a continued high level of investment in infrastructure.

In order to adapt its operations to changing market conditions in the wake of the oil slump, Ahlsell Norway implemented measures aimed at boosting profitability during the year. The successful customer-focused initiatives in the areas of real estate management, electrical distribution and mariculture are also continuing. A comprehensive programme of work is under way to expand regional sales of personal protective equipment. A number of measures have also been launched to strengthen the retail channel both through co-location and by opening new branches.

Finland

External net sales for Finland's area of operations totalled SEK 3,050 million (2,768). Organic growth was 7 percent. Exchange rate movements impacted sales by +1 percent, corresponding to SEK 37 million.

The EBITA profit totalled SEK 114 million (91), representing an EBITA margin of 3.7 percent (3.3). The improvement in profit (EBITA) is due to increased sales, driven by market dynamics and the company's growth initiatives. Greater efficiency across the organisation, due in part to an internal programme of improvement, has also delivered margin expansion. Operating profit (EBIT) was SEK 71 million (46).

Following several years of negative growth, Finland's macroeconomic data has improved. This is reflected in an improved economic environment, triggered by the positive growth in the trade, service and construction industries and also partly in the manufacturing industry. The increased level of activity in the construction sector during the year has been driven primarily by a pent-up need for new homes in expanding urban regions, where the construction of new apartments has been declining for several years, and also by a rise in construction activity outside the residential property sector. This has contributed to Ahlsell's positive sales growth.

Denmark

External net sales for Denmark's area of operations totalled SEK 364 million (359). Organic growth was –1 percent and the exchange rate movement was marginal. The EBITA profit totalled SEK 33 million (33), representing an EBITA margin of 9.1 percent (9.1). Operating profit (EBIT) was SEK 27 million (27).

Ahlsell's Danish operations, whose activities are mainly geared toward the DIY market and refrigeration products, have experienced stable growth, with sales and earnings on par with year-earlier levels for the operations as a whole. The refrigeration products business reported positive performance over the year, and the combination of reduced costs and increased sales helped boost profitability. The DIY operations have shown weaker growth during the year due to a sluggish consumer market and stronger competition, which also had a negative impact on margin growth.

Other market segments

External net sales in other market segments, comprising Russia, Estonia and Poland, during the financial year totalled SEK 410 million (440) with EBITA of SEK 9 million (12), equivalent to a margin of 2.2 percent (2.6). Operating profit (EBIT) was SEK 9 million (11).

The operations in Russia experienced positive growth during the year, driven by an expanding market for installation projects. The EBITA margin declined slightly, however, due to fierce competition. The operations in Estonia and Poland have reported negative sales growth as a result of generally weak market conditions and fierce competition. The EBITA margin shrank in spite of cost-saving measures.

Net finance income/expense

In conjunction with Ahlsell's flotation on the Nasdaq Stockholm stock exchange, new financing was secured and the Group's previous financing was repaid (see the section on Financing). The effect in the net financial result of the new financing is an improved net interest expense. In connection with the refinancing and the conversion of shareholder loans into equity, capitalised fees relating to previous financing have been recognised as expense amounting to SEK 327 million.

The Group reported a net financial result of SEK –1,140 million (–1,274) for the January - December period, and the average external interest expense (excluding impairment of capitalised bank fees) was approximately 6 percent (7). The average interest expense for the period after the refinancing has been approximately 2 percent.

The net interest expense, excluding interest on shareholder loans, was SEK –823 million (–706). The lower net interest expense for the year is due to expensed capitalised bank fees in connection with repayment of the Group's previous financing. The interest expense on shareholder loans, including costs for impairment of capitalised set-up fees, amounted to SEK –632 million (–605). Exchange rate movements due to the revaluation of loans and cash in foreign currency impacted the net financial result by SEK –178 million (149) and the revaluation of derivatives impacted the net financial result by SEK 530 million (–71).

Tax, profit for the year and earnings per share

The tax cost was SEK 237 million (162), approximating an effective tax rate of –40.9 percent (–69.7). The difference between the effective tax rate and the Parent Company's tax rate for the full year is primarily explained by non-deductible interest on shareholder loans. These shareholder loans were converted into equity in connection with the flotation on the Nasdaq Stockholm stock exchange.

Profit for the year after tax amounted to SEK 342 million (70) and comprehensive income for the year amounted to SEK 348 million (–62). Earnings per share for the year were SEK 1.11 (0.21).

Seasonal variations

Ahlsell's sales are affected to a certain degree by seasonal variations. Its sales are strongest in the second and fourth quarters. Sales are impacted by the number of working days in the quarter, and either the first or second quarter will have lower sales depending on when Easter falls.

Research and development

Ahlsell does not conduct any research activities, but is continuously developing its business operations and IT platform in order to benefit from digitalisation and to respond to changes in the purchasing behavior of customers. Its development activities include the expansion of private label products, development of Ahlsell's e-commerce platform and investments in new customer segments, such as its construction and lighting initiative whereby Ahlsell produced a new range of products to match specific customer requirements.

Financial position and liquidity

Non-current assets

At 31 December 2016, the carrying amount of intangible fixed assets totalled SEK 14,237 million (13,873), an increase during the year of SEK 364 million, primarily attributable to acquisitions and exchange rate movements. Intangible fixed assets are mainly SEK 7,028 million (6,634) in goodwill, SEK 3,837 million (3,767) in trademarks, and SEK 3,249 million (3,345) in customer relationships.

At 31 December 2016, the carrying amount of property, plant and equipment totalled SEK 781 million (727), an increase during the year of SEK 54 million.

Cash and cash equivalents

At 31 December, the Group's cash and cash equivalents totalled SEK 1,209 million (2,360), which is a decrease of SEK 1,151 million since the beginning of the previous year. There are also undrawn credit lines of SEK 1,534 million. The change from the previous year is mainly attributable to new financing and repayment of the Group's previous financing.

Equity and liabilities

At 31 December, external net debt totalled SEK 7,486 million (7,854), which is a decrease of SEK 368 million since the previous year. External net debt/adjusted EBITA was 3.3x (3.9x). Payments arising in connection with acquisitions completed during the year impacted the KPI negatively by 0.2.

At 31 December, consolidated equity was SEK 8,089 million (711), which is an increase during the year of SEK 7,378 million. The offset issue contributed approximately SEK 7 billion of this.

Financing

New financing was provided in connection with Ahlsell's flotation on the Nasdaq Stockholm stock exchange and previous financing was fully repaid. In addition, previous shareholder loans were converted into equity. The new financing is primarily through three credit facilities: Two term facilities totalling SEK 7,722 million on 31 December 2016, the balance sheet date, with SEK 1,472 million due in November 2019 and SEK 6,250 million due in November 2021, and a SEK 2,250 million revolving credit facility, SEK 700 million of which had been used on the balance sheet date. In addition to this, SEK 16 million had been used for bank guarantees and letters of credit.

Cash flows and investments

An operating cash flow of SEK 2,000 million (1,838) was reported for the year. The improvement from the previous year is mainly related to the higher level of profit. The cash flow from working capital changes was SEK –89 million (60). The cash flow from investing activities was SEK –530 million (–210).

In 2016, acquisitions of subsidiaries had a SEK 451 million (–49) adverse impact on cash flows. The cash flow from financing activities totalled SEK –1,871 million (–513) and was affected by Ahlsell's refinancing. Cash flow for the year amounted to SEK –1,155 million (604). The change from the previous year is mainly attributable to higher payments for acquisitions and a cash outflow from financing activities in connection with the provision of new financing and the repayment of the Group's previous financing.

The year's gross fixed investment in property, plant and equipment totalled SEK 220 million (176). Finance leases accounted for SEK 93 million (56) of this amount. The year's gross fixed investment in intangible assets totalled SEK 30 million (51). Most of the investments during the year were in logistics, branches and IT. Depreciation of property, plant and equipment was SEK 156 million (153) and amortisation of intangible assets was SEK 340 million (332) for the year.

Ahlsell's shares

On 28 October 2016, Ahlsell AB launched its initial public offering on the Nasdaq Stockholm stock exchange under the ticker AHSL. The offer price was set at SEK 46 per share, giving a market value of over SEK 20 billion. 150,524,254 shares, which is about 34.5 percent of the total number of shares, were sold in connection with the IPO. After the launch, Keravel S.a.r.l. was the largest shareholder with 60.4 percent of the capital and voting rights. At 31 December, the company has a total of 436,302,187 shares, all of which are listed and have a market value of SEK 22.7 billion. The par value of the share is SEK 0.28.

The Articles of Association place no restrictions on the rights of shareholders. Neither does the shareholders' agreement, as far as is known to the company.

Agreement not to sell shares

The principal shareholder has agreed not to sell its shareholding within 180 days after the first day of trading. The lock-up period for directors holding stock and for certain employees holding stock, including senior executives, is 365 days. Exceptions may be granted by (i) Goldman Sachs and Nordea, or (ii) a majority of the Joint Global Coordinators.

Employees

Motivated employees with extensive knowledge of products and a clear understanding of customer requirements are key to Ahlsell's success. A decision was taken within the ambit of the Ahlsell 2020 programme to create a position in the senior management team that will have Group-wide responsibility for Ahlsell's HR activities. Anna Björklund was appointed as Director of Human Resources in April 2016. During the year, a Group-wide HR strategy has been developed and is now being implemented step by step. This process has led to a restructuring of the HR organisation, the appointment of an HR manager for each main segment, and the creation of HR business partners in the key markets. A central aim with the change has been to improve and support the leadership and to develop operations and employees.

Employee benefits

In 2016, wages, salaries and other employee benefits, excluding social security contributions, amounted to SEK 2,013 million (2,010). This corresponds to approximately 9 percent (9) of total Group turnover.

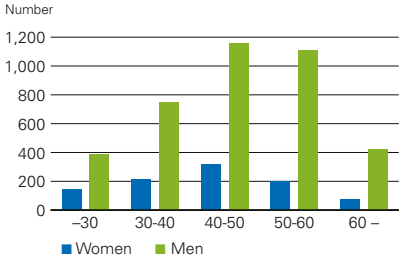
In addition to salary and other benefits, the Group has both defined-contribution and defined-benefit pension schemes for its employees. These vary from country to country.

Number of employees, gender split

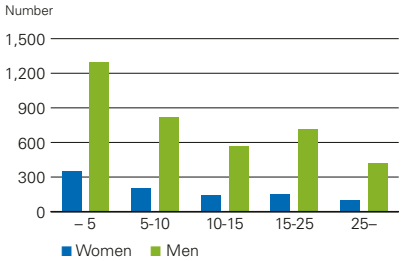
The average number of employees (FTE) in 2016 was 4,791 (4,632), of whom 3,833 were men and 958 were women.

At 31 December 2016, the number of employees was 5,090 (4,820). 20 percent (19) of its employees are women.

Average number of employees by age and gender



Average number of employees by length of employment and gender



Remuneration of the Managing Director and other senior executives

See Note 3 Employees for details of the guidelines on setting salaries and other pay of the Managing Director and other senior executives.

The following guidelines for pay and other conditions of employment of Senior Management will be proposed for approval at the 2017 Annual General Meeting.

The Board of Directors' proposal for guidelines on salaries and other pay of senior executives for approval at the 2017 Annual General Meeting

In line with this policy, the guidelines will apply to the pay of the Managing Director and other members of Ahlsell's senior management team (Senior Management).

Ahlsell aims to provide a complete benefits package that is competitive and thus designed to attract and retain skilled professionals. The complete benefits package, which varies according to the performance of the individual and the Group, may consist of the components listed below.

Fixed salary forms the basis of the complete benefits package. The salary should be competitive and reflect the responsibility attached to the role. Fixed salaries are reviewed annually.

Variable pay is based mainly on the earnings performance, profitability and cash flows of the Group. The variable component should not exceed 80 percent of the fixed salary.

The Board of Directors will evaluate, on an annual basis, whether a long-term incentive scheme should be proposed to the Annual General Meeting or not and, if it is, whether the proposed long-term incentive scheme should include a transfer of shares in the company. Incentive schemes should be available to persons in senior positions in the company who have a material impact on the company's profit and growth, and on the achievement of company and individual targets. An incentive scheme should encourage long-term commitment to the company's growth and should be implemented on competitive terms.

Old-age pensions, sickness benefits and health and medical benefit plans must be designed so that they reflect the rules and practices of the market. If possible, the pension plans should be defined premium-based schemes. Other benefits may be provided to individual members or the entire senior management team and be designed in relation to practices in the market. These benefits must not be a significant proportion of the complete benefits package.

Members of the senior management team are required to give six months notice of termination of employment, and have the right to a period of notice of up to 18 months if their employment is terminated by the company. Severance pay is not paid to those who terminate their employment. Upon termination by the company, apart from salary and other employment benefits during the period of notice, members of the senior management team are not entitled to any severance pay.

The Board of Directors is entitled to make exceptions to the above guidelines on remuneration in individual cases and if there are special circumstances. If such an exception is made, this must be disclosed and the reason for the exception must be reported at the next Annual General Meeting.

The Remuneration Committee appointed by the Board of Directors prepares and draws up proposals for remuneration to the Managing Director which it presents to the Board for decision. The Managing Director makes a proposal to the Remuneration Committee for a decision on a remuneration structure for other members of Senior Management. The Board of Directors shall be informed of the decision of the Remuneration Committee.

The environment and sustainability

Sustainability is an integral part of Ahlsell's activities and includes environmentally-friendly solutions, satisfied employees, ethical supply chains, customer safety and benefits to society. Ahlsell's goal is to be a leader for sustainability in its industry with a clear stance on economic, social and environmental responsibilities.

We have policies and rules in place to support our environmental and sustainability practices. All employees are aware of and are expected to observe these policies and rules, as well as our Code of Conduct which complies with the principles stated in the ISO 26000:2010 standard.

Sustainability report

It was decided in 2016 to introduce a Group-wide vision and strategy for sustainability issues. Our sustainability activities shall therefore be followed up at Group level and be presented in an annual sustainability report which follows the Global Reporting Initiative Standards, starting with the 2017 financial year.

In 2016, with this in mind, Ahlsell conducted a stakeholder analysis, stakeholder dialogues and a materiality analysis to identify the sustainability issues that Ahlsell's stakeholders consider to be most relevant. This year's sustainability report does not meet all of the GRI Standards requirements. The work that Ahlsell has carried out, however, provides a basis for future sustainability reports and a Group-wide sustainability programme. The sustainability report is integrated into this Annual Report and its components are presented in the GRI Index on page 109.

Significant environmental aspects and legislative compliance

Ahlsell's activities have an impact on the environment primarily through emissions from transport, energy used in our facilities, sale of hazardous chemical-technical products and the production of waste.

Compliance with legislation, permits, licences and other regulatory requirements is of utmost importance to us and we therefore have a policy of zero tolerance to any breach of these.

We have established clear policies, rules and guidelines to ensure observance and compliance with laws and regulations. Responsibilities are clearly assigned in our organisation and follow-up of compliance with laws is part of the internal audits within the framework of the ISO 14001 and 9001 standards.

Ahlsell also requires that all stocked products in our range are compliant with relevant laws, regulations and directives, such as REACH, ROHS and CLP. Ahlsell works actively to ensure the Group's suppliers comply with these regulations and legislation in the countries in which they operate.

Ahlsell's activities at its logistics centres are subject to statutory reporting, including reporting in respect of intermediate storage of used coolants. The grant of licences is conditional upon the submission of an annual environmental report to the relevant authorities. Ahlsell also has licences for the handling of products that pose fire or explosion hazards and the assignment of particularly hazardous chemical-technical products. Moreover, Ahlsell's branches that stock more than 100 litres of flammable liquids or gas indoors have the necessary licences and permits. Ahlsell also has a licence to have gas depots at some branches.

Parent Company

The Luxembourg-based company, Keravel S.a.r.l., owns 60.4% of Ahlsell AB (publ), corp. ID 556882-8916 (registered in Sweden with registered office in Stockholm). Ahlsell has been publicly traded on the Nasdaq Stockholm stock exchange since 28 October 2016.

The Parent Company's operations for the financial year consisted of ownership of shares in subsidiaries and the provision of intra-Group services.

Parent Company net sales for the year as a whole amounted to SEK 1 million (0). Profit/loss before tax amounted to SEK –198 million (328). The Parent Company's cash and cash equivalents amounted to SEK 0 million (0) at the end of the period.

The Parent Company's financing comprises two term facilities with an outstanding sum of SEK 7,626 million (0) on the balance sheet date and a SEK 2,250 million (0) revolving credit facility, SEK 700 million (0) of which had been used on the balance sheet date.

Events after the Reporting Period

Ahlsell has signed an agreement to acquire the entire share capital of the Stockholm-based company G-ESS Yrkeskläder AB. The company has 37 employees and generated sales of approximately SEK 120 million in 2016. G-ESS is one of Sweden's larger independent distributors of workwear and footwear. The company holds a strong position in the Stockholm area, with four branches in Bromma, Järfälla, Täby and Huddinge. Its customers are companies in the installation, construction, building, industrial and service sectors. Take-over of operations took place on 28 February 2017.

Future prospects

Growth in the Swedish economy remains high, although there are signs of an impending slowdown and GDP growth is expected to be slightly lower in the coming years. It is expected that the output value of the construction sector will remain at historically high levels, even if the rate of growth, particularly in new construction projects, is slightly below 2016 levels. Thanks to initiatives such as the investment in the central warehouse in Hallsberg, Ahlsell's Swedish operations are well positioned to meet the continuing strong demand. Investment in acquisitions is also expected to have favourable repercussions.

A high level of activity is also expected in the Norwegian construction sector next year, even if growth is slightly lower than in the current year. In the short term, growth is expected to be strongest in the Oslo region. This area is strategically important for Ahlsell and the company is making investments to expand its presence there. The company is also expecting to see growth in the inland region in the longer term, particularly as a result of governmental infrastructure projects.

The main drivers in the Finnish economy in 2016 have been investments in construction projects and private consumption. For 2017, GDP growth will be slightly lower which may have an adverse impact on construction and renovation. It is predicted that Finland is going to have to rely on growth driven by international demand to a greater extent. It may take time before the results of the reforms that have been carried out to improve the country's competitiveness become visible.

Risk management

All business operations are associated with risks. Risks that are managed efficiently and effectively can lead to opportunities and create value. Risks that are not managed in the correct way can lead to damage and loss.

The ability to identify, assess, manage and monitor risks is central to Ahlsell's business operations. Risk is always assessed from the standpoint of Ahlsell's set goals. The aim is to achieve the Group's goals while ensuring that the risks are carefully weighed and managed as best they can be.

Ahlsell has a model and a process for risk identification and evaluation. These serve as tools to help manage, monitor and follow up risks. Ahlsell's Group Internal Control is responsible for the risk management process and presents the Board with an annual summary report of the Group's risks.

The Group and the Parent Company are exposed to a number of risks relating to both their operating and their financing activities. The risks that Ahlsell considers to be the most significant to its business are listed below.

RISK AREA	RISK MANAGEMENT
ECONOMIC SITUATION AND POLITICAL DECISIONS	
Activity in the building sector, comprising new construction projects, service and repairs, and renovation, maintenance and improvement (RMI), is the single most important driving force for Ahlsell's sales development.	Ahlsell operates in several geographic markets, with customers in a number of industries and a range of product categories. This makes Ahlsell less sensitive to economic fluctuations and political decisions.
MARKET DYNAMICS	
Competition varies depending on the product segments, customer groups and geographic area. There are currently a large number of small, local businesses and a small number of relatively large regional, national and multi-national companies operating in Ahlsell's markets.	Ahlsell continuously monitors developments and trends in the market and conducts ongoing evaluations and changes to its business and organisation in response to new trends and expectations.
GROWTH THROUGH ACQUISITION	
Acquisitions are a key part of Ahlsell's growth strategy. The acquisition process can be beset with difficulties, for instance, when it comes to identifying acquisition objects, integrating acquired businesses and achieving the expected synergies. Ahlsell's acquisitions mean that intangible assets constitute a large part of Ahlsell's total assets. Ahlsell's intangible assets consist primarily of customer relationships, trademarks and goodwill.	Ahlsell has an established Group function that follows an approved process for regular identification and evaluation of acquisition targets. The process used by Ahlsell to integrate the companies it acquires is considered to be highly efficient and effective. Ahlsell's intangible assets are continuously tested for impairment. An impairment loss is recognised immediately once an impairment indicator is identified.
WAREHOUSES AND LOGISTICS	
If Ahlsell's own warehouse and distribution operations were disrupted or shut down for some reason or if the distribution companies contracted by Ahlsell had insufficient distribution capacity to meet requirements, Ahlsell's ability to deliver its products to the market would be adversely affected.	Ahlsell continually performs maintenance and reviews procedures to ensure the security of its logistics centres. The Group also works pro-actively with reviews of its supply chain to ensure that it is operating efficiently and has adequate capacity.

RISK AREA	RISK MANAGEMENT
SUPPLIER DEPENDENCE	
Ahlsell's ability to offer its customers a wide range of products is dependent on Ahlsell's ability to secure a sufficient supply of products at attractive prices from manufacturers and other suppliers. There is greater dependence in some product segments on specific suppliers, and the loss of a key supplier can affect Ahlsell's profit.	Ahlsell minimises supplier dependence by striving to achieve good relationships and terms with existing suppliers. The Group also strives to secure alternative suppliers and/or alternative products and invests in the development of private label products.
IT	
Ahlsell is greatly dependent on IT systems for the day-to-day operation of its business and the performance of its financial reporting. External suppliers are responsible for the administration and maintenance of all of Ahlsell's central IT systems.	Ahlsell continually performs maintenance and reviews procedures to ensure the security of its IT systems. Regular tests are conducted to confirm the security of the systems. Ahlsell aims for long-term partnerships and agreements with all external suppliers.
INVENTORIES	
Inventories are a significant part of Ahlsell's current assets. It is essential to work pro-actively with everything from the product range and purchasing to logistics and sales to ensure that inventories do not lose value over time.	Ahlsell works continuously on the development of its purchasing procedures and its product range, branch concept, communications, sales, inventory, etc. to ensure that its portfolio is up-to-date and attractive.
CUSTOMER CREDITS	
Trade receivables are a significant item in Ahlsell's balance sheet. As a rule, Ahlsell does not hedge its credit exposure.	In all the Nordic countries, Ahlsell has a function that is responsible for customer credits. The function follows an approved set of guidelines on risk taking. Ahlsell is of the opinion that the Group has a good spread of commercial risks. Ahlsell has historically had low levels of credit losses.
WARRANTIES AND PRODUCT LIABILITIES	
Most of the products that Ahlsell provides as a distribution company are covered by warranties supplied by the manufacturers. In some situations, however, Ahlsell provides a more comprehensive product liability which may entail a risk of increased costs for Ahlsell. Ahlsell also sells products under its own brand which can expose Ahlsell to additional risks related to warranties and product liabilities.	Ahlsell always regulates warranties and product liabilities in its agreements with suppliers, manufacturers and customers. Ahlsell has Group-wide insurance cover that includes product liability.
REPUTATION - SUSTAINABILITY	
Upholding Ahlsell's reputation is key to the success of its business. Ahlsell's customers are placing ever greater demands on Ahlsell and on Ahlsell's suppliers' sustainability. If Ahlsell is found wanting in its sustainability performance and in the control of its suppliers' sustainability practices, there is a risk that this will adversely impact sales.	Ahlsell has a Group function that focuses on the Group's sustainability issues and Ahlsell has been working throughout the year to raise awareness of Ahlsell's Code of Conduct and values. Ahlsell conducts regular audits of its suppliers from the standpoints of both sustainability and quality.

REGULATORY COMPLIANCE	
Ahlsell's operations are subject to international and national laws and regulations in several jurisdictions. Current legislation includes health and safety, competition, anti-corruption, the environment, regulations relating to the products that Ahlsell sells, and so on. Both requirements for regulatory compliance and deficiencies in regulatory compliance can affect Ahlsell.	Ahlsell has Group-wide functions and local functions whose work is to support the business in ensuring regulatory compliance. This support covers everything from policies and guidelines to reviewing and following up both the Group's and our suppliers' compliance with policies and guidelines.
FOREIGN EXCHANGE	
Due to the nature and financial effects of its business activities, Ahlsell is exposed to risks relating to fluctuations in currency exchange rates.	Ahlsell's Treasury Policy provides guidelines on how foreign currency transactions can be broken down in the borrowing portfolio. The borrowing portfolio per currency should reflect the company's projected EBITDA or operating cash flow per currency. As a rule, Ahlsell does not hedge its exposure in respect of purchases made in foreign currencies. However, the Group Treasurer and the Director of Finance have the mandate to do so if necessary, see note 33.
INTEREST RATES	
Ahlsell has outstanding debts at variable interest rates. An unfavourable development in interest rates can have an adverse impact on Ahlsell's business activities and financial position.	Ahlsell has established principles for managing interest rate risks in its Treasury Policy. Between 20% and 50% of the Group's borrowing portfolio, including interest rate derivatives, shall be at fixed interest rates, see note 33.
LIQUIDITY	
Ahlsell must ensure it has sufficient funds in bank accounts, marketable securities or available credit to enable it to meet the company's payment obligations.	Ahlsell's Treasury Policy states that the Group must maintain a liquidity reserve of at least 5% of annual sales, see note 33.
FINANCING	
Ahlsell's financing agreements provide coverage for a fixed period of time and must be refinanced in the future.	Ahlsell has established principles for managing refinancing risk in its Treasury Policy. This states that no single facility shall have less than 1 year to due date, that refinancing is an ongoing process, and that the average due date for the Group's facilities must be at least 1.5 years, see note 33. The Treasury Policy takes into account the covenants, which are the financial commitments in Ahlsell's financing agreements. Ahlsell continuously monitors its covenants and a quarterly reconciliation is performed. At 31 December, all covenants had been met, see note 33.
TAX	
The Group is subject to tax audits and potential reassessments.	Ahlsell has Group-wide functions and local functions whose work is to support the business in ensuring regulatory compliance. Ahlsell also uses the services of third parties for help with complex tax matters.

Corporate Governance Statement 2016

Ahlsell's corporate governance aims to provide the sustainable creation of added value for its shareholders by ensuring good risk control and a healthy corporate culture. Good corporate governance leads to effective decision-making and increases our opportunities to enhance and expand the business. A high level of transparency towards shareholders and the capital market and a clear division of roles and responsibilities across the management and supervisory bodies provide a solid foundation for active and responsible ownership.

Ahlsell AB is a Swedish public company. Its corporate identity number is 556882-8916. Ahlsell has its headquarters in Stockholm, Sweden and its shares are traded on the Nasdaq Stockholm stock exchange. This Corporate Governance Statement is part of the company's Directors' report and includes both the Parent Company Ahlsell AB and the Ahlsell Group.

External control instruments

The external control instruments provide the framework for Ahlsell's corporate governance and comprise the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, and the Nasdaq Stockholm's set of regulations for issuers and the Swedish Code of Corporate Governance (the Code).

Internal control instruments

The most important internal control instruments are the Articles of Association approved by the Annual General Meeting. Thereafter come the rules of procedure for the Board of Directors, including Board sub-committees, the instructions for the Managing Director, the business plan and budget, and a number of policies, guidelines and instructions that are binding for the business operations as a whole.

All policies are revised annually by the Board. In addition, the Group actively reviews and revises the company's Code of Conduct. Foreign subsidiaries apply their country's relevant laws and regulations and also ensure compliance with the Group's guidelines for management and control.

Compliance with the Swedish Code of Corporate Governance

Ahlsell launched its initial public offering on 28 October 2016 and has since applied the Code except for the following point:

Non-compliance of the Code 2.5

The Code requires the composition of the Nomination Committee to be published well in advance, no later than six months before the Annual General Meeting.

Explanation

According to the instructions of the Nomination Committee, the composition of the Nomination Committee is based on the shareholder statistics presented on the last banking day in August and should be published no later than six months before the Annual General Meeting. Since Ahlsell AB launched its initial public offering on 28 October 2016, the composition of the Nomination Committee for the 2017 Annual General Meeting shall instead be based on the shareholder statistics presented on 31 December 2016 and will therefore not be communicated six months before the Annual General Meeting, which constitutes a non-compliance of the Code.

Governance and organisational structure

Governance, management and control are divided among the shareholders at the Annual General Meeting, the Board of Directors and the Managing Director in accordance with the model below.

Shareholders

Ahlsell began trading on the Nasdaq Stockholm stock exchange on 28 October 2016. At 31 December 2016, the number of shares outstanding amounted to 436,302,187. All shares carry equal voting rights and a share in the company's profits and capital. The principal owner at the time was Keravel S.a.r.l. with a 60.4 percent holding of shares and voting rights in Ahlsell. The company had no holding of own shares at the end of the year.

The principal shareholder has agreed not to sell its shareholding within 180 days after the first day of trading. The lock-up period for directors holding stock and for certain employees holding stock, including senior executives, is 365 days. Exceptions may be granted by (i) Goldman Sachs and Nordea, or (ii) a majority of the Joint Global Coordinators.

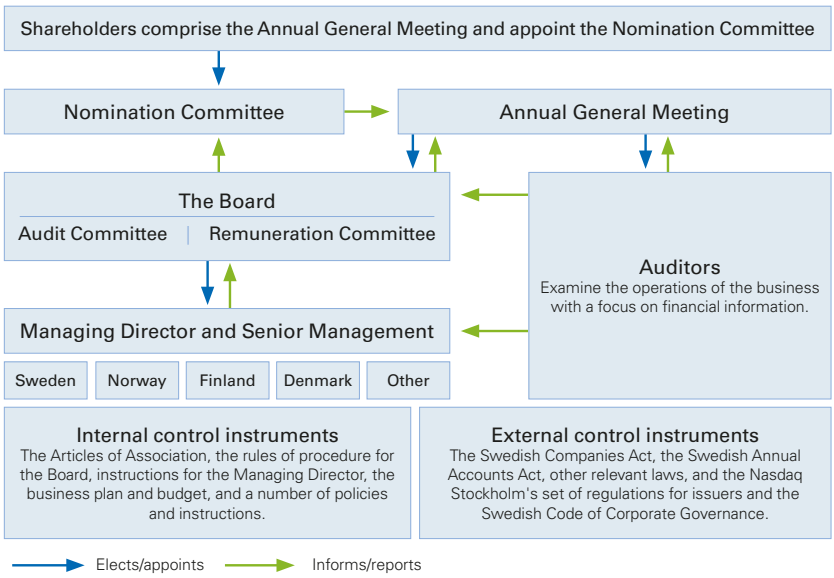
Apart from the above, there are no restrictions on the rights of the shareholders in the Articles of Association or, in the shareholders' agreement, as far as is known to the company.

Annual General Meeting and General Meeting of Shareholders

The General Meeting of Shareholders is the company's highest decision-making body at which the shareholders give their approval to decisions concerning the company's Articles of Association and governance. The Annual General Meeting must be held within six months of the end of the financial year.

Ahlsell's Articles of Association contain no specific provisions on the appointment and dismissal of Board members nor on amendments to the Articles of Association. Nor does it contain any provisions that restrict the right of shareholders to exercise their rights at the Annual General Meeting.

In addition to the Annual General Meeting, extraordinary general meetings



may be convened upon the initiative of the Board.

The chair of the Board, all Board members, the Managing Director, at least one member of the Nomination Committee and an auditor must attend the Annual General Meeting. The chair of the Board, as many Board members as possible and the Managing Director must attend extraordinary general meetings.

A notice to announce the Annual General Meeting or General Meeting of Shareholders, and information relating to such meeting, must be published in the official Swedish gazette (Post- och Inrikes Tidningar) and on Ahlsell's website. It must also be announced in the Swedish Svenska Dagbladet newspaper that notice of the meeting has been issued.

Minutes of the meeting, the Managing Director's speech and other documents are published on www.ahlsell.com under "Corporate Governance" as required by the Code.

Nomination Committee

The main duties of the Nomination Committee are to present the Annual General Meeting with proposals for a Chairperson and other Board members, and proposals for remuneration and other pay to each of the Board members. The Nomination Committee shall also submit proposals for auditors and their fees.

The Nomination Committee shall strive to achieve an appropriate Board composition characterised by diversity and a breadth of skills, experience, background and gender.

The Nomination Committee shall comprise four members representing the largest shareholders in the company on the last banking day in August the year before the Annual General Meeting. In addition to these four members, the Board chairperson shall be a co-opted member and convener in the Nomination Committee. The Board chairperson has a duty to convene the Nomination Committee.

If a shareholder qualifies as one of the four largest shareholders, after the Nomination Committee has been constituted but two months before the Annual General Meeting, that shareholder is entitled to take a place in the Nomination Committee and the representative that no longer represents one of the four largest shareholders shall leave the Committee.

The composition of the Nomination Committee shall be announced at least six months before the Annual General Meeting. All shareholders may contact the Nomination Committee to submit proposals for Board members. Contact details can be found at www.ahlsell.com.

The Board

The Board of Directors shall comprise at least three and a maximum of ten members elected by the General Meeting without deputy Board members. Board members, with the exception of employee representatives, are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.

The Board should include a mix of skills and expertise that are important in managing Ahlsell in a responsible and successful way. Such skills and expertise include knowledge of trade and distribution, financing and financial analysis, remuneration issues, corporate governance and regulatory matters.

Work of the Board

The Board is accountable to the General Meeting of Shareholders and must protect the interests of all shareholders in accordance with the responsibilities placed on the Board by external and internal controls.

The Board of Directors' duties include setting overall objectives and strategies, business plans and budgets, interim reports, year-end financial statements and annual reports, and ensuring the quality of internal controls. The Board of Directors is also required to follow economic developments and ensure the quality of financial reporting. The Board shall ensure that appropriate systems are in place to monitor and control the business and its compliance with internal guidelines, laws and regulations. The Board must ensure that the information communicated by the company is transparent and reliable. The Board shall also appoint, evaluate and, if necessary, dismiss the Managing Director.

Each year, the Board of Directors approves written rules of procedure on the division of duties and responsibilities among the members of the Board, the Board chairperson and the Managing Director. The Board also approves instructions for Board sub-committees, instructions for the Managing Director of Ahlsell, and instructions for the Managing Director's financial reporting to the Board.

The Board chairperson leads the operation of the Board and is responsible for ensuring that the Board carries out its duties effectively and in compliance with applicable laws and regulations. The Board chairperson shall prepare and ensure that the Board always receives the information it requires in order for it to carry out its work effectively. The Board chairperson acts as the Board's representative in communications with the company's shareholders.

The Board chairperson is also responsible for the evaluation of the Board's work and for presenting this to the Nomination Committee. The purpose of the evaluation is to hear the Board members' opinions on how the Board's work is being conducted and what measures can be taken to make its work more efficient. This evaluation is therefore an important basis for the work of the Nomination Committee in preparing for the Annual General Meeting.

Board sub-committees

Ahlsell's Board of Directors has set up an Audit Committee and a Remuneration Committee. The members of the sub-committees are appointed at the inaugural Board meeting for a period of one year. The sub-committees deal with matters in their respective areas of responsibility and submit proposals for decision by the Board. The minutes of the sub-committees' meetings are available to the Board. The chairperson of the respective sub-committee informs the Board of the work of the sub-committee at the Board meetings.

Audit Committee

The Audit Committee shall comprise at least three members of the Board where the majority shall be independent from the company and the company's management. At least one of the members of the Audit Committee shall be independent from major shareholders. The members of the Committee shall have expertise and experience in accounting, auditing and/or risk management. The Audit Committee shall meet as often as required and its meetings shall be recorded in the minutes.

The Audit Committee is responsible for overseeing procedures for accounting, financial reporting, internal control and risk management. The Audit Committee also reviews and monitors the impartiality and independence of the auditors, other services provided by the company's auditors, and assists the company's Nomination Committee in the preparation of proposals for auditors to the Annual General Meeting.

Remuneration Committee

The Remuneration Committee shall comprise at least three members of the Board which shall be independent from the company and the company's management. At least one of the members of the Remuneration Committee shall be independent from major shareholders. The Board chairperson shall also be the chairperson for the Remuneration Committee. The Remuneration Committee shall meet as often as required and its meetings shall be recorded in the minutes.

The main duties of the Remuneration Committee are to prepare the Board's decisions in matters relating to salaries

and other employment terms, pension benefits and bonus systems for the Managing Director and managers who report directly to the Managing Director, and also remuneration matters based on principles. The Remuneration Committee shall draw up a remuneration policy that is to be reviewed and revised annually. The Remuneration Committee shall also oversee and assess the application of the remuneration guidelines approved at the Annual General Meeting.

Remuneration of Senior Executives
Guidelines for pay and other conditions of employment for the Managing Director and other members of Ahlsell's senior management team are put to shareholders for approval each year at the Annual General Meeting. Before the Annual General Meeting, the Board of Directors presents recommended guidelines for remuneration of the Managing Director and the senior management team. Questions concerning remuneration of the Managing Director are then prepared by the Remuneration Committee and decided by the Board. Questions concerning remuneration of members of senior management are prepared and decided by the Remuneration Committee.

Senior management
The senior management team comprises Ahlsell's Managing Director and CEO, CFO, Director of Human Resources, Purchasing Director, Head of Business Support and the country managers of the three largest segments. The senior management team holds monthly meetings to address current issues and discuss business development. The senior management team meets once a year to review and assess the Group's strategy.

The segments within the Ahlsell Group are managed through monthly reviews with the management team of each segment, with the CEO and CFO participating at the meetings. A member of senior management is also always represented in each subsidiary board. An annual business plan is put in place and followed up at subsidiary level at the respective country meeting.

Managing Director
The Managing Director shall comply with external and internal control mechanisms and oversee the day-to-day management of the business in line with the guidelines and directions of the Board. The Managing Director shall also ensure that Ahlsell's accounts are in compliance with legislative and procedural requirements and that the company's funds are managed in a sustainable way. Details of the division of duties and responsibilities between the Board and the Managing Director are set out in the instructions to the Managing Director.

Auditors
The company's statutory auditors are appointed by the Annual General Meeting. The company must have at least one and at most two auditors. Both an authorised public accountant and a registered audit company can be appointed to serve as auditors. The auditor shall examine Ahlsell's Annual Report and accounts, the Consolidated Financial Statements, and the management of the company by the Board and by the Managing Director. The auditor

CORPORATE GOVERNANCE YEAR 2016

Shareholders

At year-end, there were 14,261 shareholders. The principal owner at the time was Keravel S.a.r.l., owned indirectly by CVC European Equity Fund V and CVC European Equity Tandem Fund, with a 60.4 percent holding of shares and voting rights in Ahlsell. The second largest shareholder was Odin Fonder with a 2.5 percent holding of shares and capital. The remaining 37.1 percent is held by institutional and individual investors in Sweden and other countries. At year-end, 76.4 percent of shares were held by foreign investors.

General Meetings of Shareholders 2016

On 26 September, Ahlsell AB (publ) was registered as a firm for the top company in the Ahlsell Group. The former name of the company was Norrmalm 1:1 AB. The name Ahlsell is used for the company throughout the rest of this report.

Annual General Meeting 2016
Ahlsell's 2016 Annual General Meeting was held on 25 May 2016 in Stockholm. Representatives for the company's shareholder Keravel S.a.r.l. were present at the Meeting. A majority of the Board's members, including Peter Törnquist the Board chairperson, and the Managing Director attended the Meeting.

The following key matters were considered and determined at the Meeting:

- The Annual General Meeting resolved to grant discharge of liability to members of the Board for the 2015 financial year.
- The Annual General Meeting resolved to approve the Income Statement and Balance Sheet.
- The Annual General Meeting resolved to approve the allocation of profits in accordance with the approved Annual Report.
- The Annual General Meeting re-elected all members of the Board.

Extraordinary General Meeting 31 August 2016
Ahlsell convened an extraordinary general meeting on 31 August 2016. The following key matters were considered and determined at the Meeting:

- The General Meeting resolved to approve instructions for the Nomination Committee.
- The General Meeting resolved to dismiss Board member Mattias Fajers and to appoint, for the period until the next Annual General Meeting, Peter Törnquist, Gustaf Martin-Löf, Johan Nilsson, Kenneth Bengtsson, Sören Vestergaard-Poulsen, Terje Venold, Satu Huber and Magdalena Gerger as members of the Board.

Extraordinary General Meeting 14 September 2016
Ahlsell convened an extraordinary general meeting on 14 September 2016. The following key matters were considered and determined at the Meeting:

- The General Meeting resolved to approve new Articles of Association to reflect the change of company name from Norrmalm 1:1 AB to Ahlsell AB (publ) and company category to public company, and the introduction of a CSD clause and adjustment of the voting rights. On 26 September, the change of firm and company category was registered with the Swedish Companies Registration Office (Bolagsverket).
- The General Meeting resolved to approve annual payment of Board fees, with SEK 1,000,000 to the Board chairperson, SEK 600,000 to the deputy chairperson, and SEK 400,000 to the other elected members of the Board. It was further resolved that a special fee for committee work shall be paid annually, with SEK 150,000 to the chairperson of the Audit Committee, SEK 100,000 to the chairperson of the Remuneration Committee, and SEK 100,000 to each of the other members of the Audit Committee, and SEK 50,000 to each of the other members of the Remuneration Committee. No fee is paid to Board members who are employed by the Group.

The composition, independence, attendance and fees of the Board in 2016

Name	Position	Elected	Independent from the company and its management	Independent from largest shareholder	Attendance at meetings with The Board	Audit Committee	Remuneration Committee
Kenneth Bengtsson	Chairman	2012	Yes	Yes	24/25	–	3/3
Peter Törnquist	Board member, Deputy Chair	2012	Yes	No	25/25	6/6	3/3
Johan Nilsson	Board member, CEO	2015	No	Yes	24/25	–	–
Magdalena Gerger	Board member	2016	Yes	Yes	13/25 [1]	–	2/3
Satu Huber	Board member	2016	Yes	Yes	18/25 [1]	2/6	–
Gustaf Martin-Löf	Board member	2012	Yes	No	25/25	5/6	–
Göran Näsholm	Board member	2015	No	Yes	6/25	–	–
Terje Venold	Board member	2014	Yes	Yes	21/25	–	–
Søren Vestergaard-Poulsen	Board member	2012	Yes	No	21/25	–	–
Glenn Edlund	Employee representative	–	–	–	21/25	–	–
Maria Herbertsson	Employee representative	–	–	–	22/25	–	–
Anders Nilsson	Employee representative	–	–	–	23/25	–	–

1) Magdalena Gerger and Satu Huber became Board members on August 31, 2017.

Extraordinary General Meeting 4 October 2016

Ahlsell convened an extraordinary general meeting on 4 October 2016. The following key matters were considered and determined at the Meeting:

- The General Meeting resolved to approve new Articles of Association to reflect the removal of a pre-emption clause, change of purpose of the company, and change of limits on the number of shares.
- The General Meeting resolved to approve a share split, whereby one share was split into four shares.

Extraordinary General Meeting 16 October 2016

Ahlsell convened an extraordinary general meeting on 16 October 2016. The following key matters were considered and determined at the Meeting:

- The General Meeting resolved to introduce a long-term share-save scheme. The decision was conditional on flotation of the company's shares on the Nasdaq stock exchange by 31 December 2016.
- The General Meeting resolved to approve the terms of a warrant-based incentive scheme and an issue of warrants within the framework of the warrant-based incentive scheme. The decision was conditional on flotation of the company's shares on the Nasdaq stock exchange by 31 December 2016.

Extraordinary General Meeting 27 October 2016

Ahlsell convened an extraordinary general meeting on 27 October 2016. The following key matters were considered and determined at the Meeting:

- The General Meeting resolved on a reduction of the company's share capital through a retraction of shares of preferred stock and repayment to the shareholders, see Note 29.
- The General Meeting resolved to approve new Articles of Association to reflect that there will only be one kind of share.
- The General Meeting resolved to approve an offset issue, see Note 29.
- The General Meeting resolved to approve a non-cash issue, see Note 29.
- The General Meeting resolved to approve of the company entering into an underwriting agreement with the banks that are involved in the offer within the context of the planned IPO.

Nomination Committee for the Annual General Meeting 2017

According to the instructions of the Nomination Committee, the composition of the Nomination Committee is based on the shareholder statistics presented on the last banking day in August and should be published no later than six months before the Annual General Meeting. Since Ahlsell launched its initial public offering on 28 October 2016, it was instead decided to base the composition of the Nomination Committee for the 2017 Annual General Meeting on the shareholder statistics presented on 31 December 2016. This constitutes a non-compliance of the Code's general rule that the announcement of the Nomination Committee shall be made at least six months before the Annual General Meeting.

Work of the Board

The Board has been engaged primarily in the subsidiary Ahlsell Operations AB in the first six months. To enable flotation of the top company in the Group, Ahlsell AB (publ), the work of the Board has been conducted in Ahlsell AB (publ) since 31 August 2016. The descriptions below aim to provide a general picture of the work of the Board for the whole in 2016.

Since the Extraordinary General Meeting on 31 August 2016, Ahlsell's Board has comprised eight ordinary elected members, three employee representatives and an alternate member for each employee representative. Each of these Board members possess skills and expertise that are key to Ahlsell. Ahlsell's Managing Director and CEO, Johan Nilsson, is a member of the Board, and Ahlsell's CFO Kennet Göransson is the Board secretary. The members of the Board are presented in more detail on pages 102–103.

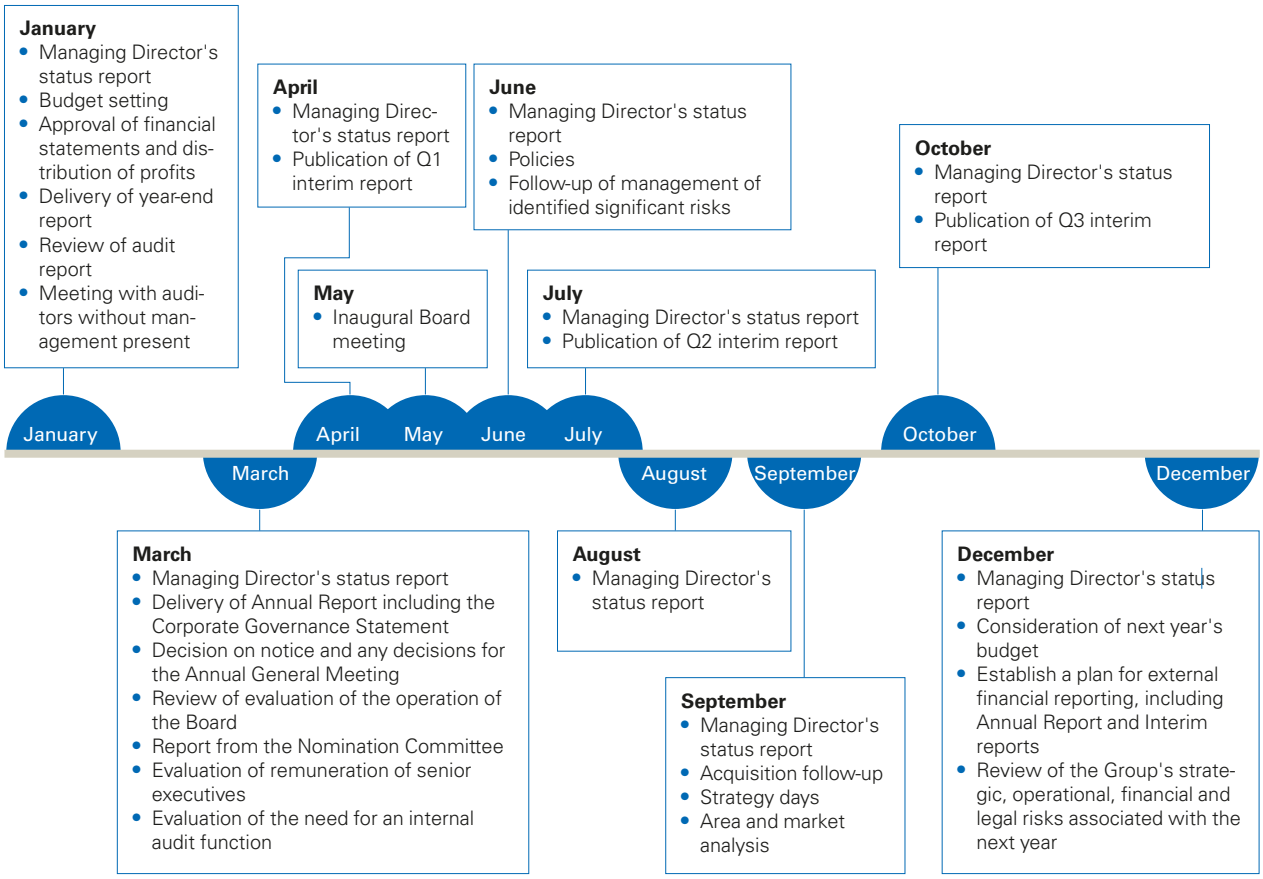
Kenneth Bengtsson was elected as the Board chairperson at the inaugural Board meeting on 12 September 2016. Peter Törnquist was elected as the Board's deputy chairperson at the Board meeting on 22 September 2016.

In 2016, Ahlsell's Board of Directors held 25 meetings. Six of the 25 meetings were held per capsulam. The company's flotation on the Nasdaq Stockholm stock exchange on 28 October 2016 resulted in more Board meetings than can normally be expected in a financial year.

The Managing Director's operational and financial status report is a standing agenda item at each Board meeting. The following key matters have also been addressed:

- Flotation of Ahlsell on the Nasdaq Stockholm stock exchange
- Approval of updated Group policies
- Appointment of a Managing Director who is also CEO

The Board of Directors adopted updated rules of procedure on 22 September 2016 and it is shown below how the Board will divide its duties in 2017.



- Appointment of new committee members
- Refinancing of the Group
- Conversion, consolidation and new issue of the company shares
- Incentive schemes for senior management and other key employees
- Change of name and company category from Norrmalm 1.1 AB to Ahlsell AB (publ)
- Acquisition of Elgross'n i Göteborg AB, Prevex AB and the operations of Värmematerial VVS AB

The Board of Directors has met the external auditors without management being present once in 2016.

Independence of the Board

The Code requires a majority of the elected Board members to be independent from the company and its management. At least two of these must also be independent from the company's major shareholders. Ahlsell considers the current Board of Directors to be independent under the criteria set out in the Code.

Audit Committee

In 2016, the Audit Committee held six meetings and addressed matters relating to quarterly financial statements and financial reporting, tax and internal control.

On 22 September 2016, Satu Huber was elected to the Audit Committee which since then has comprised Peter Törnquist (Audit Committee chair), Gustaf Martin-Löf and Satu Huber, who are all independent from the company and its management. Satu Huber is also independent from the company's major shareholders. Ahlsell considers that the current Audit Committee meets the competence criteria set out in the Swedish Companies Act.

Remuneration Committee

In 2016, the Remuneration Committee held three meetings and addressed the conditions and outcomes related to variable remuneration of senior executives, and proposed incentive schemes.

Magdalena Gerger was elected to the Remuneration Committee on 22 September 2016. Since then, the Remuneration Committee has comprised Kenneth Bengtsson (Remuneration Committee chair), Peter Törnquist and Magdalena Gerger, who are all independent from the company and its management. Kenneth Bengtsson and Magdalena Gerger are also independent from the company's major shareholders.

Guidelines for remuneration of senior executives

The guidelines for pay and other conditions of employment for the Managing Director and other senior executives were set by the Board on 18 August 2015 and have remained the same since then.

The main remuneration principles are that Ahlsell shall provide competitive salaries and other conditions of employment to enable it to attract and retain talented senior executives. Remuneration in the company shall be commensurate with the employee's position, responsibility and performance. Remuneration to senior executives comprises fixed salary, variable

remuneration based on annual performance targets (capped at 80 percent of the fixed salary), long-term incentives and other benefits such as car, pensions and insurance. Other benefits may be offered in line with the levels and practices of the country in which the senior executive is employed, and must not constitute a substantial part of the complete benefits package.

Furthermore, the Annual General Meeting can decide to offer long-term incentive schemes such as share and share price related schemes. These incentive schemes should aim to promote long-term growth and provide a common interest.

On 16 October 2016, an Extraordinary General Meeting resolved to approve two long-term incentive schemes, a share-save scheme for some 100 senior executives, including the senior management team and other key employees, and a warrants scheme for ten senior executives, including the senior management team. Further details can be found at www.ahlsell.com.

Evaluation of the Board's work

Ahlsell's Board of Directors reviews and appraises its work annually. The findings are reported to the Board and the Nomination Committee.

Senior Management

In 2016, Ahlsell's management team comprised Ahlsell's CEO, the managing directors of three operating companies and four chiefs of staff. A more detailed presentation of Senior Management can be found on page 104.

Auditors

The audit company KPMG AB was re-elected at the 2016 Annual General Meeting as the company's auditors until the 2017 Annual General Meeting. Joakim Thilstedt, authorised public accountant, will serve as chief auditor.

The Board's internal control report

Under the Swedish Companies Act, the Board of Directors is required to ensure that the company's organisation is structured so as to enable adequate controls of accounting, management of funds and the company's finances in general. The Code clarifies this and prescribes that the Board is responsible for internal control. The CEO and the senior management team are responsible for ensuring that the Group has good internal controls and regularly report to the Audit Committee and the Board. Ahlsell's operations managers are responsible for internal controls within their areas of operations and report any irregularities to the CEO and the senior management team. Group Internal Control acts as support for the development and monitoring of internal controls. The Board therefore concluded in 2016 that a separate internal audit function was not required.

Ahlsell uses the COSO model and its five areas to describe internal controls in a structured way. The five areas are control environment, risk management, control activities and monitoring, and information and communication. The descriptions in the Corporate Governance Statement focus primarily on the key elements of the company's system of internal control over financial reporting. The processes for its financial reporting are designed to ensure reliable external financial reporting in accordance with IFRS, applicable laws and regulations, and other requirements imposed on companies listed on the Nasdaq Stockholm stock exchange.

This report has been prepared in accordance with the Swedish Annual Accounts Act and the Code.

The control environment

Corporate culture and a good control environment are created through shared values. A good control environment is documented and supported in policies, guidelines and instructions. These form Ahlsell's internal control mechanisms.

During the year, the Board of Directors produced a set of governing documents that provide a platform for Ahlsell's internal control and governance. The Board of Directors' rules of procedure, including instructions for its sub-committees, and the Managing Director's instructions, including instructions on financial reporting, serve as the basis for Ahlsell's governance and control environment. Ahlsell also has a set of Group-wide policies and instructions providing clear guidance on the business. Ahlsell's Financial Manual and Ahlsell's Treasury Policy are central policies for financial reporting.

Ahlsell's Group functions and Ahlsell's operations managers are all responsible for developing and updating an effective control environment.

Risk management

Ahlsell has an established annual process of working with risk. This process is led by Ahlsell Group Internal Control. The risks are analysed and documented at risk workshops that are run in close partnership with country managers and heads of operations. The risks are related to both their operating and their financing activities. This is based on an accepted risk model. A report of the risk management activities is presented at least once a year to Ahlsell's Board of Directors.

Control activities and reviews

A priority for Ahlsell's employees is to maintain Ahlsell's business-critical procedures and processes. Controls, monitoring and reviews of the financial reporting are performed at all levels.

Ahlsell's finance organisation is decentralised. The companies in the Group's main segments all use the same financial system, and a Group-wide reporting system is used for reporting for all the countries. All the Group companies are analysed and consolidated on a monthly basis. The reporting process requires all subsidiaries to ensure that their figures have been checked and are correct. Ahlsell has a Group-wide reporting system that assists with this process. Meetings are held monthly with the managing director and financial officer of each country to review financial statements. The CEO and the CFO also attend the monthly management meetings in Sweden, Finland and Norway. Sales, gross margins and other financial measures are also reviewed on a weekly basis.

Ahlsell's auditors examine the financial information and the interim financial statements for the third quarter. The auditors also examine a selection of internal controls and processes each year and then report identified areas of improvement to the Audit Committee, the executive team and management team of each subsidiary. The chief auditor also attends most Audit Committee meetings.

Information and communications

Ahlsell's strategic policies and guidelines are communicated primarily via a Group-wide intranet. Email and SharePoint are used for communications within the Group's finance organisation. Ahlsell's finance functions convene each year to share insights and experience.

Ahlsell's external communications are managed by Group Investor Relation based on a communication policy established by the Board of Directors.

Proposed allocation of profits

The following funds are at the disposal of the Annual General Meeting	SEK	7,052,138,160
The Board of Directors and the Managing Director recommend:		
that SEK 0.35 per share be paid to shareholders [1]	SEK	152,705,765
the remaining profits be carried forward	SEK	6,899,432,395
	SEK	7,052,138,160

The Board's proposed dividend corresponds to 2 percent of the Parent Company's equity and 2 percent of the Group's equity. Ahlsell's policy is that, over time, the dividend should be between 40 percent and 60 percent of profit after tax. In the light of the anticipated economic growth, the Board of Directors considers the proposed dividend to be well thought-out with respect to the goals, size and risks of the business, and with respect to the company's ability to meet future obligations. If the dividend had been paid at the end of the year, the Group's equity/assets ratio would have been 34 percent. Ahlsell's financial position is expected to remain strong after the proposed dividend has been paid.

For information on the company's earnings and financial status in general, please refer to the following income statements, balance sheets, cash flow statements and notes to the accounts.

1) The recommended dividend is based on the results of the fourth quarter, which is about the period of time that the company has been listed, adjusted for costs associated with the listing and pro forma for new financing.

Accounts

Consolidated income statement

SEK million	Note	2016	2015
Net sales	2	24,606.1	22,585.8
Cost of goods sold		–17,916.0	–16,377.2
Gross profit		**6,690.1**	**6,208.6**
Selling expenses		–4,559.3	–4,331.0
Administration expenses		–443.2	–390.1
Other operating income	4	32.4	18.3
Other operating expenses		–1.4	–0.6
Operating profit	2,3,5,6,7,8	**1,718.6**	**1,505.2**
Finance income	9	549.5	173.4
Finance expense	10	–1,689.1	–1,446.9
Net finance income/expense		***–1,139.6***	***–1,273.5***
Profit before tax		**579.0**	**231.7**
Income tax	11	–237.1	–161.5
Profit for the year		**341.9**	**70.2**
Profit for the year attributable to equity holders of the Parent		341.9	70.2
Non-controlling interests		–	–
Basic earnings per share, SEK	29	1.11	0.21
Diluted earnings per share, SEK	29	1.11	0.21

Consolidated statement of income and other comprehensive income

SEK million	Note	2016	2015
Profit for the year		**341.9**	**70.2**
Other comprehensive income			
Items that will be recycled to profit or loss			
Translation differences for the year	29	–60.4	–95.6
Change in hedging reserve during the year	29	–3.6	–
Tax attributable to items that will be recycled to profit or loss	29	71.5	–50.3
Items that will not be recycled to profit or loss			
Revaluation of defined-benefit pension schemes	30	–1.5	17.0
Tax attributable to items that will not be recycled to profit or loss	30	0.6	–3.4
Other comprehensive income for the year		**6.5**	**–132.3**
Comprehensive income for the year		**348.4**	**–62.1**
Comprehensive income for the year attributable to equity holders of the Parent		348.4	–62.1
Non-controlling interests		–	–

Consolidated cash flow statement

SEK million	Note	2016	2015
OPERATING ACTIVITIES			
Profit before tax		579.0	231.7
Adjustment for non-cash items	36	1,001.0	1,061.6
		1,580.0	**1,293.3**
Tax paid		–245.3	–25.8
Cash flows from operating activities before changes in working capital		**1,334.7**	**1,267.5**
CASH FLOWS FROM CHANGES IN WORKING CAPITAL			
Changes in inventories		–165.0	–262.6
Changes in operating receivables		–554.1	–191.0
Changes in operating liabilities		630.3	513.2
Cash flows from operating activities		**1,245.9**	**1,327.1**
INVESTING ACTIVITIES			
Acquisition of operations	37	–451.0	–49.1
Acquisition of intangible assets		–29.7	–51.3
Acquisition of property, plant and equipment		–126.6	–120.0
Sale of property, plant and equipment		77.5	11.1
Changes in financial assets		–0.2	–0.9
Cash flows from investing activities		**–530.0**	**–210.2**
FINANCING ACTIVITIES			
Disposal of derivatives		455.0	–
Issued warrants		2.7	–
Acquisition of non-controlling interests		–	–3.2
Proceeds from borrowings		8,650.6	–
Amortisation of borrowings		–10,979.3	–510.1
Cash flows from financing activities		**–1,871.0**	**–513.3**
Cash flows for the year		**–1,155.1**	**603.6**
Cash and cash equivalents at beginning of year		2,359.9	1,760.4
Exchange rate differences in cash and cash equivalents		4.0	–4.1
Cash and cash equivalents at end of year	33	**1,208.8**	**2,359.9**

Consolidated balance sheet

SEK million	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Customer relationships	14	3,249.5	3,344.8
Trademark	15	3,837.2	3,767.0
Other intangible assets	16	122.8	127.2
Goodwill	17	7,027.5	6,633.6
Total intangible assets		14,237.0	13,872.6
Property, plant and equipment			
Land and buildings	18	250.2	255.4
Plant and machinery	19	170.3	164.4
Fittings, fixtures, tools and equipment	20	354.8	307.4
Construction in progress and advances for property, plant and equipment		5.4	0.1
Total property, plant and equipment		780.7	727.3
Financial assets			
Financial investments	21	3.3	3.2
Other non-current receivables	25	4.4	4.1
Total financial assets		7.7	7.3
Deferred tax assets	24	7.0	9.2
Total non-current assets		**15,032.4**	**14,616.4**
CURRENT ASSETS			
Inventories			
Finished goods and goods for resale	26	3,287.0	2,917.2
Total inventories		3,287.0	2,917.2
Current receivables			
Trade receivables	27	3,054.0	2,549.4
Tax receivables		16.6	3.5
Other receivables		43.9	38.3
Prepaid expenses and accrued income	28	1,031.0	824.1
Total current receivables		4,145.5	3,415.3
Cash and cash equivalents	33	1,208.8	2,359.9
Assets held for sale	12	–	69.2
Total current assets		**8,641.3**	**8,761.6**
TOTAL ASSETS		**23,673.7**	**23,378.0**

SEK million	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY	29		
Share capital		123.4	79.4
Contributed equity		7,702.4	719.4
Reserves		–49.3	–56.8
Retained earnings, including profit/loss for the year		313.0	–30.6
Equity attributable to owners of the Parent		8,089.4	711.3
Non-controlling interests		–	–
Total equity		**8,089.4**	**711.3**
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	33	7,926.1	9,796.7
Shareholder loans	33	–	6,388.5
Pension provisions	30	49.9	49.0
Other non-current provisions	31	4.7	6.5
Deferred tax liabilities	24	1,426.5	1,363.6
Derivative instruments	33	3.6	112.9
Other non-current liabilities		25.2	–
Total non-current liabilities		**9,436.0**	**17,717.2**
CURRENT LIABILITIES			
Liabilities to credit institutions	33	719.3	212.8
Advances from customers		6.2	6.0
Trade payables		4,598.6	3,784.6
Current tax liabilities		7.7	84.7
Derivative instruments	33	4.4	–
Other current provisions	31	18.6	12.6
Other current non interest-bearing liabilities		245.0	261.3
Accrued expenses and deferred income	32	548.5	577.1
Liabilities attributable to assets held for sale	12	–	10.4
Total current liabilities		**6,148.3**	**4,949.5**
TOTAL EQUITY AND LIABILITIES		**23,673.7**	**23,378.0**

Information on the Group's pledged assets and contingent liabilities can be found under Note 34.

Consolidated statement of changes in shareholders' equity

SEK million	Note	Equity attributable to shareholders: Share capital	Contrib-uted equity	Reserves	Retained earnings including profit/loss for the year	Total	Non-controlling interests	Total equity
Opening balance on 1 January 2015		**79.4**	**719.4**	**89.1**	**–112.8**	**775.0**	**1.7**	**776.7**
Comprehensive income for the year								
Profit for the year		–	–	–	70.2	70.2	–	70.2
Other comprehensive income for the year	29	–	–	–145.9	13.6	–132.3	–	–132.3
Comprehensive income for the year		–	–	–145.9	83.8	–62.1	–	–62.1
Acquisition of non-controlling interests[1]		–	–	–	–1.6	–1.6	–1.7	–3.3
Total shareholder transactions		–	–	–	–1.6	–1.6	–1.7	–3.3
Closing balance on 31 December 2015		**79.4**	**719.4**	**–56.8**	**–30.6**	**711.3**	**–**	**711.3**
Opening balance on 1 January 2016		**79.4**	**719.4**	**–56.8**	**–30.6**	**711.3**	**–**	**711.3**
Comprehensive income for the year								
Profit for the year		–	–	–	341.9	341.9	–	341.9
Other comprehensive income for the year	29	–	–	7.5	–1.0	6.5	–	6.5
Comprehensive income for the year		–	–	7.5	340.9	348.4	–	348.4
Withdrawal of shares of preferred stock	29	–9.2	–132.3	–	–	–141.5	–	–141.5
Bonus issue	29	9.2	–9.2	–	–	–	–	–
Non-cash issue	29	0.6	95.2	–	–	95.8	–	95.8
Offset issue	29	43.4	7,022.7	–	–	7,066.1	–	7,066.1
Long-term share-save scheme		–	6.6	–	–	6.6	–	6.6
Issued warrants		–	–	–	2.7	2.7	–	2.7
Total shareholder transactions		44.0	6,983.0	–	2.7	7,029.7	–	7,029.7
Closing balance on 31 December 2016		**123.4**	**7,702.4**	**–49.3**	**313.0**	**8,089.4**	**–**	**8,089.4**

Also see Note 29, Equity.

[1] Acquisition of a minority stake in Proffklær Haugesund AS

Parent Company income statement

SEK million	Note	2016	2015
Net sales		1.4	–
Gross profit		**1.4**	**–**
Administration expenses		–67.0	–1.6
Operating profit/loss		**–65.6**	**–1.6**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Expected dividends from subsidiaries		–	477.8
Interest and similar income	9	546.8	443.2
Interest expense and similar charges	10	–567.3	–591.1
Profit/loss after financial items		**–86.1**	**328.3**
Appropriations		–111.9	–
Profit/loss before tax		**–198.0**	**–**
Tax on profit/loss for the year	11	–73.8	–
Profit/loss for the year		**–271.8**	**328.3**

Parent Company statement of income and other comprehensive income

SEK million	Note	2016	2015
Profit/loss for the year		**–271.8**	**328.3**
Items that will be recycled to profit or loss			
Change in hedging reserve during the year		–3.6	–
Tax attributable to items that will be recycled to profit or loss		0.8	–
Other comprehensive income for the year		**–2.8**	**–**
Comprehensive income for the year		**–274.6**	**328.3**
Comprehensive income for the year attributable to equity holders of the Parent		–274.6	328.3

Also see Note 29, Equity.

Parent Company cash flow statement

SEK million	Note	2016	2015
OPERATING ACTIVITIES			
Profit/loss after financial items		–86.1	328.3
Adjustment for non-cash items	36	14.8	–329.9
		–71.3	**–1.6**
Tax paid		–	–
Cash flows from operating activities before changes in working capital		**–71.3**	**–1.6**
CASH FLOWS FROM CHANGES IN WORKING CAPITAL			
Changes in operating receivables		–7.4	–
Changes in operating liabilities		70.3	0.2
Cash flows from operating activities		**–8.4**	**0.2**
INVESTING ACTIVITIES			
Changes interest-bearing liabilities		–8,342.1	1.4
Cash flows from investing activities		**–8,342.1**	**1.4**
FINANCING ACTIVITIES			
Proceeds from borrowings		8,650.6	
Amortisation of borrowings		–300.0	–
Cash flows from financing activities		**8,350.6**	**–**
Cash flows for the year		**0.1**	**0.0**
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		**0.1**	**–**

Parent Company balance sheet

SEK million	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Financial assets			
Shares in subsidiaries	22	3,032.0	2,929.5
Receivables from Group companies	23	12,844.6	5,051.0
Total financial assets		15,876.6	7,980.5
Deferred tax assets		0.8	–
Total non-current assets		**15,877.4**	**7,980.5**
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		0.6	477.8
Other receivables		5.9	–
Prepaid expenses and accrued income		0.8	–
Total current receivables		7.3	477.8
Cash at bank and in hand		0.1	–
Total current assets		**7.4**	**477.8**
TOTAL ASSETS		**15,884.8**	**8,458.3**

SEK million	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY	29		
Restricted equity			
Share capital (436,302,187 shares)		123.4	79.4
Unrestricted equity			
Share premium reserve		7,836.8	718.9
Retained earnings		–513.0	–703.6
Profit/loss for the year		–271.8	328.3
Total equity		**7,175.4**	**423.0**
Untaxed reserves		**111.9**	**–**
NON-CURRENT LIABILITIES	33		
Liabilities to credit institutions	33	7,647.9	–
Shareholder loans	33	–	6,486.9
Derivative instruments	33	3.6	–
Liabilities to Group companies	23	–	1,108.1
Total non-current liabilities		**7,651.5**	**7,595.0**
CURRENT LIABILITIES			
Liabilities to credit institutions	33	678.0	–
Trade payables		11.6	–
Current tax liabilities		73.8	–
Derivative instruments	33	3.8	–
Liabilities to Group companies		127.8	440.1
Prepaid expenses and accrued income	32	51.0	0.2
Total current liabilities		**946.0**	**440.3**
TOTAL EQUITY AND LIABILITIES		**15,884.8**	**8,458.3**

Parent Company statement of changes in shareholders' equity

	Restricted equity	Unrestricted equity		
SEK million	Share capital	Share premium account	Retained earnings/ profit for the year	Total equity
Opening balance on 1 January 2015	**79.4**	**718.9**	**–703.6**	**94.7**
Profit for the year	–	–	328.3	328.3
Comprehensive income for the year	**–**	**–**	**328.3**	**328.3**
Closing balance on 31 December 2015	**79.4**	**718.9**	**–375.3**	**423.0**
Opening balance on 1 January 2016	**79.4**	**718.9**	**–375.3**	**423.0**
Profit/loss for the year	–	–	–271.8	–271.8
Other comprehensive income for the year	–	–	–2.8	–2.8
Comprehensive income for the year	–	–	–274.6	274.6
Withdrawal of shares of preferred stock	–9.2	–	–132.3	–141.5
Bonus issue	9.2	–	–9.2	–
Non-cash issue	0.6	95.2	–	95.8
Offset issue	43.4	7,022.7	–	7,066.1
Long-term share-save scheme	–	–	6.6	6.6
Total shareholder transactions	**44.0**	**7,117.9**	**–134.9**	**7,027.0**
Closing balance on 31 December 2016	123.4	7,836.8	–784.7	7,175.4

Notes

NOTE 1 General information and accounting policies

GENERAL INFORMATION

Ahlsell AB (publ) (Parent Company) and its subsidiaries (together referred to as the Group) is the Nordic region's leading distributor of installation products, tools and supplies for installation companies, construction companies, real estate management companies, industrial and power companies and the public sector. Ahlsell's portfolio covers more than one million individual products and solutions. The Group offers professional users an extensive range of products and related services in the areas of HVAC & Plumbing, Electrical and Tools & Supplies.

The Parent Company is a limited liability company registered in Stockholm. The address of the Head Office is Rosterigränd 12, Stockholm, Sweden.

The Annual Report and the consolidated financial statements were approved and authorised for issue by the Board of Directors and the Managing Director on 30 March 2017. The consolidated and Parent Company income statements and balance sheets will be presented for approval at the Annual General Meeting.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

BASIS OF PREPARATION

The consolidated financial statements for the Ahlsell AB (publ) Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. Assets and liabilities are measured at historical cost or at cost of acquisition. Financial assets classified as held for sale and financial assets and liabilities (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value. Accounting policies adopted by the Parent Company are presented below.

Preparation of financial statements in conformity with the IFRS requires the use of certain estimates for accounting purposes. It also requires management to make estimates and assumptions in the process of applying the Group's accounting policies. The areas that involve a significant degree of estimation, that are complex, or are areas where assumptions and estimates are of considerable importance to the consolidated financial statements are set out in Note 40.

Non-current assets and liabilities are essentially amounts that are expected to be recovered or paid more than twelve months after the reporting date. Current assets and liabilities are essentially amounts that are expected to be recovered or paid within twelve months of the reporting date.

INFORMATION ABOUT IFRS STANDARDS OR INTERPRETATIONS THAT BECAME EFFECTIVE IN 2016

The IFRS standards that became effective in 2016 have not had any material effect on the consolidated statements.

INFORMATION ABOUT IFRS STANDARDS OR INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

IFRS 9 Financial Instruments will replace *IAS 39 Financial Instruments: Recognition and Measurement*. The IFRS 9 standard, promulgated by the International Accounting Standards Board (IASB), is a complete package of changes relating to financial instrument reporting. The package includes new classification and measurement categories for financial instruments, a single, forward-looking 'expected loss' impairment model, and a simplified approach to hedge accounting. IFRS 9 will come into effect in 2018 with early application permitted.

Ahlsell is currently assessing the impact that the application of IFRS 9 will have on its accounting. It has not yet been possible to determine the impact on the financial statements. This will become clearer as the implementation project progresses in 2017. The assessment of the impacts described in the following are based on currently known or reasonably estimable information. The choice of transition methods will be made when the analysis of IFRS 9 has reached a phase that provides a more substantial basis than at present.

The new impairment rules, based on expected credit losses, are consistent with the model that Ahlsell uses today for provisions for bad debts. The standard is therefore not expected to have any impact on the provision for losses on trade receivables.

Ahlsell uses hedge accounting to swap floating rates on loans for fixed interest rates with interest rate swaps. The Group has concluded that the introduction of IFRS 9 will not have a significant impact on its income statement, other comprehensive income statement and statement of financial positions with respect to hedge accounting.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, which will affect the disclosures presented. The extent of these amendments is not yet known or reasonably estimable.

IFRS 15 Revenue from contracts with customers. The objective of a new standard for revenue is to have a single principles-based standard for all sectors to replace existing standards and interpretations on revenue recognition. Sectors that will be affected the most are telecommunications, software, real estate, aviation, defence, construction and engineering, and contract manufacturing companies. All companies will be affected by the new, expanded disclosure requirements. There are three transition alternatives; a fully retrospective approach, a modified retrospective approach (includes relief rules) and a "cumulative effect" approach whereby equity is adjusted on 1 January 2018 for contracts in the scope of the old set of regulations (IAS 11/IAS 18). IFRS 15 will come into effect in 2018 with early application permitted.

Ahlsell is currently assessing the impact that the application of IFRS 15 will have on its accounting. It has not yet been possible to determine the impact on the financial statements other than at the general level mentioned below. The assessment of the impacts described in the following are based on currently known or reasonably estimable information. The choice of transition methods will be made when the analysis of IFRS 15 has reached a phase that provides a more substantial basis than at present. Sales of goods are currently recognised when the goods are delivered to the customer. This is considered to be the time when the risks and rewards related to the ownership of the goods are transferred to the customer.

Based on assessments made to date, application is not expected to impact the revenue reported on a periodic basis. IFRS 15 requires extensive disclosures about revenue which will expand the information provided in the Notes.

IFRS 16 Leases. A new standard for the reporting of leases. For lessees, the classification under IAS 17 in operating and finance leases has been replaced by a model that requires lessees to report all lease assets and lease liabilities on the balance sheet. Companies are not required to recognise low-value leases and leases of 12 months or less on the balance sheet. Lessees are required to recognise depreciation separately from interest expense on lease liabilities in the income statement. IFRS 16 will be applied from 1 January 2019. A company may apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers.

As an operating lessee, Ahlsell will be affected by the introduction of IFRS 16. The impact that IFRS 16 and the choice of transition methods will have on the financial statements has not yet been calculated. The disclosures presented in Note 6 on operating leases provides an indication of the type and scope of the agreements that currently exist.

No other published amendments to accounting standards for application in the future are expected to have any significant effect on the Group's financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

(a) Subsidiaries

Subsidiaries are companies over which Ahlsell AB (publ) has a controlling interest. A controlling interest exists if Ahlsell AB (publ) has control over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether a controlling interest exists, consideration is given to potential voting rights and whether de facto control exists.

Subsidiaries are accounted for by applying the acquisition method. The acquisition method involves acquisitions being treated as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and assumed liabilities, and any non-controlling interests. Transaction costs that arise,

with the exception of transaction costs relating to the issue of equity or liability instruments, are recognised directly in the income statement for the year as administration expenses.

If as a result of a business combination the sum of the fair value of the consideration transferred, any non-controlling interest and fair value of any previously held equity (in a step acquisition) exceeds the fair value of identifiable acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. If the difference is negative, this is recognised immediately in the income statement for the year.

The consideration transferred in connection with the business combination does not include payments for the settlement of previous business affairs. Such settlement amounts are recognised in the income statement.

Contingent considerations are assessed at fair value at the date of acquisition. If the contingent consideration is classified as an equity instrument, then it is not remeasured and any settlement is accounted for within equity. The fair value of other contingent considerations is measured at each reporting date and the change in fair value is recognised in the income statement for the year.

(b) Non-controlling interests

Non-controlling interest arises in cases where the acquisition does not include 100% of the subsidiary. There are two options for recognising non-controlling interest. Either recognise the non-controlling interest's share of proportional net assets, or recognise non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. The choice of option for measuring a non-controlling interest can be made individually for each acquisition.

When business combinations are achieved in stages (step acquisition), goodwill is measured on the date that control is obtained, the acquirer must remeasure its previously held equity interest based on the fair values of the acquired entity's assets and liabilities and any resulting adjustments are recognised in the income statement.

If the Group should sell its controlling interest in a subsidiary but continue to hold an interest, the retained interest is remeasured to fair value and any gain or loss is recognised in the income statement for the year.

(c) Transactions eliminated on consolidation

Intra-group transactions and balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss for the transferred asset. The subsidiaries' accounting policies have been changed where necessary to ensure consistency with Group policies.

SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and about which separate financial information is available. The performance of an operating segment is assessed regularly by the chief operating decision maker to evaluate segment performance and to decide how to allocate resources to the operating segment. The chief operating decision maker is the CEO. The Ahlsell AB (publ) Group's operating segments are primarily determined by geographic areas, which comprise individual countries and groups of comparable countries. See Note 2 for further information about determination and presentation of operating segments.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currencies

Items in the financial statements of each Group entity are measured in the currency that is used in the economic environment in which each company primarily operates (functional currency). The consolidated financial statements are presented in SEK (Swedish kronor), which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated to the functional currency rate prevailing at the date of the transaction. Any gain or loss arising from the payment of such transactions and in the restatement of monetary assets and liabilities in foreign currencies at the balance sheet date is included in the income statement. The exception to this is when transactions are designated as hedges that qualify for hedge accounting of the cash flows or net investments. Such transaction gains or losses are included in other comprehensive income.

(c) Group companies

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

a) assets and liabilities of each foreign operation are translated at the closing rate on the balance sheet date,
b) income and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case income and expenses are translated at the exchange rate ruling at transaction date; and
c) all resulting exchange differences are recognised in a separate section in other comprehensive income.

Upon consolidation, exchange differences arising from the restatement of net investments in foreign operations and of borrowing and other currency instruments identified as hedges of such investments, are transferred to other comprehensive income. When a foreign operation is disposed, either fully or in part, the exchange differences that are recognised in other comprehensive income are transferred to the income statement and reported as part of the gain or loss on sale.

Goodwill and adjustments to fair value arising on the acquisition of a foreign entity are treated as assets and liabilities in this entity's functional currency.

INTANGIBLE ASSETS

(a) Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill arising from the acquisition of subsidiaries is reported as intangible assets. Goodwill is tested annually for impairment and is recognised at cost less accumulated impairment losses. Any gain or loss on the disposal of an entity includes the remaining carrying amount of the goodwill relating to the entity sold.

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

Goodwill is allocated to cash-generating units when testing for impairment.

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

Customer relationships and other intangible assets (mainly licences, software and lease contracts) have a limited useful life and are recognised at cost of acquisition less accumulated amortisation. The straight-line method of amortisation is used to allocate the expense evenly over their expected useful lives, which is 3-20 years.

(c) Brands

The useful life is considered to be indefinite as it is a question of a well-established trademark that the Group intends to retain and develop. Brands are tested annually for impairment and are recognised at cost of acquisition less accumulated impairment losses.

(d) Capitalised development expenses

Capitalised development expenses are reported as intangible assets in the balance sheet if they are directly associated with the development of identifiable products controlled by the Group, have probable economic benefits for more than one year and exceed the expenses.

Capitalised development expenses have a limited useful life and are recognised at cost of acquisition less accumulated amortisation. Amortisation is charged on a straight-line basis to distribute costs for capitalised development expenses over the estimated useful lives of 3-7 years.

Research costs are recognised as expenses as incurred.

In the case of acquisitions, assets are transferred at gross value for administrative reasons. However, an estimate of value and economic useful life is performed.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any impairment losses. The cost of property, plant and equipment includes directly attributable costs incurred in their acquisition. Borrowing costs directly attributable to purchase, construction or production of assets that take a long time before they are ready for use or sale are included in the cost of acquisition.

Assets can consist of different parts and as each part has an acquisition cost significant in relation to the combined acquisition cost of the asset, each part is depreciated separately.

Subsequent costs are added to the asset's carrying amount or are recognised as a separate asset, depending on which is appropriate, only when it is probable that any future economic benefits associated with the asset will flow to the Group and the asset has a cost value that can be measured with reliability. In order for subsequent costs to qualify for inclusion in the carrying amount, they must relate to the replacement of identified components or parts thereof. If this is the case, these costs are capitalised. The carrying amount (residual value) of a replaced component or part thereof is derecognised and expensed at the time of replacement. Repairs are recognised as an expense in the financial period in which they are incurred.

Land is not depreciated. Other assets are depreciated at rates calculated to write down to estimated residual value on a straight-line basis over their estimated useful lives as follows:

- Buildings	20-50 years
- Machinery	3-10 years
- Equipment, fixtures & fittings	3-10 years

The residual values and useful lives of assets are assessed at each reporting date and adjusted if necessary.

If the assets' carrying amount exceeds its estimated recoverable amount, the asset's carrying amount is immediately written down to its recoverable amount calculated under IAS 36.

Any gain or loss on the disposal is determined as the difference between the proceeds of disposal and carrying amount and is recognised in the income statement as Other operating income or Other operating expenses.

In the case of acquisitions, assets are transferred at gross value for administrative reasons. However, an estimate of value and economic useful life is performed.

IMPAIRMENT

Property, plant and equipment and intangible assets are assessed for impairment on each balance sheet date. If there is an indication that an asset is impaired, the asset's recoverable amount is measured. The recovery value of goodwill, other intangible assets with an idenfinite useful life and intangible assets which are not yet ready for use is also calculated annually. If it is not possible to determine essential independent cash inflows for a particular asset and its fair value minus selling expenses cannot be used, the assets are grouped by testing impairment needs to the lowest level where it is possible to identify essential independent cash flows - a so-called cash generating unit.

An impairment loss is recognised when the recoverable amount of an asset or a cash-generating unit is less than its carrying amount. An impairment loss is recognised as an expense in the income statement for the year. Impairment losses recognised for a cash-generating unit (group of units) are initially allocated to goodwill. They are then allocated to the other assets of the unit (group of units) pro rata on the basis of each asset's carrying amount. The recoverable amount of other assets is the higher of the asset's fair value less selling expenses and its utility value. In measuring utility value, future cash flows are discounted using a discount rate that reflects the risk-free rate of interest and the risks specific to the asset.

Any impairment of assets contained in the application area of IAS 36 is reversed if there are both indications that there is no longer a need for impairment and the assumptions upon which the recovery value is based have changed. However, impairment of goodwill is never reversed. Reversals are only made to the extent that the asset's carrying amount, after reversal, does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised.

FINANCIAL INSTRUMENTS

Financial assets

The financial assets of the Group are classified in the following categories: financial assets measured at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the instrument was acquired. Management determines the classification of the instrument the first time each instrument is reported. The Group has divided its financial instruments into the following categories:

(a) Financial assets measured at fair value through profit or loss

An item is classified as financial asset at fair value through profit or loss when it is held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are always classified as if they were held for trading.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a customer with no intention of trading with the receivables. They are included in current assets, except for those with maturities of more than 12 months after the balance sheet date, which are classified as non-current assets. Trade and other receivables have been classified as Loans and receivables.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that have been classified as available for sale or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognised on the trading date, i.e. the date that the Group undertakes to purchase or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs. This applies for all financial assets that are not recognised at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, while attributable transaction costs are recognised in profit or loss. Financial assets are derecognised from the balance sheet when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value subsequent to initial recognition. Loans and receivables are measured at amortised cost using the effective interest rate method.

Any gains or losses that have arisen from changes in fair value in the category of financial assets measured at fair value through profit or loss are recognised in the period in which they occur in profit or loss as finance income or expense. Dividend income from securities in the category financial assets measured at fair value through profit or loss is recognised in profit or loss as part of finance income when the Group's right to receive payment has been established.

When securities classified as available-for-sale financial assets are sold, the accumulated adjustments in fair value are transferred from Other comprehensive income to the income statement as gains and losses from financial instruments.

Interest on available-for-sale securities measured using the effective interest rate method is recognised in the income statement as finance income. Dividends on available-for-sale shares are recognised in the income statement as finance income when the Group's right to receive payment is established.

If the market for a financial instrument is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques including the use of information about recent arm's length transactions, reference to fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. This makes as much use of market information and as little use of company-specific information as possible.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of shares 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 value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses of equity instruments, which have been recognised in the income statement, are not written back to the income statement. Impairment of trade receivables is described below.

Financial liabilities

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost and 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 rate 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.

ENTRY AND REMOVAL OF FINANCIAL INSTRUMENTS FROM THE BALANCE SHEET

A financial asset or liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. Trade receivables are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Liabilities are recognised when invoices are received.

Financial assets are derecognised in the balance sheet when the rights under the contract have been realised, have expired or the company loses control over them. The same applies to a part of a financial asset. Financial liabilities are derecognised in the balance sheet when the contractual obligation has been discharged or extinguished in some other way. The same applies to a part of a financial liability.

A financial asset and a financial liability may be offset and the net amount recognised in the balance sheet only when the company has a legally enforceable right to set off the recognised amounts; and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments and hedging activities

Derivative instruments are recognised in the balance sheet on the contract date and are measured at fair value both initially and in connection with subsequent revaluations. The method of recognising resulting gains or losses depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, on the nature of the item being hedged. The Group identifies certain derivatives as either: (i) hedges of fair value of a recognised liability (fair value hedge); ii) hedges of a cash flow risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or iii) hedges of a net investment in foreign operations (hedge of net investment).

Information about fair value for different derivative instruments used for hedging purposes is given in Note 33. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months. This applies regardless of whether or not hedge accounting is used. Derivatives held for trading are always classified as current assets or liabilities.

Cash flow hedges

The effective portion of the changes in the fair value of a derivative that is designated as a cash flow hedge and which qualifies for cash flow hedge accounting is recognised in Other comprehensive income. Any gains or losses attributable to the ineffective portion are recognised directly in the income statement as finance income or finance expense.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. Any gains or losses attributable to the effective portion of an interest rate swap that hedges variable interest rate borrowings are recognised in the income statement as finance expense. Any gains or losses attributable to the ineffective portion are recognised as finance income or expense.

When a hedging instrument expires or is sold or no longer qualifies for hedge accounting and any cumulative gain or loss on the hedging instrument is recognised in equity, the gain/loss is retained in equity until the forecasted transaction occurs and is finally recognised in the income statement. If a forecasted hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred directly to the income statement as finance income or expense.

Derivatives at fair value through profit or loss

Changes in the fair value of derivative instruments that do not use hedge accounting are recognised directly in the income statement as finance income or expense.

Hedges of net investments in foreign operations

The Group has operations in several countries. In the consolidated balance sheet, investments in foreign operations are recognised as net assets in subsidiaries. Some measures have been taken to reduce the currency risks associated with these investments. This was done through borrowings in the same currency as the net investments. These loans are translated at the closing rate on the balance sheet date. The effective part of the period's exchange rate fluctuations from hedging instruments is reported in Other comprehensive income to meet and fully or partially match the translation differences that are reported for the net assets in the foreign operations which are currency-hedged. The cumulative changes are recognised in a separate component in equity (translation reserve). The translation differences from net investments and hedging instruments are reversed and reported in the income statement when a foreign operation is sold. When hedging is ineffective, the ineffective part is recognised directly in the income statement.

Equity swap contract

The Group has entered into an equity swap contract to hedge exposure to the payment it needs to do in future deliveries of shares under its share-save scheme. The contract is not designated for hedging. The contract is settled net in cash which means that if Ahlsell's share price on the settlement date is higher than the specified share price in the equity swap contract, which amounts to the share price on the date of entering into the contract, the other party shall pay the difference to Ahlsell. If, instead, the share price is lower, Ahlsell shall pay the difference to the other party. During the term of the contract, Ahlsell pays interest on the swapped amount and receives any approved dividend on the number of shares specified in the contract.

The contract initially has no value and no payment is made. In subsequent reporting, it will be recognised at fair value in the income statement. The contract is expected to relate to decisions on financing of future payments and affects future cash flows linked to acquisition of shares, which is not part of the reporting of equity-settled share-based payments, which is why the changes in value are recognised in the net financial result.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the basis of weighted average prices including take-home costs. Borrowing costs are not included. Net realisable value is the estimated selling price in operating activities less the estimated costs necessary to make the sale.

TRADE RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently at the amounts expected to be paid, i.e. cost of acquisition less any provision for depreciation determined on an individual basis. Trade receivables are considered to be of short duration and are not discounted and are stated at their nominal value. Impairment of trade receivables is reported in operating expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, demand deposits and other short-term investments with maturities of less than three months from the date of purchase. Overdraft facilities are also available. Utilised overdraft facilities are reported in the balance sheet as borrowing under Current liabilities.

EQUITY

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised net after tax in equity as a deduction from the proceeds of the issue.

Preference shares

Issued preference shares are classified as equity in accordance with IAS 32 Financial Instruments, as there is no obligation for Ahlsell AB (publ) to either pay dividends or repurchase/redeem the preference shares. Dividends paid are recognised as a shareholder transaction directly in equity when the General Meeting has decided on such dividends. All shares of preferred stock were retracted on 27 October 2016, after which the company only has ordinary shares.

TRADE PAYABLES

Trade payables are initially recognised at fair value. Trade payables are considered to be of short duration and are not discounted and are stated at their nominal value.

INCOME TAX

Income tax consists of current tax and deferred tax. Income tax is recognised in the income statement except when the underlying transaction is recognised directly in Other comprehensive income, in which case the related tax effect is also recognised in Other comprehensive income. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the current year, and is calculated using tax rates enacted or substantially enacted by the reporting date, and any adjustments relating to prior periods.

Deferred tax is recognised in full, using the balance sheet method, on all 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 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 announced 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 in deductible temporary differences and in loss carryforwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income 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.

EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are normally financed through payments to insurance companies or funds managed by asset managers in accordance with periodic actuarial calculations. The Group has both defined-benefit and defined-contribution pension schemes.

The liability recognised in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. 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, including mortgage bonds, or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Revaluation of defined-benefit pension schemes arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income, including payroll tax and related deferred tax.

Past-service costs are recognised immediately in the income statement.

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.

The pension obligations for some white-collar employees are secured by an insurance policy provided by Alecta. In accordance with Statement UFR 10 issued by the Swedish Financial Reporting Board, this is a multi-employer defined benefit pension scheme. For the 2016 financial year, the company did not have access to sufficient information to enable it to report this scheme as a defined benefit scheme. The pension obligation is therefore recognised as a defined contribution scheme. The same conditions apply to the new AFP scheme in Norway, which is thus also recognised as a defined contribution scheme.

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff costs in the period that the services are rendered by the employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments will flow to the Group.

(b) Termination benefits

Employees receive termination benefits before normal retirement age or when they voluntarily accept termination in exchange for such benefits. The Group recognises severance payments where it is under a manifest obligation either to give notice to employees following a detailed, formal plan without right to rescission or to provide compensation in the event of notice being given as a result of an offer made as an incentive for voluntary resignation. When compensation is offered as an incentive for voluntary resignation, a cost is recognised if it is probable that the offer will be accepted and it is possible to reliably estimate the number of employees that will accept the offer. Termination benefits that fall due more than 12 months after the balance sheet date are discounted at present value.

(c) Profit share and bonus plans

The Group reports a liability and a cost for bonuses 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 a present obligation (legal or constructive) to make such payments for services received from employees and the obligations can be reliably estimated.

(d) Share-save scheme

The Group has a share-save scheme that offers participants who have invested in savings shares the chance to obtain Ahlsell shares under certain conditions. The scheme is an equity-settled scheme which means the participants receive shares. Personnel expenses are recognised up to the date of vesting, with a corresponding reservation made directly in equity. The expense is based on the fair value per share right at the start of the scheme.

Entitlement to shares is conditional on the employee working for the entity up to the date of vesting, continued holding of purchased savings shares and the achievement of three performance conditions. The performance conditions apply for each third of the scheme and comprise specified levels for sales growth, EBITA margin and total shareholder return (TSR). The two former conditions constitute performance conditions that are not market conditions. They do not impact the initial valuation of the share rights. At the end of every period, an assessment is made as to how many share rights are expected to be vested, taking into account these conditions, which has an impact on the reported expense for the period. The total shareholder return conditions is a market condition, which is included in the initial measurement of the affected share rights. No assessment of and adjustment to reported expense for expected or actual outcomes for this condition are made during the vesting period. All the share rights that are conditional on the total shareholder return form the basis for cost accounting, regardless of the outcome.

Social security expenses will have to be paid for the benefits that the participants may have earned. Personnel expenses and debts are recognised during the vesting period for the social security expenses. The principles are the same as for the presentation of the share-save scheme, with the difference that the fair value of the share rights at the respective balance sheet date for the basis for the report. When the scheme is settled, the accumulated recognised expense is the amount that the Group has to pay for social security expenses.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes with their associated probabilities.

Provisions for restructuring costs and legal claims are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is more probable than not that an outflow of resources will be required to settle the obligation, and when the amount has been measured with reliability. Provision for restructuring includes costs for termination of leases and for 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 recognised even if the probability of an outflow for a special item in this group of obligations 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 pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the provision. The increase in provisions resulting from the passage of time is recognised as interest expense.

REVENUE RECOGNITION

Revenue is the fair value arising from the sale of goods and services, excluding VAT and discounts, and after elimination of intra-group sales. Revenue is recognised as follows:

(a) Sale of goods

Revenue arising from the sale of goods is recognised when a Group company has supplied products to a customer and the significant risks and rewards 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 with volume discounts and the customers are entitled to return faulty products. The sale is based on specified

prices in the sales agreements after deductions for calculated volume discounts and returns. Accumulated experience is used for assessing and making provisions for such returns at the time of sale. The volume discounts are assessed on the basis of expected annual volumes.

(b) Interest income
Interest income is recognised on a time proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

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

LEASES

Leases, where the lessor substantially retains the risks and rewards of ownership, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

Leased non-current assets, where the Group has substantially all the financial risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of fair value and the present value of the minimum lease payments.

Finance lease payments are apportioned between the repayment of the liability and the finance expense for the liability. Corresponding payment obligations, net of finance expense, are included in Other non-current liabilities. The interest element of the finance expense is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Non-current assets held under finance lease agreements are depreciated over the shorter of the useful life of the asset or lease period.

BORROWING COSTS

Borrowing costs attributable to the production of qualifying assets are capitalised as part of the acquisition cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

DIVIDENDS

Dividends to the Parent Company's shareholders are recognised as a liability in the Group's financial statements for the period in which the dividends were established at the General Meeting of Shareholders/Annual General Meeting by the Parent Company's shareholders.

Dividends expected to be paid by subsidiaries are reported when the Parent Company has the sole right to decide on the amount to be paid as dividends and the Parent Company has decided on the amount to be paid as dividends before the Parent Company has published its financial statements.

STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared as required by IAS 7, using the indirect method. In addition to the statement of cash flows in accordance with IAS 7, an operating statement shows the cash flows from the operating activities, i.e. cash flows generated by the operations and investments made in existing activities. This statement of cash flows therefore excludes financial transactions for incoming and outgoing interest payments and the borrowing and repayment of loans, payments attributable to investments in and divestment of operations and tax payments.

EARNINGS PER SHARE

Basic earnings per share are calculated as profit for the year attributable to equity holders of the Parent, divided by weighted average number of shares outstanding. Because the equity swap contract that has been entered into in order to hedge exposure to the share-save scheme is settled net in cash and is accounted for as a financial instrument at fair value in the income statement, not as if shares were repurchased, no adjustment is made to the number of shares by reason of the contract. Diluted earnings per share are calculated as profit for the year attributable to equity holders of the Parent divided by the number of basic shares increased by diluting potential ordinary shares. The rights under the share-save scheme which, under certain conditions, allow participants to receive shares in the future, constitute potential ordinary shares. The share rights are considered dilutive in so far as the conditions of the share-save scheme have been met by the balance sheet date, without taking expected outcomes for the remainder of the vesting period into account. Moreover, the number of dilutive potential ordinary shares is reduced by the number of shares which hypothetically could have been purchased during the year by the amount that the participants "pay" to the Group in the form of the value of the future services within the scope of the scheme, measured as remaining costs to recognise in accordance with the principles stated under Employee benefits, Share-save scheme.

ACCOUNTING POLICIES – PARENT COMPANY

The Parent Company has prepared its Annual Report in conformity with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. In addition, the Swedish Financial Reporting Board's statements concerning public limited liability companies also apply. RFR 2 requires the Parent Company, as a legal entity, to prepare its annual financial statements in compliance with all the IFRS and IFRIC interpretations endorsed by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and the Swedish Act on Safeguarding of Pension Obligations, and taking into account the relationship between tax expense (income) and accounting profit. The recommendation also specifies exceptions from and additions to the IFRSs.

Differences between the Group's and the Parent Company's accounting policies
Differences between the Group's and the Parent Company's accounting policies are presented below.

Presentation
The Parent Company's income statement and balance sheet have been prepared in accordance with the format described in the Swedish Annual Accounts Act.

Subsidiaries
Investments in subsidiaries are recognised in the Parent Company using the cost method, including transactions costs, less any impairment.

Taxes
Untaxed reserves are recognised inclusive of deferred tax liability in the Parent Company. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

Group contribution
The company reports group contributions and shareholder contributions in accordance with the Swedish Financial Reporting Board's recommendation RFR 2. Received shareholder contributions from the Parent Company are entered directly in equity. Paid-in shareholder and Group contributions are capitalised in shares and participating interests to the extent impairment is not required. Group contributions received which are comparable with dividends are recognised as dividend. This means that the Group contribution received and its current tax effect are recognised in the income statement. Should the Parent Company both pay and receive group contributions, figures are netted, i.e. only the net amount is reported as dividend and shareholder contribution.

NOTE 2 Segment reporting

Ahlsell manages its business on a geographic basis corresponding to the countries in which it has operations. The Ahlsell Group uses the following segments: Sweden, Norway, Finland, Denmark, Other (Estonia, Russia, Poland) and Central and Eliminations. This is a natural grouping of segments as business is conducted locally and Ahlsell's organisation is structured to provide the best support for local sales. Segment results are reported as EBITA and operating profit/loss. Finance income and costs are not distributed by segment. As a result of this, financial assets and liabilities are not distributed by segment. Goods and services are priced at market rates across the various segments. The Ahlsell trademark has not been broken down by country but is reported as a central asset.

SWEDEN

Ahlsell's history began on 1 March 1877, when partners John Bernström and Jakob Tornblad registered John Bernström & Co to sell machinery, pumps, oil and agricultural equipment. The foundation of today's Group

was laid in 1922 when Bernström & Co merged with R Ahlsell & Co, to form Ahlsell and Bernström with a stronger focus on HVAC & Plumbing. The company has been in business for almost 140 years and is the leading company in Sweden in the areas of installation products, tools and machinery. The operations in Sweden include the Group's product areas: HVAC & Plumbing, Electrical and Tools & Supplies. The Swedish market accounted for 65 percent (63) of the Group's external net sales in 2016. Sales in Sweden totalled SEK 16,033 million (14,495). At year-end, Ahlsell had about 110 sales units in Sweden.

NORWAY

Ahlsell established its operations in Norway in 1990 through acquisitions in the HVAC & Plumbing product area. The operations have since expanded through more acquisitions and today cover the products areas of HVAC & Plumbing, Electrical and Tools & Supplies. In 2016, Norwegian operations accounted for 20 percent (21) of the Group's external net sales. Sales in Norway amounted to a total of SEK 4,913 million (4,695). At year-end, Ahlsell had about 50 sales units in Norway.

FINLAND

Ahlsell established its operations in Finland in 1990 through acquisitions in the HVAC & Plumbing (cooling products) product area. These were expanded in 1999 by further acquisitions in the HVAC & Plumbing area. The Tools & Supplies product area was introduced in Finland in 2006 through the acquisition of Kojaltek. The Electrical product area was introduced in 2007 through the acquisition of Sähkötarvike Oy. The operations today cover HVAC & Plumbing, Electrical, and Tools & Supplies. At year-end, Ahlsell had about 35 sales units in the Finland segment. The Finnish market accounted for 12 percent (12) of the Group's external net sales. Sales in Finland totalled SEK 3,055 million (2,774).

DENMARK

Ahlsell has had a presence in Denmark since 1990 when the HVAC & Plumbing operation was acquired. Since then, further acquisitions have been made in the HVAC & Plumbing area. Today, the operations in Denmark comprise HVAC & Plumbing only. In 2016, the segment accounted for 1 percent (2) of the Group's external net sales. Sales in Denmark totalled SEK 374 million (369). At year-end, Ahlsell had 4 sales units in the Denmark segment.

OTHER MARKETS

Other markets comprise the operations in Estonia, Russia and Poland. The operations are primarily HVAC & Plumbing, but also Electrical and Tools & Supplies. In 2016, the segment accounted for 2 percent (2) of the Group's external net sales. Sales for the segment totalled SEK 410 million (440). At year-end, Ahlsell had 13 sales units in the segment.

CENTRAL

Central comprises costs for personnel in Ahlsell AB (publ) and Ahlsell Operations AB (publ) (27 employees) where the Group staff functions are located, and finance income, finance expense and tax not distributed by segment.

ELIMINATIONS

The eliminations comprise eliminations of internal sales and operational transactions.

2016	Sweden	Norway	Finland	Denmark	Other markets[1]	Central	Eliminations	Total
Revenue								
Revenue from external customers[3]	15,873.9	4,908.7	3,049.8	364.1	409.6	–	–	24,606.1
Revenue from internal customers	158.9	3.9	5.6	9.4	–	–	–177.8	–
Total sales	**16,032.8**	**4,912.6**	**3,055.4**	**373.5**	**409.6**	**–**	**–177.8**	**24,606.1**
Gross profit	**4,628.1**	**1,272.9**	**576.9**	**137.6**	**74.6**	**–**	**–**	**6,690.1**
EBITA[2]	1,936.3	142.3	114.0	33.0	9.1	–176.2	–	2,058.5
EBITA adjusted for items impacting comparability[4]	1,936.3	149.4	114.0	33.0	9.1	–111.2	–	2,130.6
Operating profit	1,697.0	93.6	71.0	27.2	8.9	–179.1	–	1,718.6
Finance income	–	–	–	–	–	549.5	–	549.5
Finance expense	–	–	–	–	–	–1,689.1	–	–1,689.1
Income tax	–	–	–	–	–	–237.1	–	–237.1
Profit for the year								**341.9**
Other comprehensive income	–	–	–	–	–	–	–	6.5
Comprehensive income for the year								**348.4**

2015	Sweden	Norway	Finland	Denmark	Other markets[1]	Central	Eliminations	Total
Revenue								
Revenue from external customers[3]	14,328.4	4,690.2	2,767.9	359.0	440.3	–	–	22,585.8
Revenue from internal customers	166.1	5.2	6.4	10.0	0.0	–	–187.7	–
Total sales	**14,494.5**	**4,695.4**	**2,774.3**	**369.0**	**440.3**	**–**	**–187.7**	**22,585.8**
Gross profit	**4,226.8**	**1,249.6**	**513.6**	**135.8**	**82.8**	**–**	**–**	**6,208.6**
EBITA[2]	1,720.1	78.5	90.8	32.5	11.6	–96.4	–	1,837.1
EBITA adjusted for items impacting comparability[4]	1,728.6	101.0	90.8	32.5	11.6	–86.8	–	1,877.7
Operating profit	1,492.6	28.6	45.6	26.7	11.3	–99.6	–	1,505.2
Finance income	–	–	–	–	–	173.4	–	173.4
Finance expense	–	–	–	–	–	–1,446.9	–	–1,446.9
Income tax	–	–	–	–	–	–161.5	–	–161.5
Profit for the year								**70.2**
Other comprehensive income	–	–	–	–	–	–	–	–132.3
Comprehensive income for the year								**–62.1**

2016	Sweden	Norway	Finland	Denmark	Other markets[1]	Central	Eliminations	Total
Other disclosures								
Assets	12,159.9	3,374.5	2,505.4	355.7	285.2	3,784.6	–31.8	22,433.5
Undistributed assets	–	–	–	–	–	1,240.2	–	1,240.2
Total assets	**12,159.9**	**3,374.5**	**2,505.4**	**355.7**	**285.2**	**5,024.8**	**–31.8**	**23,673.7**
Liabilities	3,410.9	1,201.5	607.1	53.8	69.2	160.7	–31.8	5,471.4
Undistributed liabilities and equity	–	–	–	–	–	18,202.3	–	18,202.3
Total liabilities and equity	**3,410.9**	**1,201.5**	**607.1**	**53.8**	**69.2**	**18,363.0**	**–31.8**	**23,673.7**
Investments in property, plant and equipment and intangible assets	112.3	15.5	21.2	2.6	1.9	2.8	–	156.3
Depreciation and impairment	–331.5	–69.9	–77.9	–9.6	–4.1	–3.1	–	–496.1
Amortisation of intangible assets	–239.3	–48.7	–43.0	–5.8	–0.2	–2.9	–	–339.9
Impairment of intangible assets	–	–	–	–	–	–	–	–
Depreciation of property, plant and equipment	–92.2	–21.2	–34.9	–3.8	–3.9	–0.2	–	–156.2
Impairment of property, plant and equipment	–	–	–	–	–	–	–	–
Significant costs and revenues not corresponding to payments	–23.3	–2.9	–24.3	1.1	0.1	545.7	–	496.4

2015	Sweden	Norway	Finland	Denmark	Other markets[1]	Central	Eliminations	Total
Other disclosures								
Assets	11,201.8	3,000.0	2,366.8	343.3	268.2	3,781.7	–32.9	20,928.9
Undistributed assets	–	–	–	–	–	2,449.1	–	2,449.1
Total assets	**11,201.8**	**3,000.0**	**2,366.8**	**343.3**	**268.2**	**6,230.8**	**–32.9**	**23,378.0**
Liabilities	2,928.8	981.0	502.8	44.8	61.6	211.0	–32.9	4,697.1
Undistributed liabilities and equity	–	–	–	–	–	18,680.9	–	18,680.9
Total liabilities and equity	**2,928.8**	**981.0**	**502.8**	**44.8**	**61.6**	**18,891.9**	**–32.9**	**23,378.0**
Investments in property, plant and equipment and intangible assets	118.1	12.9	9.8	2.5	27.8	0.2	–	171.3
Depreciation and impairment	–318.7	–72.5	–77.6	–9.6	–3.3	–3.4	–	–485.1
Amortisation of intangible assets	–227.5	–49.9	–45.2	–5.8	–0.3	–3.2	–	–331.9
Impairment of intangible assets	–	–	–	–	–	–	–	–
Depreciation of property, plant and equipment	–85.5	–22.6	–32.4	–3.8	–3.0	–0.2	–	–147.5
Impairment of property, plant and equipment	–5.7	–	–	–	–	–	–	–5.7
Significant costs and revenues not corresponding to payments	–34.8	14.1	–25.8	–4.0	–0.8	627.8	–	576.5

External sales per product area

SEK million	2016	2015
HVAC & Plumbing	11,609.3	11,053.1
Electrical	7,289.1	6,582.1
Tools & Supplies	5,707.7	4,950.6
Total external sales	**24,606.1**	**22,585.8**

Ahlsell's operations are based on our product areas being supplied in all essentials through jointly-controlled distribution and sales channels in each geographic area. This means that the assets used in each product area are in all essentials the same for all product groups in each geographic area (such as storage facilities and distribution equipment). It is therefore not possible to define the use of the assets and related investments in a meaningful way for each product area.

1) Estonia, Russia, and Poland

2) EBITA = Operating profit/loss excluding amortisation and impairment of intangible assets

3) No one single customer accounts for more than 10% of the Group's total revenue

4) See Note 38

NOTE 3 Employees

Average number of employees

	2016		2015	
	Number	of which men	Number	of which men
Parent Company	–	–	–	–
Group				
Sweden	2,833	79%	2,684	80%
Norway	1,028	83%	1,017	84%
Finland	597	81%	592	82%
Denmark	88	73%	97	72%
Estonia	133	86%	132	87%
Russia	60	50%	63	48%
Poland	41	80%	36	78%
China	11	64%	11	64%
Total in the Group	**4,791**	**80%**	**4,632**	**81%**

Gender split in Senior Management at year-end

	Women %	
The Parent Company	2016	2015
The Board	27%	0%
Other senior executives	0%	0%

	Women %	
Total, Group	2016	2015
Boards	15%	13%
Other senior executives, and Managing Director (8 people (7))	13%	0%

Salaries, employee benefits and social security contributions

	2016		2015	
SEK million	Salaries and benefits	Social costs	Salaries and benefits	Social costs
The Parent Company	–	–	–	–
(of which pension costs)	–	–	–	–
Subsidiaries	2,124.3	743.8	2,013.1	704.6
(of which pension costs)	–	200.0	–	184.1
Total, Group	2,124.3	743.8	2,013.1	704.6
(of which pension costs)			–	184.1
(of which defined benefit schemes)		1.2		–11.0
(of which defined contribution schemes)		198.8		195.1

Salaries and other employee benefits for Board/senior executives and other employees

	2016		2015	
SEK million	Board/Senior executives	Other employees	Board/Senior executives	Other employees
Parent Company total	–	–	–	–
(of which bonus)	–	–	–	–
Total, subsidiaries	35.1	2,089.2	31.0	1,982.1
(of which bonus)	7.3	22.3	2.2	16.4
Total, Group	35.1	2,089.2	31.0	1,982.1
(of which bonus)	7.3	22.3	2.2	16.4

REMUNERATION OF SENIOR EXECUTIVES OF THE GROUP

The Board Chairman and Board members receive fees in accordance with the decision of the Annual General Meeting. Employee representatives do not receive Board fees. Remuneration of the CEO (Johan Nilsson) and other senior executives comprises basic salary, variable remuneration, other benefits and pension, etc. Other senior executives refers to the 7 (6) people who, with the CEO, comprise Senior Management.

Basic salary and variable remuneration must be in proportion to the responsibility and authority of the executive concerned. The maximum variable remuneration of the CEO is 80 percent (80) of basic salary. The maximum variable remuneration of other senior executives is 25-60 percent (33-60) of basic salary. Variable remuneration is based on performance in relation to individual targets. Pensions and other benefits of the CEO and other senior executives are paid as part of the total remuneration package.

Planning and decision process

The Group implements a process whereby recommendations for salaries, remuneration, benefits and other employment terms and conditions for the CEO and other senior executives, who report directly to the CEO, are accepted and approved by the Remuneration Committee in Ahlsell AB (publ).

Remuneration and other benefits

2016	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension costs	Total
Kenneth Bengtsson, Chairman of the Board of Ahlsell AB (publ)	0.9	–	–	–	0.9
Johan Nilsson, Managing Director of Ahlsell AB (publ), CEO	6.9	2.9	0.2	2.0	12.0
Peter Törnquist, Deputy Chair of Ahlsell AB (publ)	0.7	–	–	–	0.7
Terje Venold, Board member Ahlsell AB (publ)	0.3	–	–	–	0.3
Göran Näsholm, Board member Ahlsell Operations AB (publ) (through August 2016)	0.4	–	–	–	0.4
Magdalena Gerger, Board member Ahlsell AB (publ)	0.2	–	–	–	0.2
Satu Huber, Board member Ahlsell AB (publ)	0.2	–	–	–	0.2
Gustaf Martin-Löf, Board member Ahlsell AB (publ)	–	–	–	–	–
Søren Vestergaard-Poulsen, Board member Ahlsell AB (publ)	–	–	–	–	–
Other senior executives (7 people)	17.1	4.4	1.0	3.6	26.1
Total	**26.6**	**7.3**	**1.2**	**5.6**	**40.7**

For the financial year 2016, variable remuneration refers to a bonus charged as a cost and paid out in 2017. Other benefits refers to company cars and fuel. In addition to the amounts disclosed in the table above and in accordance with IFRS 2, expected non-cash expenses for the incentive schemes, including social security costs, amount to SEK 0.6 million (0) for the CEO and SEK 2.3 million (0) for other senior executives.

2015	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension costs	Total
Kenneth Bengtsson, Chairman of the Board of Ahlsell Operations AB (publ)	0.8	–	–	–	0.8
Johan Nilsson, Managing Director of Ahlsell Operations AB (publ), CEO (from 1 September 2015)	5.4	1.3	0.2	2.6	9.5
Göran Näsholm, Managing Director of Ahlsell Operations AB (publ), CEO (through September 2015)	6.5	0.6	–	6.3	13.4
Terje Venold, Board member Ahlsell Operations AB (publ)	0.3	–	–	–	0.3
Other senior executives (6 people)	15.0	0.3	0.6	2.6	18.6
Total	**28.0**	**2.2**	**0.8**	**11.5**	**42.6**

For the financial year 2015, variable remuneration refers to a bonus charged as a cost and paid out in 2016. Other benefits refers to company cars and fuel.

BONUS

The CEO's bonus is determined by the Board of Directors. Other bonuses are determined by the CEO.

PENSION BENEFITS

The CEO has a defined premium-based pension scheme whereby the company pays a premium of 30% of pensionable salary. The CEO is entitled to retire at the age of 62. 60% of the full-time basic salary is paid out upon retirement between the ages of 62 and 65. Pension benefits are paid according to agreement after the age of 65.

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

All retirement benefits are vested, i.e. not conditional on future employment.

TERMINATION RULES

The CEO has a termination period of 18 months if employment is terminated by the company. If employment is terminated by the CEO, the termination period is 6 months. Other senior executives who are in office on the balance sheet date have a period of notice of 6-18 months if employment is terminated by the company and 3-6 months if employment is terminated by the executive. Three of the other senior executives have severance pays equivalent to 12-18 monthly salaries, only available if the employment is terminated by the company without a termination period. The severance pay may not last longer than the period of notice from the company. The other executives receive no severance pay.

LONG-TERM INCENTIVE SCHEMES

At an Extraordinary General Meeting on 16 October 2016, Ahlsell's shareholders approved a decision to introduce two long-term incentive schemes.

- A share-save scheme for senior executives, including the senior management team and some other key employees.
- A warrants scheme for ten senior executives including the senior management team.

The aim of the incentive schemes is to encourage a broad shareholding among the company's key employees, attract, hire and retain competent and talented employees, strengthen the link between the goals of the key employees and the company, and improve motivation. The structure of the schemes is intended to provide a balance between the risks taken by the key employee with the requirement to invest on the one hand, and the employee's opportunity to receive performance-related shares and/or to subscribe for new shares on the other hand.

In the share-save and warrants schemes, key employees use a total of about SEK 150 million of their own funds for the investment. The highest individual investment was approximately SEK 10 million. Ahlsell is not involved in the funding of the individual investments, which thus means a significant financial commitment for the key employees. Furthermore, a part of the key employee's pay is linked to the long-term growth of Ahlsell and its shares, and the employees therefore have the same goals and objectives as the company's shareholders. The Board is of the overall opinion that the incentive schemes are well-designed to fulfil their intended purpose.

Share-save scheme

Some 100 persons participate in the share-save scheme with a total of 2.7 million savings shares.

Those participating in the share-save scheme are required to acquire or hold a minimum number of shares in Ahlsell. Participants who retain such shares ("Savings Shares") up to the end of the scheme's qualifying periods (the day after the 2019 year-end report and the day after the 2020 year-end report) and who remain employees of Ahlsell during the above respective qualifying period may receive up to three shares for each Savings Share, based on a number of defined performance requirements during the vesting period 2018-2020 ("Performance Shares"). The first Performance Shares vested will be delivered after the year-end report has been presented in January 2020.

Up to one-third of a Performance Share may vest each year for the three respective qualifying periods subject to three performance requirements. Vesting subject to one performance requirement takes place independently of vesting subject to the other performance requirements, which means that vesting subject to one performance requirement in

NOTE 3 – cont.

one year does not affect vesting subject to this requirement in subsequent years or vesting in the same or subsequent years in accordance with the other performance requirements.

The performance requirements factor in the company's financial targets and are based on (i) sales growth in 2018, 2019 and 2020 respectively, (ii) the average adjusted EBITA margin for the respective periods 2016-2018, 2017-2019 and 2018-2020, and (iii) total return of the Ahlsell share minus the return on the SIX Return Index for 2018, 2019 and 2020 respectively.

The booked cost for 2016 was SEK 9 million, SEK 7 million of which was reversed to equity and SEK 2 million was reserved for social security expenses. The cost for the year is approximately 5 percent of the estimated total cost.

Ahlsell intends to enter into hedging arrangements by means of equity swaps with third parties in order to limit the exposure for the share-save scheme. At 31 December, the number of hedged shares amounted to 3.3 million, with an average acquisition value of SEK 52.0. Ahlsell's exposure for the share-save scheme amounts to the value of the equivalent of 8.2 million shares. On top of this are social security expenses at 24 percent. The change in the value of the equity swaps is disclosed in the income statement.

Based on the assumptions[1] that Ahlsell uses to calculate the cost of the share-save scheme, if all performance requirements were met in full, the cost would be approximately SEK 333 million.

Warrants scheme

It was decided at the Extraordinary General Meeting of Shareholders to approve an issue of warrants for transfer to ten senior executives in the company, including members of the company's Executive Team. The issue is capped at a total of 1.5 million warrants which at most give entitlement to subscribe to the equivalent number of shares in the company. Remaining warrants will be held by Ahlsell to be offered to any senior executives joining the company in the future. The participants will have the option to acquire the warrants at the market rate. If the maximum number of warrants are exercised to subscribe for new shares, this will result in a total maximum dilution of 0.3% of the total number of shares in the company.

The warrants may be exercised in the period beginning 28 October 2019 and ending 28 October 2020. If the Ahlsell share price on the date of the warrant exercise is more than 170 percent of the share price in the Offer ("the Ceiling"), the number of shares issuable upon exercise of each warrant will be reduced to the extent that the total value per warrant on the exercise date does not exceed the difference between the Ceiling and the Exercise Price. The company has reserved the right under certain circumstances to repurchase the warrants if the participants' employment with the company is terminated or if the participants wish to transfer the warrants.

The price to be paid for subscription for one share by exercising a warrant has been set at SEK 55.20, calculated on 120 percent of the price for the shares in the offer at the initial public offering, i.e. SEK 46. If the Ahlsell share price on the date of the warrant exercise is more than SEK 78.20, i.e. reaches the Ceiling, the number of shares issuable upon exercise of each warrant shall be proportionately reduced.

PREVIOUS INCENTIVE SCHEMES

The previous incentive schemes created in the spring of 2012 which gave selected senior executives of the Ahlsell AB (publ) Group an option to acquire ordinary shares and shares of preferred stock in the company were ended in October 2016 in connection with the flotation of Ahlsell AB (publ) on the Nasdaq Stockholm stock exchange. In connection with the flotation, shares of preferred stock were converted into ordinary shares. Participants in the previous incentive schemes were offered the option to participate in the share-save scheme which the Extraordinary General Meeting of Shareholders approved on 16 October 2016.

1) Key assumptions include expected dividends, a reduction factor of 0.33 for stock market related performance requirements, annual staff turnover of 5%, annual share price development of +10%, and an assumption of average social security expenses of 24%, which takes into account the mix of where the scheme's participants are required to pay tax.

NOTE 4 Other operating income

Other operating income

Group, SEK million	2016	2015
Sales of non-current assets	1.4	3.0
Income from leases	2.2	2.2
Gas provisions	4.9	2.7
Invoice charges received	9.4	–
Supplier support received	5.1	–
Other	9.4	10.4
Total other operating income	**32.4**	**18.3**

NOTE 5 Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

By type of asset

Group, SEK million	2016	2015
Customer relationships	–312.5	–307.2
Other intangible assets	–27.4	–24.7
Sub-total intangible assets	**–339.9**	**–331.9**
Land and buildings	–13.6	–23.2
Plant and machinery	–31.7	–27.8
Fittings, fixtures, tools and equipment	–110.9	–102.2
Sub-total property, plant and equipment	**–156.2**	**–153.2**
Total depreciation, amortisation and impairment	**–496.1**	**–485.1**

No impairment losses were made in 2016.

In 2015, the building that was reclassified to "Assets held for sale" was written down by SEK 5.7 million as the book value exceeded the contract sale price.

Depreciation is based on the cost and estimated useful lives of the assets.

These are stated under Accounting Policies.

Total depreciation, amortisation and impairment per function

Group, SEK million	2016	2015
Cost of goods sold	–27.5	–28.3
Selling expenses	–386.7	–373.1
Administration expenses	–81.9	–83.7
	–496.1	**–485.1**

Amortisation and impairment of intangible assets is attributable to selling costs of SEK 335.1 million (327.1), and cost of goods sold of SEK 4.8 million (4.8).

NOTE 6 Operating leases

Group, SEK million	2016	2015
Lease payments for the financial year	–451.7	–457.6
Future minimum lease payment for non-cancellable agreements fall due as follows:		
Within one year	–487.6	–470.9
Two to five years	–1,073.4	–1,172.9
After five years	–704.8	–752.1
Total operating leases	**–2,265.8**	**–2,395.9**

The above lease payments include lease costs for central storage facilities in Sweden and Norway, with contracts through 2031 and 2030 respectively.

Lease objects include numerous items, such as storage premises, offices, other buildings and equipment, IT hardware, office equipment, etc.

NOTE 7 Auditors' fees and remuneration

Group, SEK million	2016	2015
KPMG		
Audit services	–5.5	–5.5
Tax advice	–8.3	–2.2
Other services	–7.1	–1.5
Total fees	**–20.9**	**–9.2**

SEK 12.0 million of the above costs related to tax advice and other services in 2016 are costs associated with the flotation on the Nasdaq Stockholm stock exchange.

Other auditing services purchased by the Group cost SEK 0.3 million (0.4).

Audit services comprise the statutory audit of the annual financial statements and accounting records, administration of the business by the Board of Directors and the Managing Director and audits carried out under agreement or contract. This includes other procedures that the company's auditors are required to carry out and also advice or other assistance relating to observations made during the performance of such other procedures.

Other services comprise advice on accounting related matters, advice on sales and acquisitions of operations, and advice on processes and internal audits.

NOTE 8 Breakdown of costs by type

Group, SEK million	2016	2015
Finished goods and goods for resale	–17,086.0	–15,632.2
Employee benefit costs	–2,868.1	–2,717.7
Depreciation/amortisation	–496.1	–479.4
Impairment	–	–5.7
Transport costs	–868.0	–813.0
Costs for premises	–665.9	–667.8
Other expenses	–935.8	–783.1
Total operating expenses	**–22,919.9**	**–21,098.9**

NOTE 9 Finance income

Group, SEK million	2016	2015
Interest income	19.0	24.1
Fair value changes due to revaluation of derivatives	530.5	–
Exchange differences	–	149.3
Total finance income	**549.5**	**173.4**
Changes in fair value by measurement category		
Loans and receivables	19.0	24.1
Financial assets held for trading are measured at fair value	530.5	–
Other financial liabilities	–	149.3
Total finance income	**549.5**	**173.4**

Parent, SEK million	2016	2015
Interest income, Group companies	505.7	443.2
Exchange differences	41.1	–
Total finance income	**546.8**	**443.2**

NOTE 10 Finance expense

Group, SEK million	2016	2015
Interest expense, shareholder loans	–631.9	–605.2
Interest expense, other	–839.5	–727.6
Fair value adjustment additional consideration	–1.7	–
Interest expense, pension obligations	–1.2	–2.1
Fair value changes due to revaluation of derivatives	–	–71.2
Impairment financing receivables	–8.5	–
Exchange differences	–177.6	–
Other bank costs	–28.7	–40.8
Total finance expense	**–1,689.1**	**–1,446.9**
Changes in fair value by measurement category		
Financial assets held for trading are measured at fair value	–	–71.2
Other financial liabilities	–1,659.2	–1,332.8
Total finance expense for financial instruments	**–1,659.2**	**–1,404.0**

Parent, SEK million	2016	2015
Interest expense, shareholder loans	–533.5	–589.7
Interest expense, other	–30.0	–1.4
Fair value changes due to revaluation of derivatives	–3.8	–
Total finance expense	**–567.3**	**–591.1**

NOTE 11 Income tax

Group, SEK million	2016	2015
Current tax	–230.2	–48.6
Deferred tax	–6.9	–112.9
Total income tax	**–237.1**	**–161.5**

Reconciliation of effective tax

The Group	2016 %	2016 Amount	2015 %	2015 Amount
Profit before tax		579.0		231.7
Tax according to Parent's applicable tax rate	–22.0%	–127.4	–22.0%	–51.0
Effect of different tax rates for foreign subsidiaries		4.4		–0.7
Non-deductible interest expense		–117.4		–129.7
Other non-deductible expenses		–14.6		–17.5
Increase in tax losses for which no deferred tax was recognised		–8.2		–
Utilisation of losses from previous years in which deferred tax has not been taken into account		37.3		–
Tax-free income		11.3		50.5
Tax adjustments attributable to previous year		–17.3		–7.0
Adjusted tax rate in Norway		–0.3		–7.1
Other		–4.9		1.0
Recognised effective tax	**–40.9%**	**–237.1**	**–69.7%**	**–161.5**
Current income tax rate in Sweden		–22.0%		–22.0%
Effective tax rate		–40.9%		–69.7%

Deferred and current tax have not been taken into account for the profit/loss in Estonia as the tax consequences do not arise until dividends have been paid to shareholders (Ahlsell Sverige AB).

The Tax Authorities in Norway and Finland are currently investigating whether the Group's Norwegian and Finnish companies are entitled to deduct the full amount of tax for interest on loans from Swedish Group companies. This is not expected to have any significant impact on the tax expense for the Group as a whole since equivalent adjustments for taxable interest income ought to be permitted in Sweden.

Parent, SEK million	2016	2015
Current tax	–73.8	–
Deferred tax	–	–
Total income tax	**–73.8**	**–**

Reconciliation of effective tax

Parent	2016 %	2016 Amount	2015 %	2015 Amount
Profit/loss before tax		–198.0		328.3
Tax according to Parent's applicable tax rate	–22.0%	43.6	–22.0%	–72.2
Non-deductible interest expense		–117.4		–129.7
Tax-free dividend				105.1
Group contribution made recognised as an increase in shares in subsidiaries				96.8
Recognised effective tax	**37.3%**	**–73.8**	**–**	**0.0**
Current income tax rate in Sweden		–22.0%		–22.0%
Effective tax rate		37.3%		–

NOTE 12 Assets held for sale

In 2015, Ahlsell signed an agreement for the sale of a property in Stockholm. Completion took place in the first quarter of 2016 and the property was thus reclassified to "Assets held for sale" in 2015. Given that the sale price was set before the end of 2015, the building has been written down to this value.

The income statement items recognised in the income statement in 2015 that were related to "Assets held for sale" were:

SEK million	2015
Selling expenses	–8.5
Deferred tax	1.9
Profit/loss attributable to "Assets held for sale"	**–6.7**

The balance sheet items that are recognised on the lines "Assets held for sale" and "Liabilities attributable to assets held for sale" are:

SEK million	2015	Revaluation	Net
Assets held for sale	77.7	–8.5	69.2
Liabilities attributable to assets held for sale	12.3	–1.9	10.4

NOTE 13 Operating cash flow

In addition to the cash flow statement which has been prepared in accordance with IAS 7, the Group prepares a cash flow based on business operations, excluding financial
transactions, taxes, and acquisitions and divestment of operations. This cash flow is used by management to monitor business performance.

SEK million	Note	2016	2015
Operating profit		1,718.6	1,505.2
Adjustments for non-cash items	36	449.3	433.4
Operating cash flow before working capital changes		**2,167.9**	**1,938.6**
Operating cash flow after working capital changes			
Changes in inventories		–165.0	–262.6
Changes in operating receivables		–554.1	–191.0
Changes in operating liabilities		630.3	513.2
Operating cash flows before investments		**2,079.1**	**1,998.2**
Acquisition of intangible assets		–29.7	–51.3
Acquisition of property, plant and equipment		–126.6	–120.0
Sale of property, plant and equipment		77.5	11.1
Cash flows from operating investments		**–78.8**	**–160.2**
Operating cash flows after investments		**2,000.3**	**1,838.0**

CASH FLOW RECONCILIATION

The consolidated operating cash flow statement is based on the operating profit, which means there are no tax payments or incoming and outgoing financial payments in the operating cash flow before investments. These receipts and payments must be taken into account in order to report cash flows from the operating activities as required by IAS 7 Cash Flow Statement. The table below shows the reconciliation of operating cash flows before investments and cash flows from operating activities in accordance with IAS 7.

Cash flow from operating investments includes the type of investments and sales that are attributable to the current operations, while the cash flow from investing activities in the cash flow statement in accordance with IAS 7 also includes investments and divestment of operations and financial assets. The table below shows the reconciliation of cash flows from operating investments and cash flows from investing activities.

The cash flow from financing activities must also be taken into account in order to see cash flows for the year according to IAS 7 Cash Flow Statement, as shown in the table below. This cash flow is not included in the Group's operating cash flow.

SEK million	2016	2015
Operating cash flow before investments	2,079.1	1,998.2
Finance income (according to the income statement)	549.5	173.4
Finance expense (according to the income statement)	–1,689.1	–1,446.9
Income tax paid (according to statement of cash flows)	–245.3	–25.8
Difference in adjustment for non-cash items	551.7	628.2
Cash flow from operating activities	**1,245.9**	**1,327.1**

NOTE 13 – cont.

Cash flow from operating investments	–78.8	–160.2
Acquisition of operations	–451.0	–49.1
Changes in financial assets	–0.2	–0.9
Cash flow from investing activities	**–530.0**	**–210.2**
Cash flow from financing activities	**–1,871.0**	**–513.3**
Cash flows for the year	**–1,155.1**	**603.6**

NOTE 14 Customer relationships

Group, SEK million	2016	2015
Accumulated cost		
Opening cost	4,431.6	4,520.5
Acquisition of subsidiaries	142.8	–
Translation differences for the year	87.6	–88.9
Closing accumulated cost	**4,662.0**	**4,431.6**
Accumulated amortisation		
Opening amortisation	–1,086.8	–795.3
Amortisation for the year	–312.5	–307.2
Translation differences for the year	–13.2	15.7
Closing accumulated amortisation	**–1,412.5**	**–1,086.8**
Carrying amount at end of period	**3,249.5**	**3,344.8**

The entire carrying amount relates to assets acquired.

About SEK 2.1 billion of the carrying amount of customer relationships has a remaining amortisation period of 15 years. The remaining amount attributable to customer relationships has a remaining amortisation period of 5 years.

NOTE 15 Trademarks

Group, SEK million	2016	2015
Accumulated cost		
Opening cost	3,767.0	3,767.0
Acquisition of subsidiaries	70.2	–
Carrying amount at end of period	**3,837.2**	**3,767.0**

The entire carrying amount relates to assets acquired. The Prevex trademark has been added during the year with the acquisition of Prevex AB (see Note 37).

IMPAIRMENT TESTING - TRADEMARKS

The Ahlsell and Prevex trademarks are deemed to have indefinite useful lives because they are well-established trademarks that the Group intends to retain and develop. At the dates of acquisition (9 May 2012 and 1 August 2016 respectively) the cost of the Ahlsell and Prevex trademarks was determined under the relief-from-royalty method and, at the end of the year, the carrying amount was SEK 3,837.2 million.

Impairment testing is carried out annually in the fourth quarter. The assessment is performed using the 1.5 percent royalty rate set at the time of acquisition and estimated future sales growth. Management has determined the budgeted sales for the next five years based on past performance and expected future market growth. A 2 percent (2) growth rate has been used to extrapolate sales growth beyond the budget period. This amount is discounted using a 10.5 percent (10.5) current cost of capital before tax for the Group. The results of the impairment test performed in 2016 show that no impairment is necessary at this time.

NOTE 16 Other intangible assets

2016

Group, SEK million	Capitalised expenditure	Licences	Lease contracts and similar rights	Total
Accumulated cost				
Opening cost	203.7	90.5	28.8	323.0
Additions	29.1	0.7	–	29.8
Reclassifications	–	0.3	–29.9	–29.6
Sales and disposals	–13.3	–1.7	–	–15.0
Translation differences for the year	–	2.5	1.1	3.6
Closing accumulated cost	**219.5**	**92.3**	**–**	**311.8**
Accumulated amortisation				
Opening amortisation	–109.1	–64.1	–22.6	–195.8
Sales and disposals	13.3	0.2	–	13.5
Reclassifications	–	–0.3	23.5	23.2
Amortisation for the year	–19.9	–7.5	–	–27.4
Translation differences for the year	–	–1.6	–0.9	–2.5
Closing accumulated amortisation	**–115.7**	**–73.3**	**–**	**–189.0**
Carrying amount at end of period	**103.8**	**19.0**	**–**	**122.8**

2015

Group, SEK million	Capitalised expenditure	Licences	Lease contracts and similar rights	Total
Accumulated cost				
Opening cost	161.2	91.6	28.8	281.6
Additions	49.2	0.8	1.3	51.3
Sales and disposals	–6.7	–	–0.2	–6.9
Translation differences for the year	–	–1.9	–1.1	–3.0
Closing accumulated cost	**203.7**	**90.5**	**28.8**	**323.0**
Accumulated amortisation				
Opening amortisation	–101.5	–57.6	–20.7	–179.8
Sales and disposals	6.7	–	–	6.7
Amortisation for the year	–14.3	–7.7	–2.7	–24.7
Translation differences for the year	–	1.2	0.8	2.0
Closing accumulated amortisation	**–109.1**	**–64.1**	**–22.6**	**–195.8**
Carrying amount at end of period	**94.6**	**26.4**	**6.2**	**127.2**

Capitalised expenditure and licences relate to the Group's IT systems, for example, Ahlsell's order, warehouse and purchasing systems.

The entire carrying amount relates to assets acquired. Capitalised expenditure relates to external consultancy fees.

NOTE 17 Goodwill

Group, SEK million	2016	2015
Accumulated cost		
Opening cost	6,633.6	6,747.6
Acquisition of subsidiaries	239.4	32.2
Translation differences for the year	154.5	–146.2
Closing accumulated cost	**7,027.5**	**6,633.6**
Carrying amount at end of period	**7,027.5**	**6,633.6**

GOODWILL IMPAIRMENT TESTING

Goodwill is allocated to the Group's cash-generating units (CGU) designated by country of operation.

A breakdown of goodwill by CGU is summarised below:

	2016	2015
Sweden	4,848.2	4,608.8
Norway	1,156.5	1,048.6
Finland	900.9	860.2
Denmark	121.9	116.0
	7,027.5	**6,633.6**

NOTE 17 – cont.

The recoverable amount for a CGU is determined using value-in-use calculations. These calculations use pre-tax cash flow projections based on five-year financial forecasts for the geographic regions approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The rate of growth does not exceed the long-term growth rate of the industry in which the CGUs operate. The discounted cash flows are compared with capital employed in each geographic area.

Key assumptions used to calculate value-in-use:
– Budgeted operating margin
– Growth rate used to extrapolate cash flows beyond the budget period
– Discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU in each geographic area.

Management has determined the budgeted operating margin based on past performance and expected future market growth. Internal and external data have been used to budget the future market growth. A 2 percent (2) growth rate has been used to extrapolate the cash flows beyond the budget period. Furthermore, an average pre-tax discount rate in local currency has been used for these calculations. The discount rate has been adjusted to reflect specific risks. The pre-tax discount rate used is 10.5 percent (10.5).

Management believes that, for all the geographic areas, no reasonable possible changes in any of the key assumptions applied would have such significant effects as to individually cause the carrying amount to exceed the recoverable amount.

NOTE 18 – cont.

The central storage facility in Finland (Hyvinge) is held under a finance lease. The agreement is valid through 2031.

Total minimum lease payments and their present value		
Total minimum lease payments	295.6	297.7
Present value of minimum lease payments	175.7	174.5
Total minimum lease payments		
Within one year	19.7	18.6
Between 2-5 years	78.8	74.4
After 5 years	197.1	204.7
	295.6	**297.7**
Present value of minimum lease payments		
Within one year	7.4	6.7
Between 2-5 years	34.7	31.2
After 5 years	133.6	136.7
	175.7	**174.6**

Finance leased asset payments for the year totalled SEK 17.6 million (17.4). During the year, SEK 10.7 million (10.9) was recognised as interest expense and SEK 6.9 million (6.5) as amortised liabilities. Depreciation on finance leased assets amounted to SEK 8.7 million (8.6). The total amount for finance leased assets charged as costs was SEK 19.4 million (19.5).

NOTE 18 Land and buildings

Group, SEK million	2016	2015
Accumulated cost		
At beginning of year	412.2	506.9
Additions	0.6	0.9
Reclassifications	–	–66.1
Sales and disposals	–14.4	–13.2
Translation differences for the year	18.8	–16.3
Closing accumulated cost	**417.2**	**412.2**
Accumulated depreciation		
At beginning of year	–156.8	–189.2
Sales and disposals	10.5	8.6
Reclassifications	–	35.1
Depreciation for the year	–13.6	–17.5
Translation differences for the year	–7.1	6.2
Closing accumulated depreciation	**–167.0**	**–156.8**
Accumulated impairment		
At beginning of year	–	–
Impairment for the year	–	–5.7
Reclassifications	–	5.7
Closing accumulated depreciation	**–**	**–**
Carrying amount at end of period	**250.2**	**255.4**
Buildings held under finance leases are included at the following amounts:		
Cost	236.8	226.1
Accumulated depreciation	–104.5	–91.4
Carrying amount	**132.3**	**134.7**

NOTE 19 Plant and machinery

Group, SEK million	2016	2015
Accumulated cost		
At beginning of year	417.9	410.7
Additions	33.8	37.6
Sales and disposals	–11.8	–14.9
Reclassifications	–	–1.4
Translation differences for the year	15.1	–14.1
Closing accumulated cost	**455.0**	**417.9**
Accumulated depreciation		
At beginning of year	–253.5	–249.6
Sales and disposals	10.3	14.1
Depreciation for the year	–31.7	–27.8
Reclassifications	–	0.8
Translation differences for the year	–9.8	9.0
Closing accumulated depreciation	**–284.7**	**–253.5**
Carrying amount at end of period	**170.3**	**164.4**

NOTE 20 Fittings, fixtures, tools and equipment

Group, SEK million	2016	2015
Accumulated cost		
At beginning of year	1,128.6	1,065.3
Acquisition of subsidiaries	6.1	0.7
Additions	180.5	121.7
Sales and disposals	–89.2	–33.6
Reclassifications	21.8	1.2
Translation differences for the year	29.9	–26.7
Closing accumulated cost	**1,277.7**	**1,128.6**
Accumulated depreciation		
At beginning of year	–821.2	–754.4
Acquisition of subsidiaries	–4.9	–
Sales and disposals	51.8	15.8
Reclassifications	–14.1	–0.8
Depreciation for the year	–110.9	–102.2
Translation differences for the year	–23.6	20.4
Closing accumulated depreciation	**–922.9**	**–821.2**
Carrying amount at end of period	**354.8**	**307.4**
Equipment held under finance leases are included at the following amounts:		
Cost	505.4	444.1
Accumulated depreciation	–354.7	–315.7
Carrying amount at end of period	**150.7**	**128.4**

Equipment held under finance leases consists primarily of cars leased in Sweden and Finland.

Group, SEK million	2016	2015
Total minimum lease payments and their present value		
Total minimum lease payments	154.1	125.0
Present value of minimum lease payments	143.7	121.2
Total minimum lease payments		
Within one year	38.7	34.4
Between 2-5 years	115.4	90.6
After 5 years	–	–
	154.1	**125.0**
Present value of minimum lease payments		
Within one year	36.8	33.5
Between 2-5 years	106.9	87.7
After 5 years	–	–
	143.7	**121.2**

Finance leased asset payments for the year totalled SEK 34.0 million (40.0). During the year, SEK 2.4 million (2.8) was recognised as interest expense and SEK 31.6 million (37.2) as amortised liabilities. Depreciation on finance leased assets amounted to SEK 36.2 million (35.9). The total amount for finance leased equipment charged as costs was SEK 38.6 million (38.7).

NOTE 21 Financial investments

Shares and participating interests classified as non-current assets

Group, SEK million	2016	2015
Opening carrying amount	3.2	3.3
Translation differences	0.1	–0.1
Closing carrying amount	**3.3**	**3.2**

The above financial investments are included in the category "Available-for-sale financial assets".

It has not been possible to reliably determine the fair value of the above shares and participating interests, which are unlisted, and they have therefore been measured at cost less impairment.

NOTE 22 Shares in subsidiaries

Parent, SEK million	2016	2015
Accumulated cost		
At beginning of year	2,929.5	2,489.3
Acquisition of subsidiaries	95.8	–
Shareholder contributions	6.7	–
Group contributions paid	–	440.1
Carrying amount at end of period	**3,032.0**	**2,929.5**

The above shares in subsidiaries refer to shareholdings in Norgemalm AS (corp. ID. 998159628), Ahlsell Förvaltning AB (corp. ID 559077-0797) and Ahlsell Förvaltning 2 AB (corp. ID 559076-0913).

During the year, Ahlsell Förvaltning 2 AB was acquired via a non-cash issue (see Note 29).

The number of participations in Norgemalm is 30. Norgemalm has its registered offices in Oslo and is fully owned by Ahlsell AB (publ). The number of participations in Ahlsell Förvaltning AB is 50,000. The company has its registered offices in Stockholm and is fully owned by Ahlsell AB (publ). The number of participations in Ahlsell Förvaltning 2 AB is 500,000,000. The company has its registered offices in Stockholm and is fully owned by Ahlsell AB (publ).

Investment in Group companies (indirect ownership)

Companies at 31 Dec 2016	Corp. ID	Head office/Country	Share of capital [1]
Norrmalm 2 AB	556882-5326	Stockholm	100
Ahlsell Operations AB (publ)	556882-5391	Stockholm	100
Nybrojarl New 1 AB (publ)	556715-7812	Stockholm	100
Nybrojarl New 3 AB	556715-7861	Stockholm	100
Nybrojarl Holding AB	556687-9200	Stockholm	100
Ahlsell Investco AB	556680-8704	Stockholm	100
Ahlsell Sverige AB	556012-9206	Stockholm	100
Flex Scandinavia AB	556209-4085	Hammarö	100
Ahlsell Maskin AB	556044-1767	Örebro	100
Kela AB	556701-2306	Strömstad	100
HauCon Sverige AB	556549-7939	Hallsberg	100
Skandinaviska Byggprodukter Väst AB	556107-0391	Stenkullen	100
Almén Special Fastener AB	556774-6507	Vänersborg	100
Verktygshuset i Kiruna AB	556578-4971	Kiruna	100
Elgross'n i Göteborg AB	556597-3806	Gothenburg	100
Prevex AB	556199-3899	Gothenburg	100
Ahlsell Norge Holding AS	988918962	Stavanger (N)	100
Ahlsell Norge AS	910 478 656	Stavanger (N)	100
Bergens Rørhandel AS	988 454 214	Stavanger (N)	100
Stavanger Rørhandel AS	888 454 152	Stavanger (N)	100
Proffpartner AS	995 511 215	Sofiemyr (N)	100
Lexow AS	994 571 737	Sofiemyr (N)	100
Proffklær Haugesund AS	991 248 722	Haugesund (N)	100
Yrkes & Profilklær AS	981 519 345	Tønsberg (N)	100
Ahlsell Oy	1819153-8	Helsinki (SF)	100
Aninkaisten Tapetti ja Väri Oy	0197404-2	Helsinki (SF)	100
Sata-Automaatio Oy	1495511-5	Helsinki (SF)	100
Ahlsell Åland Ab	2080009-9	Jomala (SF)	100
Ahlsell Danmark ApS	19541142	Brøndby (DK)	100
TP-Tempcold Ltd	0000094018	Warsaw (PL)	100
ZAO Ahlsell Spb	7813090758	St Petersburg (RU)	100
AS FEB	10109270	Tallinn (EST)	100

1) Refers to share of capital, which also corresponds to the percentage of voting rights for the total number of shares.

NOTE 23 Receivables and liabilities - Group companies

Receivables from Group companies

Parent, SEK million	2016	2015
Accumulated cost		
At beginning of year	5,051.0	4,607.9
Subsequent receivables	7,793.6	443.1
Carrying amount at end of period	**12,844.6**	**5,051.0**

SEK 12,844.6 million (5,051.0) of the above relates to receivables from subsidiaries.

Liabilities to Group companies

Parent, SEK million	2016	2015
At beginning of year	1,108.1	580.6
Settled liabilities	–1,108.1	–
Subsequent liabilities	–	527.5
Carrying amount at end of year	**–**	**1,108.1**
Maturity date, 1-5 years after the balance sheet date	–	–
Maturity date, more than five years after the balance sheet date	–	1,108.1

SEK 0 million (1,108.1) of the above relates to liabilities to subsidiaries.

NOTE 24 Deferred income tax

GROUP

Recognised deferred tax assets and liabilities

Group, SEK million	2016 Assets	2016 Liabilities	2016 Net	2015 Assets	2015 Liabilities	2015 Net
Loss carryforwards	161.5	–	161.5	183.1	–	183.1
Intangible assets	–	–1,509.7	–1,509.7	–	–1,506.0	–1,506.0
Provisions/amortised	6.6	–	6.6	6.5	–	6.5
Financial assets and liabilities	8.8	–	8.8	4.4	–	4.4
Current receivables and inventories	13.0	–	13.0	12.8	–	12.8
Machinery and equipment	27.2	–33.1	–5.9	22.1	–28.4	–6.3
Land and buildings	–	–3.3	–3.3	–	–4.2	–4.2
Untaxed reserves	–	–98.2	–98.2	–	–47.7	–47.7
Other	7.7	–	7.7	3.0	–	3.0
Total	**224.8**	**–1,644.3**	**–1,419.5**	**231.9**	**–1,586.3**	**–1,354.4**
Offset of assets/liabilities	–217.8	217.8	–	–222.7	222.7	–
Balance sheet total	**7.0**	**–1,426.5**	**–1,419.5**	**9.2**	**–1,363.6**	**–1,354.4**

The loss carryforwards are primarily attributable to Ahlsell's operations in Norway. In Norway, future profits are expected to be sufficient to enable the tax loss carryforwards to be used within the next few years. The Group does not have a defined maturity structure for its loss carryforwards. The Group's non-capitalised loss carryforwards total SEK 20.2 million (18.2). These are mainly attributable to operations acquired in Sweden in 2013, but for which the carryforwards have been suspended until 2018.

Changes in deferred tax asset for temporary differences and loss carryforwards

2016 SEK million	At beginning of year	Recognised in income statement	Recognised in Other comprehensive income	Translation differences	Acquired/ sold companies	Amount at end of year
Loss carryforwards	183.1	–33.2	–	11.7	–	161.5
Intangible assets	–1,506.0	66.4	–	–23.2	–46.9	–1,509.7
Provisions/amortised	6.5	–0.2	0.6	–0.2	–	6.6
Financial assets and liabilities	4.4	4.0	0.8	–0.4	–	8.8
Current receivables and inventories	12.8	–0.3	–	–0.9	1.4	13.0
Machinery and equipment	–6.3	0.6	–	–0.2	–	–5.9
Land and buildings	–4.2	1.9	–	–1.0	–	–3.3
Untaxed reserves	–47.7	–50.5	–	–	–	–98.2
Other	3.0	4.4	–	0.2	–	7.7
Total changes	**–1,354.4**	**–6.9**	**1.4**	**–14.0**	**–45.5**	**–1,419.5**

2015 SEK million	At beginning of year	Recognised in income statement	Recognised in Other comprehensive income	Translation differences	Reclassified as "Assets held for sale"	Amount at end of year
Loss carryforwards	402.6	–200.7	–	–18.8	–	183.1
Intangible assets	–1,607.6	93.5	–	8.1	–	–1,506.0
Provisions/amortised	13.2	–3.4	–3.4	0.1	–	6.5
Financial assets	–14.9	19.7	–	–0.4	–	4.4
Current receivables and inventories	20.8	–8.9	–	0.9	–	12.8
Machinery and equipment	–5.9	–0.7	–	0.3	–	–6.3
Land and buildings	–17.1	1.7	–	–1.1	12.3	–4.2
Untaxed reserves	–32.4	–15.3	–	–	–	–47.7
Other	2.1	1.2	–	–0.3	–	3.0
Total changes	**–1,239.2**	**–112.9**	**–3.4**	**–11.2**	**12.3**	**–1,354.4**

Ahlsell Sverige AB has a subsidiary in Estonia. In Estonia, income tax is not paid on earnings until they are paid to the shareholders. If any earned but as-yet-unpaid gains are allocated to the Parent Company, the Estonian government can claim up to 21 percent tax, the equivalent of SEK 41.6 million (36.6) on 31 December 2016.

NOTE 25 Other non-current receivables

Group, SEK million	2016	2015
Accumulated cost		
At beginning of year	4.1	3.1
Reclassification	9.3	–
Acquisitions for the year	–	1.7
Impairment	–8.5	–
Settlements	–0.5	–0.6
Translation differences for the year	0.0	–0.1
Closing accumulated cost	**4.4**	**4.1**
Carrying amount at end of period	**4.4**	**4.1**
of which interest-bearing	3.0	2.1

Impairment for the year refers to a financing receivable where settlement is not expected to take place.

NOTE 26 Inventories

There is no significant difference between the carrying amount and fair value of inventories. No adjustment has been made to any items of inventory as a result of an increase in the value of net sales.

The cost of inventories recognised as expense is included in Cost of goods sold and amounts to SEK –17,085.9 million (–15,632.2).

Stocks of finished goods have been written down by SEK –85.7 million (–86.7).

NOTE 27 Trade receivables

Group, SEK million	2016	2015
Trade receivables, gross	3,092.5	2,581.1
Provisions for doubtful receivables	–38.5	–31.7
Total trade receivables	**3,054.0**	**2,549.4**

Provisions for and reversal of provision for doubtful trade receivables are accounted for on the Income statement under Selling Expenses. This provision is based on customer creditworthiness.

Provisions for doubtful receivables

Group, SEK million	2016	2015
Provisions at beginning of year	–31.7	–32.5
Provisions for anticipated losses	–26.9	–31.5
Actual losses	22.2	30.6
Translation differences	–2.1	1.7
Provisions at end of year	**–38.5**	**–31.7**

Actual bad debt expenses and recovered bad debt expenses during the year amounted to a net total of SEK 19.5 million (28.8).

NOTE 27 – cont.

CONCENTRATIONS OF CREDIT RISK

The credit risk for trade receivables is not concentrated within any particular geographic region since the Group has a wide spread of customers in the Nordic countries, Russia, the Baltic states and Poland. The concentration of credit risk remains the same as in previous years.

Credit risk exposure

Group	Percent of total number of customers	Percent of portfolio
At 31 Dec 2016		
Exposure < SEK 1.5 million	99.8%	67.0%
Exposure SEK 1.5 - 10.0 million	0.2%	20.5%
Exposure > SEK 10.0 million	0.0%	12.5%
Total	**100%**	**100%**

Group	Percent of total number of customers	Percent of portfolio
At 31 Dec 2015		
Exposure < SEK 1.5 million	99.8%	70.6%
Exposure SEK 1.5 - 10.0 million	0.2%	21.7%
Exposure > SEK 10.0 million	0.0%	7.7%
Total	**100%**	**100%**

Ageing of trade receivables

Group, SEK million	2016	2015
Not overdue	2,623.4	2,145.7
0 - 30 days	397.6	342.3
31 - 60 days	24.6	31.0
61 - 90 days	5.4	11.5
> 91 days	3.0	18.9
Total	**3,054.0**	**2,549.4**

NOTE 28 Prepaid expenses and accrued income

Group, SEK million	2016	2015
Prepaid rent	89.3	58.8
Accrued supplier bonuses	685.3	574.4
Accrued income for delivered but non-invoiced goods	201.8	139.8
Other items	54.6	51.1
Total prepaid expenses and accrued income	**1,031.0**	**824.1**

NOTE 29 Equity/Earnings per share

GROUP

On 31 December, equity amounted to SEK 8,089.4 million (711.3).

Reserves

SEK million	Hedging reserve	Translation reserve	Total
Opening balance on 1 January 2015	**–**	**89.1**	**89.1**
Translation differences for the year	–	–152.3	–152.3
Hedging of currency risk in foreign operations	–	56.7	56.7
Tax attributable to items recognised in Other comprehensive income	–	–50.3	–50.3
Closing balance on 31 December 2015	**–**	**–56.8**	**–56.8**
Opening balance on 1 January 2016	**–**	**–56.8**	**–56.8**
Translation differences for the year	–	17.2	17.2
Hedging of currency risk in foreign operations	–	–77.6	–77.6
Cash flow hedges recognised directly in Other comprehensive income	–3.6	–	–3.6
Tax attributable to items recognised in Other comprehensive income	0.8	70.7	71.5
Closing balance on 31 December 2016	**–2.8**	**–46.5**	**–49.3**

The translation reserve comprises all exchange differences arising on translation of foreign operations reported in a currency other than the Group's presentation currency. Hedging of currency risk in foreign operations includes hedging of net assets in local currencies in Norway and Finland.

The hedging reserve includes the change in the value of the interest rate swaps that are designated as hedges.

Earnings per share

	2016	2015
Earnings per share		
Profit attributable to equity holders of the Parent (SEK million)	341.8	70.2
Dividend for the period for preferred shares classified as equity (SEK million)[7]	–	–11.9
Profit/loss for calculation of earnings per share	**341.8**	**58.3**
Weighted average number of ordinary shares outstanding (millions)	308.4	280.6
Earnings per share, SEK	**1.11**	**0.21**

Diluted earnings per share

The Ahlsell Group's two long-term incentive schemes could potentially lead to future dilution of the number of shares. The share-save scheme can result in a maximum dilution of 1.9% of the total number of shares in the company. If the maximum number of warrants are exercised to subscribe for new shares, this will result in a total maximum dilution of 0.3% of the total number of shares in the company. It will only be possible to calculate the dilution effect of the share-save scheme after the first measurement period has ended (2018). There is currently no dilution effect for the warrants scheme. There is no other dilution associated with ordinary shares.

	2016	2015
Diluted earnings per share, SEK	**1.11**	**0.21**

Historically, the number of shares has been adjusted so that the number of diluted shares equals the number of ordinary shares following a split.

Calculation of average number of ordinary shares outstanding in 2016

Number	2016
1 Jan 2016 - 26 Oct 2016	280,606,216
27 Oct 2016 - 31 Dec 2016	436,302,187
Weighted average number of ordinary shares outstanding	**308,409,068**

PARENT

Restricted and unrestricted equity

Restricted reserves

Restricted reserves may not be reduced by distribution of dividends.

Unrestricted equity

Share premium reserve

Where shares are issued at a premium, i.e. for an amount in excess of their nominal value, an amount equivalent to the premium must be credited to the share premium account.

Retained earnings

The sum of the previous year's earnings after any dividend payout. Retained earnings, net profit for the year and the share premium account together constitute total unrestricted equity, in other words the amount available for distribution to shareholders.

Total equity in Ahlsell AB (publ) was SEK 7,175.5 million (423.0) on the balance sheet date. Of this amount, SEK 123.4 million (79.4) was restricted equity.

Number of shares

The number of shares at the beginning of the year was 79,380,546 with a par value of SEK 1. The number of shares at the end of the year was 436,302,187 with a par value of SEK 0.28. The average number of shares, including all share classes during the year and adjusted for the share split, has been 338,732,899.

The table below shows changes in the number of shares and changes in share capital for the year.

Decision date	Date of registration with the Swedish Companies Registration Office	Transaction	Change in number of shares	Total number of shares	Change in share capital (SEK)	Total share capital (SEK)	Par value
		At beginning of year		Total: 79,380,546 Ordinary shares A1: 64,050,000 Ordinary shares A2: 6,101,554 Shares of preferred stock B: 8,804,250 Shares of preferred stock C: 147,122 Shares of preferred stock D: 277,620		79,380,546	0.25
4 Oct 2016	11 Oct 2016	Share split (1:4) [1]	Total: 238,141,638 Ordinary shares A1: 192,150,000 Ordinary shares A2: 18,304,662 Shares of preferred stock B: 26,412,750 Shares of preferred stock C: 441,366 Shares of preferred stock D: 832,860	Total: 317,522,184 Ordinary shares A1: 256,200,000 Ordinary shares A2: 24,406,216 Shares of preferred stock B: 35,217,000 Shares of preferred stock C: 588,488 Shares of preferred stock D: 1,110,480	0	79,380,546	0.25
27 Oct 2016	28 Oct 2016	Withdrawal of all shares of preferred stock [2]	–36,915,968	280,606,216	–9,228,992	70,151,554	0.25
27 Oct 2016	28 Oct 2016	Bonus issue [3]	0	280,606,216	9,228,992	79,380,546	0.28
27 Oct 2016	28 Oct 2016	Conversion of shares [4]	0	280,606,216	0	79,380,546	0.28
27 Oct 2016	28 Oct 2016	Offset issue [5]	153,614,345	434,220,561	43,455,882	122,836,428	0.28
27 Oct 2016	28 Oct 2016	Non-cash issue [6]	2,081,626	436,302,187	588,870	123,425,298	0.28

1) A share split was undertaken to achieve an appropriate number of shares in the company.
2) All shares of preferred stock are retracted at market value. Through the reduction of the share capital, a total of SEK 141,535,705 was repaid to shareholders. Of this amount, SEK 9,228,992 reduces the company's share capital.
3) Simultaneously with the retraction, the company decided on a bonus issue with funds from unrestricted equity in order to keep its share capital intact.
4) All shares are being converted into shares of one and the same kind (ordinary shares) through the registration of new Articles of Association, which only allow one kind of share.
5) Shareholder loans plus the value from retracting shares of preferred stock are offset against newly-issued ordinary shares in the company. The offset issue price was SEK 46. It increased equity by SEK 7,066 million, SEK 43 million of which was an increase of share capital.
6) The minority shareholders contribute the previous value of the shares of preferred stock which at this point are a receivable on the company in exchange for new shares issued in the company. The non-cash issue price was SEK 46. It increased equity by SEK 96 million, SEK 1 million of which was an increase of share capital.
7) For 2016, no adjustment has been made for the preference share dividend as these shares were converted into ordinary shares in conjunction with the flotation on the stock exchange in October.

The shares are issued in accordance with the Swedish Companies Act (2005:551) and shareholders' rights associated with the shares may only be amended according to the procedures prescribed in the Act.

Capital Management

Capital is defined as the total of shareholders' equity, which is equal to what is recognised in equity in the consolidated balance sheet. Ahlsell's objective is that the Group will have a net debt in relation to adjusted EBITA in the interval between 2.0 to 3.0 times. Net debt is measured as a ratio of adjusted EBITA (Net debt/Adjusted EBITDA). At 31 December 2016, net debt/adjusted EBITDA was 3.3 (3.9).

The agreements contain external requirements concerning bank loans. Further disclosures on these can be found in Note 33.

Proposed allocation of profits

Number		2016
The following funds are at the disposal of the Annual General Meeting	SEK	7,052,138,160
The Board of Directors and the Managing Director propose that SEK 0.35 per share be distributed to the shareholders	SEK	152,705,765
The remaining profits be carried forward	SEK	6,899,432,395
	SEK	**7,052,138,160**

NOTE 30 Pension provisions

The Group has defined-benefit pension plans for Sweden and Finland. This type of pension guarantees the employee a pension equal to a certain percentage of final salary. The Group also provides defined-contribution pension plans in these countries and in Norway, Denmark, Estonia, Russia and Poland. Defined-contribution plans represent a percentage of the employee's salary and are included in the income statement.

Group, SEK million	2016	2015
Present value of funded obligations	31.3	34.1
Fair value of plan assets	–28.4	–33.5
The amount of the surplus in the plan is restricted by an asset ceiling	4.2	6.1
Total of wholly or partly funded obligations	**7.1**	**6.7**
Present value of unfunded obligations	42.8	42.3
Net debt in the balance sheet	**49.9**	**49.0**
Amounts reported in the balance sheet - liabilities	49.9	49.0

The amounts in the balance sheet are broken down by geographic areas as follows:

	Sweden	Finland
Present value of funded obligations	31.3	–
Fair value of plan assets	–28.4	–
The amount of the surplus in the plan is restricted by an asset ceiling	4.2	–
Present value of unfunded obligations	27.8	15.0
Net debt in the balance sheet	**34.9**	**15.0**

Group, SEK million	2016	2015
Cost of pensions earned during the year	–	–1.6
Reductions and settlements	–	14.6
Interest expense	–2.3	–2.7
Interest income	1.1	0.7
Costs for defined benefit plans	**–1.2**	**11.0**
Costs for defined contribution plans	–198.8	–195.1
Payroll tax	–29.3	–24.9
Total cost for post-employment benefits	**–229.3**	**–209.0**
The cost of defined benefit pension plans is recognised in the following lines of the Income Statement		
Selling expenses	–	13.0
Finance expense	–1.2	–2.0
	–1.2	**11.0**
Cost recognised in Other comprehensive income		
Revaluations:		
- Actuarial gains/losses	–2.5	17.2
- Difference between actual and expected return on plan assets	1.0	–0.2
	–1.5	**17.0**

During the year, the current value of the defined benefit obligation has changed as presented below:

Group, SEK million	2016	2015
Current value of defined benefit obligations at beginning of year	**76.4**	**104.2**
Costs relating to service during the current year	–	1.6
Interest expense	2.1	2.7
Payment of benefits	–9.7	–7.8
Actuarial gains (minus) and losses (plus)	3.9	–10.2
Reductions and settlements	–	–14.8
Reclassification	0.4	1.4
Exchange differences on foreign plans	1.0	–0.7
Current value of defined benefit obligations at end of year	**74.1**	**76.4**

During the year, the fair value of the plan assets has changed as presented below:

Group, SEK million	2016	2015
Fair value of plan assets at beginning of year	**33.5**	**24.0**
Revaluation	–	12.7
Interest income	1.1	0.7
Difference between actual and expected return	1.0	0.2
Pension payments	–7.2	–4.6
Employer contributions	–	0.5
Fair value of plan assets at end of year	**28.4**	**33.5**

The actual return on plan assets was SEK 2.1 million (0.9).

Group	2016	2015
The plan assets are classified in the following categories as a percentage of the total plan assets:		
Shares	36%	41%
Interest-bearing securities	36%	31%
Real estate	11%	10%
Other	17%	18%

Group, SEK million	2016	2015	2014	2013	2012
Historical information					
Present value of defined benefit obligations (including special employer's contribution)	74.1	76.4	104.2	97.6	102.8
Fair value of plan assets	–28.4	–33.5	–24.0	–20.6	–17.3
The amount of the surplus in the plan is restricted by an asset ceiling	4.2	6.1	–	–	–
Surplus (minus)/Deficit (plus)	49.9	49.0	80.2	77.0	85.5
Experience adjustments on plan assets	1.0	0.2	1.1	0.0	–0.4

Experience adjustments on the defined benefit obligation amount to SEK 1.0 million (–6.5).

Assumptions used for valuations

2016	Sweden	Finland
Discount rate %	3.2%	1.2%
Mortality table	DUS14	

2015	Sweden	Finland
Discount rate %	3.8%	1.6%
Mortality table	DUS14	

The Group expects to make SEK 2.3 million (2.8) in payments in 2016 relating to defined benefit plans.

Given the size of the pension debt, no sensitivity analysis has been performed.

The retirement benefit and family pension obligation for white-collar employees in Sweden is covered by an insurance policy with Alecta. In accordance with Statement UFR 10 issued by the Swedish Financial Reporting Board, this is a multi-employer defined benefit pension scheme. As the company did not have access to sufficient information to enable it to report this plan as a defined benefit plan for this financial year, an ITP pension plan, insured through Alecta, will be reported as a defined contribution plan. The same conditions apply to the AFP scheme in Norway, which is thus also recognised as a defined contribution scheme.

The year's ITP pension insurance contributions through Alecta amount to SEK 84.0 million (71.7). Alecta's surplus may be distributed to the policyholders and/or the insured parties. At the end of 2016, Alecta's surplus, in the form of the collective consolidation level, was 149 percent (153). The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated by reference to Alecta's actuarial assumptions, which are not consistent with IAS 19. Information about the collective consolidation level for the AFP scheme in Norway is not available.

NOTE 31 Other provisions

Group, SEK million	2016	2015
Balance at beginning of year	19.1	7.0
New/extended provisions	18.8	27.0
Provisions used	–16.4	–13.3
Translation differences	1.8	–1.6
Balance at end of year	**23.3**	**19.1**
Other provisions		
Restructuring	22.1	17.9
Guarantee obligations	1.2	1.2
Total other provisions	**23.3**	**19.1**
Other provisions consist of:		
Long-term provisions	4.7	6.5
Short-term provisions	18.6	12.6
Total provisions	**23.3**	**19.1**

NOTE 31 – cont.

The additional provisions in 2016 relate primarily to provisions made for dismissed salaried staff in the Swedish and Norwegian operations.

Provisions used mainly relate to the dissolution of provisions relating to dismissed salaried staff in the Swedish and Norwegian operations and the dissolution of provisions relating to costs for premises in Norway.

NOTE 32 Accrued expenses and deferred income

Group, SEK million	2016	2015
Accrued interest	24.3	98.9
Accrued holiday pay	307.4	275.4
Accrued bonus payouts	33.6	21.8
Accrued social security contributions	73.7	68.8
Other items	109.5	112.2
Total accrued expenses and deferred income	**548.5**	**577.1**

Parent, SEK million	2016	2015
Accrued interest	24.3	–
Other items	26.7	0.2
Total accrued expenses and deferred income	**51.0**	**0.2**

NOTE 33 Financial instruments and financial risk management

GROUP

New financing was provided in connection with Ahlsell's flotation on the Nasdaq Stockholm stock exchange and previous financing was fully repaid. In addition, previous shareholder loans were converted into equity. In connection with the repayment of previous financing and conversion of shareholder loans into equity, capitalised fees relating to previous financing have been recognised as expense. As part of the refinancing process, the derivatives associated with the old financing were also settled. Set-up fees in the new financing agreement were paid and capitalised on the payment date for the loans. Further details of the new financing arrangement can be found under Refinancing risk.

The Group's financial assets consist of derivative instruments, non-current receivables, trade receivables, shares and cash and cash equivalents.

The Group's financial liabilities consist mainly of loans taken to finance operations, and trade payables.

Financial assets and liabilities give rise to different types of risks, which are primarily managed using various derivative instruments. The Group uses derivative instruments mainly for the purpose of:

- Converting variable rate loans to a fixed rate.
- Reducing the Group's exposure to foreign currency risk.

At 31 December 2016, two derivative instruments qualify for hedge accounting. These instruments are always used to hedge an underlying exposure and not for speculative purposes.

FINANCIAL RISK MANAGEMENT

The Group's Treasury Policy for financial risk management was approved by the Board and provides a set of guidelines and rules by means of a risk mandate for financial activities. The overall aim of the finance function is to ensure that the financial risks are optimised to a risk level that gives the shareholders a good return, within the framework of the risk mandate provided by the Board.

Risk management is handled by the Group's finance department in accordance with policies approved by the Board. The Group's finance department works closely with the Group's operating units to identify, evaluate and hedge financial risks. The Board approves policies for overall risk management, as well as for policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTE 33 – cont.

International business activities involve different types of risks on a daily basis. The risks fall into two main categories: financial and commercial risks. The financial risks can be further divided into five main areas:

Refinancing risk: Is the risk that maturing loans cannot be refinanced at maturity, or that existing loans are terminated.

Interest rate risk: Is the risk that Group earnings will be adversely affected by changes in the interest rate level.

Currency risk: Is divided into transaction exposure and translation exposure.

Transaction exposure: Is the risk that Group earnings will be adversely affected as a result of negative exchange rate fluctuations.

Translation exposure in foreign net assets: Is the risk of negative equity effects when the assets and liabilities in foreign subsidiary companies are translated into Swedish kronor (SEK).

Credit risk: Is the risk of financial loss to the Group as a result of a counterpart failing to meet its contractual obligations.

Liquidity risk: Is the risk that the Group does not have enough funds to meet day-to-day expenses and commitments.

Refinancing risk

Ahlsell's refinancing risk is related to the financial obligations the Group has agreed with banks. The Treasury Policy states that no single facility shall have less than 1 year to due date, that refinancing is an ongoing process, and that the average due date for the Group's facilities must be at least 1.5 years.

The financing agreements into which Ahlsell has entered include two term facilities and one revolving credit facility. At 31 December 2016, the term facilities were fully drawn and amounted to SEK 7,722 million (9,908) (difference in amounts reported in the balance sheet is due to capitalised borrowing costs) with SEK 1,472 million due in November 2019 and SEK 6,250 million due in November 2021.

SEK 700 million (0) of the SEK 2,250 million revolving facility had been drawn. In addition to this, a further SEK 16 million (20) had been used for bank guarantees at the balance sheet date. The revolving facility falls due in November 2021. The three facilities are at variable rates in SEK, EUR and NOK respectively.

Further information is given under Interest rate risk. The Group is obliged to maintain certain quarterly financial obligations, so-called covenants, which are linked to this financing. The covenants by which Ahlsell must abide are:

– Consolidated EBITDA in relation to interest payments
– Total net liability in relation to consolidated EBITDA

There are specific definitions for each component and some non-recurring items are excluded from EBITDA.

At 31 December, all covenants had been met. Ahlsell's financing risk also depends on the Group's ability to refinance maturing loans, or pay maturing loans from its existing financial resources. The chart below shows the maturity analysis for Ahlsell's bank facilities.

At year-end, the Group's borrowings, with any associated statutory limits, were as follows:

Borrowing

	2016		2015	
SEK million	Total borrowing	Total credit	Total borrowing	Total credit
Term loans [1]	7,722.2	–	9,908.4	–
Revolving facility [2]	700.0	2,250.0	–	500.0
Shareholder loans [3]	–	–	6,486.9	–
Acquisition facility [4]	–	–	127.7	1,497.7
Total	**8,422.2**	**2,250.0**	**16,523.0**	**1,997.7**

1) Have variable interest rates and are in SEK, EUR, NOK.

2) In addition to borrowing, the revolving facility may be utilised for overdrafts in SEK, NOK, DKK and EUR with variable interest rates, bank guarantees, etc. At year-end, SEK 16.5 million (20.0) had been used.

3) The shareholder loan was subordinated and had a fixed interest rate of 10%. The loan was converted into equity in October 2016 and was entirely in SEK.

4) The acquisition facility was repaid in 2016.

NOTE 33 – cont.

The Group's loan maturity structure with regard to liabilities to credit institutions

Maturity

SEK million	2016	2015
2016	–	272.8
2017	–	575.0
2018	–	962.5
2019	1,473.2	1,420.6
2020	–	1,037.0
>2020	6,949.0	5,768.1
Total*	**8,422.2**	**10,036.0**

* The difference in amounts reported in the balance sheet is due to capitalised borrowing costs.

The specification of lease assets and the current values of finance leases are presented in Note 20 Fittings, fixtures, tools and equipment and Note 18 Land and buildings. Details of the Group's operating leases are disclosed in Note 6.

Maturity analysis of lease payments

SEK million	2016	2015
Within 1 year	44.3	40.2
Maturity date, 1-5 years after the balance sheet date	141.6	118.9
Maturity date, later than five years	133.6	136.7
Total	**319.5**	**295.8**

Total maturity analysis

SEK million	2016	2015
Within one year [1]	22.3	212.6
Maturity date, 1-5 years after the balance sheet date	8,489.5	3,894.0
Maturity date, later than five years	133.6	12,291.4
Total	**8,645.4**	**16,398.0**

1) The amounts reported in the balance sheet are different because the balance sheet shows expected repayments within 12 months, as the company intends to pay off the revolving facility before it is due.

Interest rate risk

Interest rate risk for Ahlsell is the risk that adverse movement in the interest rate would result in an increase in the cost of borrowing for Ahlsell. Interest rate risk can be offset by tying up loans and using various kinds of financial derivatives, e.g. fixed interest swaps, rate ceilings and interest rate floors. Interest rate risk is managed at Group level by Ahlsell's finance department based on the instruments approved by the Board. The Treasury Policy states that between 20% and 50% of Group borrowings (including interest rate hedges) shall be at fixed interest rates. Two fixed interest swaps totalling SEK 2,500 million (1,016) fall due on 1 October 2021. As well as the fixed interest swaps, there is a zero-rate floor of SEK 2,500 million whereby the Group receives the difference between three months' STIBOR and 0% if the STIBOR rate is negative. The main floating rates are STIBOR, EURIBOR and NIBOR.

Given the same borrowings, hedges, zero-rate floors in loan agreements and the same fixed rate interest periods as at the end of the year, a change in the market rate by 100 basis points (1 percentage point) would change the interest expense by about SEK 28 million (35). Excluding zero-rate floors in loan agreements, the equivalent change would be about SEK 59 million (50), and excluding hedges would be about SEK 38 million (65). Excluding hedges and zero-rate floors in loan agreements, the interest expense would change by about SEK 84 million (100).

Liabilities to credit institutions and interest rate fixes, breakdown by currency before exchange rate swaps and fixed interest swaps, SEK million

	2016			2015		
Foreign exchange	Liabilities to credit institutions	Holding, %	Fixed interest period, days	Liabilities to credit institutions	Holding, %	Fixed interest period, days
SEK	7,453.7	90%	2	3,062.7	32%	61
EUR	486.0	6%	2	4,768.1	49%	3
NOK	386.2	5%	2	1,882.9	19%	91
Total	**8,325.9**	**100%**	**2**	**9,713.7**	**100%**	**38**

	2016			2015		
Effective interest on the reporting date was	SEK	EUR	NOK	SEK	EUR	NOK
Bank loans	1.35%	1.25%	2.31%	4.15%	4.00%	5.21%
Lease liabilities	0.97%	5.81%	–	1.20%	5.77%	–

Liabilities to credit institutions and interest rate fixes, breakdown by currency after exchange rate swaps and fixed interest swaps, SEK million

	2016			2015		
Foreign exchange	Liabilities to credit institutions after currency hedging	Holding, %	Fixed interest period, days	Liabilities to credit institutions after currency hedging	Holding, %	Fixed interest period, days
SEK	7,453.7	90%	576	8,023.0	83%	276
EUR	486.0	6%	2	684.8	7%	3
NOK	386.2	5%	2	927.3	10%	91
Total [1]	**8,325.9**	**100%**	**516**	**9,635.0**	**100%**	**239**

	2016			2015		
Effective interest on the reporting date was	SEK	EUR	NOK	SEK	EUR	NOK
Bank loans, including derivatives	1.84%	1.25%	2.31%	5.96%	4.24%	5.37%
Lease liabilities	0.97%	5.81%	–	1.20%	5.77%	–

1) The difference to amounts reported in the balance sheet is due to the difference between the hedging rate and closing rate on the balance sheet date.

Currency risk

Ahlsell's transaction exposure is concentrated on the import of goods and lending and borrowing in foreign currencies. The Treasury Policy specifies that future cash flows can be hedged up to twelve (12) months in advance. Transaction exposure from imports is limited. There was no hedging activity on 31 December 2016 with regard to the import of goods. As a rule, cash flow hedging activities are limited.

The fact that the Group has loans in foreign currencies means it has an exposure, see above liabilities to credit institutions broken down by currency. The Treasury Policy states that the breakdown of borrowings by currency should reflect EBITDA by currency in the Group.

Based on income and expenses in foreign currencies for 2016, a five percentage point change in the Swedish krona against other currencies, excluding currency hedges, impacts operating income by about SEK 10 million annually. Since the Group uses equity hedges (see Note 29), the net financial result is not impacted by a change in the exchange rates when translating loans in a foreign currency. Companies in the Group have cash in a different currency to their reporting currency, which has revaluation effects on the net financial result when currency movements occur. The exposure changes from day to day, and the Group has entered into currency swaps to minimise the impact of currency movements. The Group has a number of holdings in overseas operations, whose net assets are exposed to translation risk. See the chart below.

Exposed foreign net assets by country, SEK million

The Group Currency (country)	2016			2015		
	Net assets	Hedged	Net	Net assets	Hedged	Net
EUR (Finland and Estonia)	1,584.3	–486.0	1,098.3	1,511.1	–1,333.9	177.2
DKK (Denmark)	423.8	–	423.8	389.9	–	389.9
NOK (Norway)	3,632.6	–386.2	3,246.4	3,354.9	–	3,354.9
PLN (Poland)	14.1	–	14.1	18.3	–	18.3
RUB (Russia)	–53.3	–	–53.3	–47.5	–	–47.5
Total	**5,601.4**	**–872.2**	**4,729.2**	**5,226.7**	**–1,333.9**	**3,892.8**

Ahlsell hedges net assets in Norway and Finland to the extent that there are external loans in the Parent Company in the corresponding currency. Hedge accounting is not used for other countries.

FAIR VALUE

Calculation of fair value

Where financial instruments are not traded in an active market, the fair value is determined using valuation techniques. The Group uses various techniques and makes assumptions based on market conditions at the balance sheet date. Quoted market prices or dealer price quotations for similar instruments are used for non-current liabilities. Other techniques, such as estimated discounted cash flows, are used to determine the fair value of remaining financial instruments. The fair values of fixed interest swaps, currency swaps and equity swaps are based on credit agencies' assessments, the fairness of which is tested by discounting the expected future cash flows under the terms and maturity dates of the contract and based on market rates for similar instruments at the balance sheet date.

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values. The fair values of financial liabilities (for disclosure purposes in notes) are calculated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

With regard to external borrowing, there is no material difference between the carrying amount and fair value, as the Group's borrowings are at a variable rate of interest. Nor does the Group have any other financial assets or liabilities off the balance sheet.

Carrying amount of financial instruments

Financial assets	2016 Carrying amount	2015 Carrying amount
Financial assets held for trading measured at fair value		
Currency swaps	0.1	0.1
Total	**0.1**	**0.1**
Loans and receivables		
Other non-current receivables	4.4	4.1
Trade receivables	3,054.0	2,549.4
Cash and cash equivalents	1,208.8	2,359.9
Total	**4,267.2**	**4,913.4**
Available-for-sale financial assets		
Financial investments	3.3	3.2
Total	**3.3**	**3.2**

Financial liabilities	2016 Carrying amount	2015 Carrying amount
Financial liabilities held for trading are measured at fair value		
Currency swaps	0.6	0.1
Equity swaps	3.8	–
Exchange rate swaps	–	76.0
Fixed interest swaps	3.6	36.8
Total	**8.0**	**112.9**
Other financial liabilities		
Liabilities to credit institutions	8,645.4	10,009.5
Other non-current liabilities	25.2	–
Shareholder loans	–	6,388.5
Trade payables	4,598.6	3,784.6
Total	**13,269.2**	**20,182.6**

Level 2 has been used to determine the fair values of derivative instruments that are stated at fair value. *Level 3* has been used to determine the fair values of other non-current liabilities, which relate to as-yet-unpaid additional consideration.

Change for the year where *Level 3* has been used to determine fair values

SEK million	2016	2015
Opening balance	–	–
Additional consideration relating to the year's acquisitions	23.5	–
Fair value adjustment for the year	1.7	–
Closing balance	**25.2**	**–**

There is a marginal difference between the fair values and carrying amounts of financial assets and liabilities, except for the shareholder loan, where the fair value in 2015 was about SEK 550 million higher than the carrying amount. The shareholder loan fair value was determined using *Level 2*.

It has not been possible to reliably determine the fair value of financial investments, which are unlisted, and they have therefore been measured at cost less impairment.

Cash and cash equivalents

SEK million	2016	2015
The following components are included in cash and cash equivalents		
Cash on hand and demand deposits	1,208.8	2,259.9
Short-term investments, comparable with cash and cash equivalents	–	100.0
Total cash and cash equivalents	**1,208.8**	**2,359.9**

Short-term investments have been classified as cash and cash equivalents based on the fact that:
– They are subject to an insignificant risk of changes in value
– They can easily be converted into cash
– They have a short maturity

Credit risk
Credit risk arises through cash and cash equivalents, derivative instruments and deposits with banks and financial institutions and through credit exposures to customers, including outstanding receivables. Only banks and financial institutions awarded at least credit rating "A" by independent rating agencies are accepted. Ahlsell's credit policy stipulates guidelines for sales to be made to customers with appropriate credit backgrounds and that credit-related decisions are taken by people with the right authority. Credit assessments of all of Ahlsell's customers are conducted by credit departments at country level. Each country's credit department reviews and assesses compliance with the credit policy. Ahlsell's business system incorporates support functions that help keep track of who has the right to grant what, by carrying out a continuous review of authorisations and approvals. Individual risk limits are determined on the basis of internal or external credit assessments in compliance with the limits set by the Board. Credit limit utilisation is reviewed at regular intervals. Ahlsell's maximum credit risk exposure is the carrying amount of the company's financial assets. Ahlsell's total credit risk is also monitored through a database application that enables the analysis of the total accounts receivable balance down to the lowest level. Also see Note 27 Trade receivables.

Liquidity risk
The sound management of liquidity risk involves maintaining sufficient cash and cash equivalents and saleable securities, the availability of funding through an adequate amount of committed credit facility and the ability to close market positions. Due to the dynamic nature of the underlying business, the Group's finance department aims to maintain flexibility in funding by keeping committed credit lines available. The Treasury Policy states that the Group must maintain a liquidity reserve of at least 5% of annual sales. The liquidity reserve and term structure of the Group's trade payables are presented below. The term structures of loans and interest rates are presented above.

Liquidity reserve

Group, SEK million	2016	2015
The following components are included in liquidity reserve		
Cash on hand and demand deposits	1,208.8	2,259.9
Short-term investments, comparable with cash and cash equivalents	–	100.0
Undrawn revolving credit facilities	1,533.5	480.0
Total cash and cash equivalents	**2,742.3**	**2,839.9**

Maturity profile trade payables

Group, SEK million	2016	2015
Not overdue	3,746.7	2,985.7
Within one month	837.0	776.7
Longer than one month but no longer than three months	4.8	11.8
Longer than three months	10.1	10.4
Total	**4,598.6**	**3,784.6**

PARENT COMPANY
Ahlsell AB (publ) manages the Group's external borrowing. The financing agreements into which the company has entered include two term facilities and one revolving credit facility.

At 31 December 2016, the term facilities were fully drawn and amounted to SEK 7,722 million (0)*. SEK 700 million (0) of the SEK 2,250 million revolving facility had been drawn. In addition to this, a further SEK 16 million (0) had been used for bank guarantees at the balance sheet date. The facilities are at variable rates in SEK, NOK and EUR respectively. The Group is obliged to maintain certain quarterly financial obligations, so-called covenants, which are linked to this financing. The covenants by which Ahlsell must abide are:
– *Consolidated EBITDA* in relation to *interest payments*
– *Total net liability* in relation to *consolidated EBITDA*

There are specific definitions for each component and some non-recurring items are excluded from EBITDA. At 31 December, all covenants had been met.

The Parent Company is exposed to the same refinancing and interest rate risk as the Group (see above for further details). The Parent Company is also exposed to foreign exchange risk to the extent it relates to external borrowings.

At year-end, the borrowings of the Parent Company Ahlsell AB (publ), with any associated statutory limits, were as follows:

Borrowing

	2016		2015	
SEK million	Total borrowing	Total credit	Total borrowing	Total credit
Term loans [1]	7,722.2	–	–	–
Revolving facility [2]	700.0	2,250.0	–	–
Shareholder loans [3]	–	–	6,486.9	–
Total	**8,422.2**	**2,250.0**	**6,486.9**	**–**

1) Have variable interest rates and are in EUR, SEK and NOK.

2) In addition to borrowing, the revolving facility may be utilised for overdrafts in SEK, NOK, DKK and EUR with variable interest rates, bank guarantees, etc. At year-end, SEK 16.5 million (20.0) had been used.

3) The shareholder loan was subordinated and had a fixed interest rate of 10%. The loan was converted into equity in October 2016 and was entirely in SEK.

The Parent Company's loan maturity structure with regard to liabilities to credit institutions

Maturity

SEK million	2016	2015
2017	–	–
2018	–	–
2019	1,473.2	–
2020	–	–
>2020	6,949.0	–
Total*	**8,422.2**	**–**

* The amounts reported in the balance sheet are different because the balance sheet shows expected repayments within 12 months, as the company intends to pay off the revolving facility before it is due.

Ahlsell AB (publ) has financial assets and financial liabilities to Group companies. See Note 23 and Note 39 Related Party Disclosures.

Foreign exchange rates used in the financial reporting

	2016		2015	
Currency	Average exchange rate	Closing rate	Average exchange rate	Closing rate
EUR	9.470	9.567	9.356	9.135
NOK	1.020	1.054	1.047	0.956
DKK	1.272	1.287	1.254	1.224
PLN	2.171	2.166	2.237	2.155
RUB	0.129	0.150	0.139	0.114

NOTE 34 Contingent liabilities and pledged assets

Group, SEK million	2016	2015
Contingent liabilities	None	None
Pledged assets		
Chattel mortgages	–	5,284.7
Real estate mortgages	4.6	4.4
Shares in subsidiaries	–	2,647.0
Trade receivables	–	1,611.5
Total pledged assets	**4.6**	**9,547.6**

In conjunction with repayment of previous financing in early November and new borrowing taken on, the pledged collateral and guarantees associated with the previous external financing were discharged.

NOTE 35 Interest received/paid

Group, SEK million	2016	2015
Interest received	18.7	24.1
Interest paid	–574.8	–619.2

NOTE 36 Adjustments for non-cash items, etc.

Group, SEK million	2016	2015
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	496.1	485.1
Financial asset impairment	8.5	–
Capitalised and accrued interest	459.0	589.3
Unrealised exchange differences	181.3	–157.7
Fair value changes due to revaluation of interest rate and exchange rate derivatives	–530.5	71.2
Amortisation and impairment of capitalised financing fees	426.0	110.7
Proceeds from sale of non-current assets	0.2	–3.8
Provisions for pensions	2.0	–3.8
Other provisions	2.6	13.7
Other items with no effect on liquidity	–44.2	–43.1
Total	**1,001.0**	**1,061.6**

Parent, SEK million	2016	2015
Approved but not-yet-received dividend	–	–477.8
Capitalised and accrued interest	52.1	147.9
Unrealised exchange differences	–41.1	–
Fair value changes due to revaluation of interest rate and exchange rate derivatives	3.8	–
Total	**14.8**	**–329.9**

Non-operating cash flow items

Group, SEK million	2016	2015
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	496.1	485.1
Proceeds from sale of non-current assets	0.2	–3.8
Provisions for pensions	2.0	–3.8
Other provisions	2.6	13.7
Finance leases [1]	–51.6	–57.8
Total	**449.3**	**433.4**

1) Included in Other items with no effect on liquidity above.

NOTE 37 Business Combinations

BUSINESS COMBINATIONS IN 2016

Elgross'n was acquired in June 2016. The company holds a strong position in the market in Gothenburg. It specialises in lighting and electrical installation and has premises in Högsbo and Marieholm (Gothenburg). The majority of its customers are local installation companies. Gothenburg is a key growth market for Ahlsell and the acquisition affords it the opportunity to further consolidate its position in the region. The company has estimated annual sales of approximately SEK 120 million.

In June, Ahlsell signed an agreement to acquire the entire share capital of Prevex AB. The acquisition was finalised at the beginning of August following approval from the Swedish Competition Authority (Konkurrensverket). At the date of acquisition, Prevex had estimated annual sales of approximately SEK 400 million. Prevex is an industrial reseller with a focus on the professional construction market and has a strong market position in Gothenburg and Malmö with three strategically located branches. Gothenburg and Malmö are key growth markets for Ahlsell and this acquisition strengthens Ahlsell's position in these regions. The company has approximately 100 employees.

The operations of Värmematerial VVS Aktiebolag were acquired in December. Värmematerial is a full range wholesale company within heating and sanitation, with warehouses and headquarters in Nässjö, and two branches in Borås and Visby. Through the acquisition of Värmematerial's business, Ahlsell strengthens its heating and sanitation position in Värmematerial's market areas. The company has estimated annual sales of approximately SEK 80 million.

Group, SEK million Company	Country	Date of acquisition	Share of capital
Elgross'n i Göteborg AB	Sweden	8 June 2016	100%
Prevex AB	Sweden	1 Aug 2016	100%
Värmematerial VVS AB (assets & liabilities)	Sweden	6 Dec 2016	100%

In addition to the above, a further acquisition was made after the end of the reporting period (see Note 41).

Purchase price per segment	
Sweden	–512.0
Norway	–
Finland	–
Denmark	–
Other	–
Total purchase price	**–512.0**

The following is information on acquired net assets and goodwill:

The assets and liabilities that were included in the acquisitions are:	Carrying amount before the acquisition	Fair value adjustment	Carrying amount reported in the consolidated statement
Cash and cash equivalents	37.5	–	37.5
Customer relationships	–	142.8	142.8
Trademarks (Prevex)	–	70.2	70.2
Property plant and equipment	1.2	–	1.2
Inventories	103.9	–6.2	97.7
Assets	71.1	–	71.1
Liabilities	–93.9	–	–93.9
Deferred tax liability, net	–8.5	–45.5	–54.0
Net assets	**111.3**	**161.3**	**272.6**
Acquired net assets			**272.6**
Consolidated goodwill			239.4
Consideration given			–512.0
Of which as-yet-unpaid additional consideration			*23.5*
Less cash and cash equivalents in companies acquired			37.5
Effect on the Group's cash and cash equivalents			**–451.0**

NOTE 37 – cont.

Given that the acquisitions are immaterial to the Group as a whole, acquired net assets and goodwill are reported on an aggregate level.

The total consideration for Prevex comprised a base purchase price and additional contingent consideration. The additional consideration was valued at SEK 23 million in the acquisition analysis. The contingent consideration is dependent on the level of profit achieved in the company and is based on management's estimate of the most likely outcome. The additional consideration falls due for payment in four years time (2020). The outcome will be in the range of SEK 0-40 million on the settlement date, depending on how the terms and conditions are met.

The goodwill that arose with the acquisitions is attributable to the synergies that are expected to arise.

The acquired businesses are integrated into Ahlsell's existing operations immediately after the date of acquisition, which means it is not possible to disclose how much the acquired companies have contributed to consolidated sales and earnings.

If all acquisitions during 2016 had been made on 1 January, Group turnover would have been approximately SEK 370 million higher and EBITA would have been about SEK 30 million higher.

Ahlsell regards the analysis of the acquired net assets as provisional and an adjustment of the fair values may therefore be made.

Business combinations in the previous year

Group, SEK million Company	Country	Date of acquisition	Share of capital
Sata-Automaatio Oy	Finland	1 Sep 2015	100%
Verktygshuset i Kiruna AB	Sweden	1 Dec 2015	100%
Weldab Industricenter AB (assets & liabilities)	Sweden	31 Dec 2015	100%

Purchase price per segment	
Sweden	42.9
Norway	–
Finland	14.8
Denmark	–
Other	–
Total purchase price	**57.7**

The following is information on acquired net assets and goodwill:

The assets and liabilities that were included in the acquisitions are:	Carrying amount before the acquisition	Fair value adjustment	Carrying amount reported in the consolidated statement
Cash and cash equivalents	8.6	–	8.6
Property plant and equipment	0.7	–	0.7
Inventories	11.1	–	11.1
Assets	18.7	–	18.7
Liabilities	–10.5	–	–10.5
Deferred tax assets, net	–3.6	–	–3.6
Net assets			**25.0**
Acquired net assets			**25.0**
Consolidated goodwill			32.2
Consideration given			–57.7
Less cash and cash equivalents in companies acquired			8.6
Effect on the Group's cash and cash equivalents			**–49.1**

The goodwill that arose with the acquisitions is attributable to the synergies that are expected to arise.

The acquired businesses are integrated into Ahlsell's existing operations immediately after the date of acquisition, which means it is not possible to disclose how much the acquired companies have contributed to consolidated sales and earnings.

If all acquisitions during 2015 had been made on 1 January, Group turnover would have been approximately SEK 80 million higher and EBITA would have been about SEK 6 million higher.

NOTE 38 Items impacting comparability

For the purpose of better comparability across the years, EBITA is presented exclusive of items impacting comparability in Note 2. Items impacting comparability refer to infrequent, larger items that affect the EBITA profit.

Items impacting comparability in 2016

Type of cost/revenue Group, SEK million	Segment	Amount
Flotation costs	Central	–65.0
Costs attributable to restructuring (dismissed salaried staff)	Norway	–7.1
Total items impacting comparability		**–72.1**

Items impacting comparability in 2015

Type of cost/revenue Group, SEK million	Segment	Amount
Costs attributable to management changes and a provision for unused premises	Norway	–22.5
Impairment and provision for costs associated with sale of property	Sweden	–8.5
Costs for a large-scale strategy project and market analysis	Central	–9.6
Total items impacting comparability		**–40.6**

NOTE 39 Related Party Disclosures

GROUP

The Luxembourg-based company, Keravel S.a.r.l., owns 60.4% of Ahlsell AB (publ), corp. ID 556882-8916 (registered in Sweden with registered office in Stockholm). Ahlsell has been publicly traded on the Nasdaq Stockholm stock exchange since 28 October 2016.

In 2016 until the date Ahlsell AB (publ) was listed on the Nasdaq Stockholm stock exchange at the end of October, the Group was invoiced SEK 3.9 million (4.7) in management fees by CVC Capital Partners. Since the company's IPO, management fees are no longer invoiced.

Information about personnel expenses and remuneration of senior executives can be found in Note 3 Personnel.

The shareholder loan with Keravel S.a.r.l. at the beginning of the year was converted at the end of October into equity via an offset issue. Keravel S.a.r.l. has also partly been affected by the withdrawal of shares of preferred stock (see Note 29).

PARENT

Ahlsell AB (publ) has non-current receivables with other Group companies amounting to SEK 12,844.6 million (5,051.0). See Note 23. The company also has current receivables with subsidiaries amounting to SEK 0.6 million (477.8). The company has non-current liabilities to subsidiaries amounting to SEK 0 million (1,108.1). The company also has current liabilities to subsidiaries amounting to SEK 127.8 million (440.1).

At the start of the year, Ahlsell AB (publ) had a shareholder loan from Keravel S.a.r.l.. The shareholder loan was converted into equity in conjunction with the flotation on the Nasdaq Stockholm stock exchange. Keravel S.a.r.l. has also partly been affected by the withdrawal of shares of preferred stock (see Note 29).

The company has a related party relationship with its subsidiaries. See Note 22.

NOTE 40 Significant accounting estimates and judgements

The Group's estimates and judgements are reviewed periodically and are based on historical experience and other factors, including expectations of future events considered reasonable under the prevailing circumstances.

Significant accounting estimates and judgements
The Group makes estimates and judgements about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

Customer relationships
A number of parameters have been used to determine the value of customer relationships. These include WACC, assumptions about growth, loss of existing customers and discount rates. Changes to these parameters would have an impact on the size of the customer relationships.

Goodwill and trademark impairment testing
Each year, the Group assesses whether or not a potential impairment exists for goodwill and trademarks, according to the accounting principles described above. The recoverable amount for cash-generating units has been determined by calculating their value-in-use. Recoverable amounts for trademarks have been determined under the relief-from-royalty method. Certain estimates have to be made for these calculations. (See Notes 15 and 17.)

With regards to goodwill, the Group believes that a reasonable change in the key assumptions used in the calculation of recoverable amounts for goodwill, for example, gross margins and discount rates, would not cause the total carrying amount of goodwill attributable to each geographic area to exceed the goodwill's recoverable amount for each geographic area.

With regards to trademarks with an indefinite useful life (the Ahlsell trademark), the Group believes that a reasonable change in the key assumptions used in the calculation of the recoverable amount, for example, future sales growth, royalty rates and discount rates, would not cause the carrying amount for the Ahlsell trademark to exceed its recoverable amount.

Income taxes
The Group is required to pay tax in each country. Significant judgement is required in determining the total provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises the liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period to which such determination is made.

Deferred income tax is calculated on the basis of the temporary differences between the carrying amount of assets and liabilities and their taxable amount and on loss carryforwards. There are mainly two types of assumptions and estimates that affect the recognised deferred tax. These are assumptions and estimates that are used to establish the carrying amounts of assets and liabilities, as well as those relating to future taxable profits. At year-end, SEK 161.5 million (183.1) was recognised as deferred tax assets attributable to estimated loss carryforwards, based on the assumptions of future taxable profits. A final decision on the losses claimed by the Group companies is required from the Swedish Tax Agency for the recognised loss carryforwards. Critical estimates and assumptions are also undertaken in respect of the reporting of provisions and contingent liabilities relating to tax risks.

NOTE 41 Events after the Reporting Period

Acquisition of G-ESS Yrkeskläder
In February 2017, Ahlsell signed an agreement to acquire the entire share capital of the Stockholm-based company G-ESS Yrkeskläder AB. G-ESS is one of Sweden's larger independent distributors of workwear and footwear. The company holds a strong position in the Stockholm area, with four branches in Bromma, Järfälla, Täby and Huddinge. It generates annual sales of about SEK 120 million and employs 37 workers. Its customers are companies in the installation, construction, building, industrial and service sectors. Take-over of the operations took place on 28 February and it is expected that the acquisition will have a marginally positive impact on the Group's earnings in 2017.

Final analysis and preparation of acquisition analysis have not been completed.

Signatures

The Board of Directors and the Managing Director declare that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as stipulated in the European Commission's and the Swedish Financial Reporting Board's Regulation (EC) No. 1606/2002 of 19 July 2002, regarding the application of international accounting standards. The Annual Report and the consolidated financial statements give a fair and true view of the Parent Company and the Group's financial position and results.

The Directors' Report for the Parent Company and the Group, respectively, gives a true and fair summary of the Group's and Parent Company's business operations, financial position and results and describes significant risks and uncertainties faced by the Parent Company and companies included in the Group.

The Annual Report and the consolidated financial statements were approved by the Board of Directors on 30 March 2017. The consolidated and Parent Company income statements and balance sheets will be presented for approval at the Annual General Meeting on 4 May 2017.

Stockholm March 30, 2017

Kenneth Bengtsson
Chairman

Peter Törnquist
Deputy Chairman

Magdalena Gerger
Board Member

Satu Huber
Board Member

Gustaf Martin-Löf
Board Menber

Terje Venold
Board Member

Sören Vestergaard-Poulsen
Board Member

Glenn Edlund
Board Member
Employee representative

Maria Herbertsson
Board Member
Employee representative

Anders Nilsson
Board Member
Employee representative

Johan Nilsson
Managing Director
& Board Member

Our Auditors' Report was submitted on March 30, 2017

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Auditors' report

To the general meeting of the shareholders of Ahlsell AB (publ), corp. id 556882-8916

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ahlsell AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 35-95 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and other intangible assets in the form of customer relationships and brand (group)

See disclosure Note 14, Note 15 and Note 17 and accounting principles on pages 66-67 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of intangible assets in the form of goodwill, brand and customer relationships in the consolidated accounts at December 31, 2016 amounted to SEK 14 114 million, which is approximately 60% of total assets. Intangible assets with a indefinite useful life should annualy, or when there are indication of impairment, be subject to impairment test. Other intangible assets are tested where there is an impairment trigger. An impairment test comprise both complexity and are dependent on judgments.

The impairment test shall according to IFRS be performed in accordance with a certain method where management needs to make judgments of future, internal as well as external, conditions and plans. Examples of such judgments include forecasts of future cash flows and which discount rate to be used in order to reflect the time value of money as well as the specific risks the operations face.

Response in the audit

We have reviewed and assessed whether the impairment tests have been prepared in accordance with the method prescribed by IFRS.

Moreover, we have considered the reasonableness of the forecasted future cash flows as well as the discount rates used through evaluation of managements written documentation and forecasts. We have also met with management and evaluated the accuracy of previous years' cash flow forecasts in relation to actual outcome.

We have involved our internal valuation specialists in the audit team, in order to ensure experience and competence within the area, and in particular in relation to the used method and discount rates. An important part of our work has also been to examine the group's own sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the valuation.

Furthermore, we have considered the completeness of the disclosures made relating to the impairment tests in the annual accounts and assessed if they are in accordance with the assumptions used by management and that they, in all material aspects, are in accordance with the disclosures required by IFRS.

Listing on a regulated market and related events (parent company and group)

See disclosure Note 3, Note 29 and Note 33 in the annual account and consolidated accounts for detailed information and descriptionof the matter.

Description of key audit matter

On the 28th of October 2016 Ahlsell was listed on Nasdaq OMX. Total transaction costs amounted to SEK 65 million and impacted the result during 2016.

In conjunction with the listing a share based incentive program as well as a warrants program to senior executives was initiated. To ensure future delivery of own shares and to limit the cash exposure for the share based program a swap agreement was signed.

In connection with the listing a new financing agreement was entered and the old financing was coverted into shares alternatively repaid. The premature exit of the old financing meant that capitalized borrowing fees related to the old finansing of SEK 327 million was expensed during 2016. We have assessed Ahlsells accounting of transaction costs in relation to current accounting standards.

Response in the audit

We have taken part of decisions, calculations and assumptions used in the share based program and assessed if the accounting and disclosures are in accordance with current accounting standards.

Furthermore we have assessed the swap agreements and the accounting of the same. In relation to the above we have involved our internal valuation specialists in the audit team in order to ensure experience and competence within the area.

We have taken part of the new financing agreement and assessed the accounting treatment of the capitalized borrowing fees for both the new as well as the old financing.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-34, and pages 100-111. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
– Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ahlsell AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the

company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

– has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
– in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm March 30, 2017

KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Stock-exchange flotation of the Ahlsell share

On 28 October 2016, Ahlsell AB was listed on Nasdaq Stockholm under the ticker name AHSL. The offer price was fixed at SEK 46 per share, equivalent to a market value of just over SEK 20 billion.

The Ahlsell share

Ahlsell is part of the Large Cap segment, under the Construction & Materials sector in accordance with the Nasdaq OMX classification. From first listing until 31 December 2016, the share price increased by 13 percent. A total of 150,524,254 shares were sold, or around 34.5 percent of the total number of shares under the IPO. After the flotation, Keravel S.a.r.l. was the largest shareholder, with 60.4 percent of the capital and votes. All shares in the company are listed, amounting to 436,302,187 shares, equivalent to a market value of SEK 22.7 billion as at the end of December. The share's nominal value is SEK 0.28.

No limitations to shareholders' rights are stipulated in the Articles of Association or, as far as the company is aware, in the shareholder agreement.

Undertaking not to sell shares

The principal shareholder has undertaken not to sell the shares within 180 days from the date of first listing. For shareholder members of the Board of Directors and certain shareholder employees, including senior executives, the lock-in period is 365 days. Exemptions may be granted by (i) Goldman Sachs and Nordea, or (ii) a majority of Joint Global Coordinators.

Price development and return

The Ahlsell share peaked at SEK 56 on the date of first listing, 28 October 2016. The lowest price was SEK 46.02, which was also listed on 28 October. At the close of the year the share price was SEK 52.00 as the closing price, which is a price increase of 13 percent compared to the offer price of SEK 46.

In total, 67 million Ahlsell shares were traded, for a value of SEK 3.4 billion, equivalent to average daily trading of SEK 71 million. On average, 1.4 million shares were traded per day.

Incentive programmes

In 2016, Ahlsell introduced two long-term incentive programmes. The incentive programmes comprise a share savings programme and a warrants programme.

The share savings programme concerns 100 senior executives, including the Group Executive Board and key persons. The participants have invested a total of 2.7 million savings shares, which entails that on full performance they can receive a total of 8.2 million shares, equivalent to maximum dilution of the total number of shares by 1.9 percent. The share savings programme is hedged with share swaps with third parties.

The warrants programme comprises maximum 1.5 million options, of which 1.1 million are subscribed for by ten senior executives, including the Group Executive Board. The warrants may be exercised during the period beginning on 28 October 2019 and ending on 28 October 2020. The subscription price per share was fixed at 120 percent of the listed price of SEK 46, or SEK 55.20. The warrants programme has a ceiling value equivalent to 170 percent of the opening listed share price.

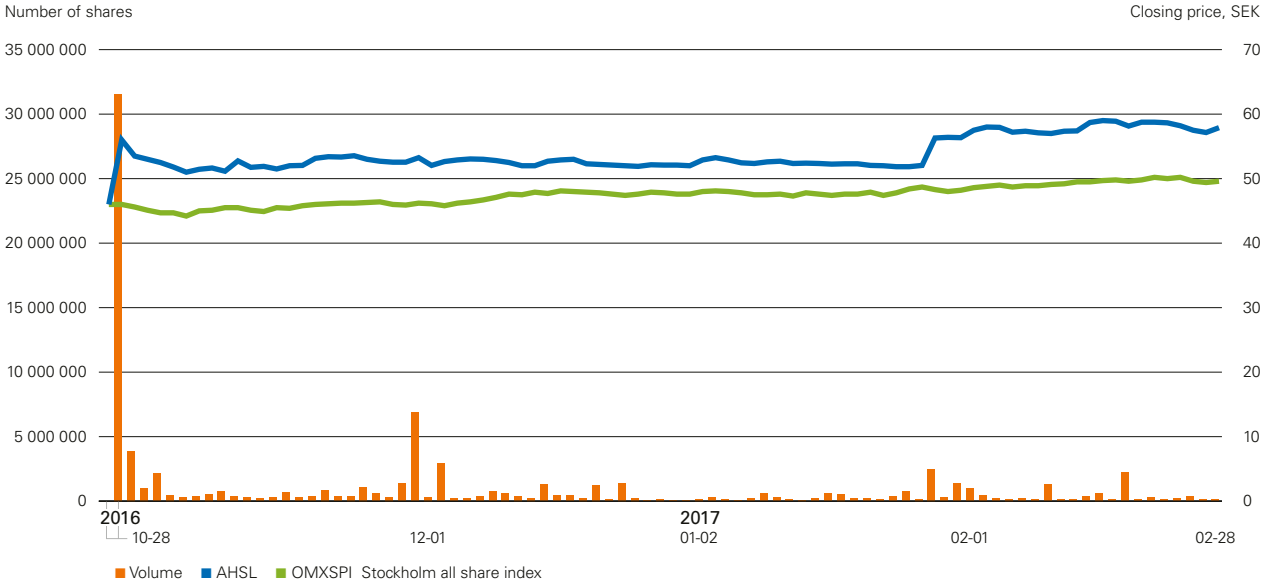
See also Note 3 for further details of the incentive programmes.

Distribution and distribution policy

With scope for strategic flexibility, Ahlsell will pay dividend equivalent to 40 to 60 percent of net profit (profit after tax). The payment of dividend will take any acquisitions, the company's financial position, cash flows and future growth opportunities into account.

At the Annual General Meeting, the Board of Directors will propose dividend of SEK 0.35 per share, which is in accordance with the company's distribution policy. The dividend proposal is based on the result for the fourth quarter, which is roughly equivalent to the period of time in which the company has been publicly listed, adjusted for costs incurred in connection with the company's stock exchange flotation and pro forma for new financing.

Ahlsell share



Ahlsell's ten largest shareholders, 2016-12-31

Name	Number	Share of capital and votes (%)
Keravel S.A.R.L.	263,399,740	60.4%
Odin Fonder	10,850,000	2.5%
Norges Bank	9,813,343	2.2%
Credit Suisse Sec Europe Ltd	8,730,588	2.0%
Nordea Fonder	7,019,674	1.6%
Alecta	7,000,000	1.6%
AMF	6,163,269	1.4%
Swedbank Robur Fonder	6,032,164	1.4%
Danica	6,000,000	1.4%
Catella Fondförvaltning	5,760,324	1.3%
Total holdings 10 largest shareholders	**330,769,102**	**75.8%**
Other shareholders	105,533,085	24.2%
Total holdings of all shareholders	**436,302,187**	**100.0%**

Share data

KPI	2015	2016
Basic earnings per share, SEK	0.21	1.11
Cash flow per share, SEK	0.21	1.11
Equity per share, SEK	2.24	18.54
Distribution per share, SEK[1]	–	0.35
Distribution ratio, %	–	N/A
Closing share price, SEK	–	52.00
Direct return, %	–	N/A
P/E	–	N/A
Price/equity, %	–	2.80
Number of ordinary shares at year-end	280,606,216	436,302,187
Weighted average number of basic shares outstanding	317,522,184	338,733,900

1) Board of Directors' proposal

Ownership structure, 2016-12-31

	Number of		Holdings	Market value
Holdings	Share-holders	Shares	Votes and capital	(SEK million)
1 - 500	12,013	2,671,084	0.6%	139
501 - 1,000	993	873,867	0.2%	45
1,001 - 5,000	831	1,999,596	0.4%	104
5,001 - 10,000	106	825,131	0.2%	43
10,001 - 15,000	37	452,015	0.1%	24
15,001 - 20,000	17	304,444	0.1%	16
20,001-	264	429,176,050	98.4%	22,317
Total	**14,261**	**436,302,187**	**100.0%**	**22,688**

Owners by geography

Owners by geography	No. of share-holders	Ratio of share-holders, %	Ratio of votes and capital, %
Resident in Sweden	13,854	97.2	23.6
Nordic countries	187	1.3	4.4
Rest of Europe	168	1.2	68.5
USA	24	0.2	3.4
Other	28	0.2	0.2
Total	**14,261**	**100.0**	**100.0**

Board of Directors

	Kenneth Bengtsson (1961) Chairman of the board since 2012. Chairman of the Remuneration Committee.	**Peter Törnquist** (1953) Board member since 2012. Vice Chairman since 2015. Chairman of the Audit Committee and member of the Remuneration Committee.	**Johan Nilsson** (1960) Board member since 2015, Group President and CEO since 2015. Senior executive at Ahlsell since 2008.	**Magdalena Gerger** (1964) Board member since 2016. Member of the Remuneration Committee.	**Satu Huber** (1958) Board member since 2016. Member of the Audit Committee.
Education	Kenneth Bengtsson studied economics at upper secondary school level and took several education programmes while working in the ICA Group.	Peter Törnquist holds a degree in business administration from the Stockholm School of Economics and an MBA from IMD in Switzerland.	Johan Nilsson holds a degree in business administration from Lund University and an MSc(Eng) from Lund University's Faculty of Engineering.	Magdalena Gerger holds an MBA and a degree in business administration from the Stockholm School of Economics and an MBA Exchange from McGill University in Montreal.	Satu Huber holds an MSc(Econ) from the Hanken School of Economics in Helsinki.
Other positions	– Chairman of Clas Ohlsson, Mekonomen (declined re-election in 2017), Systembolaget, Ersta sjukhus, World Childhood Foundation and Eurocommerce – Board member of Synsam and Herenco	– Chairman of Synsam, ÅR Packaging and Shd Green Energy – Vice Chairman and Chairman of the Audit Committee for Paroc Group	– None	– CEO Systembolaget – Board member of Investor and Husqvarna as well as Svensk Handel	– CEO, Elo Mutual Pension Insurance Company – Board member and member of the EmployeeCommittee of YIT Until March 2017 also member of the Audit Committee at YIT – Board member of Pensionsskyddscentralen (ETK), Arbetspensionsförsäkrarna TELA, Näringslivets forskningsinstitut (ETLA), Näringslivets delegation (EVA) and Finansbranschens Centralförbund (FC)
Previous positions	– Group CEO and various positions in the ICA Group over more than 30 years.	– CEO, Chairman CVC Capital Partners Norden – Partner CVC Capital Partners – Managing Director, Nordic region and European Industrial sectors Lehman Brothers – Senior Partner, Executive Committee member and head of Europe Bain&Company – Chairman DT Group – Vice Chairman Post Danmark – Board member, Matas A/S	– CEO of Ahlsell Sweden since 2008 – Sales and Marketing Director, Sanitec – CEO, IFÖ Sanitär and IDO	– Board member of IKEA (Ingka Holding BV) and Svenska Spel – Vice President Global Fresh Dairy and Nordic Marketing & Innovation, Arla Foods – Management Consultant, Futoria AB – Division Head, Nescafe – Market Director, UK & Ireland at ICI Paints	– Vice CEO, Elo Mutual Insurance Company and CEO, Pensionsbolaget LokalTapiola – CEO, Finansbranschens Centralförbund – Division Head, Statskontoret – Various positions at Merita Bank – Various assignments at Citibank, Helsinki and London – Board member of e.g. Finnair, Metso and Boliden
Dependency relationship in accordance with the Code	Independent in relation to Ahlsell and Group Executive Board, and in relation to Ahlsell's main owner.	Independent in relation to Ahlsell and Group Executive Board, but not in relation to Ahlsell's main owner.	Independent in relation to Ahlsell's main owner, but not in relation to Ahlsell and Group Executive Board.	Independent in relation to Ahlsell and Group Executive Board, and in relation to Ahlsell's main owner.	Independent in relation to Ahlsell and Group Executive Board, and in relation to Ahlsell's main owner.
Holdings, including related parties	291,898 shares	–	1,581,127 shares and 202,429 options	–	–

Gustaf Martin-Löf	Terje Venold	Søren Vestergaard-Poulsen	Glenn Edlund	Maria Herbertsson	Anders Nilsson
(1977) Board member since 2012.	(1950) Board member since 2014.	(1969) Board member since 2012.	(1954) Board member, employee representative since 2010.	(1979) Board member, employee representative since 2006.	(1966) Board member, employee representative since 2012.
Gustaf Martin-Löf holds a BA (Hons) in International Business Studies, with main subjects finance and economics, European Business School, London.	Terje Venold holds a degree in business administration from Norwegian Business School, BI.	Søren Vestergaard-Poulsen holds a Master's degree and an MSc(Econ) from Copenhagen Business School.	Glenn Edlund is a specially trained pipe installation technician and has also attended several sales courses, and taken TCO's Board training for employee representatives.	Maria Herbertsson works at the central warehouse in Hallsberg, Sweden. Maria has taken LO´s Board training for employee representatives and has attended other courses related to employee representative work and labor law.	Anders Nilsson is a specialised construction products salesperson, professional electrician and has also taken several sales courses during his employment.
– Managing Director CVC Capital Partners – Vice CEO of CVC Capital Partners' Swedish branch – Board member of Synsam and Paroc Group	– Board member and member of the Audit Committee, Sporveien Oslo AS – Chairman of the Corporate Assembly and Nomination Committee at Norsk Hydro ASA – Chairman of the Board of Representatives and Nomination Committee at Storebrand ASA – Member of the Corporate Assembly at Statoil	– Managing Partner CVC Capital Partners – Executive Board member, CVC Capital Partners – Vice Chairman, Post Invest Europe – Board member of ÅR Packaging, CVC Capital Partners, Douglas Group, Paroc Group and News Capital	– Chairman of Executive Committee, Professional group at central level	– Works at the Ahlsell Sweden logistics centre	– Chairman at Unionen Gothenburg – Chairman at Negotiations delegation of Handels & Visita
– Various roles at PWC Transaction Service	– Group CEO and CEO, Veidekke – Chairman of Norwegian Business School, BI and Norwegian Association for Share Promotion – Member of NHO – Confederation of Norwegian Enterprise Board of Representatives	– Vice Chairman of DT Group – Chairman of Matas Group – Vice Chairman of Danske Commodities and Douglas Group – Board member, BPost, Post Danmark	–	–	– Sales executive and Board member, Total-Partner Optimera
Independent in relation to Ahlsell and Group Executive Board, but not in relation to Ahlsell's main owner.	Independent in relation to Ahlsell and Group Executive Board, and in relation to Ahlsell's main owner.	Independent in relation to Ahlsell and Group Executive Board, but not in relation to Ahlsell's main owner.	N/A	N/A	N/A
–	89,702 shares	–	700 shares	500 shares	500 shares

Management

	Johan Nilsson (1960) Group President and CEO and Board member since 2015, senior executive since 2008.	**Kennet Göransson** (1963) Finance Director since 2014.	**Erik Andersson** (1968) Head of Business Support since 2015.	**Anna Björklund** (1964) HR Director since 2016.
Training	Degree in business administration from Lund University and an MSc(Eng) from Lund University's Faculty of Engineering.	Degree in business administration from Linköping University.	Economics at Linköping University.	MSc in personnel and working life issues from Stockholm University.
Other positions	None	None	None	None
Previous positions	– CEO of Ahlsell Sweden since 2008 – Sales and Marketing Director, Sanitec – CEO, IFÖ Sanitär and IDO	– Finance Director at Indutrade, Addtech and Bergman & Beving	– Other positions within Ahlsell Sweden, finance manager for many years	– Human Resources Director at Svenska Spel – Project manager at SEB – Managerial positions at Pengar in Sweden
Holdings including related parties	1,581,127 shares and 202,429 options	237,317 shares and 151,821 options	407,007 shares and 101,214 options	37,286 shares and 38,461 options

	Rune Flengsrud (1960) Head of Operations, Norway, since 2015.	**Magnus Nordstrand** (1965) Chief Procurement Officer since 2011.	**Mika Salokangas** (1962) Head of Operations, Finland, since 2006.	**Claes Seldeby** (1969) Head of Operations, Sweden, since 2016.
Education	Engineering degree from NTNU in Gjøvik.	Degree in business administration from Lund University.	MSc(Econ) from Hanken School of Economics, Helsinki.	Degree in business administration from Lund University.
Other positions	None	None	– Chairman of Mercantile – Board member, Elektrotekniska Handelsförbundet in Finland – Board member, VVS-Tekniska Handelsförbund – Board member, LVI-Numero	– Board member, RGF Service and VVS-Informations Data in Stockholm. – Sveriges Elgrossisters Serviceaktiebolag (Swedish Electrical Wholesalers Federation)
Previous positions	– CEO and Senior Vice President Nordics and Baltics for Schneider Electric – Several positions at Schneider Electric Norge	– Managerial positions at Birgma International and ICA	– Managerial positions at Saab-Auto, Cederroth and Wihuri	– Group CEO and CEO at FM Mattsson Mora Group – CEO, Schneider Electric Sverige – Chairman, Damixa
Holdings Including related parties	152,845 shares and 121 457 options	1,030,540 shares and 101,214 options	893,712 shares and 121,457 options	194,767 shares and 101,214 options

Key performance measures

SEK million unless otherwise stated	2016	2015	2014
Sales measurement			
Net sales	24,606	22,586	21,779
Growth, %	9%	4%	7%
Organic growth, %	7%	3%	2%
Performance measurement			
Operating profit (EBIT)	1,719	1,505	1,428
EBITA	2,058	1,837	1,757
Adjusted EBITA	2,131	1,878	1,764
EBITDA	2,215	1,990	1,893
Adjusted EBITDA	2,287	2,025	1,900
Margin measurement			
EBIT margin, %	7.0%	6.7%	6.6%
EBITA margin, %	8.4%	8.1%	8.1%
Adjusted EBITA margin, %	8.7%	8.3%	8.1%
Measurement of cash flows			
Cash flows for the period	–1,155	604	232
Operating cash flows	2,000	1,838	1,708
Operating cash flows/EBITDA	90%	92%	90%
Capital structure			
Cash in hand	1,209	2,360	1,760
Net debt including shareholder loans	7,486	14,242	14,968
External net debt	7,486	7,854	9,185
External net debt/Adjusted EBITDA	3.3	3.9	4.8
Debt/equity ratio, times	0.9	20.0	19.0
Equity ratio, %	34%	3%	3%
Working capital (average)	2,189	2,155	2,300
Working capital at end of period	2,042	1,799	1,922
Operating capital (average)	15,529	15,738	16,146
Operating capital, excluding intangible assets (average)	3,058	3,222	3,570
Return			
Return on operating capital, %	11%	10%	9%
Return on operating capital (excluding intangible assets), %	67%	57%	49%
Return on equity, %	15%	10%	–22%
Return on working capital %	94%	85%	76%
Share [1]			
Weighted average number of basic shares outstanding (thousands)	338,733	317,522	317,522
Weighted average number of diluted shares outstanding (thousands)	338,733	317,522	317,522
Number of ordinary shares at end of period (thousands)	436,302	280,606	280,606
Number of shares at end of period (thousands)	436,302	317,522	317,522
Basic earnings per share, SEK	1.11	0.21	–0.68
Diluted earnings per share, SEK	1.11	0.21	–0.68
Other information			
Number of employees at end of period	5,090	4,820	4,837
Average number of employees	4,791	4,632	4,586

1) Historically, the number of shares has been adjusted so that the number of diluted shares equals the number of ordinary shares following a split.

Alternative performance measures

Organic growth, EBITA, adjusted EBITA, EBITA margin and adjusted EBITA margin are alternative performance measures (APMs) for which detailed calculations are presented below. The APMs are used by management to monitor business performance.

2016

Organic growth

%	Group	Sweden	Norway	Finland	Denmark	Other
Growth, %	9%	11%	5%	10%	1%	–7%
Pro forma, %	–1%	–2%	0%	–1%	0%	0%
Currency, %	0%	0%	3%	–1%	–1%	1%
Difference in the number of working days, %	–1%	–1%	–1%	0%	–1%	–1%
Organic growth, %	**7%**	**8%**	**7%**	**7%**	**–1%**	**–7%**

EBITA/Adjusted EBITA

SEK million	Group	Sweden	Norway	Finland	Denmark	Other	Central
EBIT	1,718.6	1,697.0	93.6	71.0	27.2	8.9	–179.1
Amortisation and impairment of intangible assets	339.9	239.3	48.7	43.0	5.8	0.2	2.9
Profit (EBITA), SEK million	**2,058.5**	**1,936.3**	**142.3**	**114.0**	**33.0**	**9.1**	**–176.2**
Items impacting comparability[1]	72.1	–	7.1	–	–	–	65.0
Adjusted EBITA, SEK million	**2,130.6**	**1,936.3**	**149.4**	**114.0**	**33.0**	**9.1**	**–111.2**

EBITA margin/Adjusted EBITA margin

%	Group	Sweden	Norway	Finland	Denmark	Other
EBIT margin, %	7.0%	10.7%	1.9%	2.3%	7.5%	2.2%
Amortisation and impairment of intangible assets, %	1.4%	1.5%	1.0%	1.4%	1.6%	0.0%
Profit (EBITA) margin, %	**8.4%**	**12.2%**	**2.9%**	**3.7%**	**9.1%**	**2.2%**
Items impacting comparability[1], %	0.3%	–	0.1%	–	–	–
Adjusted EBITA margin, %	**8.7%**	**12.2%**	**3.0%**	**3.7%**	**9.1%**	**2.2%**

[1] See also Note 38

Financial highlights

The performance review below shows how the underlying operations have developed over the years. Since the Group has changed owners during this period of time, it has had different parent companies. In some of the years, there have been parent companies at a higher level and administration costs for these are not included in the table below.

	2016	2015	2014	2013	2012 [1]	2011 [2]	2010 [2]	2009 [2]	2008 [2]	2007 [2]	2006 [3]	2005 [3]	2004 [3]	2003 [3]	2002 [3]	2001 [3]	2000 [3]
Net sales, SEK million	24,606	22,586	21,779	20,435	20,639	20,434	19,256	18,985	21,979	21,474	18,958	16,245	11,119	9,883	10,069	8,589	7,411
Gross profit	6,690	6,209	5,993	5,633	5,410	5,305	4,923	4,731	5,418	5,139	4,647	3,944	2,714	2,282	2,251	1,862	1,604
EBITDA [4]	2,215	1,990	1,893	1,900	1,736	1,734	1,352	1,201	1,406	1,341	1,438	1,059	676	537	487	490	469
Profit/loss (EBITA) [5]	2,058	1,837	1,757	1,782	1,619	1,626	1,250	1,087	1,285	1,222	1,329	966	594	453	398	364	401
EBITA margin, %	8.4	8.1	8.1	8.7	7.8	8.0	6.5	5.7	5.8	5.7	7.0	5.9	5.3	4.6	4.0	4.2	5.4
EBIT	1,719	1,505	1,428	1,467	1,295	1,295	871	740	907	790	1,307	952	441	311	222	243	279
Items impacting comparability	–72	–41	–7	–15	–	–	–	–102	–187	–	–	–	–	–	–	–	–
Adjusted EBITA	2,131	1,878	1,764	1,796	1,619	1,626	1,250	1,189	1,472	1,222	1,329	966	594	453	398	364	401
Adjusted EBITA margin, %	8.7	8.3	8.1	8.8	7.8	8.0	6.5	6.3	6.7	5.7	7.0	5.9	5.3	4.6	4.0	4.2	5.4
Amortisation and impairment of intangible assets	–340	–332	–329	–315	–323	–331	–379	–347	–378	–432	–22	–13	–154	–143	–176	–121	–122
Depreciation and impairment of property, plant and equipment	–156	–153	–136	–118	–117	–108	–102	–114	–122	–119	–109	–93	–82	–83	–89	–126	–68
Operating cash flows	2,000	1,838	1,708	2,122	1,584	1,247	1,296	1,657	1,669	1,229	1,203	–	–	–	–	–	–
Operating cash flows/ EBITDA, %	90	92	90	112	91	72	96	138	119	92	84	–	–	–	–	–	–
Average number of employees	4,791	4,632	4,586	4,256	4,368	4,301	4,206	4,341	4,897	4,726	4,460	3,978	3,145	2,944	3,057	2,446	2,070

1) Figures refer to the consolidation of the Nybrojarl New 1 AB (556715-7812) Group, figures for 2012 are reported in Nybrojarl New 1 AB's separate financial statement for 2013.

2) Figures refer to the consolidation of the Ahlsell AB (publ)/Nybrojarl New 2 AB (556715-7820) Group. From 2007 to 2009, Latvia was included in discontinued operations. The figures for Latvia are not included in the above table.

3) Figures refer to the consolidation of the Ahlsell Holding AB (556578-4732) Group. 2006 and 2005 in accordance with IFRS and 2000-2004 in accordance with the recommendations of the Swedish Accounting Standards Board. 2006 and 2005 in accordance with the separate financial statement.

4) EBITDA = Operating profit/loss excluding amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

5) EBITA = Operating profit/loss excluding amortisation and impairment of intangible assets.

KPI definitions

Key performance measures	Description	Reason for use
Organic growth	Sales growth excluding differences in the number of days worked, exchange rate fluctuations and acquisitions.	This KPI is used by management in the analysis of underlying sales growth driven by changes in volumes, prices and product mixes, for comparable business units across different periods.
EBIT margin, %	Operating profit (EBIT) as a percentage of net sales.	This KPI is used to follow up value creation.
EBITA	Operating profit/loss excluding amortisation and impairment of intangible fixed assets.	EBITA provides a overall picture of profit generated by operating activities.
EBITA margin, %	EBITA as a percentage of total net sales.	Ahlsell considers that the EBITA margin is a useful KPI for following up value creation.
Adjusted EBITA	EBITA excluding items impacting comparability.	Adjusted EBITA excludes items impacting comparability and Ahlsell therefore considers it to be a useful KPI to show the profit generated by operating activities.
Adjusted EBITA margin, %	EBITA excluding items impacting comparability as a percentage of net sales.	Adjusted EBITA margin excludes items impacting comparability and Ahlsell therefore considers it to be a useful KPI to show the profit generated by operating activities.
EBITDA	Operating profit/loss excluding amortisation/depreciation and impairment of intangible fixed assets and property, plant and equipment.	EBITDA and EBITA together provide an overall picture of the profit generated by operating activities.
Adjusted EBITDA	EBITDA excluding items impacting comparability.	Adjusted EBITA excludes items impacting comparability and Ahlsell therefore considers it to be a useful KPI to show the profit generated by operating activities.
Operating cash flows	Cash flows that are based on business operations, excluding financial transactions, taxes and acquisitions and divestment of operations.	Operating cash flows are used by management to monitor the cash flow generated by the operating activities.
Operating cash flows/ EBITDA (cash conversion)	Operating cash flows in relation to EBITDA.	Cash conversion is used by management to ascertain how efficiently tied-up working capital is being used.
Average working capital	Average working capital, calculated as the average of the opening balance, closing balance and the quarters in between.	This measure indicates how much working capital is tied up in operations on average and can be set in relation to net sales in order to ascertain how efficiently tied-up working capital is being used.
Working capital	Inventories, trade receivables and other operating receivables less trade payables and other current liabilities (excluding interest). This figure represents an average for the respective period based on quarterly data.	This measure indicates how much working capital is tied up in operations and can be set in relation to net sales in order to ascertain how efficiently tied-up working capital is being used.
Return on equity	Profit for the period as a percentage of average capital.	From a shareholder perspective shows the return generated on the capital invested by the shareholders in the company.
Operating capital	Property, plant and equipment, goodwill and other intangible assets, deferred tax assets and working capital, less deferred tax liability, non-current and current provisions and other non-current liabilities. This figure represents an average for the respective period based on quarterly data.	This KPI measures the capital tied up in operations, including intangible fixed assets.
Operating capital (excluding intangible fixed assets)	Operating capital less goodwill and other intangible fixed assets, and related deferred tax. This figure represents an average for the respective period based on quarterly data.	This KPI measures the capital tied up in operations, excluding intangible assets.
Average operating capital	Average operating capital, calculated as the average of the opening balance, closing balance and the quarters in between.	This KPI measures the average amount of operating capital tied up in operations, including intangible fixed assets.
Average operating capital (excluding intangible fixed assets)	Average operating capital (excluding intangible fixed assets) calculated as the average of the opening balance, closing balance and the quarters in between.	This KPI is the central KPI for measuring the average amount of operating capital tied up in operations.
Return on operating capital	Operating profit as a percentage of average operating capital.	This KPI measures the return on capital tied up in operations, including intangible fixed assets.
Return on working capital	EBITA as a percentage of average working capital.	This KPI measures the return on working capital tied up in operations.
Return on operating capital excluding intangible fixed assets	EBITA as a percentage of average operating capital (excluding intangible fixed assets).	This KPI indicates how much operating capital is tied up in operations and can be set in relation to net sales in order to ascertain how efficiently tied-up working capital is being used.
Net debt	Non-current and current interest-bearing liabilities less non-current and current interest-bearing assets.	Net debt is a measure used to show the Group's total debt.
External net debt	Net debt excluding shareholder loans.	Ahlsell considers external net debt to be a useful KPI for measuring the Group's total external debt.
Debt/equity ratio	Net debt in relation to equity.	Ahlsell considers that this KPI shows financial risk and provides management with a useful tool for monitoring Group debt.
External net debt/ Adjusted EBITDA	External net debt in relation to adjusted EBITDA.	This helps to show financial risk and provides management with a useful measure in monitoring the level of Group debt.
Equity ratio	Equity as a percentage of total assets.	The equity ratio is a financial metric that provides management with information about the percentage of assets that are funded by equity.
Number of employees at end of period	Number of people who have received a salary in the last month of the period.	Provides management with an understanding of the number of employees in full-time employment in the Group.

GRI-index

GRI Standards

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102-12	Externally developed sustainability initiatives to which the organisation is affiliated or supports	22	
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102-44	Important issues each group of stakeholders		Not reported this year
102-45	Units included in the financial and non-financial reporting		Reported items concerns the Group if not stated otherwise
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102-48	The effect of changed information from previous reports, and the reasons for such changes		This is the first sustainability report for the Group
102-49	Significant changes in sustainability reporting in terms of extent and delineation compared to previous reports		This is the first sustainability report for the Group
102-50	Reporting period		January 1 - December 31
102-51	Date of publication of the last report		This is the first sustainability report for the Group
102-52	Reporting cycle		Calender year

GRI Standards

	Content	Page	Comment
102-53	Contact person for questions concerning the report and its content		Gunilla Sandström, Head of Sustainability and Environment gunilla.sandstrom@ahlsell.se
102-54	Whether the report is presented in accordance with GRI Standards		The report is inspired by GRI Standards, but meet all requirements
102-55	Table of contents in accordance with GRI	109	
102-56	Policy and approach to external audit verification		The report is not externally audited
103-1	Delineation of significant aspects within and outside the organisation		Reported items concerns the Group if not stated otherwise

Significant aspects

	Content	Page	Comment
DMA	Anti-corruption		
205-2	Communication and policies regarding anti-corruption	24	
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DMA	Energy use		
302-1	Energy use within the organisation	26	
302-4	How the organisation will reduce its energy consumption	26	
DMA	Emissions		
305-1	Direct greenhouse gas emissions		
305-X	Emissions of tonnes of carbon dioxide per million earned	26	This KPI is not part of GRI Standards
DMA	Waste		
306-X	Material recovery ratio	26	This KPI is not part of GRI Standards
DMA	The supplier's environmental impacts		
308-1	Ratio of new suppliers assessed on the basis of environmental factors	24	
308-2	Negative environmental impacts in the supply chain and measures taken	24	Partly reported this year
DMA	Occupational health and safety		
403-2	Injuries, days of absence due to illness, and accidents	23	
DMA	Competence development		
404-1	Hours of training per year and employee		Not reported this year
404-2	Competence development programmes		Not reported this year
DMA	Child labour		
408-1	Companies and suppliers with a significant risk of child labour	24	Partly reported this year
DMA	Enforced labour		
409-1	Companies and suppliers with a significant risk of forced labour	24	Partly reported this year
DMA	Customers' health and safety		
416-1	Assessment of health and safety impacts of product and service categories	25	

Annual General Meeting

Annual General Meeting 2017

The Annual General Meeting of shareholders of Ahlsell AB (publ) will be held at 4pm on Thursday, 4 May 2017 at Musikaliska, Nybrokajen 11, Stockholm. Registration will open at 3pm.

Registration

Shareholders wishing to attend the Annual General Meeting must register with the company before 27 April 2017 at the address:
Computershare AB
"Ahlsell's Annual General Meeting 2017"
Box 610, SE-182 16 Danderyd.

Registration can also be done by telephone at:
(+46) (0)771-24 64 00 between 9am and 4pm,
or via www.ahlsell.com.

Registration must include name, address, personal or organisation registration number, daytime telephone no., no. of shares and no. of advisers (maximum two). For attendance by proxy, the original power of attorney (together with any authorisation documents such as a certificate of registration) must be received by Computershare before the Annual General Meeting.

Attending the Annual General Meeting

Shareholders registered in the shareholder register held by Euroclear Sweden AB by no later than Thursday, 27 April 2017 and who notify their intention to attend the Annual General Meeting before Thursday, 27 April 2017, will be entitled to attend the Annual General Meeting.

To be able to attend an Annual General Meeting, shareholders with nominee-registered shares must temporarily register the shares in their own name at Euroclear Sweden AB. Shareholders must notify the nominee of this in good time before 27 April 2017.

Notice convening an Annual General Meeting

Notice convening an Annual General Meeting is given via an advertisement in the Swedish Official Gazette and by publication of the notice convening the Annual General Meeting on the company's website. Documents to be presented at the Annual General Meeting will be made available on the company's website for at least three weeks preceding the Annual General Meeting, and on the day of the Annual General Meeting.

Calendar for Annual General Meeting 2017

- 27 April Record date for Annual General Meeting 2017
- 27 April Closing date for registration of attendance of Annual General Meeting 2017
- 4 May Last day of trading in the Ahlsell share including dividend entitlement
- 4 May at 3pm, admission to the Annual General Meeting
- 4 May at 4pm, opening of the Annual General Meeting 2017
- 8 May Record date for dividend distribution
- 11 May Payment date for dividend distribution

Calendar

Event/report	Date
Q1, Interim report Jan-March	28 April 2017
Q2, Interim report Apr-Jun	19 July 2017
Q3, Interim report Jul-Sep	27 October 2017
Q4 and full-year report, 2017	26 January 2018
Annual General Meeting 2017	4 May 2017

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