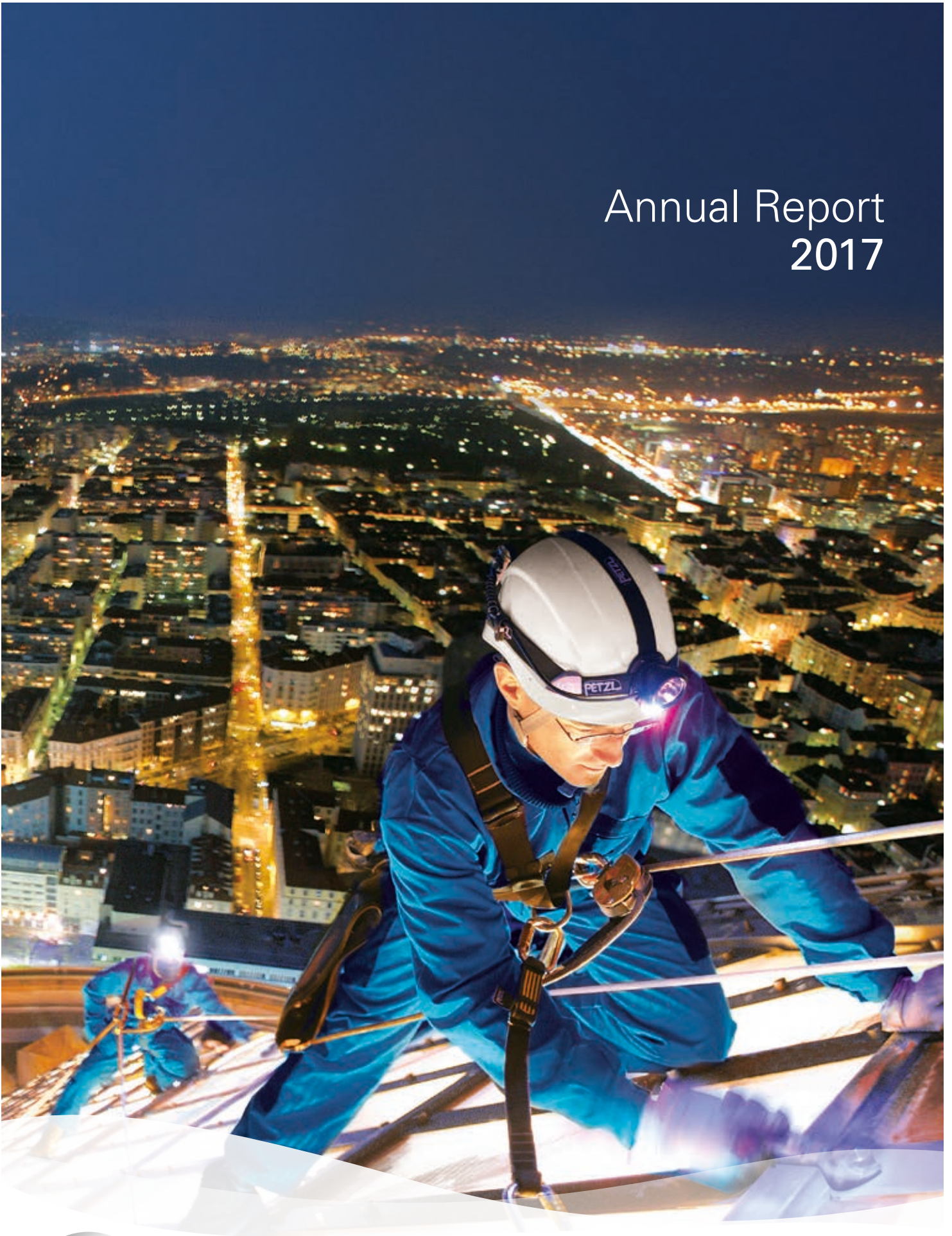


Annual Report 2017



ahlsell
makes it easier to be professional

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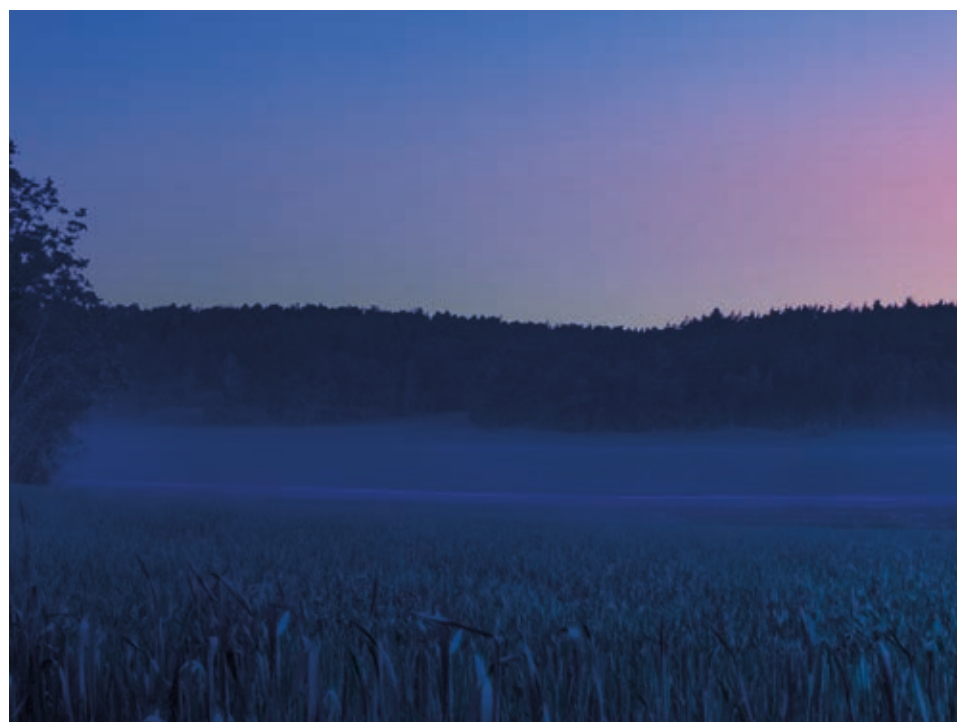
Audited Annual Report

Non-audited sustainability report



The cover photo shows how safe roof work takes place in practice. The fall protection equipment and photo are from our supplier, C2 Vertical Safety AB.

The Board of Directors and the CEO of Ahlsell AB (publ), organisation no. 556882-8916, hereby present the Annual Report for the 2017 financial year for the Parent Company and the Group. The Annual Report comprises the Directors Report and the financial statements with notes and comments on pages 12-13, 17-29 and 37-93. The statutory sustainability report in accordance with the Swedish Annual Accounts Act is included in the Annual Report (pages 12-13 and 17-28). The consolidated statement of income and balance sheet, together with the parent company's statement of income and balance sheet, are adopted by the Annual General Meeting.



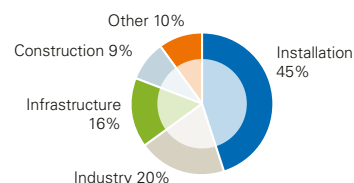
This is Ahlsell

Ahlsell is the Nordic region's leading distributor of installation products, tools and supplies for installers, construction companies, facility managers, industrial and power companies and the public sector. About 97% of revenue is generated in the three main markets of Sweden, Norway and Finland. Ahlsell makes it easier to be professional.

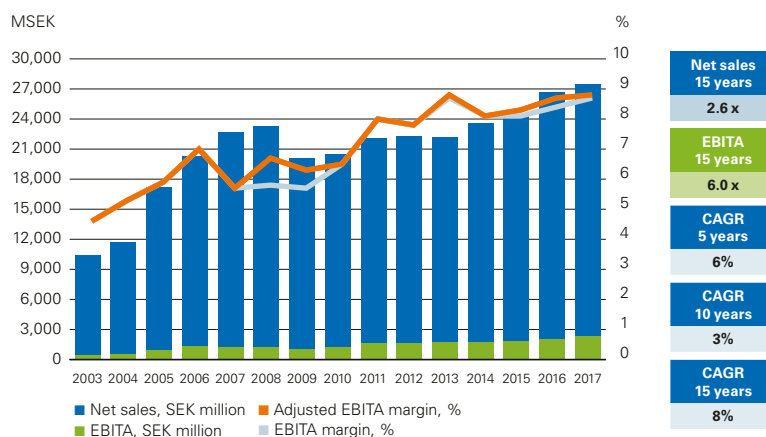
Product segment



Customer segment



Development during the last 15 years



Net sales 15 years	2.6 x
EBITA 15 years	6.0 x
CAGR 5 years	6%
CAGR 10 years	3%
CAGR 15 years	8%



Number of items

>1 million

Net sales (MSEK)

27,484

Adjusted EBITA margin

8.8%

Profit and dividend
per share ¹⁾ SEK)

3.28/1.65

	Sweden	Norway	Finland	Denmark	Other ³⁾	Total
Net sales, MSEK ²⁾	18,087	5,349	3,201	382	465	27,484
– in % of net sales	65.8	19.5	11.6	1.4	1.7	100
Number of employees ⁴⁾	3,127	1,044	576	90	232	5,094
Branches	121	50	37	4	13	225

2) External net sales

3) Estonia, Poland and Russia

4) Average number of employees during the year



1) The proposed dividend is equivalent to a 50% payout ratio of earnings per share

The year in review

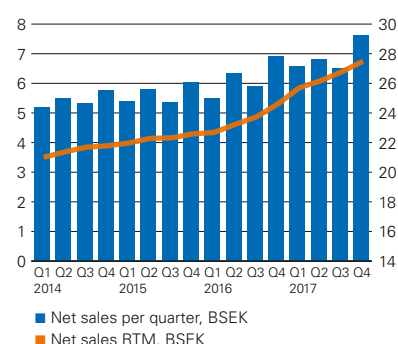
A strong result and a good acquisition rate conclude a successful 2017. We have worked actively to strengthen and expand our range of products and services and invested in our sales channels: online, in the branch network and in the salesforce.

The year in review

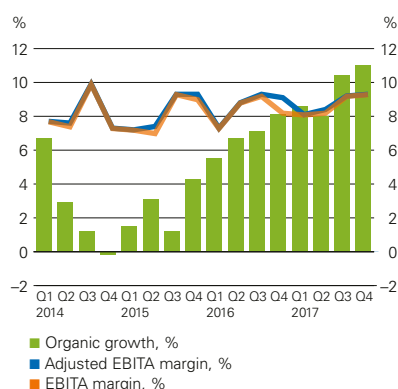
- Net sales increased by 12% to MSEK 27,484 (24,606)
- Organic growth was 9% (7)
- Eleven acquisitions were completed with combined annual net sales of approximately MSEK 780
- In addition, two acquisitions were signed with annual net sales of approximately MSEK 675
- Adjusted EBITA increased by 13% to MSEK 2,405 (2,131), corresponding to an adjusted EBITA margin of 8.8% (8.7)
- The Board of Directors proposes a dividend of SEK 1.65 per share for 2017. This corresponds to 50% of earnings per share.



Net sales, billion SEK



Margin and organic sales growth



Q1

Great start to the year!

Net sales increased by 20% during the quarter. Combined, the organic growth and acquisitions accounted for 12%. Compared with the previous year, when Easter fell in the first quarter, this quarter had more trading days, which contributed to 6 percentage points of the net sales growth.

All main markets and product segments contributed to the strong growth and for the first time in several years, we saw simultaneous positive economic growth in our main markets.

EBITA increased by 33%, which is primarily related to increased volumes.

We create clear added value

We successfully met the strong demand. Our One-Stop-Shop offering with flexible deliveries and competent advisory services is valued by our customers. Flexibility is particularly valuable when customer and market activity is high.

Q2

Strong growth and continued good profitability

The strong increase in net sales during the quarter was mainly related to organic growth and completed acquisitions. The combined growth for these was 12%.

In terms of results, we converted increased net sales into an improved result. We increased net sales by BSEK 1.6 compared with the first half of 2016. This also implied a strong increase in activity in the Company. It was proof of strength that we managed to increase the adjusted EBITA by 15% during the first half-year, whilst carrying out significant initiatives in Norway and Finland.

Several new strategic agreements

Our focus on a wider offering, full-range branches and strategic growth initiatives in combination with acquisitions, made us even more attractive in the market. This positive development was also apparent as we signed several agreements with new, strategically important customers.



In 2017 we signed agreements to acquire 13 operations with estimated sales of more than MSEK 1,450.



Financial summary and key figures

	2017	2016	2015	
Net sales, MSEK	27,484	24,606	22,586	
Total growth, %	12	9	4	Financial target, see page 17
Organic growth, %	9	7	3	
Operating profit (EBIT), MSEK	2,043	1,719	1,505	
Profit (EBITA), MSEK	2,394	2,058	1,837	
Adjusted EBITA, MSEK	2,405	2,131	1,878	Financial target, see page 17
EBITA margin, %	8.7	8.4	8.1	
Adjusted EBITA margin, %	8.8	8.7	8.3	
Profit after tax, MSEK	1,428	342	70	
Earnings per share (EPS), SEK ¹⁾	3.28	1.11	0.21	
Dividend per share, SEK ²⁾	1.65	0.35	na	Financial target, see page 17
Operating cash flow/EBITDA (cash conversion), %	78	90	92	Financial target, see page 17
External net debt/Adjusted EBITDA, ratio	2.6	3.3	3.9	Financial target, see page 17

1) Refers to basic and diluted earnings per share

2) The Board's proposal corresponds to a payout ratio of 50% of EPS

Q3

Strong third quarter with high activity level

The sound market development continued during the quarter, with particularly strong growth in September. Organic growth amounted to 10%, which not only confirms a good market development, but also that our initiatives have been successful.

We grew in all of our sales channels and noted a continued strong activity level.

We managed to achieve an EBITA margin of 9.2%, whilst having a strong development in project volumes, primarily within construction and infrastructure.

New pipe hall at the central warehouse in Hallsberg

The investments in Hallsberg proceeded according to plan, and the 12,500-sq.m. pipe hall was completed. As a result, our central warehouse now comprises 80,000 sq.m. roof covered storage.

Q4

A strong result and a good acquisition rate conclude a successful year

Compared with the previous year, net sales showed organic growth of 11% during the quarter. The EBITA result amounted to MSEK 709, which corresponds to an increase of 13% and an adjusted EBITA margin of 9.3%. In addition to a good underlying development in all main markets, our strategy has continued to be successful. We have increased both our sales and our profitability.

Strong end to the year for acquisitions

During the quarter, we completed eight acquisitions and signed an agreement to acquire additional two businesses. One of them is Proffsmagasinet, a leading Nordic e-commerce business. Both acquisitions and digital services are key elements in our strategy for profitable growth. Already today, with 25% of sales, online is a significant and important sales channel for us.

Acquisitions

In 2017 agreements to acquire 13 operations with estimated sales of more than MSEK 1,450 were signed. We completed acquisitions in all of our three main markets.

Events after the end of the year

In January 2018, we completed the acquisition of Proffsmagasinet and Bekken & Strøm. In addition, HMK i Västerås AB, with annual net sales of about MSEK 16, was acquired.

Outlook for 2018

We enter 2018 with a number of completed acquisitions, which gives us a substantial sales increase. This, in combination with our initiatives for strengthened organic growth, provides good opportunities for continued profitable development.

All in all, we expect good demand for our products and services as we enter 2018.

A very successful year

"I look back on 2017 with great joy and pride. Ahlsell celebrated its 140th anniversary and this year also proved to be the most successful one in our history to date."

Strong net sales growth

Thanks to successful strategic initiatives, acquisitions and good market conditions, we achieved total net sales growth of 12% in 2017. Of this growth, 9% was organic. This makes me very proud and it confirms that our customers value Ahlsell and that we fulfil our customer promise: to make it easier to be professional.

Our net sales totalled MSEK 27,484 (24,606). One of our financial objectives is to grow faster than the market, and we estimate that we exceeded the market by approximately 5 percentage points.

Successful initiatives

The overall favourable market development created a good base for continued good demand for our products. Most importantly, however is how we, given the good conditions succeed to meet our customers' needs in the best possible way.

Our value proposition combined with successful initiatives have been yielding results and we have further strengthened our positions.

To mention a few examples:

- Further development of the branch network has led to more products and services to our customers on a local level. It has been appreciated by the customers and strengthened our cross-selling.
- Investments within the online-sales channel have been received well by our customers, which has made this sales channel the one of the fastest growing.
- Competence development within leadership and sales has led to stronger customer relationships and increased sales efficiency.
- Together with our suppliers, we have launched even more sustainable products for our customers.
- The investment project in the central warehouse in Hallsberg, Sweden, has proceeded according to plan, and the 12,500-sq.m. pipe hall was completed in October. As a result, our central warehouse now comprises 80,000 sq.m. roof covered storage.

Better prerequisites for profitable growth in Norway and Finland

During the year, re-organisations were carried out in both Norway and Finland. The segments are now working according to the successful Ahlsell model which, with a wide offering and proximity to customers, provides good conditions for growth. Decentralised responsibility for results, in a matrix structure, makes the organisations more alert, and increased focus on cross-sales improves profitability.

Strong results

We experienced strong growth in all of our main markets, i.e. Sweden, Norway and Finland, and within all our three product categories. However, the gross margin declined slightly during the year. Partly due to the sales mix, as product categories with lower gross margins outgrew the others, and a large proportion of projects. Despite this, we managed to improve the EBITA result and reduce our operating costs as proportion of sales. Adjusted EBITA was MSEK 2,405 (2,131), equivalent to an increase of 13%.

Shareholder dividend

2017 was Ahlsell's first full year as a listed company since the IPO in October 2016. Of the earnings per share of SEK 3.28, the Board of Directors has proposed a dividend of SEK 1.65. This is equivalent to half of the earnings per share and is in line with our target of a payout ratio of 40-60%. In total, the proposal suggests that MSEK 708 will be paid to our shareholders in May 2018.

Acquisitions are part of our DNA

The acquisition rate was high in 2017. We signed agreements to acquire 13 operations, with combined net sales of approximately MSEK 1,450.

The acquisitions strengthen both our offering and our proximity to customers. Already today, we are a significant player in the market, yet we still have many interesting acquisitions in our pipeline.

Several acquisitions were made within the "Tools & Supplies" product segment, and specifically within personal protective equipment (PPE). All customers need workwear and protective equipment,

which makes PPE a very attractive product segment. With our broad product range, we can offer the customers everything they need.

We also see an ever increasing demand for security in the market. This leads me to another acquisition; Nordic Sprinkler. After being a minor player in the sprinkler market, this acquisition has strengthened our position considerably. As building standards evolve and greater emphasis is put on safety, the demand for fire prevention and sprinklers steadily increase.

Strengthening our digital position

Another acquisition that goes in line with our digital strategy is the acquisition of Proffsmagasinet. About 25% of the Ahlsell Group's sales derive from e-commerce, and the acquisition of Proffsmagasinet will further strengthen our already strong position. It allows us to leverage their digitisation expertise, giving us better and new ways to meet professional customers. Through internal initiatives and "digital acquisitions", we can develop our digital services and improve the information flow to meet customers' needs in the best possible way.

Success begins with employees

The combination of dedicated and competent employees, together with a broad offering, make professional customers choose Ahlsell as their business partner.

To ensure that we have dedicated employees also in the future, we further developed our HR activities during the year. We focused on leadership, values, diversity and succession planning.

Sustainability in everything we do

Sustainability is a natural part of our "One Ahlsell" strategy (see page 14).

In 2017, we signed the UN Global Compact and Ahlsell naturally supports the UN's Global Goals for Sustainable Development. Internally, we have identified four focus areas (see page 19), which constitutes the base in our sustainability strategy. In 2017, much emphasis was put on defining various sustainability goals within the organisation. I am convinced that what gets measured also gets done.



Initiatives for strong organic growth, together with acquisitions, ensure good opportunities for continued profitable development.

Outlook

We enter 2018 with a number of completed acquisitions, which gives us a substantial sales increase. This, in combination with our initiatives for strengthened organic growth, provide good opportunities for continued profitable development.

Our broad exposure towards several market segments with different economic patterns means that we stand strong. Within industry and infrastructure, I see continuing positive development. The current favourable development in new residential construction is expected to dampen a little during the year, but our exposure to this segment is limited. Historically, our significant exposure to renovation has had a balancing effect on both sales and earnings at times when new construction has been weaker. My assessment is that it will not be any different in the future.

All in all, I expect good demand for our products and services as we enter 2018.

A strong Ahlsell

In an ever changing world, we have to continually make our customers' lives easier to ensure that we continue to be the natural everyday choice in the future. We must be present, not only with our local branches and sales staff, but also there, where the customer prefers to find us. This can be online, by phone, via e-mail or on-site in their businesses. As long as we are there for our customers with reliable deliveries, Ahlsell will stand strong also in the future.

Stockholm in March 2018

Johan Nilsson, President and CEO



Johan Nilsson

2015 Johan became a member of the Board of Directors, President and CEO of Ahlsell AB (publ).

2008 Johan joined Ahlsell as Head of operations in Sweden.

Previous positions CEO of IFÖ Sanitär and IDO and Sales and Marketing Director at Sanitec.

Education M.Sc. (Business and Economics), Lund University, and M.Sc. (Engineering), Lund Faculty of Engineering.

Born 1960

Ahlsell makes it easier to be professional

Ahlsell has the market's broadest product offering within HVAC & Plumbing, Electrical and Tools & Supplies. We provide over a million different items and can therefore meet the needs of customers in many different industries.

SUCCESSFUL BUSINESS MODEL

To ensure good availability for our customers, 190,000 of our items are held in stock, ready for delivery within 24 hours once an order is placed. Our branches offer a selection of the most frequently sold items in stock, to meet our customers' needs in the best possible way.

We offer products and services to a fragmented and loyal customer base in attractive markets, with long-term trends driving demand over time.

Our market-leading position gives us economies of scale for large volumes, and our effective purchasing organisation always takes account of quality, efficiency and sustainability, in order to make the best possible offer to the customer.

A decentralised organisation makes it possible to adjust rapidly to both upswings and downturns in demand, and between different product and customer segments.

Ahlsell has a low capital requirement. Branches, warehouses and offices are leased, and all transport is procured from sub-suppliers.

We offer several different product categories to our customers. This enables increased sales for existing suppliers, a wider product offering to customers, and good profitability for Ahlsell. Our private labels, comprising carefully selected products of good quality, complement the assortment.



OMNI-CHANNEL MODEL FOR OUR CUSTOMERS

3,700 sales staff	225 branches	Online store
More than 100 unmanned on-site solutions		The Nordic's largest online store for B2B

> 3,000
suppliers

One-Stop-Shop
Purchasing,
Warehousing
& Delivery

> 100,000
active customers

PRODUCT SEGMENT

AHLSSELL HAS THE BROADEST OFFERING IN THE NORDICS



HVAC & PLUMBING comprises installation materials for heating, ventilation, refrigeration, water, sanitation and drainage.



ELECTRICAL comprises cables and installation materials, lighting and accessories, automation products, data, telephony, safety, and other electrical products, such as measurement instruments.



TOOLS & SUPPLIES comprises tools, machines, personal protection equipment, construction products and other supplies.

FOR THE CUSTOMER

AHLSELL HAS OVER 100,000 ACTIVE CUSTOMERS



The wide offering enables our customers to work more effectively, and save time during purchasing, unloading and administration. We guide the customer towards an energy-efficient choice through product labelling, manuals etc. In addition, customers save money when purchasing within their core range due to competitive prices and scale.



We are always close to the customer.

We have everything that the customer needs, and we can be reached through several sales channels: by telephone, e-mail, online, in manned and unmanned branches, and at personal meetings. Our sales-force works actively to find solutions for our customers. We also have the largest e-commerce platform for installers in the Nordics.



Ahlseil is a reliable partner that delivers the right products, in the right quantity, and at the right time. The customer chooses the delivery method. If Ahlseil receives the order before 6pm, the order is delivered the next morning, regardless where in the Nordic region the customer needs it. We naturally deliver on GPS coordinates and remote locations too.



Thanks to the broad product offering, Ahlseil has a **high utilisation ratio for transport to the customer**. This leads to fewer deliveries to the customer, which is both sustainable and saves unloading time. Ahlseil also works with safe transport, which ensures a secure journey for both people and the products ordered by the customer.



Besides products, we offer services to support and save time for the customer. This includes everything from "runners" that unpack incoming deliveries to temporary stores with automatic stocking at the customer's premises. There are also a number of add-on services, such as insurance, safety training and printing of logotypes on workwear.



Our branches are a central meeting place for customers, where they quickly can get help to find the right solutions in both planned and unexpected situations. The branches have locally adapted ranges and are located in easily accessible industrial or commercial areas. Besides regular branches, we also have on-site solutions and "pop-up-stores".

FOR THE SUPPLIER

AHLSELL HAS OVER 3,000 ACTIVE SUPPLIERS



Ahlseil is the Nordic market leader and offers suppliers a **cost-effective access to a loyal customer base in a large geographical market** with challenging distribution routes. The market is driven by long-term trends, such as urbanisation and population growth, which indicate good demand over time.



The omni-channel model offered by Ahlseil includes a fully-developed e-commerce platform and 225 branches. This ensures that the supplier's products are always close to the customer. Our approximately 3,700 competent salespersons are **the largest sales-force for professionals in the Nordics**.



Ahlseil's continuous focus on improvement leads to "free innovation" in product development, sustainability and services for suppliers. Thanks to our size and scale, we can guarantee sufficient volumes in cases where suppliers need to invest in order to meet the demand for e.g. ecofriendly products.

Market overview and Ahlsell's position

Ahlsell is the market leader in distribution of installation products, tools and supplies to professional customers in the Nordic region. Ahlsell's operations are primarily conducted in Sweden, Norway and Finland, which together account for 97% of the Group's net sales.

	Inhabitants, million	Area, km ² thousands	Number of branches	Ahlsell's market position
Sweden	10.0	450	121	1-2
Norway	5.3	324	50	2-4
Finland	5.5	338	37	3-5
Denmark	5.7	43	4	–
Other Poland, Estonia, Russia	–	–	13	–

● Head office ● Central warehouse



Market size

Ahlsell offers suppliers cost-effective access to a geographically challenging market. Large areas, hilly terrain, long coastlines and the many lakes present logistical challenges.

The customer base is fragmented and products are sold to customers within installation, industry, infrastructure, construction, etc.

According to a market analysis conducted in conclusion to the IPO, Ahlsell's total addressable market in the three main markets was estimated to be approximately BSEK 160 (2015). Given our broad Nordic presence, in combi-

nation with a continuously increasing product offering, and an expanding number of customer categories, the current market is probably substantially larger. Our market share of the Nordic market, addressing professional customers, was assessed at 20%.

Important role of distributors

In the Nordics, distributors represent approximately 70% of the total market. Direct sales and sales to DIY companies (Do-it-yourself) account for the remaining 30%. These percentages have been stable since 2011, which illustrates distributors' strong position in the value chain.

Suppliers' bargaining power with the distributor varies depending on, among other things, the strength of their brand, market share and presence in the market. There are several types of distributors in the market: large specialists which solely focus on one product segment, small specialist wholesalers with local salesforces, and multi-specialists like Ahlsell. Ahlsell offers customers a unique range within three product segments.

competitors are Dahl (St. Gobain) and Onninen (Kesko). Within Electrical, competition is mainly coming from multinational companies such as Rexel, Sonepar and Solar, whose local sales organisations are our key competitors in all three countries, despite variations in their relative strength. In Finland and Norway, Onninen is also strong within Electrical. Within the Tools & Supplies product segment, Tools (Momentum Group) and Würth are recurring competitors.

Ahlsell's competitive advantages in the market

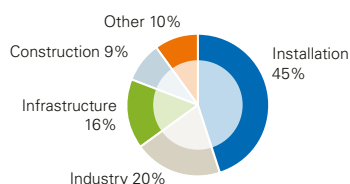
At Ahlsell, we offer customers the concept of "one order, one delivery and one invoice". Most of our customers make recurring purchases from more than one product segment, which proves that a broad product offering is important for our customers. Availability and size are a key competitive advantages in the distribution market.

We achieve economies of scale within sales, purchasing, logistics, branches, IT and overhead costs, which ensures good conditions for a competitive offering and good profitability. The competitive advantage is also proven in the branch network, where Ahlsell is able to operate profitable branches even in smaller cities thanks to our multi-segment offering.

Product segment



Customer segment



Competitors

Ahlsell's competitors are usually specialised in a specific product segment. Within HVAC & Plumbing, our main



Ahlsell's fragmented and loyal customer base

The customer base is large and fragmented. In many cases, even relatively large customers handle their purchases in a decentralised way. Most customers tend to purchase from several product categories, often in small quantities, which makes the distributor's role particularly important. Our value proposition is suitable for both large and small customers. Small and medium-sized enterprises (SME) account for approximately 45% of our net sales, and our ten largest customers represent approximately 6% of the total amount. The rest of the volume is generated by major customers within installation, industry, facility management and construction, and services-related activities.

For SME customers, rapid delivery, quality of the offering and service, a social purchasing environment, and prices are key drivers of the purchase decision. Meeting these criteria requires a broad and deep range, a local presence, and professional and experienced personnel. SME customers typically place 60-70% of their purchases with their main distributor, and only one in five customers has changed their main distributor during the last five years, which confirms customers' loyalty.

Installation – includes installers within plumbing, electrical and ventilation. They mainly purchase products in the HVAC & Plumbing and Electrical product segments. Customers range from small local companies to multinational installers and are usually multi-segment buyers.

Industry – are customers active in a number of different sectors that include, but are not limited to, manufacturing. In terms of customer size, the segment ranges from small local companies to multinational corporations. For major industrial customers, Ahlsell's deliveries normally constitute only a small proportion of the total purchase, but the consolidation of a number of products in small quantities to fewer orders is valued. The customers are usually multi-segment buyers, even though their purchases are mainly in the Tools & Supplies product segment.

Construction – comprises both major construction companies and small building firms. Major customers often work with subcontractors at the installation stage. Customers mainly purchase products from the Tools & Supplies segment, but are also multi-segment purchasers.

Infrastructure – comprises state, municipal and private customers involved in major projects, such as "Förbifart Stockholm" (the new Stockholm bypass), renovation of the electricity grid equipment and fibre cable installations. These customers mainly purchase products within sewerage and electrical, but are also multi-segment purchasers.

Other – examples are facility management, cleaning companies and agri-business. Expansion to new customer segments and sub-segments, both organically and through acquisitions, is an important driver of further growth.

Ahlsell's market exposure and expected growth

Historically, the market has shown a growth rate of 1-2 percentage points above GDP growth. Ahlsell's growth target is to grow 2-3 percentage points faster than the market.

To understand the driving forces behind the demand for Ahlsell's products and services, it is important to go beyond the customer segments and consider the types of projects for which the products are used. The table below presents Ahlsell's exposure to various market segments.

Market exposure	Construction				Industry	Infrastructure
	New construction		Renovation		Industrial production	Infra-structure
	Residential	Commercial	Residential	Commercial		
Underlying forces driving market growth	- Population growth - Interest rate level - Number of dwellings - House prices - Number of new projects	- Vacancy levels - Number of buildings/commercial space	- Number of dwellings - Regulations and subsidies - Housing stock age - Conversion and refurbishing	- Building stock age - Leasing renewals	- Industrial output - Industrial investments	- Population growth - Urbanisation - Age of existing infrastructure - Political initiatives
Total of net sales	15% of net sales	15% of net sales	35% of net sales		20% of net sales	15% of net sales

» Value-creating strategy



In this chapter, we describe how Ahlsell focuses on long-term trends to ensure future value creation for all stakeholders. We begin with the drivers, the use of resources and how we include sustainability in everything we do. We continue with our targets before presenting our four strategic elements: Customer satisfaction, Employee commitment, Improvement and Profitable growth. Finally, we show examples of completed initiatives during the year, and connect this to our financial targets.

DRIVERS

Urbanisation

More and more people are moving to cities, and more homes, offices, hospitals, schools and other infrastructure need to be built. Ahlsell is responding to this development by measures such as increasing its presence in growth regions, and developing our offering and delivery methods to meet the market demand.

Outsourcing

Society is becoming increasingly specialised, and companies are focusing more and more on their core activities. This is also the case for our customers, who require efficient purchasing, stock-keeping, advisory services, delivery, payment and administration solutions. We are continuously working on adding value in the customer offering, with emphasis on creating a better working situation and overall lower cost for the customer.

Sustainability and environmental requirements

Society and our customers are increasingly requiring sustainable operations and more sustainable products. Ahlsell considers the development within sustainability to be both a matter of course and a business opportunity. Ahlsell aspires to be a leader in the industry in terms of both a sustainable offering and its own environmental impact.

Technical development and digitisation

New technology and digitisation are affecting our activities. Customers' purchasing patterns are changing and increased automation contributes to higher productivity in our warehouses. The amount of technical installations in buildings is increasing, and connected products are further driving the development. We actively participate in the technical development, which provides new tools for efficiency and development of our customer offering.

RESOURCES

Supplier relationships

We have good business relationships with around 11,000 suppliers of which we make significant purchases from about 3,000. Our ten largest suppliers represent around 24% of our purchases.

Customer relationships

We have more than 100,000 active customers. This means that they trade with us several times per week. Our ten largest customers account for around 6% of our net sales.

Employee relationships

We have around 5,500 committed employees. On average, our employees work with us for around ten years.

Ahlsell's business

We have the market's broadest product offering, and three efficient central warehouses. Our omni-channel model means that we are always close to the customer; online, in our 225 branches and in our other sales channels.

Own energy consumption

Our business consumed 42,688 GWh during the year. It is mainly our central warehouses and branches that consume the energy.

Financial capital

We have more than 15,000 shareholders who have invested in the Company. Besides equity, Ahlsell borrows BSEK 8.0 from lenders.



OVERALL OBJECTIVES

Ahlseil's goal is to continuously contribute to strengthening our customers' competitiveness and to be an attractive partner to our suppliers. We will continuously develop our offering in order to fulfil our customers' requirements and exceed their expectations. Profitable growth will be achieved through a combination of organic growth and acquisitions, and by making operational improvements. Ahlseil's objective is to be the leading distributor within the respective product segments in our main markets.

Business concept

To offer effective trading in installation products, tools and supplies for professional users.

Customer promise

We make it easier to be professional.

Sustainability in everything we do

For us, sustainability is everything from satisfied customers, suppliers and employees, profitable growth and value creation for our stakeholders to an operation that, over time, is sustainable in economic, environmental and social aspects.

Financial targets

Our financial targets include growth, profitability, stable cash flows, financial strength and dividend distribution. Our goal is to grow faster than the market through strategic growth initiatives, acquisitions and increased efficiency.

Values

ACCOUNTABILITY

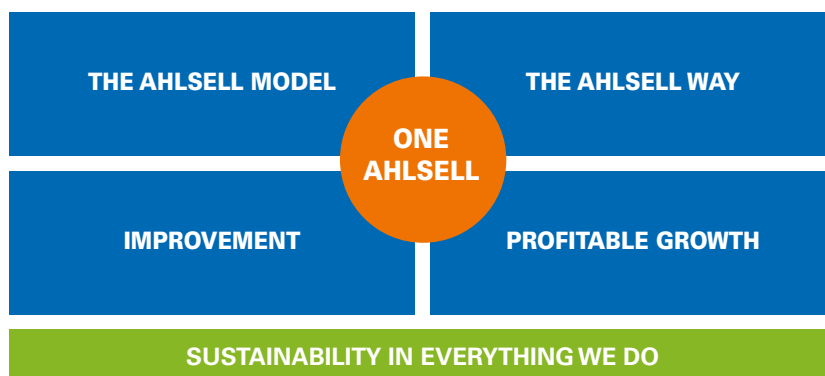
OPENNESS

SIMPLICITY

» Strategy in four parts



The guiding principle of our strategy is "One Ahlsell" which stands for a shared corporate culture and an efficient organisation. Our strategy has four elements – the Ahlsell Model, the Ahlsell Way, Improvement and Profitable growth. "Sustainability in everything we do" is a natural part of our activities.



THE AHLSELL MODEL

For more than 140 years, we have worked according to the same fundamental customer satisfaction model. We call it the Ahlsell Model. Our four fundamental success factors contributing to customer satisfaction are:

Scale - A strong market position and large volumes give scale benefits in purchasing, sales, logistics and business support. Scale is also a key factor for profitable distribution activities. Large volumes also make Ahlsell more attractive to suppliers.

Breadth - A broad assortment and offering lower the customers' total costs and lead to increased customer loyalty. Expertise and depth in each product segment are offered via an effective matrix organisation. Breadth also ensures profitable cross-sales and cost synergies for Ahlsell.

Local presence - A local presence allows for close customer relations and brand exposure. Branches provide rapid and flexible deliveries. An important competitive advantage are the different channels, which are valued especially by both SME-customers and multi-segment buyers.

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

THE AHLSELL WAY

The Ahlsell Way is about creating employee commitment, which is essential to our success. The strategy includes our values, our view of leadership, our Code of Conduct and how we work together in our organisation.

Our values are part of everything we do. They describe how we work and how we relate to customers, suppliers, society and, not least, each other.

Leadership and employeeship in Ahlsell's culture are defined by strong business acumen and an entrepreneurial spirit. Initiative and individual development are required, and the aim is to for all employees to be highly motivated.

Our Code of Conduct helps us to run our company in an ethically, socially and environmentally sustainable way. We expect everyone in the organisation to adhere to the code. We also require that our suppliers adhere to the code too.

Ahlsell strive to be 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, governance and business development.

IMPROVEMENT

We are a decentralised and learning organisation, which enables us to quickly meet any changes in demand and customer requirements.

Striving for continuous development and improvement is an important factor for long-term success. Improvement requires strategic planning and follow-up, as well as continuous focus on improvement opportunities. By cooperating within the organisation, we can accelerate improvements.

PROFITABLE GROWTH

Growing faster than the market requires innovation, creativity and strategic initiatives, both large and small, to reach new and existing customers. An important way to strengthen our organic growth is to work proactively to develop new business with both new and existing customers.

Ahlsell is continuously strengthening its market position through large and small acquisitions. Acquisitions can take place both in existing markets, within established product categories, and within niches, in which clear synergies exist. Acquisitions contribute to increased product breadth, new customer segments and markets, and new expertise and new employees.

Ahlsell has considerable experience from identifying, acquiring and integrating companies. There are considerable integration benefits from coordinating purchasing, logistics, administration and sales.

Read more about our acquisition strategy on the next page.

ONE AHLSELL

The guiding principle in our strategy is "One Ahlsell". This is about creating a corporate culture that, based on a set of shared values, develops good leadership, clear processes and an effective, customer-oriented organisation in which employees thrive.

» Acquisitions are an important part of our strategy



Acquisitions play a key role in achieving our growth strategy. Through acquisitions, we have historically succeeded in delivering considerable cost synergies, while growing in step with, or faster than, the

market. The acquisitions have contributed to strengthening our competitiveness, widening our product offering and increasing our presence in selected markets. The increased presence has resulted in

improved service to our customers and contributed to increasing both our revenue and profitability. Below is a condensed illustration of our acquisition model and how we achieve synergies.

We have a well-defined acquisition model ...

- Establish contact with acquisition targets
- Clear acquisition profile
- Price discipline

➔

An average acquisition
~4–5% EBITA margin
~7–8 x EV/EBITA valuation

... and good experience from synergies achieved

➔

After synergies
Margins in line with the Group
~3–4x EV/EBITA

	Low	High
Existing products	Establish new geographical foothold	Strengthen existing position
New products	Not a focus area	Add new product segment
	New geographies	Existing geographies

Area for synergies	Timing
Increased cross-sales	Almost immediate
More effective purchasing and scale benefits	~3 months
Reduced costs in administration and logistics	3-6 months
Reduced working capital	3-6 months

» Examples of strategic initiatives in 2017



The Ahlsell Model

Customers appreciate if we can serve all their needs. During the year we have strengthened our position in PPE (Personal protective equipment) through a number of acquisitions. Focus on occupational health and safety continues to grow, and we have an important role in providing a broad range of PPE.

The Ahlsell Model

By launching further full-range branches, we have increased our breadth and scale towards customers. In 2017, we modernised or opened a total of 32 branches. Our branches are key to the brand experience and focus has been on improving the sales-force's proactivity and service level towards customers.

The Ahlsell Model

Our product assortment is our strength. Most of our customers purchase from more than one product segment, but we are constantly working to increase the level of cross-sales, which would mean that the customers can buy more of what they need from us.

The Ahlsell Way

Our employees' dedication and how we communicate with each other are of key importance. That's why we have held workshops in our values - Accountability, Simplicity and Openness - during the year. The aim was to demonstrate how our values could support and influence our work, both internally and externally.

The Ahlsell Way

In 2017, more than 500 employees took part in the interactive dialogue training called "The Code". This group-based game teaches the Code of Conduct by using actual dilemmas that can occur at work. All employees in Sweden must have completed the game by the end of 2018.

Profitable growth

During the year we strengthened our market position further through active sales activities directed to attractive customer segments, such as facility management, the power station industry, aquaculture and infrastructure. These are customers with high delivery requirements and they value our local presence and product breadth.

Profitable growth

High acquisition activity has resulted in several interesting acquisitions. During 2017, agreements were signed to acquire 13 companies with combined annual net sales of approximately MSEK 1,450.

Profitable growth

An important part in being close to our customers is our online store, which accounts for 25% of net sales. To further improve our sales channel and meet our customers digital demand, we acquired Proffsmagasinet, a leading Nordic e-commerce business within tools and supplies.

Improvement

The Finnish operations were restructured during the year, which included considerable managerial and staff changes. For greater coordination and lower costs, a matrix organisation was implemented. The new organisation has a stronger focus on earnings and profitability.

Improvement

A decentralised responsibility combined with benchmarking yields results. High and low performers are compared, leading to drive, transparency and actual improvement activities.

Sustainability in everything we do

We have completed the extensive task of setting sustainability goals for the entire organisation. Our segments, divisions, functions and businesses now have their own relevant goals.

Sustainability in everything we do

Sustainability not only concerns products, but also services. We have increased our offering of products and services that make it easier and more sustainable to be professional. For example, how to work safely at elevated heights.

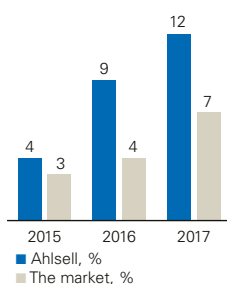
» Targets and outcomes

SALES GROWTH

Target: Achieve net sales growth of 2-3 percentage points above market growth through a combination of organic growth and acquisitions.

Outcome 2017

Ahlseil exceeded its target. Net sales increased by 12%, which is 5 percentage points above the estimated average market growth for the period.

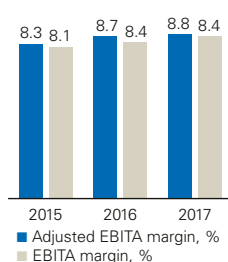


ADJUSTED EBITA MARGIN

Target: Continuous increase in the adjusted EBITA margin.

Outcome 2017

Ahlseil achieved its target. The adjusted EBITA margin was 8.8%, which is 0.1 percentage point higher than in 2016.



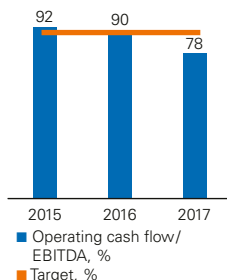
CASH FLOW

Target: A cash conversion over time of average 90%.

Cash conversion rate: Operating cash flow/ EBITDA

Outcome 2017

A strong growth and a firmer focus on delivery capacity to the customer increased stock values during the second half of the year. Ahlseil's cash conversion rate was 78%.



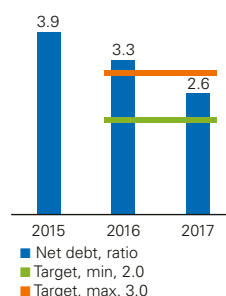
NET DEBT

Target: Net debt/adjusted EBITDA of 2.0-3.0.

The capital structure shall safeguard a solid financial position whilst allowing strategic initiatives.

Outcome 2017

Thanks to a strongly cash generating business, Ahlseil managed to reduce its net debt, despite several acquisitions. Net debt at the reporting date was 2.6 times adjusted EBITDA.



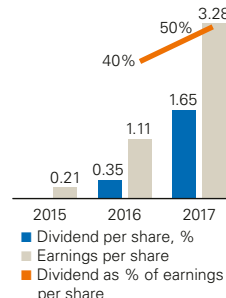
DIVIDEND POLICY

Target: Pay a dividend equivalent to 40-60% of net profit.

The dividend must consider acquisitions, the Company's financial position, cash flows and future growth opportunities.

Outcome 2017

Ahlseil's Board of Directors proposes a dividend of SEK 1.65 per share. As Ahlseil was listed in the autumn of 2016, this is the first full-year dividend to shareholders.



Sustainability targets within our focus areas

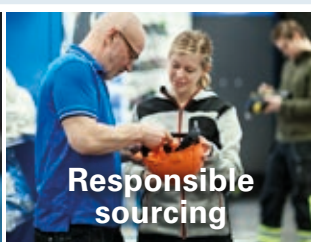
Within the framework of our four focus areas, we have various sustainability targets that are followed up internally in the organisation. Some of these targets are presented below. The targets were adopted in 2017 and apply four years ahead. The following calculations are made for our three main markets, corresponding to 97% of our net sales.



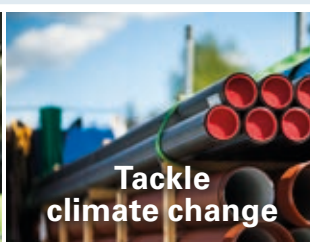
Health and safety



Innovation and collaboration



Responsible sourcing



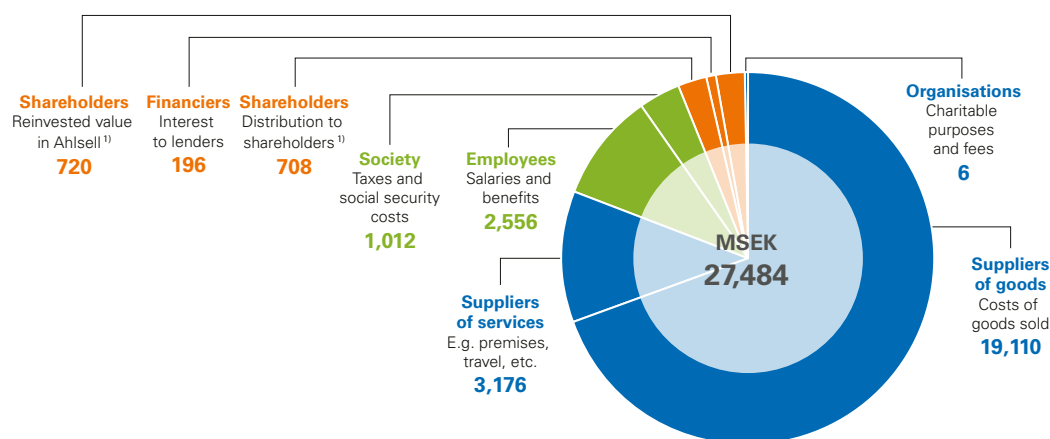
Tackle climate change

Target	2017	Target	2017	Target	2017	Target	2017
Good health presence	96% (2016: 96%)	At least ten new sustainable and environmentally-friendly products and services offered to our customers per year.	>10 (2016: >10)	All ¹⁾ of our suppliers fulfil our Code of Conduct. ²⁾	48% (2016: 33%)	20% Reduction of our CO ₂ footprint.	1,42 (2016: 1,49)
We are proud to have a health presence of 96% for our employees in our three main markets. This corresponds to around 9.5 days absence due to illness (out of 251). This entails that our employees' attendance was just as good in 2017 as in 2016.		Sustainability concerns cooperation. We therefore involve our suppliers in several innovation projects. The products we sell must be safe, reduce waste volumes and contribute to reducing greenhouse gas emissions.		1) Suppliers from which we purchase goods for sale to customers and from which we buy for more than SEK 150,000/year. (This corresponds to 98.85% of purchased value.) 2) This target includes that the supplier has signed, and that we assess that the supplier also fulfils, our requirements.		We measure our carbon footprint in tonnes of carbon dioxide equivalents per net sales in million Swedish kronor. In absolute figures, the footprint from our own activities and goods transports was 37,877 tonnes of carbon dioxide equivalents in 2017.	

Creating value for all stakeholders



Even though 2017 was a very successful year for Ahlsell, we have been creating value for our stakeholders for much longer. During our 140-year history, we have had a good development and created value for all stakeholders.



Continuous stakeholder dialogue

Suppliers	Employees	Customers	Shareholders and financiers	Society	Organisation
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Priorities for our stakeholders

We are in continuous dialogue with our stakeholders and have therefore identified that we should prioritise:

- Profitable growth for the Group
- Responsible sourcing
- Dedicated and committed employees who wish to develop further
- Sustainable products and services of high quality and safety
- Reduced environmental impacts from transport

Good, long-term relations with our **suppliers** is the basis for everything we do. We arrange continuous development meetings, follow-ups and audits to develop our product flows and offering, and improve our cooperation. We also organise joint customer days with suppliers and trade organisations, for the long-term benefit of the cooperation between suppliers, customers and Ahlsell.

Our **employees'** competence and comfort are important for us, and we hold annual development discussions with our employees. It is important that our employees act in accordance with our shared values and our Code of Conduct. We use interactive group exercises, such as "The Code", see page 27, to ensure that everyone is well-informed. In some parts of our organisation,

such as our central warehouse in Hallsberg, Sweden, we work with "Continuous Improvement". Read more on page 25.

Making it easier for our **customers** to be professional is our most important task. Each customer has a dedicated salesperson, who is responsible for meeting the customer's needs in the best possible way. The salesperson, in some cases also a Key Account Manager (KAM), combines several customers' different needs to see whether we can find a shared and improved solution, often within sustainability and efficiency. Our ongoing discussion of tenders and agreements gives us information on what we can do better, and what the customer needs. We also conduct regular surveys, interviews and audits. If the customer is not satisfied, sales support in the event of complaints also constitutes valuable dialogue with the customer.

Ahlsell is a listed company and has both **shareholders and financiers**. In 2017, hundreds of investor and analyst meetings were held. There were also several branch visits with investors, as well as two visits to the central warehouse in Hallsberg. The relations and dialogue with our shareholders are important for Ahlsell and characterised by good accessibility and a high

service level. The annual general meeting held in May is another example of how we meet our shareholders and cater to their questions. Also, a capital market day is planned to be held in the autumn of 2018.

Ahlsell has around 5,500 **employees** and we create value in several of the communities in which we operate. Besides salaries, social security costs and tax, we also emphasise the importance of good cooperation with the local municipalities where we operate.

Other **organisations** relevant for Ahlsell are trade organisations, in which we take active responsibility for driving the sector in a sustainable direction. It is a part of an ongoing business intelligence analysis in which we also continuously monitor new regulations and laws.

An organisation close to Ahlsell's heart is Barncancerfonden (the children's cancer fund), of which we are a proud main sponsor. In 2017 we were involved in the production and sale of 150,000 LED reflectors, to raise money to fight children's cancer. These reflectors can also protect and save lives in traffic.



1) The Board's proposal to the Annual General Meeting.

» Sustainability in everything we do

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

Ahlseil in the value chain and where we can make the biggest positive impact



About Ahlseil's sustainability work

Our sustainability work is primarily based on our Code of Conduct, which describes how to act and the requirements we have on ourselves and our suppliers. The Code of Conduct is published on our website, and is based on the UN Global Compact, the UN's Universal Declaration of Human Rights and related UN conventions, the ILO's core conventions and the OECD's Guidelines for Multinational Enterprises. By endorsing the UN Global Compact we undertake to follow the ten principles for human rights, labour rights, the environment and anti-corruption.

Steering documents

We have several steering documents (policies and guidelines). They aim to guide the Company, support effective working methods and reduce identified risks in the Company, e.g. within the environment, sustainability and ethics, by regular follow-ups.

Some examples of policies adopted annually by the Board of Directors, besides the Code of Conduct, are the Sourcing Policy, Insider Policy, Communication Policy, Finance Policy and People Policy.

The guidelines are detailed steering documents adopted by the Group Management. They include the working envi-

ronment, employees' use of social media, misuse issues, authorisation and attestation instructions, etc.

Sustainability strategy

Our sustainability strategy, which was adopted in 2017 and applies for the next four years, is based on a materiality analysis of Ahlseil's risks, opportunities and environmental aspects, and the dialogue with our stakeholders. Our focus areas (see below) constitute the foundation for our sustainability strategy. Follow-up is critical and we continuously ensure that the various targets are relevant. If not, the target is adjusted based on new knowledge and analysis.

Our focus areas

For us, it is natural to support the UN's Global SDG (Goals for Sustainable Development). Based on our position in the value chain, (see the green parts of the value chain above), we put our efforts in areas where our operations impact the most, hence where we can contribute to a positive difference. Based on the SDG's, we have identified four focus areas that constitute the foundation for our sustainability strategy. They are: **Health and safety**, **Innovation and collaboration**, **Responsible sourcing** and **Tackle climate change**.

The focus areas cover the entire Group, but are broken down into sub-goals, internally and externally, as Group-wide and local. Every function takes ownership of its goals, which means that, in some cases, different divisions, purchasing and logistics can have different goals.



Efficient, sustainable and safe products

Our customer promise: "Ahlsell makes it easier to be professional" has many different aspects. Customers must naturally be able to trust that the products they buy from Ahlsell are safe to use and correctly labelled.

Safety has a clear place in Ahlsell's offering

Many of our customers are active in sectors with a high risk of injury and therefore the work to ensure safe products is an important sustainability issue for us. We are continuously adding new products that make the working lives of both customers and employees safer, and we are glad to help our customers make safer choices.

We offer more than a million products to our customers, which means that we have one of the most complete offerings in the Nordic region. As our product offering is continuously expanding, the requirements to fulfil are high in the purchasing organisation. All new products are quality-assured throughout the value chain and adhere to the standards and regulations adopted by the authorities in the respective markets.

Just like the right tools, the right safety equipment for the work is equally important. We therefore have a wide offering of PPE (personal protective equipment). This includes protection of the head, hearing, eyes, respiration, hands and feet, but also

protective wear, fall protection equipment, rescue equipment and hygiene articles.

Continuously increasing our offering

We are driving the increased availability of sustainable, environmentally-classified products. Our offering is constantly expanding, and we work close to our suppliers on these issues.

One example of the good cooperation between customers, suppliers and Ahlsell is the product "Marker Eco". Read more about it on the next page.

Environmentally-assessed construction products

Demand for environmentally-classified construction products is expanding rapidly as property owners are increasingly opting for environmental certification of their buildings. This also requires that our products are environmentally-assessed.

We are proud to be driving the increased availability of environmentally-assessed construction products. As an example, 70% of our private label products are environmentally-classified.

Sustainable services and training

Besides a wide product offering, Ahlsell has developed several different training programmes, protection measures and information material to make it easier for customers to make wise and safe choices.

One training that we offer our customers within safety is the course on how to work safely at elevated heights, "Fall protection - roof".

We also provide Ahlsell's protective equipment catalogue and sector-based manuals, helping customers to minimise the risk of work-related injuries.

Sales expertise creating value for our customers

We always need to safeguard that our sales staff is well-informed and ready to help our customers to make the right choices. This leads to lower total cost for the customers and strengthens their loyalty to us. This is a benefit for the customer, the environment and Ahlsell.



► THE OPERATIONS IN FOCUS

Innovative cooperation behind green marking spray



Last year, Ahlseil, Sveriges riksbbyggare and Spraymaster collaborated in a unique sustainability project. The result was launched in the spring of 2017. A new marking spray customised to meet the high quality requirements at Sweden's construction sites.

► Marking sprays have been a problem in the construction industry for long, since they contain substances which are hazardous for people and the environment. In cooperation with the supplier and customers, we therefore developed the Marker Eco spray. This spray has no hazardous substances and is made completely by renewable raw materials.

Marker Eco has lower environmental impacts than traditional marking sprays. The dimethyl ether, that propels the spray, is made from renewable raw materials, which lead to no net emissions of greenhouse gases. The switch to dimethyl ether reduces fossil-based carbon dioxide by around 50% compared to a traditional marking spray.

This project – in collaboration with Sveriges riksbbyggare (Skanska, NCC, JM and Peab), Svevia and Ahlseil's supplier Spraymaster – also focused on the quality and functionality requirements at Sweden's construction sites.

"Our employees have high requirements. It ranges from drying time and adhesion ability to the actual can's functionality and sustainability. The Marker Eco spray meets these requirements and is also a better choice for the environment," says Joakim Suhr, green development manager at Skanska.

At the end of the year, Ahlseil had sold 11,000 Marker Eco sprays, reducing hazardous substances by 1,650 kg compared with traditional marking sprays.

Responsible purchasing

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.

Ahlsell sets requirements

One of Ahlsell's most important assets is the trust of our employees and customers. This makes it absolutely necessary that our suppliers observe international guidelines concerning quality, social responsibility and the environment, as well as Ahlsell's Code of Conduct. We make higher demands than required by legislation of both our own and our suppliers' activities.

By accepting Ahlsell's Code of Conduct the supplier undertakes to observe the code in both its own activities and at its sub-suppliers.

Ahlsell's Board of Directors has designated the CEO and Head of operations in the respective countries as responsible for implementing and ensuring compliance with the Code of Conduct.

New suppliers must be approved

To be able to deliver to Ahlsell, the supplier must pass a supplier audit.

The assessment is based on the requirements in Ahlsell's Code of Conduct. The aim is to examine the supplier's ability to fulfil the requirements before any agreements are signed.

Ethical business conduct is a must

In every respect, irrespective of country or market, Ahlsell's conduct must be characterised by responsibility and respect for customers, suppliers, business partners and the local communities in which we operate.

Ethical conduct and good business practices are vital for our development and profitability. We must convince our business partners only with commercial arguments. The objective is to develop stable, long-term business relationships, in which Ahlsell is regarded as a responsible and professional partner to customers and suppliers.

In accordance with the Code of Conduct, both suppliers and Ahlsell must ensure that human rights and labour rights are respected. This includes that no forced labour, work outside statutory working hours, or work in unsafe working environments may take place at any of Ahlsell's suppliers. Ahlsell does not tolerate child labour in its activities, or in companies operated by the Group's suppliers, including their own sub-suppliers. Nor do we tolerate corruption and unethical business conduct.

Continuous assessment for shared development

We continuously assess our suppliers. We prioritise them according to purchase value. Up to 2017, 34% of our suppliers, in terms of purchase value, have been followed-up during inspection visits. The goal is 50% within four years. At the end of 2016, 24% had been audited, which represents an increase by 10 percentage points.

When we follow-up our suppliers, the aim is to improve together. We identify development and improvement opportunities jointly with the supplier. Besides

any shortcomings, we also measure the identified development opportunities. These assessments are made by an internal audit team and any deviations are documented and followed up.

Ahlsell always follow up suspected unethical conduct. We also have a whistleblower function that is available to both employees and external parties. It can be accessed via our website.

In 2017, Ahlsell was made aware of three suspected cases of unethical conduct in the organisation. All cases have been investigated and none of them had legal consequences.

If we identify suppliers that do not comply with our Code of Conduct, as a first step we seek to exert positive pressure through dialogue. If there is no improvement, the cooperation is terminated.

Partnerships for sustainable business

We can only achieve the UN's Global Goals for Sustainable Development by 2030 if we work together. We need to cooperate within and across sectors, and throughout the value chain. Sustainable development is about cooperation and mutual development.

Due to our position in the market, we have good opportunities to influence our suppliers when it comes to innovation and development.

One of our cooperation projects with our suppliers is "Sustainable innovation". Together we develop new and sustainable products and services. Innovations must be characterised by usability, improved performance and increase resource- and cost-effectiveness compared to their predecessors.

They must also ensure a good and safe working environment, reduce waste volumes and help to reduce greenhouse gas emissions.

Further examples of good cooperation are our membership of interest associations and sector organisations in the respective markets. This means that we undertake to observe ethical rules which promote good business practice and sustainable development in the market. Some examples of membership are SEG (Swedish Electrical Wholesalers Federation), RGF (Federation of Heating- and Sanitary Wholesalers), Bygghandlarna (The Association of Swedish Building Materials) and Swedish Ventilation.



Our private labels

Around 10% of the products we sell are our private labels. These products are often developed and produced by our existing suppliers, and offer customers an priceworthy alternative to the established brands. A further bonus is that we can control production in terms of quality and sustainability.

Suppliers of private labels are audited by internal quality inspectors or an established third-party company. These inspectors are trained in SA8000 in order to ensure a good working environment and protection of human rights. We also have our own office in Guangzhou, China. Proximity to our suppliers leads to greater understanding and good relations, which supports our responsible sourcing.



a-collection

Installation products for professionals.



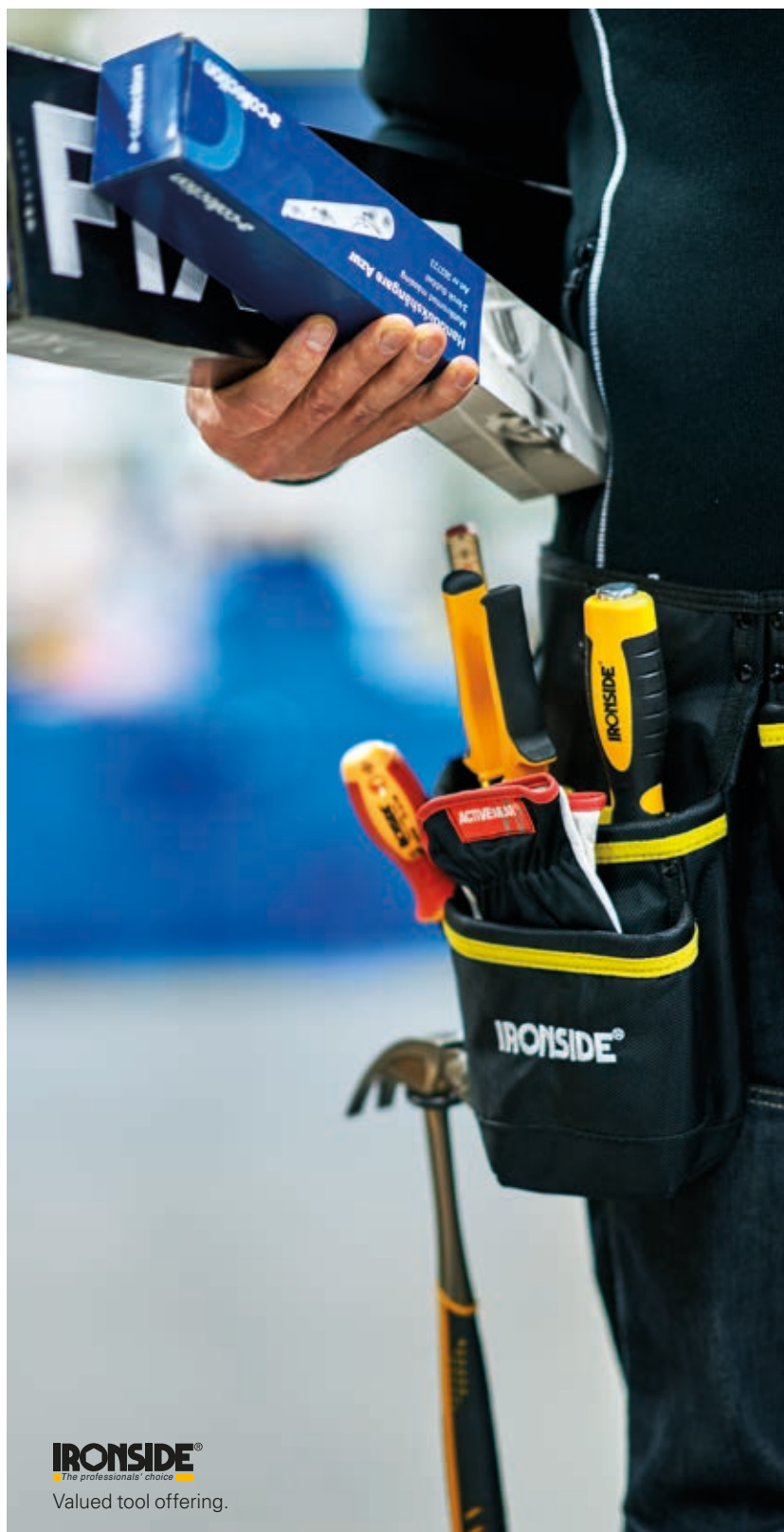
ACTIVEWEAR®

Workwear and personal protection made from selected materials.



FIXX

Fastening material.



IRONSIDE®

The professionals' choice
Valued tool offering.

Our employees at the centre

We have about 5,500 employees in eight countries. To ensure a successful and long-term sustainable organisation, we put great emphasis on developing our employees and attracting new competent colleagues. We want our employees to feel pride and commitment when working for us.



Our employees at the centre

An attractive product offering, combined with our employees' ability to be dedicated problem-solvers, makes Ahlseil a strong and stable company in a changing world.

In 2017, 99% of our employees were covered by a collective agreement. Some of the acquisitions did not have collective agreements upon the time of acquisition. This is why we do not have 100%. In our Board of Directors, we have LO, TCO and Unionen represented.

A safe and sustainable workplace

Our most important responsibility to our employees is to ensure a safe workplace. If our employees are thriving, the same will be true of our customers.

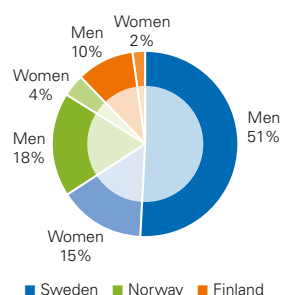
We are proud of an attendance rate, "health presence", of 96% in our three main markets. This corresponds to around 9.5 days' absence due to illness (out of 251). This means that our employees' were just as healthy in 2017 as in 2016.

We take safety very seriously and work actively to prevent and reduce the number of work-related injuries. We work continuously with information, training and reviewing of the work. For example our introduction training programme for new employees, truck training courses, and training in ergonomics, heavy lifting and first aid. We cooperate with the occupational health services in the respective countries, in order to prevent health problems.

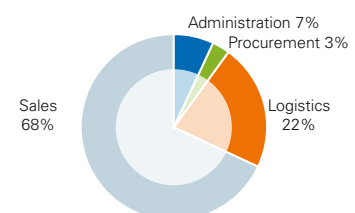
Most of the injuries suffered by Ahlseil's employees occur in some of our logistics facilities. A number of different safety regulations and directives apply to hot work, emergency medical services and systematic fire prevention.

Work-related accidents in our three main markets amounted to 53 in 2017. This is a reduction by seven compared to 2016. We define a work accident as an accident occurring at work and which leads to sick leave.

Number of employees/
gender distribution¹⁾



Number of employees/
category¹⁾



1) In our main markets.

Strong values with focus on employees ensures commitment

Ahlsell's values are an important element of achieving One Ahlsell. The values serve as Ahlsell's compass and, among other things, describe our approach to colleagues, customers and suppliers.

Our values are an integral part of our employee and leadership profiles. They are followed up in the annual employee development discussion.

The values are also an important element of Ahlsell's acquisition strategy. Shared values support the integration of new employees and companies.

Continuous improvement in our day-to-day activities

At our central warehouses, we work on continuous improvement on both a small and large scale. By working with "Continuous Improvement" (CI) we encourage our employees to improve their own work and their workplace.

Since the start of "CI" at the central warehouse in Hallsberg in 2013, 6,057 proposals have been received, of which 3,508 have been implemented (58%). In 2017, we received 1,538 improvement proposals, of which 831 were implemented (66%).

The proposals received vary considerably in nature, from eliminating time wasting in one's own department, to how packaging can be recycled in the best possible way.

All of the central warehouse employees take part in the improvement work, and each department has an improvement group that drives this work in the department.

ACCOUNTABILITY

We are accountable and we are the preferred partner for our customers. Accountability makes our business grow and creates profitability. I am accountable and help create a work environment where everyone can develop to their full potential.

I am accountable!

OPENNESS

We are open minded towards people. We are open to new ideas and suggestions. Openness and transparency builds trust, with colleagues, customers and suppliers. We know that the best work environment consists of people with different backgrounds and experiences. We work in an environment that encourages new ideas and methods, where it is easy to see new opportunities.

I am open-minded!

SIMPLICITY

Simplicity is synonymous with the way we do business. We are down to earth, uncomplicated and clear. We work closely with our customers and make it easy for them to understand what we offer. We make decisions quickly and focus on what is essential. We strive to be a partner that simplify our customers' business every day.

I make it simple!

"Important to stay one step ahead"



Frank von Grüner, a dedicated Ahlsell employee, is one of five winners of "Employee of the Year" in the 2017 Ahlsell Hallsberg Awards.

Since 2014, the prize is awarded annually to employees at the central warehouse in Hallsberg, who have stood out positively by having contributed to the business in different ways while being an inspiration for colleagues.

Frank, who is also a safety representative, is keen for everyone to thrive at their workplace. To him, it is important to

stay one step ahead. He can see a strong connection between quality, the environment and sustainability, not just in terms of products, but also when it comes to a sustainable working life.

One improvement to which he contributed, was allowing employees to be involved in designing working equipment. This has resulted in ergonomic improvement measures preventing repetitive straininjuries. Not only does it protect employees, it also reduce the employer's costs of sick leave and rehabilitation.

Frank enjoys working at Ahlsell, where he has been employed for 20 years. "The best thing about Ahlsell is that there are new challenges all the time, and that the Company is growing. This is really exciting, and also gives financial security for employees."

Prizes awarded at anniversary gala

The "Employee of the Year" prizes were awarded at an anniversary gala in the autumn of 2017. Together with Frank, these employees also received the "Employee of the Year" prize:

- Johanna Centerfjäll – who has a genuine interest in finding solutions and improvements, both for her team and the Company.
- Anna Segersten – who has a positive attitude and infectious energy.
- Sara Borelius – who always helps out with a smile. No question is too difficult and she really is the department's oracle who knows everything.
- Andreas Nykvist – who with several "CI proposals" contributed to major improvements to support the work in the cable department.

The employee year 2017

Ahlseil's objective is to be the sector's most attractive employer. During the year, the Nordic HR organisation was developed, to provide support and development for both management teams and individual managers.

HR is a focus area

In 2017 there was a lot of focus on developing the HR organisation. A new leadership profile was developed, to show the type of leadership we aspire at Ahlseil.

Having the right people in the right position will ensure long-term success for Ahlseil, why succession planning also was on the agenda in 2017.

The new values and Code of Conduct were implemented in the organisation during the year. With HR's support, managers held group workshops with employees in order to show how the values and Code of Conduct make our working lives both simpler and more effective. This work, in form of workshops and development discussions, will continue in 2018.

We have started a programme to improve diversity. In Sweden, the organisation has successfully increased the proportion of female managers. Since 2015, the number of women with personnel responsibility has increased by 67%. At the end of the year, we had 54 female managers.

A new intranet; a-connection, to which all employees in the Group have access, was developed during the year. The intranet, which is managed by the newly appointed internal communication manager, aims to improve cooperation and sharing of knowledge within the Group. In addition, it also contributes to streamlin-

ing workflows and work processes, and improving the quality of communication.

Training to increase sales

We continue to focus on increasing sales efficiency. In 2017, all sales managers attended sales training, which covered everything from leadership to strategic planning. For many employees, this training was a real energy boost, and in Sweden sales efficiency already increased by around 30%.

Furthermore, a new CRM system was implemented, in which individual targets, feedback and coaching play a key role. As a first step, sales and regional managers in our main markets received the training. However, the entire sales-force will do the training in 2018. With the new CRM system, we have changed our working methods, towards clearer targets, closer follow-up and continuous feedback.

World-class logistics

Back in 2015, Ahlseil announced that, in order to handle the expected sales increase in the best possible way, we would make a comprehensive investment in the Swedish logistics centre. In 2017 we achieved record-high sales, with a high level of activity. Our employees managed to ensure delivery to the customers and achievement of the investment plan. The

investment is expected to be fully completed in 2019.

To ensure "world-class logistics", all participants in the improvement groups at Ahlseil's central warehouses are offered improvement training. At the end of 2017, 300 employees had taken this training.

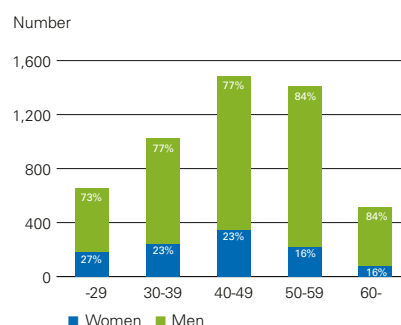
In 2018, the employee appraisal work is planned to be improved further with system support. Each employee will have an individual development plan for his or her competence development. In 2017, development discussions were held with 77% of our employees.

Successful employee survey

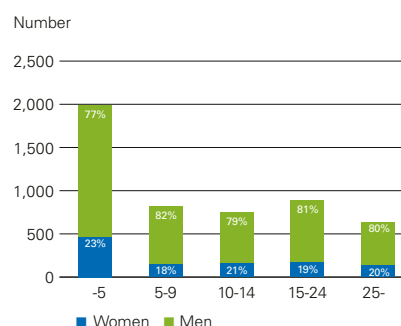
In 2017 we undertook the first Group-wide employee survey, with a response rate of no less than 88%. We achieved a score of 68 in the Group-wide employee satisfaction index (66 is the external benchmark). We are proud of this result and are working actively to further improve our index.

The results of the employee survey are the basis for actively working to ensure best practice.

Employees – Number and % by age group and gender



Employees – Number and % by length of employment and gender





THE CODE –

The game that helps us to understand and adhere to the Code of Conduct

The Code is a digital training game developed to ensure that all employees understand and adhere to Ahlseil's Code of Conduct.

The game revolves around problematic situations that can arise at work, as real dilemmas in which it can be difficult to know how to act. The subjects include the working environment, bribery and competition issues.

All employees in Sweden must have completed the game by the end of 2018 and in the other countries, by the end of 2020. Up to December 2017, more than 500 Ahlseil employees had played the game.

The Code aim to create dialogue between employees and provide lasting lessons. To encourage our employees to stay committed after playing "The Code", a jury chooses the best advice to resolve a dilemma on a monthly basis. This advice is then published on the intranet.

★★★★★
It might look easy, but when you start playing, you'll wish you had a lifeline.
Jonas Linderöth, Professor of Pedagogy, Gothenburg University

★★★★★
Educational, even though I ought to know this inside out. Difficult but fun!
Gunilla Sandström, Environment and Sustainability Manager, Ahlseil

★★★★★
It's challenging to put your values to the test and take a stand against what you know to be wrong.
Class Saldeby, Head of Operations, Ahlseil Sweden

[THE CODE]

ONE PROBLEM, FIVE SOLUTIONS.
AND NONE OF THEM ARE RIGHT.

WHAT WOULD YOU HAVE DONE?

AHLSSEIL SKILLS DEVELOPMENT THE CODE AHLSSEIL'S POLICIES CODE OF CONDUCT
PRODUCED BY JONAS LINDERÖTH EDITED BY GUNILLA SANDSTRÖM DESIGNER JOHAN NILSSON WRITTEN BY BEYOND COMMUNICATION

ahlseil

The environment is always on the agenda

Ahlsell's operations affect the environment primarily through airborne emissions from our suppliers' transport, energy consumption in our facilities, sales of products with hazardous chemical-technical substances, and the production of waste.

SOME ENVIRONMENTAL TARGETS

"Reduce carbon footprint by 20%"

2017: 1.42 (1.49).

Measured as carbon dioxide equivalents per net sales in MSEK.

"Increase ratio of renewable fuels in freight traffic by 20%"

Between 2016 and 2017, the ratio of renewable fuels increased by 3% in Sweden, 7% in Norway, and 3% in Finland.

"Reduce environmental impacts from waste by 20%"

In 2017, the ratio of recycled waste was 56% in branches and 88% at the central warehouses.

Target: "At least ten new sustainable and ecofriendly products and services offered to our customers each year."

We achieved this target in 2017. Some examples of sustainable innovation are:

- Recovered Glycol from EarthCare.
- Halogen-free pipe casings from Sager.
- Water fault switches to reduce water damage from Vattette.
- Philips Service Tag for simpler maintenance of LED streetlighting.
- Faucets with 30% lower energy and water consumption from FM Mattsson.
- Wastewater heat exchangers that recover the energy from a-collection.
- Marker Eco marking spray.

Statutory compliance is key

It is very important for us to adhere to legislation, permits and other authority decisions, and we have zero tolerance when it comes to violations. To ensure compliance with laws and regulations, we have clear policies, rules and guidelines. The responsibility is clearly distributed in the organisation. To follow-up on current legislation, internal audits are performed within the framework of ISO 14001 and 9001.

All of our products in stock must comply with relevant laws and regulations. Statutory compliance includes: REACh, CLP, RoHS, CPR, WEEE and other relevant CE directives. Suppliers must also comply with special Ahlsell requirements in accordance with ISO 14001. We continuously follow up our suppliers.

Statutory reporting

Ahlsell's activities at its logistics centres are subject to statutory reporting, e.g. with regard to the intermediate storage of used coolants. The permits granted are valid until further notice, but annual environmental reports are required by the authorities in the respective countries.

Ahlsell also has permits for handling of products that pose fire or explosion hazards and for the transport of particularly hazardous chemical products.

In addition, Ahlsell's branches which stock over 100 litres of flammable liquids, or gas indoors, hold the required licences. Ahlsell also have permission to hold gas depots at a number of branches.

Ambitious driving targets

Our target is to reduce our carbon footprint by 20% in four years. This requires efforts throughout the value chain – such as energy-efficient lighting in the branches, climate-efficient logistics, and more energy-efficient products.

One example is solar energy, which is a rapidly growing product category. Besides offering our customers solar energy products, we also invest in solar energy ourselves. An example is our branch in Vasa, Finland, where the solar panels make us self-sufficient in electricity. The panels also supply charging stations for electrical vehicles outside the branch. This is perfect for our customers, who can charge their vehicles while doing business with us. At the end of 2017 we had 22 branches with charging stations.

In absolute figures, we had a footprint of 37,877 tonnes of carbon dioxide equivalents during 2017, which per net sales in MSEK is equivalent to 1.42.

Transport and delivery are key aspects

As one of the largest transport buyers in the Nordic region, Ahlsell takes special responsibility for reducing emissions from freight transport. We work actively to optimise our transport. At our three central warehouses in Sweden, Norway and Finland, hundreds of lorries with thousands of cubic metres of goods arrive and depart every day. From each warehouse, our logistics partners drive full lorries to more than 80 terminals all over the three countries. In order to optimise filling ratios, we use mass freight transport, with shared transport in urban areas.

All of our suppliers for freight undergo the same type of assessment as our producing suppliers. We also focus on traffic safety and climate-efficient transport. There are many positive effects: purchasing advantages, reduced costs, less damage during transport, safer loads and safer working environments.

To reduce energy-intensive travel, we also encourage travel-free meetings, such as video and digital meetings.

Successful recycling work

A sustainable approach also includes seeking to reduce our consumption of packaging materials. At the three central warehouses, we use carefully matched carton sizes. There are three reasons: minimise consumption of materials, simplify handling, and optimise filling of pallets and lorries.

We also seek to recycle and recover as much as possible. Our three central warehouses have sorting stations where sorted waste is handled at environmental stations, with a material recovery ratio of 88%. In branches and other facilities, the equivalent figure is 56%.

Energy

In 2017, new sustainability targets were set for the entire organisation. Every part of the organisation is responsible for follow-up. Within energy, the targets include "reduce total energy consumption by 20%" and "reduce transporters' environmental impact by 20%".



The process behind the sustainability report

- The sustainability report is presented in accordance with the Swedish Annual Accounts Act.
- The sustainability report is also presented in accordance with the GRI Standards, which implies that the report gives a full picture of the Company and key stakeholder issues. The materiality analysis is summarised on page 18 and the GRI Index is presented on page 104.
- The report is not subject to external assurance.
- Ahlseil reports data deemed to be significant, which means that we report sustainability data for our three main markets: Sweden, Norway and Finland, which together represent 97% of net sales.
- The report period covers the 2017 financial year, unless otherwise specified.
- Companies acquired during the year are also included, which may lead to year-on-year changes in reported results.
- The respective head of operations in the countries and/or the company manager is responsible for the reporting.
- Environmental data, employee information and information concerning business partners is only reported for the three key markets.
- Greenhouse gas reporting is based on data received from our main markets. The measurement values for the preceding year (2016) also included the Other segment, with valuation based on net sales as a ratio of the Group's net sales. As the Other segment is not a main market, no reporting has been done on the segment.
- Conversion factors to carbon dioxide equivalents are taken from Svenska MiljöEmissionsData (Swedish emission data) (SMED).
- For conversion of kWh, Nordic residual mix 2016 is used and obtained from the Swedish Energy Markets Inspectorate.
- Conversion of fuel oil is taken from Preem.
- Transporters' emissions are calculated using NTMcalc.

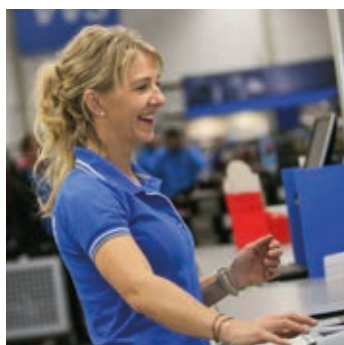


Sustainability figures behind Instalco's choice of distributor

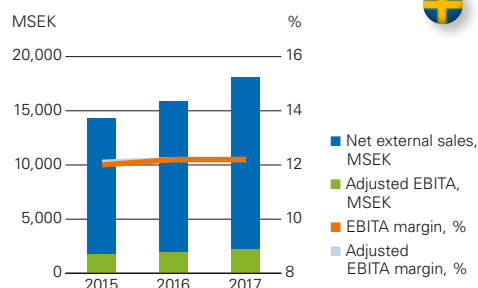
Primarily for sustainability reasons, the installation company Instalco has gathered its purchases from fewer suppliers. For an installation project at Södersjukhuset (hospital) in Stockholm, they purchased everything from Ahlseil.

At Ahlseil we co-package the two HVAC & Plumbing and Electrical offerings, which significantly reduces carbon dioxide emissions in transport.

SWEDEN



Net sales and EBITA



Quick facts

- Head of operations: Claes Seldeby
- Around 3,130 employees
- Central warehouse in Hallsberg
- 121 branches
- 82,000 SKUs

Total net sales growth in 2017: 14%, of which 11% organic

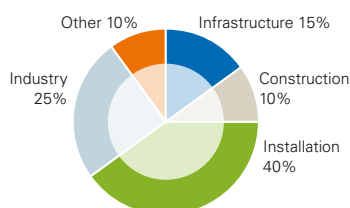
Market description

In the Swedish market, manufacturers of products within Ahlseil's offering sell around 70% through distributors. The market has a few large distributors within the respective product segment.

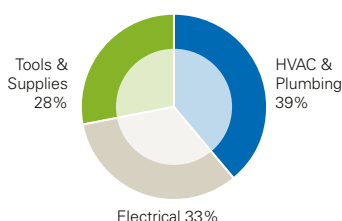
Ahlseil is the only distributor in the industry to offer customers breadth within three product segments. Our market position is number one or two in the respective product segment, and we have the strongest relative market position within Tools & Supplies.

Examples of competitors: HVAC: Dahl (St. Gobain). Electrical: Elektroskandia (Sonepar), Solar, Selga and Storel (Rexel). T&S: Tools (Momentum) and Swedol.

Sales per customer segment



Sales per product segment



Market development

The Swedish market was characterised by strong economic conditions during the year. A sound GDP growth of 2.7%, a strong population growth, continued high housing prices and low interest rates benefited the market growth. There was strong demand from customers within industry and infrastructure. Residential and commercial construction also continued to show positive development

Development for Ahlseil Sweden

Ahlseil's activities benefited from initiatives, acquisitions and a favourable market situation. Strong growth in net sales and with good results in all three of our product segments concluded the year. EBITA increased by 14% to MSEK 2,213, corresponding to a margin of 12.2%.

Strategic initiatives

Our strategic initiatives were successful. Besides the high acquisition rate, there was strong focus on improving the customer offering and to increase proximity to customers. The broader product and service offering has paved way for increased cross-sales. Another example is the expansion and modernisation of the branch network which continued. At the end of the year, we had 121 branches. E-commerce investments were fruitful and this sales channel now accounts for around 30% of sales.

At our central warehouse in Hallsberg, the extensive investment project aimed at optimising our handling of increased volumes continued. In October, a new, 12,500 sq.m. pipe hall was completed. As a result, our central warehouse now comprises 80,000 sq.m. roof covered storage.

In addition to product sales and logistics, the year was also characterised by the extension of the service portfolio. Tryck & Klart (Prints on workwear), construction

site logistics and optimised stocking for industry are some examples.

We have had considerable focus on sales and relationship-building activities for both new and existing customers, primarily within facility service. Proximity to customers is a critical success factor in an ever increasingly competitive world.

Acquisitions

In 2017, the Swedish operation completed nine acquisitions with overall estimated net sales of MSEK 714.

In January 2018, the acquisition of Proffsmagasinet AB was completed. The company has e-commerce activities in Sweden, Norway and Finland and estimated net sales of around MSEK 260.

Customers

In Sweden, almost 60% of sales are generated by large customers within installation, industry, facility management and construction- and services-related businesses. Examples of large customers are Assemblin, Bravida, Skanska, Boliden and LKAB. Small and medium-sized customers accounted for the remaining 40%.

Around 70% of our customers in Sweden make recurring purchases from more than one product segment.

Priorities in 2018

- Integrate completed acquisitions and realise synergies.
- Further improve the customer interface and boost sales in all sales channels.
- Increase cross-sales.
- Improve cost efficiency.
- Competence development within leadership and sales.
- Continue the investment project in Hallsberg while keeping up with customer service and deliveries. The investment is expected to be completed in early summer 2019.

► THE OPERATIONS IN FOCUS

Piteå is expanding the charging structure for electrical vehicles



High ambitions for the Swedish car fleet

Sweden's target of a fossil-free vehicle fleet by 2030 is high and requires efforts by the whole of society to succeed.

For electrical vehicles to be a realistic alternative in this transformation, investments are needed, not the least in a larger number of charging points. The objective is to have 150,000 electrical vehicles in Sweden by 2020.

A well-functioning charging structure requires both public and non-public charging stations, and each station must be equipped with the right charging output for the purpose.

Ahlsell provides the pediments, pillars, charging stations and bases. Although the sales are on a low level they doubled in 2017.

► **The high ambitions of a fossil-free car fleet are adopted by Piteå Municipality,** whose ambition is to set a positive example in sustainable development. An investment project is currently running to expand the charging structure for electrical vehicles. Piteå Municipality is the project owner and the investment is financed mainly by Klimatklivet (Climate Life), which is the Swedish Environmental Protection Agency's initiative for local climate investments to reduce greenhouse gas emissions.

Piteå Municipality cooperates with Ahlsell, among others, on the procurement of charging points, and during the three-year project a total of 11 new charging stations will be installed in the municipality.

"The first initiative was to establish a well-consolidated charging infrastructure in the centre of Piteå," says Niclas Brännström, project manager and community developer at Piteå Municipality. "Today, we already offer 19 charging stations and the university is next in line to get charging points next year."

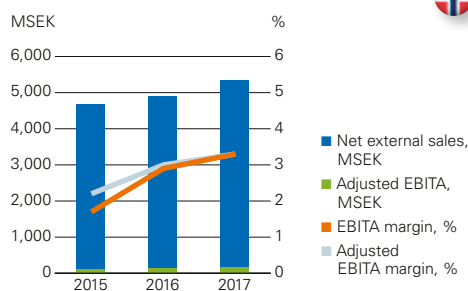
Niclas perceives that he sees an increasing number of electrical vehicles in Piteå, but cannot yet back this up with any figures. He hopes that this initiative will be the start of a one and that it will also be possible to provide rural areas with charging points, making it even more attractive to drive an electrical vehicle.

"It's exciting to be involved in this positive development towards a more sustainable society, in which Ahlsell, as a supplier of charging points, plays a vital role," says Niclas Brännström.

NORWAY



Net sales and EBITA



Quick facts

- Head of operations: Rune Flengsrud
- Around 1,040 employees
- Central warehouse in Gardermoen
- 50 branches
- 48,000 SKUs

Total net sales growth in 2017: 9%, of which 8% organic

Market description

In the Norwegian market, manufacturers of products within Ahlseil's offering sell around 70% through distributors. The customer base is more fragmented than in Ahlseil's other markets, although the existence of purchasing associations concentrate the customer base somewhat.

Ahlseil is the only distributor with a significant presence in all three product segments. Our market position is number one or two within HVAC & Plumbing, and three to five in the other product segments. The strongest position is within the HVAC & Plumbing product segment, which also accounts for 56% of Ahlseil's sales in Norway.

Examples of competitors: HVAC: Dahl (St. Gobain). Electrical: Elektroskandia (Rexel), Onninen (Kesko) and Solar. T&S: Tools (Momentum) and Würth.

Market development

The growth in the Norwegian economy gained momentum in 2017. Rising housing and business investments in combination with increased export and consumption drove this development. The GDP growth was 2.1% for the year.

Development for Ahlseil Norway

Ahlseil Norway delivered both good sales growth and improved results during the year. The activity level was record-high and operating costs as a proportion of sales declined. Improved market conditions and positive effects from the completed re-organisation led to a sales growth of 9%, of which 8% was organic. The adjusted EBITA margin increased to 3.3% (3.0).

Strategic initiatives

The re-organisation of the operations made in 2017 yielded results by the end of the year. The organisation is now more result-oriented, has a clearer strategy and a regional customer focus, which improves both proximity to customers and increase the agility of organisation.

Through investment in extensive specialist expertise, leadership, a customised offering and development of integrated logistics solutions, an improved position was established within attractive customer segments, including facility service, infrastructure and aquaculture.

In Norway, we have worked actively to strengthen and broaden the product offering during the year, and invested in improved sales channels, both online and in the branch network. One new branch was opened during the year, and another 12 were modernised to full-range branches, which increase the opportunities for cross-sales.

Acquisitions

In 2017, the Norwegian operation completed one acquisition with net sales of MSEK 23.

In the beginning of 2018, the acquisition of Bekken & Strøm AS was completed. The company is one of Norway's largest distributors of professional workwear, protective equipment, safety footwear and profile garments. They have an estimated annual net sales of MSEK 415.

Customers

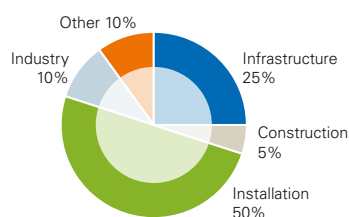
In Norway, large customers within e.g. installation, infrastructure and industry accounted for almost 70% of net sales. Examples of large customers are Värme og Bad, Olav Thon Gruppen, Yara and Eidsiva. Small and medium-sized customers accounted for the rest.

In Norway, around 35% of customers make recurring purchases from more than one product segment.

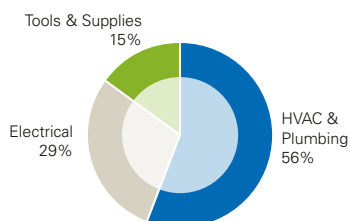
Priorities in 2018

- Focus on further widening the product portfolio.
- Improve the branch network.
- Initiate customer-specific initiatives towards attractive customer segments, such as infrastructure, aquaculture, personal protective equipment (PPE) and facility management.
- Further development the business through acquisitions.
- Increase e-commerce as a proportion of sales.
- Continue competence development within leadership and sales.

Sales per customer segment



Sales per product segment



► THE OPERATIONS IN FOCUS

Opening of Norway's first concept branch

**Ahlseil's concept branches will attract more customers**

The aim of Ahlseil's branch concept is to give the best possible customer experience. The concept comprises full-range branches with clear signage and attractive exposure of products. The concept is also reflected in the employees' uniform clothing, making it easy for customers to find personnel to obtain qualified advice. A full-range branch is not always a concept branch, since the two concepts differ. Concept branches resemble "flagship stores".

In Norway, the transformation to concept branches has only just begun, but in Sweden as much as 40% of all branches are already concept branches.

► **In just three weeks, Lars Erik Finne**, responsible for Ahlseil's branches in Norway, completed the new branch in Ski. At his side, he had his Norwegian team of dedicated employees. The branch is located south of Oslo and opened on May 9, 2017.

Ski is an expanding region, making it even more important for Ahlseil to be located here. When the new Follobanan train line is completed in 2021, there will be direct trains on the new double track, and the local train traffic on the old Østfoldbanan line between Oslo and Ski station will be turned into a four-track line. This improvement in communications has contributed to a boom in residential construction in the area.

This branch, which is Ahlseil's first branch with the new concept, is an important milestone for Ahlseil's activities in Norway. Overall, almost 1,800 sq.m. have been fitted out and filled with products. This is Ahlseil's first new establishment for many years and also the first in a series of planned concept branches.

Justina Eriksen is responsible for building up the PPE (personal protective equipment) department, which has a highly visible location at the front of the branch, close to the cash registers. She believes that it is important to present and display Ahlseil's strength in this area, and that the offering includes everything, from head to toe.

"Exposing the products from a customer perspective, rather than a supplier and brand perspective, makes it easier to gain an overview and inspiration."

Svanhild Schipper and Edle Ludwigsen work with municipal technical services at Ås Municipality, which has a framework agreement with Ahlseil. They were very keen to get in quickly and see what Ahlseil has to offer.

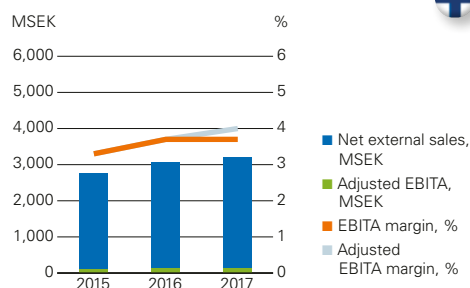
"The new branch is really inspiring and has an assortment which we find attractive. Now we have the opportunity to also buy protective clothing from Ahlseil."

Lars Erik Finne has a localisation plan which extends to 2026. Even if he was still in Ski when this interview was made, his thoughts are already on the next exciting establishment. In terms of PPE sales, Ahlseil, together with the newly acquired Bekken & Strøm AS, is a market leader in Norway.

FINLAND



Net sales and EBITA



Quick facts

- Head of operations: Mika Salokangas
- Around 580 employees
- Central warehouse in Hyvinkää
- 37 branches
- 60,000 SKUs

Total net sales growth in 2017: 5%, of which 4% organic

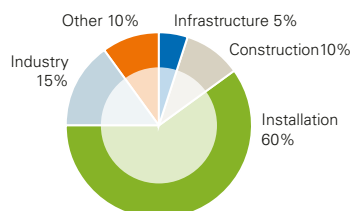
Market size and market share

In the Finnish market, manufacturers of products within Ahlseil's offering sell around 60% through distributors. The Finnish market differs from Sweden and Norway, as the direct sales ratio is higher. Historically, the market has also been characterised by a lower cost level and lower gross margins.

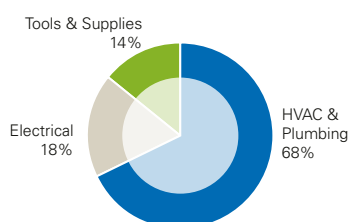
Ahlseil's market position is between three and four within all product segments. Ahlseil's strongest position is within the HVAC & Plumbing product segment from which around 68% of sales derive. We focus on building a strong regional market presence with a multi-segment offering based on our already strong position within HVAC & Plumbing.

Examples of competitors: HVAC & Plumbing: Onninen (Kesko) and Dahl (St. Gobain). Electrical: SLO (Sonepar), Onninen (Kesko) and Elektroskandia (Rexel). T&S: Würth, Etra and Tools (Momentum).

Sales per customer segment



Sales per product segment



Market development

The economic growth in Finland was driven by both exports and domestic demand during the year. Investments in construction and in machinery and equipment for the industry grew strongly, primarily driven by new housing construction and commercial construction in metropolitan regions. Finland's GDP growth amounted to 3.1%.

Development for Ahlseil Finland

After many years of challenging market conditions, the underlying market regained strength, which benefited demand. In total, Ahlseil Finland achieved a growth of 5%.

Strategic initiatives

During the year, the Finnish operations was re-organised in order to become more result-oriented and to strengthen proximity to customers, primarily in the rapidly expanding metropolitan regions. For example, in the Helsinki area, two new "pop-up stores" opened. These are temporary branches built up by containers at sites with high customer activity. Just like in the other main markets, the aim is to offer customers both proximity and product breadth. At the end of the year, the re-organisation was more or less completed.

Targeted market campaigns to strengthen the position within HVAC & Plumbing and Electrical, and improvements to the sales organisation, have entailed costs, but also resulted in a stronger market position for HVAC & Plumbing during the year.

Another important initiative was the focus on increased e-commerce, which already began in 2015, when the new online store was launched. E-commerce has increased strongly, however from low levels.

Acquisitions

In 2017, the Finnish operation completed one acquisition with estimated net sales of MSEK 40.

Customers

In Finland, small and medium-sized customers accounted for over 50% of Ahlseil's net sales. Remaining sales were from large customers such as Saipu, Are, Yara, SSAB and Outokumpu.

Around 30% of customers make recurring purchases from more than one product segment.

Priorities in 2018

- Anchor and deliver according to the new decentralised and result-oriented organisation which is now in place.
- Focus on recapturing market shares within HVAC & Plumbing, and build relevant market positions in the other product segments (Electrical and Tools & Supplies).
- Customer-specific initiatives targeted at attractive customer segments such as building and construction and facility management.
- Improve the branch network.
- Further develop the business through acquisitions.
- Increase e-commerce as a proportion of sales.
- Competence development within leadership and sales.
- Increase the ratio of private labels of sales.

► THE OPERATIONS IN FOCUS

Big improvements for small patients

Finland centralises healthcare

In December 2017, the Finnish government adopted a healthcare reform entailing centralisation of hospital activities in the country, towards fewer and more specialised units. The most complex specialist care will now be provided at 12 units with extensive 24-hour care. This focus on the major regional hospitals imply that they need to be adjusted for additional medical specialisations and to receive a larger number of patients. At the Mejlans hospital site in central Helsinki, a new and long-awaited children's hospital is being built. Here, children from all over Finland will be able to receive treatment for severe illnesses, or undergo complicated operations or organ transplants. The starting point was to build the world's best hospital for children, their parents and healthcare professionals. The first patients will be received in the summer of 2018.

► **Ahlseil take active part in the creation of the new Mejlans hospital**, which aims to deliver a worldclass healthcare in centre of Helsinki. Ahlseil's customer, Saipu Oy, is one of Finland's largest companies within construction, and Saipu is also responsible for the extensive HVAC & Plumbing installations at the new hospital. Most of the deliveries are from Ahlseil.

"We've been an Ahlseil customer for almost 25 years and we understand each other really well," says Pasi Erkkilä, project manager at Saipu Oy. "We appreciate that Ahlseil is solution-oriented and that we can trust them to always help out."

Saipu Oy has a tough time schedule. The architectural design is partly parallel to the planning of electrical and HVAC & plumbing work. The project is a fully BIM-based building plan. This technique makes it possible to design several virtual models of a building.

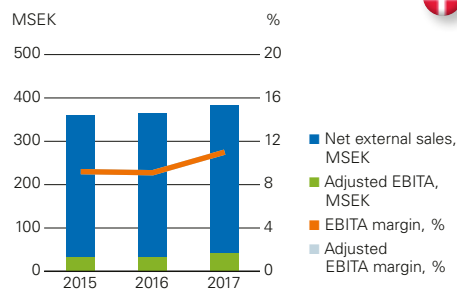
Ahlseil will deliver an estimated 400 toilets and a large number of washbasins and faucets. "Our deliveries to the hospital are a logistics challenge, since they have to take place between 7.30am and 9am in the morning," says Jarno Hatakka, regional manager at Ahlseil. The items must also be ordered in the right sequence, and in the right quantity, as the hospital has very limited storage capacity. "Saipu Oy purchases almost 95% of the items from the Ahlseil's webshop, but yet, the personal contact with our salesperson is of great importance," says Antti Laitinen, salesman at Ahlseil.

Children however, need a bit more than well-functioning plumbing, good healthcare and white walls. Therefore, Tove Jansson's Moomin stories will provide the inspiration for the interior design. Each floor will have a theme from a Moomin story. This will help to successfully make as many children as possible healthy again!

DENMARK



Net sales and EBITA



Quick facts

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

Total net sales growth in 2017: 5%, of which 4% organic

Ahlseil's activities

Our activities in Denmark differ from our other markets, as our activities mainly are within refrigeration and the DIY market. Within DIY, we deliver to other companies, who in turn sell to end-customers.

Development for Ahlseil Denmark

Ahlseil's Danish activities developed positively in 2017 with both increased net sales and profitability.

The development for refrigeration products was good, driven by an increase in refrigerant prices, as well as increased activity for some key customers. This resulted in net sales growth and higher profitability.

Also the DIY activities developed positively during the year, although somewhat

weaker than the refrigeration. This was a consequence of a sluggish consumer market and increased competition, which also had a negative impact on the margin development.

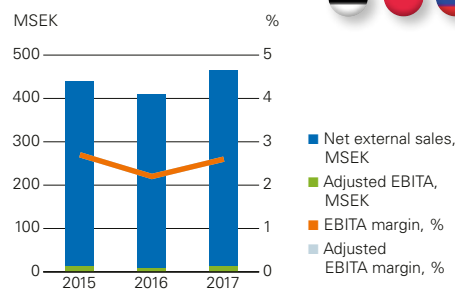
Priorities in 2018

- Strengthen sales and results within the existing operations.
- Further develop the business through strategic acquisitions.

OTHER Estonia, Poland, Russia



Net sales and EBITA



Quick facts

- Head of operations: Johan Nilsson
- Primarily HVAC and Plumbing
- Around 230 Employees
- 13 branches

Total net sales growth in 2017: 14%, of which 10% organic

Ahlseil's activities

In Estonia, we are the market leader within HVAC & Plumbing, with eight branches.

In Poland, we have three HVAC & Plumbing branches.

In Russia we have two branches in which we mainly sell HVAC & Plumbing products. Our activities mainly originate from previous acquisitions and strategic initiatives.

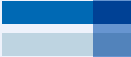
Development for Ahlseil Other

The operations in Estonia and Poland reported positive net sales development during the year. In Estonia, demand was favourable overall and sales to house builders developed particularly well. In Poland, our previous investments in the sales force yielded results, and new strategic cooperations with customers were established.

Activities in Russia developed negatively during the year. A lower gross margin also weakened the EBITA margin.

Priorities in 2018

- Strengthen sales and results within the existing operations.
- Selective expansion in Estonia.



The Board and CEO 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 2017

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Directors' Report

According to the Swedish Annual Accounts Act, the annual report must contain a Directors' Report which briefly describes the most important events during the year.

Business review

Ahlseil AB (publ) is the Parent Company of the Ahlseil Group. The Ahlseil Group, which reported net sales of just over BSEK 27 in 2017, is one of the Nordic region's leading trading companies, 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 Ahlseil's main markets and account for 97 percent of sales. Other markets include Denmark, Estonia, Russia and Poland.

The Group's operations are conducted primarily under the Ahlseil trademark. Operations are conducted locally and the Ahlseil Group's organisational model is designed to support this. The organisational structure is decentralised and based on the local market, with a large number of sales offices and branches. With many local entities in each country and clearly defined areas of responsibility, the Group has a strong base, enabling Ahlseil to maintain a high level of flexibility and proximity to customers.

Coordination of purchasing, logistics, administration and IT brings economies of scale in the operations.

Market development

Developments in 2017 have been favourable in all Ahlseil's main markets and in all product segments. Economic growth in the main markets has been driven primarily by housing investments, private consumption and increased exports. The high level of activity in the construction industry has also contributed to the year's good development, bringing historically strong growth figures.

Net sales and operating profit

The Ahlseil Group, whose development is influenced by the macroeconomic conditions and the invest willingness within the construction sector and the industry, has in 2017 achieved strong sales growth and good profitability development. All the Group's geographic market segments and product segments show positive growth and improved earnings.

The Group's net sales increased by 12% to MSEK 27,484 (24,606). The increase is due to good organic growth and a positive contribution from acquired companies, particularly in the Swedish operations. Organic growth, calculated as increase in sales, adjusted for difference in number of trading days, currency effects and acquisitions, was 9% (7). Currency effects had a positive impact of 1% on net sales, corresponding to MSEK 145.

The gross margin was 27.0% (27.2), a slight decline from the previous year. EBITA was MSEK 2,394 (2,058), corresponding to an EBITA margin of 8.7% (8.4).

Non-recurring expenses of MSEK 11 attributable to the reorganisation of the Finnish operations had an adverse effect on earnings.

EBITA adjusted for items affecting comparability, see note 37, was MSEK 2,405 (2,131).

Operating profit (EBIT) was MSEK 2,043 (1,719), corresponding to an operating margin of 7.4% (7.0).

Acquisitions in 2017

Acquisition of G-ESS Yrkeskläder AB

In February, Ahlseil signed an agreement to acquire all the shares in G-ESS Yrkeskläder AB (G-ESS). The acquisition was completed at the end of February. 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.

On the acquisition date, G-ESS had annual sales of about MSEK 120 and 37 employees.

Acquisition of C.J. Järn & Maskin AB

In May, C.J. Järn & Maskin was acquired. C.J. Järn & Maskin was founded in 1870 and offers an extensive range of tools, machinery, personal protective equipment and industrial supplies for the professional market. Its business is based in Vårgårda.

On the acquisition date, C.J. Järn & Maskin had annual sales of about MSEK 47 and 18 employees.

Acquisition of Svensk Industri & Kommunservice AB

Svensk Industri & Kommunservice AB (Sikab) was acquired in June. Sikab, one of Gothenburg's leading companies within professional workwear and footwear, has a store on Hisingen, where approximately 5,000 warehouse articles are offered to municipalities and small and medium-sized entrepreneurs. The business continues under Sikab's trademark, but purchasing, logistics and administration are being integrated into Ahlseil's operations.

On the acquisition date, Sikab had annual sales of about MSEK 55 and 13 employees.

Acquisition of Lenson Elektro AS

Lenson Elektro AS (Lenson) was acquired in October. Lenson provides products in the area of temporary electrical installations such as electricity, lighting and climate. The company is located in Trondheim and its primary market is the central regions of Norway.

On the acquisition date, Lenson had annual sales of about MSEK 23 and five employees.

Acquisition of the operations of ViaCon VA AB

In June, Ahlseil signed an agreement with Saferoad Holding on the acquisition of its Swedish water & sewer business ViaCon VA (ViaCon). The acquisition was completed at the beginning of November following approval from the Swedish Competition Authority. The water & sewer operations cover distribution of water & sewer products, but also include a distribution agreement regarding ViaCon's geotechnical products for use in small and medium-sized construction projects in Sweden and Norway.

On the acquisition date, ViaCon had annual sales of about MSEK 320 and 81 employees.

Acquisition of the operations of Gehås AB

In December, Gehås AB (Gehås) was acquired. Gehås sells workwear, profile products, stationery and office supplies in Värmland, and has two stores: one in Arvika and one in Årjäng.

On the acquisition date, Gehås had annual sales of about MSEK 15 and six employees.

Acquisition of Infästningsspecialisten i Göteborg AB

Infästningsspecialisten i Göteborg AB (Infästningsspecialisten) was acquired in December. Infästningsspecialisten distributes building supplies to professional customers in Västra Götaland and has a particularly strong position within fastening products and related tools, which are sold to small and medium-sized contractors in construction, electrical and HVAC & plumbing.

On the acquisition date, Infästningsspecialisten had annual sales of about MSEK 28 and eight employees.

Acquisition of Nordic Sprinkler AB, Enexia AB and Prepipe Construction AB

Nordic Sprinkler AB, Enexia AB and Prepipe Construction AB, all operating in the Swedish market, were acquired in December. Nordic Sprinkler offers a full range of sprinkler components. Prepipe Construction offers prefabricated sprinkler systems, while Enexia is a distributor of grooved piping systems.

On the acquisition date, the companies had annual sales of about MSEK 80 and 21 employees.

Acquisition of Enexia Oy

Enexia Oy was acquired in December. Enexia distributes a full range of sprinkler components and grooved piping systems in the Finnish market. Customers are found mainly within plumbing and industry.

On the acquisition date, Enexia had annual sales of about MSEK 40 and eight employees.

Acquisition of Jobline i Umeå AB

Jobline i Umeå AB (Jobline) was acquired in December. Jobline offers workwear and protective equipment to small and medium-sized professional customers in Umeå and its surroundings.

On the acquisition date, Jobline had annual sales of about MSEK 26 and eight employees.

Acquisition of Safe Workwear Sweden AB

Safe Workwear Sweden AB (Safe Workwear) was acquired in December. Safe Workwear has two stores, one in Stockholm and one in Strängnäs, and mainly sells well-known brands of workwear and protective equipment to companies and municipalities.

On the acquisition date, Safe Workwear had annual sales of about MSEK 24 and nine employees.

Agreement on the acquisition of Proffsmagasinet Svenska AB

In December, Ahlseil entered into an agreement to acquire Proffsmagasinet Svenska AB (Proffsmagasinet). Proffsmagasinet is active in e-commerce in Sweden, Norway and Finland and offers about 17,000 items of well-known brands within professional hardware products, such as tools, gauges, laser instruments and personal protective equipment. The domain name Proffsmagasinet.se is used in Sweden, while Staypro.no is used in Norway and Staypro.fi in Finland.

Proffsmagasinet has annual sales of about MSEK 260 and about 50 employees.

The acquisition was approved by the Swedish Competition Authority in December and closing was on 16 January 2018.

Agreement on the acquisition of Bekken & Strøm AS

An agreement on the acquisition of Bekken & Strøm AS was signed in December. Bekken & Strøm is one of Norway's largest retailers of workwear, protective equipment, work & safety footwear and profile clothing. The company's head office and central warehouse are located in Gjøvik, with stores in Oslo, Bergen, Trondheim, Kristiansand, Gjøvik, Sandefjord, Mo i Rana and Stryn.

Bekken & Strøm has annual sales of about MSEK 415 and about 160 employees.

Closing was on 2 February 2018, following approval from the Norwegian Competition Authority.

Significant events in 2017 Management changes in Ahlseil Group

Magnus Nordstrand, Chief Purchasing Officer of Ahlseil Group will, at his own request, leave his position in the early part of 2018. Karolina Hagberg Chinell has been appointed the new Chief Purchasing Officer. She will join Group Management and take up her appointment by 15 June 2018 at the latest.

Karolina currently works as Business Area Director for Purchasing and Category at COOP Sverige AB. She has experience from purchasing, marketing and sales positions at Barilla, ICA and other companies.

Other

In March 2015, the Finnish Competition Authority conducted an investigation of several companies in the HVAC sector in Finland, including Ahlseil Oy. In January 2018, the Authority announced that the investigation was proceeding.

Net sales and earnings per segment Sweden

External net sales for the Swedish operation amounted to MSEK 18,087 (15,874). Organic growth was 11% (8). Profit (EBITA) amounted to MSEK 2,213 (1,936), with an EBITA margin of 12.2% (12.2%). Operating profit (EBIT) amounted to MSEK 1,962 (1,697).

The Swedish market has been characterised by a strong economy, while the economic policy has been expansive. Good GDP growth, recent population growth, a continuation of high housing prices and low interest rates have benefited the construction industry's growth, particularly in new construction of residential and commercial buildings. Ahlseil's operations have benefited from the current market conditions. Alongside successful organic initiatives, Ahlseil Sweden achieved strong sales and earnings growth.

In 2017, the Swedish operation made nine acquisitions with total estimated annual sales of MSEK 714. The acquisition of Proffsmagasinet, with e-commerce activities and estimated annual sales of MSEK 260, was completed at the beginning of 2018.

Norway

External net sales for the Norwegian operation amounted to MSEK 5,349 (4,909). Organic growth was 8% (7). Currency effects had a positive impact of 1% on sales, corresponding to MSEK 68. Profit (EBITA) amounted to MSEK 177 (142), with an EBITA margin of 3.3% (2.9). Adjusted EBITA amounted to MSEK 177 (149). Operating profit (EBIT) amounted to MSEK 128 (94).

Ahlseil's Norwegian operations benefited from improved market conditions during the year, with the growth rate in the Norwegian economy increasing, driven by rising residential and business

investments and good export and consumption growth. In addition, strategic initiatives and expansion within, for example, sales to customers in niche areas such as aquaculture and electricity infrastructure were successful, which contributed to a good sales rate.

In 2017, the Norwegian operations made one acquisition with total estimated annual sales of MSEK 23. Another acquisition, in early 2018, was Bekken & Strøm AS, one of Norway's largest retailers of workwear, protective equipment, work & safety footwear and profile clothing, with estimated annual sales of MSEK 415.

Finland

External net sales for the Finnish operations amounted to MSEK 3,201 (3,050). Organic growth was 4% (7). Currency effects had a positive impact of 2% on sales, corresponding to MSEK 54. Profit (EBITA) amounted to MSEK 117 (114), with an EBITA margin of 3.7% (3.7). Items affecting comparability had a total impact of MSEK 11 on earnings and were attributable to restructuring of the management and sales organisation, comprising about 30 positions. Adjusted EBITA, excluding items affecting comparability, amounted to MSEK 129 (114). The adjusted EBITA margin was 4.0% (3.7). Operating profit (EBIT) amounted to MSEK 74 (71).

Economic growth in Finland has increased and is now driven by both exports and domestic demand. Investments in construction, along with machinery and equipment for the industry, are showing strong growth. The construction sector is mainly driven by new residential construction in metropolitan regions and commercial buildings.

The market situation has favoured AhlSELL's development during the year, and the Finnish organisation has taken action to further strengthen its position in the attractive growth regions, including measures such as two new pop-up stores in the Helsinki area.

In 2017, the Finnish operations made one acquisition with total estimated annual sales of MSEK 40.

Denmark

External net sales for the Danish operations amounted to MSEK 382 (364). Organic growth was 4% (–1). Currency effects had a positive impact of 2% on sales, corresponding to MSEK 7. Profit (EBITA) amounted to MSEK 42 (33), with

an EBITA margin of 11.1% (9.1). Operating profit (EBIT) amounted to MSEK 36 (27).

The development of the Danish operations, which focus on the DIY market and refrigeration products, has been positive with increased sales and earnings. The Danish refrigeration operations have performed well during the year, driven by factors such as higher refrigerant prices and increased activity among some key customers, resulting in revenue growth and increased profitability. The DIY operations also showed positive development during the year, although at somewhat slower pace than the refrigeration operations, due to a weaker consumer market and increased competition, which also had a negative impact on margin growth.

Segment Other

External net sales for the segment Other, comprising Russia, Estonia and Poland, amounted to MSEK 465 (410). Organic growth was 10% (–7). Currency effects had a positive impact of 4% on sales, corresponding to MSEK 17. Profit (EBITA) amounted to MSEK 12 (9), with an EBITA margin of 2.6% (2.2). Operating profit (EBIT) was MSEK 12 (9).

The operations in Estonia and Poland showed sales growth during the year. In Estonia, demand was generally good, with sales to house manufacturers showing particularly good development. In Poland, the previous year's investments in the sales force have produced results and new strategic partnerships have been initiated to develop the business.

Operations in Russia showed negative growth during the year, which, together with lower gross margins, weakened the EBITA margin.

Net financial items

The Group's net financial items for the year amounted to MSEK –209 (–1,140). The average external interest expense was about 2.4% (5.9). Currency effects due to revaluation of loans and cash in foreign currency had an impact of MSEK –37 (–178) on net financial items, while revaluation of derivatives had an impact of MSEK 28 (530).

Tax, profit for the year and earnings per share

Tax expense was MSEK 406 (237), corresponding to an effective tax rate of –22.1% (–40.9). Tax loss carryforwards

from previous years were utilised during the year, which reduced the effective tax rate by 1 percentage point. Profit after tax for the year amounted to MSEK 1,428 (342), while comprehensive income for the year was MSEK 1,399 (348). Basic and diluted earnings per share for the year amounted to SEK 3.28 (1.11).

Seasonal variations

AhlSELL's sales are affected by seasonal variations to a certain extent. Sales are strongest in the second and fourth quarters. Sales are affected by the number of trading days in a quarter. The quarter in which Easter falls (Q1 or Q2) will have lower sales.

Research and development

AhlSELL does not conduct any research, but continuously develops its operations and the IT platform in order to benefit from digitalisation and respond to changes in customers' purchasing behaviour. Development activities include private label products, AhlSELL's e-commerce platform and investments in new customer groups, such as construction and lighting initiatives in which AhlSELL has produced a new range of products for specific customer requirements.

Financial position and liquidity

Non-current assets

The carrying amount of intangible assets at 31 December 2017 was MSEK 14,109 (14,237). The value of intangible assets increased by MSEK 221 during the year as a result of acquisitions and declined as a result of amortisation of MSEK 351, mainly attributable to customer relationships. Intangible assets consist primarily of goodwill MSEK 7,206 (7,028), trademark MSEK 3,837 (3,837), and customer relationships MSEK 2,929 (3,249).

The carrying amount of property, plant and equipment at 31 December 2017 was MSEK 853 (781), an increase of MSEK 72 during the year.

Cash and cash equivalents

The Group's cash and cash equivalents at 31 December 2017 were MSEK 1,295 (1,209). In addition, there are unutilised credit facilities of SEK 3,215, of which 1,000 MSEK is intended to serve as a back-up to the Group's commercial paper programme. See note 32 for more information.

Equity and liabilities

Net debt at 31 December 2017 amounted to MSEK 6,742 (7,486), a decline of MSEK 744 since the previous year. Net debt/adjusted EBITDA was 2.6 (3.3) times. The Group's equity at 31 December 2017 was MSEK 9,004 (8,089), an increase of MSEK 915 during the year.

Financing

Ahlsell's financing consists primarily of four credit facilities: Two term loan facilities totalling MSEK 6,717 on 31 December 2017, with MSEK 1,467 due in November 2019 and MSEK 5,250 due in November 2021, and two revolving credit facilities totalling MSEK 3,250, of which MSEK 1,000 is intended as a back-up to Ahlsell's commercial paper programme that was initiated during the year. Outstanding commercial papers amounted to MSEK 999 on 31 December 2017. The programme has a total value of MSEK 2,500. At the reporting date, MSEK 35 of the revolving facilities was utilised for bank guarantees and letters of credit.

Cash flow and investments

Cash flows for the year amounted to MSEK 86 (–1,155). Cash flow from changes in working capital was MSEK –333 (–89). Cash flow from investing activities was MSEK –541 (–530). During 2017, acquisitions of operations had a negative effect of MSEK –346 (–451) on cash flow. Cash flow from financing activities was MSEK –1,235 (–1,871), and was affected by repayments, MSEK –1,712, issuance of commercial papers, MSEK 999, repurchase of shares, MSEK –369, and a dividend payment of MSEK –153 during the year. The previous year's cash flow from financing activities was adversely affected by the Company's refinancing.

The year's gross investments in property, plant and equipment amounted to MSEK 245 (220), with finance leases accounting for MSEK 67 (93) of this amount. The year's gross investments in intangible assets totalled MSEK 39 (30). Investments during the year were mainly in branches, logistics and IT. Depreciation

of property, plant and equipment was MSEK 168 (156) and amortisation of intangible assets was MSEK 351 (340).

Operating cash flow for the year was MSEK 1,991 (2,000). Operating cash flow compared with the previous year was positively affected by the Group's increased operating profit, while cash flow from changes in working capital and investments had the opposite effect. Among other things, strong growth and a stronger focus on delivery capacity contributed to increased inventory values during the last six months. Operating cash flow/EBITDA (Cash conversion) was 78% (90).

Employees

The number of employees at the end of the period was 5,471 (5,090) and the average number of employees during the year was 5,106 (4,791). Acquisitions during the year have increased the number of employees by 214. 21% (20) of the employees are women.

Sustainability report

Environment and sustainability are an integral part of Ahlsell's business. It is paramount importance for us to comply with legislation, permits and other regulatory decisions, and we therefore have zero tolerance for violations of them. Ahlsell's activities at its logistics centre in Sweden are subject to statutory reporting with regard to the intermediate storage of used refrigerants. The licence is conditional on the submission of an annual environmental report to the relevant authorities. Permits are also held for handling explosive and flammable goods and for the transfer of particularly dangerous chemical products. Ahlsell branches that store flammable liquids over 100 litres or indoor gas have the necessary licences. Ahlsell also has a permit to store gas at a number of branches.

Ahlseil complies with the requirements of the Swedish Annual Accounts Act, see also the Sustainability Report on pages 12-13 and 17-29.

Parent Company

Ahlseil AB (publ), corp. ID 556882-8916, is registered in Sweden and headquartered in Stockholm. The Parent Company's net sales for the year amounted to MSEK 453 (1). Profit/loss before tax was MSEK –1,240 (–198). Group internal restructuring had a negative effect of MSEK 1,753 on the Parent Company's earnings during the fourth quarter. The Parent Company's operations consisted of ownership of shares in subsidiaries and the provision of Group-wide services during the financial year.

Events after the reporting date

Ahlseil has acquired Proffsmagasinet AB. Proffsmagasinet is active in e-commerce and offers about 17,000 items under well-known brands within professional hardware products, such as tools, gauges, laser instruments and personal protective equipment. The name Proffsmagasinet.se is used in Sweden, while Staypro.no is used in Norway and Staypro.fi in Finland. Proffsmagasinet has annual sales of about MSEK 260 and about 50 employees. The acquisition was approved by the Swedish Competition Authority in December and closing was in January 2018.

Ahlseil has acquired Bekken & Strøm AS. Bekken & Strøm is one of Norway's largest retailers of workwear, protective equipment, work & safety footwear and profile clothing. Bekken & Strøm has annual sales of about MSEK 415 and about 160 employees. Closing was in February 2018, following approval from the Norwegian Competition Authority.

Ahlseil acquired HMK i Västerås AB, in Sweden, in February. The company sells workwear and protective equipment and has annual sales of about MSEK 16 with eight employees.

Outlook

All in all, we expect good demand for our products and services as we enter 2018.

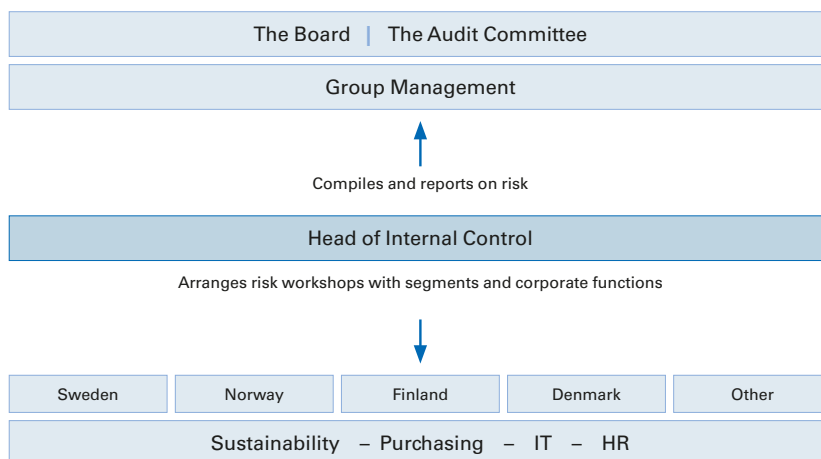
Risk management

All business operation is associated with risks. Effective risk management can lead to opportunities and value creation, while risks that are not managed in the right way can lead to damage and loss.

The ability to identify, assess, manage and monitor risks is central to Ahlseil's operations. Ahlseil assesses its risks in a short and long-term perspective.

Ahlseil has established a framework and process for risk that include identification, analysis, categorisation and risk management. The Head of Internal Control is responsible for the Group's overall risk process and reports to Group Management and the Board.

The risks described below are the risks that are expected to have the most significant impact on Ahlseil in 2018.



Risk area		Risk management
ECONOMIC TRENDS	Activity in the building sector, comprising new construction projects, service and repairs, and renovation, maintenance and improvement (RMI), is the single most important driver of Ahlseil's sales development. A weaker economy with a weaker construction sector has a negative impact on Ahlseil's sales.	Ahlseil operates in several geographic markets, with customers of varying sizes and in a number of industries. This makes Ahlseil less sensitive to changes in economic cycles.
GROWTH THROUGH ACQUISITIONS	Acquisitions are a key part of Ahlseil's growth strategy. The acquisition process can be subject to difficulties, both in terms of completing the acquisition and integrating the acquisition into the operations in order to achieve the expected synergies. Inadequately conducted acquisitions in which expected values are not achieved can have an adverse effect on Ahlseil.	Ahlseil has established a Group function that continuously identifies, evaluates and completes acquisitions. Acquisitions are integrated under the leadership of the Integration Manager. Ahlseil's intangible assets are continuously reviewed and tested for impairment. An impairment loss is recognised as soon as there is an indication of impairment.
WAREHOUSES AND LOGISTICS	Ahlseil's central warehouse is the hub of the entire Group's distribution chain. If the central warehouse and distribution were disrupted in any way, Ahlseil would be adversely affected.	Ahlseil continuously conducts maintenance and monitoring of the security of its logistics centres. The Group also works continuously to monitor its distribution chain to ensure that it is operating efficiently and has adequate capacity.
IT	Ahlseil is highly dependent on an efficiently functioning IT environment. An impaired IT environment due to e.g. external IT attacks on Ahlseil or its IT providers would quickly have a negative impact on results.	Ahlseil continuously conducts maintenance and monitoring of the security of its IT systems. The security of the systems is tested regularly. Ahlseil aims for long-term partnerships and agreements with all external suppliers.

Risk area	Risk management
INFORMATION SECURITY	The ITIL (Information Technology Infrastructure Library) framework is used for changes in business critical systems and incident management. Ahlseil has high standards of information security, integrity and transparency, and we prioritise the protection and management of data in accordance with approved standards. The Company will comply with the GDPR regulations when they come into force in May 2018.
RESPONSIBLE SOURCING	Ahlseil has a large number of suppliers, with manufacturing around the world. Ahlseil's customers are placing ever increasing demands on Ahlseil and on Ahlseil's suppliers' responsibility. The suppliers undertake to follow Ahlseil's code of conduct. If Ahlseil is lacking in the control of its suppliers, there is a risk that this will have a negative effect on Ahlseil's reputation. To identify suppliers that are able to comply with the Code of Conduct, the supplier's sustainability work is evaluated prior to signing an agreement. The results are monitored in various ways, such as on-site visits or updated evaluations.
BUSINESS ETHICS	Upholding Ahlseil's reputation is key to the success of its business. Ahlseil's conduct in all situations, regardless of country or market, shall be characterised by responsibility and respect for customers, suppliers and other business partners. Actual or suspected unethical business practices can harm Ahlseil negatively. Ahlseil has clear policies and guidelines for good business ethics. Business ethics training, adapted to different categories of personnel, takes place continuously. Any departure from good business ethics is handled promptly by the responsible manager and the Head of Internal Control.
FINANCIAL RISKS	Ahlseil is exposed to a number of financial risks in the course of its operations and financing activities. These are refinancing, interest rate, currency, credit and liquidity risks. For example, a negative development in the financial market, such as high interest rates, may have an adverse effect on Ahlseil. Ahlseil's Financial policy describes how Ahlseil's financial risks are to be managed. The policy stipulates that: • The loan portfolio for each currency must reflect the Company's forecast EBITDA or operating cash flow per currency. • Ahlseil does not normally enter into any hedges linked to foreign currency purchases. However, the Group Treasurer and the CFO, have a mandate to do so if necessary. • 20-50% of the Group's loan portfolio, including interest rate derivatives, must be at fixed interest rates. • The Group's liquidity reserve must amount to at least 5% of the Group's annual net sales. • If an individual facility has less than 1 year to maturity, refinancing arrangements must have started. The average maturity of the Group's facilities must be at least 1.5 years. • Ahlseil's credit policy provides guidelines to ensure that sales are made to customers with appropriate credit backgrounds and that credit decisions are made by persons with the right authority. See note 32 for more detailed information about 2017.
TAX	The Ahlseil Group is taxed in the jurisdictions in which it operates and has subsidiaries. Ahlseil's interpretation and assessment of the tax situation may be subject to tax audits and potential tax adjustment notices. Ahlseil has both local functions and a supporting Group function to enable correct management of taxes. Ahlseil always engages the services of third parties for complex tax matters.

Corporate Governance Report 2017

Ahlsell's corporate governance is aimed at sustainable value creation for shareholders through good internal control and a sound corporate culture. Good corporate governance leads to effective decision making and increases our scope for developing the business. Clear definition of roles and responsibilities between management and control bodies, and transparency with regard to owners and capital markets provides a solid foundation for active and responsible ownership.



"As I look back on last year, there is much to be proud of. Our 5,500 dedicated employees have contributed to the creation of additional customer value, which has enabled us to achieve growth in both sales and profit. With more than 100,000 customers spread across several countries, we have to comply with different laws, rules and expectations. It is therefore our highest priority to ensure that we always act in accordance with the highest ethical standards. I am convinced that a sound corporate culture combined with good corporate governance brings improved opportunities for further development of our business. Ahlsell has good internal control and effective decision-making by having the right people in the right place in the organisation, which contributes to sustainable value creation for our shareholders and the Company's other stakeholders."

Kenneth Bengtsson, Chairman of the Board

Ahlsell AB is a Swedish public limited company, corp. ID 556882-8916. Ahlsell has its registered office in Stockholm and is listed on Nasdaq Stockholm. This corporate governance report is part of the Directors' Report and relates to both the Parent Company Ahlsell AB (publ) and the Group.

External governance instruments

The external governance instruments that provide the framework for Ahlsell's corporate governance are the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code (the Code). Ahlsell applies the Code, with no derogations.

Internal governance instruments

The most important internal governance instruments are the Articles of Association adopted by the Annual General Meeting (AGM). These are followed by the rules of procedure for the Board and its committees, the CEO's instructions, business plans and budgets, and a number of policies, guidelines and procedures that are binding for the entire organisation.

All policies are reviewed annually by the Board, and the whole Group works actively on implementing them. The Group's subsidiaries apply their country's applicable laws and regulations, but also ensure compliance with the Group's policy documents.

Governance and organisational structure

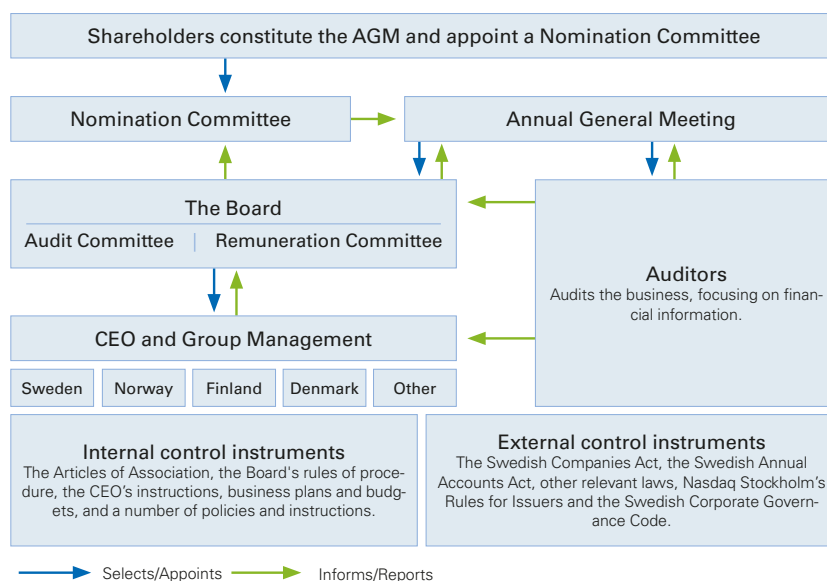
Governance, management and control are divided among the shareholders at the AGM, the Board and the CEO in accordance with the model below.

Shareholders

Ahlsell's shares were admitted to trading on Nasdaq Stockholm on 28 October 2016. The number of shares outstanding on 31 December 2017 was 436,302,187. After a repurchase of shares in November 2017 to hedge the Group's long-term share-savings programme, Ahlsell owns 7,000,000 shares. The par value of the share is SEK 0.28. All shares carry equal

voting rights and entitlement to a share of the Company's profits and capital. There are no limitations concerning the shareholders' rights in the Articles of Association or, as far as the Company is aware, in shareholder agreements.

The number of shareholders at the end of 2017 was 15,143. The largest owner at the end of the year was Keravel S.a.r.l., which is indirectly owned by CVC European Equity Fund V and CVC European Equity Tandem Fund, with 25.1% of the number of shares and votes in Ahlsell. The proportion of Swedish-owned shares at the end of the year was 32%. Learn more about shareholders in the section The Ahlsell share.



Annual and General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body at which the shareholders decide on the Company's Articles of Association and governance. The AGM must be held within six months of the end of the financial year.

Ahlsell's Articles of Association do not contain any specific provisions on the appointment and dismissal of Board members or amendments to the Articles of Association. They also do not contain any provisions that restrict shareholders' right to exercise their influence at the AGM. In addition to the AGM, extraordinary general meetings may be convened on the initiative of the Board.

The Chairman of the Board, all Board members, the CEO, and at least one member of the Nomination Committee and an auditor must attend the AGM. The Chairman, as many Board members as possible and the CEO must attend extraordinary general meetings.

Notice of the AGM or General Meeting of Shareholders, and related information, must be published in Post- och Inrikes Tidningar and on Ahlsell's website. When the notice of the meeting has been issued, information to this effect will appear in Svenska Dagbladet.

Minutes of the meeting, the address by the CEO and other documents are published on the Company's website, in accordance with the Code.

Nomination Committee

The main duties of the Nomination Committee are to present the AGM with proposals for a Chairman and other Board members elected by the Meeting, and proposals for remuneration and other benefits to each of the Board members. The Nomination Committee also makes recommendations on the appointment of 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 Board's diversity policy

When electing Board members, the aim is for the Board members collectively to possess the necessary knowledge and experience of the business and cultural conditions in the regions and market areas where the Group's main operations are conducted.

According to the Code, the Board should have a composition that is appropriate to the Company's business, development phase and other conditions, with members elected by the AGM exhibiting diversity and breadth of qualifications, experience and background. To fulfil this requirement, each Board member should have a broad set of qualities and competencies, and it is stated that diversity, e.g. of age, gender, ethnicity, education and professional background, is an important factor to consider. The Chairman of the Board informs the Nomination Committee of the necessary expertise and skills that Board members need to manage the Company's affairs with integrity and efficiency. The Chairman also reports on the annual evaluation of the Board's work.

The Nomination Committee reports on its work and justify its recommendations in accordance with the requirements of the Annual Accounts Act and the Code. The Committee also publishes an explanatory statement about its Board recommendations on the Company's website. At the AGM, the Nomination Committee provides a statement describing its work and presents and explains its proposals.

The Nomination Committee shall comprise four members representing the largest shareholders in the Company on the last banking day in August in the year before the AGM. In addition to these four members, the Chairman of the Board will be co-opted to the Nomination Committee and act as convener.

If a shareholder qualifies as one of the four largest shareholders, after the Nomination Committee has been appointed but two months before the AGM, that shareholder is entitled to serve on the Nomination Committee and the representative that no longer represents one of the four largest shareholders will leave the Committee.

The composition of the Nomination Committee must be announced at least six months before the AGM. All shareholders may contact the Nomination Committee to submit proposals for Board members. Contact details can be found on Ahlsell's website (www.ahlsell.com).

The Board

The Board of Directors shall comprise at least three and no more than ten members elected by the General Meeting without deputies. Board members, with the exception of employee representatives, are elected annually at the AGM for the period until the end of the next AGM.

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

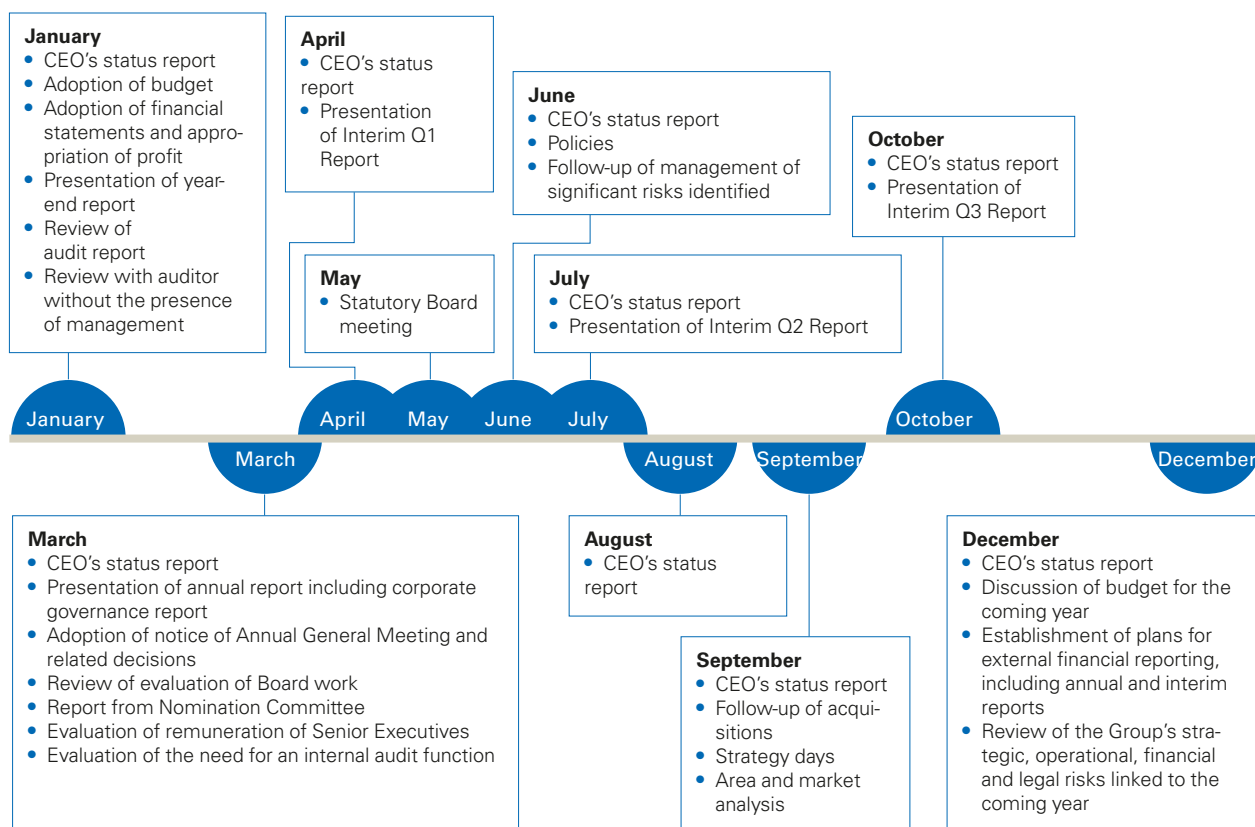
Work of the Board

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's duties include setting overall objectives and strategies, business plans and budgets, interim and year-end reports, and annual reports, and ensuring the quality of internal policy documents. The Board is also required to follow economic developments and ensure the quality of financial reporting. The Board must 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 also appoints, evaluates and, if necessary, dismisses the CEO.

Each year, the Board adopts written rules of procedure regulating the division of duties and responsibilities between Board members, the Chairman and the

The work of the Board of Directors in 2017. Acquisitions were an agenda item at most meetings.



CEO. The Board also adopts instructions for Board committees, instructions for the Ahlsell CEO, including instructions for financial reporting to the Board.

The Chairman leads the work 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 Chairman is also responsible for preparing, and ensuring the Board always receives, the information it requires to carry out its work effectively. The Chairman acts as the Board's representative in communication with the Company's shareholders.

The Chairman 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 gain an understanding of Board members' opinions on how the Board's work is conducted and what measures may 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 AGM.

Board committees

Ahlsell's Board has established an Audit Committee and a Remuneration Committee. The members of the committees are appointed at the statutory Board meeting for a period of one year. The committees deal with matters in their own areas of responsibility and submit proposals for decision by the Board. The minutes of the committees' meetings are available to the Board. The chair of each committee informs the Board of the work of the committee at the Board meetings.

Audit Committee

The Audit Committee shall comprise at least three members of the Board, with the majority being independent of the Company and its management. At least one of the members of the Audit Committee shall be independent of 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 AGM.

Remuneration Committee

The Remuneration Committee shall comprise at least three Board members, who shall be independent of the Company and its management. At least one of the members of the Remuneration Committee shall be independent of major shareholders. The Chairman of the Board shall also be the chair of 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 bene-

fits and bonus systems for the CEO and managers reporting directly to the CEO, and also remuneration matters based on principles. The Remuneration Committee shall prepare proposals on guidelines for remuneration of the CEO and other members of AhlSELL's Group management for presentation to the Board. The guidelines are revised annually. The Remuneration Committee shall also oversee and assess the application of the remuneration guidelines adopted at the AGM.

Remuneration of Senior Executives

Guidelines for remuneration and other conditions of employment for the CEO and other members of AhlSELL's Group management are adopted each year at the AGM. Before the AGM, the Board presents recommended guidelines for remuneration of the CEO and Group management. Matters concerning remuneration of the CEO are then prepared by the Remuneration Committee and approved by the Board. Matters concerning remuneration of the CEO and other members of Group management are approved by the Board on the basis of the guidelines adopted by the AGM.

Group management

Group management comprises AhlSELL's President and CEO, CFO, HR Director, Chief Purchasing Officer, Head of Business Support and the Heads of Operations for the three largest segments. Group management holds monthly meetings to address current issues and discuss business development. Group management meets once a year to review 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 prepared and followed up at subsidiary level at each country meeting.

CEO

The CEO shall comply with external and internal governance instructions and oversee the day-to-day management of the business in line with the Board's policy documents and directions. The CEO shall also ensure that AhlSELL's accounts are in

compliance with legislative and regulatory requirements and that the Company's funds are managed satisfactorily. Details of the split of duties and responsibilities between the Board and the CEO are set out in the CEO's instructions.

Auditors

The Company's statutory auditors are appointed by the AGM. The Company must have at least one and no more than two auditors. Either an authorised public accountant or a registered audit company can be appointed to serve as auditors. The auditor shall examine AhlSELL's annual report and accounts, consolidated financial statements and the administration of the Company by the Board and the CEO. The auditor is required to produce an audit report at the end of each financial year for presentation to the AGM.

CORPORATE GOVERNANCE YEAR 2017

Annual General Meeting 2017

Ahlsell's 2017 Annual General Meeting was held on May 4, 2017 in Stockholm.

The Annual General Meeting was attended by all Board members and Chairman of the Board, Kenneth Bengtsson, who also chaired the Meeting. The CEO, auditors and a member of the Nomination Committee also attended. The main decisions were as follows:

- The Meeting resolved to discharge Board members from liability for the 2016 financial year
- The Meeting adopted the consolidated and Parent Company income statements and balance sheets.
- The Meeting adopted the appropriation of profits.
- The Meeting adopted Board fees and auditors' fees.
- The Meeting elected the Board and auditors.
- The Meeting authorised the Board to decide on acquisitions and transfers of the Company's own shares.
- The Meeting adopted guidelines for remuneration of senior executives.
- The Meeting adopted instructions for the Nomination Committee.

Other events

Charlotta Sund, member of Ahlsell's Board, who was elected in 2017, declared herself unavailable for re-election at the 2018 AGM. Charlotta begins a new assignment in municipal administration which is not compatible with external directorships.

Nomination Committee for the 2018 Annual General Meeting

The Nomination Committee has been convened based on shareholders who were registered as the largest shareholders (grouped by owner) in the shareholder register held by Euroclear Sweden AB on the last banking day in August 2017, and who have indicated that they wish to serve on the Committee. The composition of the committee was announced in a press release on Ahlsell's website on 18 October 2017.

The Nomination Committee for the 2018 AGM consists of:

- Tomas Ekman, CVC/Keravel, Nomination Committee Chair
- Peter Guve, AMF
- Mikael Wiberg, Alecta
- Helen Fasth Gillstedt, Handelsbanken Fonder
- Kenneth Bengtsson, co-opted.

Work of the Board

Since the Extraordinary General Meeting (EGM) on 31 August 2016 until the AGM on May 4, 2017, Ahlsell's Board consisted of eight ordinary elected members, three employee representatives and a deputy for each employee representative. At the AGM on May 4, 2017, one more ordinary Board member was elected, bringing the number of ordinary Board members to nine. Each of these Board members possess skills and expertise that are of importance to Ahlsell.

Ahlsell's President and CEO Johan Nilsson is a Board member and CFO. Kennet Göransson is co-opted to all meetings. The Company's General Counsel, Carl-Gustaf Österberg, has served as Board Secretary since September 2017. Board members are presented in more detail on pages 102-103.

At the AGM on May 4, 2017, Kenneth Bengtsson was appointed Chairman of the Board and Peter Törnquist Vice Chairman.

The Board of Directors held 14 meetings in 2017. Two of the 14 meetings were per capsulam meetings. The CEO's operational and financial status report is a standing agenda item at each Board meeting. The following key matters have also been dealt with:

- Appointment of new Committee members
- Approval of updated Group policies
- Decision on financing with commercial papers
- Decision on repurchase of own shares
- Decisions on acquisitions of 13 operations with total sales of approximately MSEK 1,450.

The Board of Directors has met the external auditors without management being present once in 2017.

Independence of the Board

The Code requires a majority of the elected Board members to be independent of the Company and its management. At least two of these must also be independent of the Company's major shareholders. Ahlsell considers that the present Board meets the independence requirements under the Code.

Audit Committee

In 2017, the Audit Committee held seven meetings and dealt with 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 (Chair), Gustaf Martin-Löf and Satu Huber. All members were re-elected at the statutory Board meeting on 4 May 2017. All members of the Audit Committee are independent of the Company and its management. Satu Huber is also independent of the Company's largest owner. Ahlsell considers that the present Audit Committee meets the competence requirements contained in the Swedish Companies Act.

Remuneration Committee

In 2017, the Remuneration Committee held three meetings and dealt with the conditions and outcomes related to variable remuneration of senior executives, and proposed incentive programmes.

Magdalena Gerger was elected to the Remuneration Committee on 22 September 2016. Since then, the Remuneration Committee has comprised Kenneth Bengtsson (Chair), Peter Törnquist and Magdalena Gerger. All members were re-elected at the statutory Board meeting on 4 May 2017. All members are independent of the Company and its management. Kenneth Bengtsson and Magdalena Gerger are also independent of the Company's largest owner.

Guidelines for remuneration of Senior Executives

The guidelines for remuneration of senior executives adopted by the AGM for the period up to the end of the next AGM are set out in note 2.

Ahlsell has two long-term incentive programmes. A share-savings programme for senior executives, including Group management and other key personnel. A warrants programme for ten senior executives, including Group management. See note 3 for more information.

Evaluation of the Board's work

Ahlsell's Board conducts an annual evaluation of its work. The results of the evaluation are reported to the Board and the Nomination Committee.

Group Management

Ahlsell's management in 2017 consisted of the President and CEO, the Heads of Operations for Sweden, Norway and Finland and four staff functions. A presentation of Group Management can be found on pages 102-103.

Evaluation of the CEO's work

The Board of Ahlsell AB annually evaluates the CEO's work in relation to established goals.

Auditors

The 2017 AGM re-elected the audit company KPMG AB as the Company's auditor until the end of 2018 AGM, with authorised public accountant Joakim Thilstedt as chief auditor.

The Board's internal control report

Under the Swedish Companies Act, the Board is required to ensure that the Company's organisation is structured 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 Group management 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 Group management. The Head of Internal Control acts as support for the development and monitoring of internal controls. The Board therefore concluded in 2017 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 report focus primarily on the key elements of the Company's system for internal control over financial reporting. The processes for 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.

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

Control environment

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

During the year, Ahlsell worked on its values: accountability, openness and simplicity. These values permeate Ahlsell's organisation and policy documents. During the year, the Board produced a set of policy documents that provide a platform for Ahlsell's internal control and governance. The Board's rules of procedure, including instructions for its committees, and the CEO's instructions, including instructions on financial reporting, form the basis for Ahlsell's internal control over financial reporting. Ahlsell also has a set of Group-wide policies and instructions providing clear guidance to the business. Ahlsell's Financial Manual and Ahlsell's Treasury Policy are also important financial reporting documents.

Risk management

Ahlsell works continuously on risk identification and risk management. At Group level, there is an established and annual process of identifying, evaluating and managing risk. The risks are analysed and documented at risk workshops that are run in close partnership with heads of operations and managers. Risks that are considered critical to the business are managed through control activities with clear responsibility. Risk work is based on a recognised risk model and led by the

Head of Internal Control. The annual risk work is presented to the Audit Committee and the Board at least annually, with continuous monitoring of significant risk areas.

Control activities and monitoring

A priority for Ahlsell's employees is to maintain Ahlsell's business-critical procedures and processes.

Controls and monitoring of 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 countries. All 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. This is done though Ahlsell's built-in reconciliation report in its consolidated financial statements. Meetings are held monthly with the Heads of Operations, the CEO and the CFO 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 daily or weekly basis.

Ahlsell's auditors review 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 report identified areas of improvement to the Audit Committee, Group management and management of each subsidiary. The chief auditor also attends most Audit Committee meetings. The auditor also meets the Board once a year without the presence of Group management.

Information and communication

Ahlsell's policy documents are communicated primarily via a Group-wide intranet. Ahlsell's operations managers are responsible for ensuring that information is communicated in their areas of operation. SharePoint is one method of communication within the Group's finance organisation. Ahlsell's finance functions convene each year to share knowledge and experience.

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

Proposed appropriation of profits

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

SEK 5,206,572,773

The Board and CEO recommend:

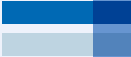
that SEK 1.65 per share be paid to shareholders SEK 708,348,609

that the remaining profits be carried forward SEK 4,498,224,164

SEK 5,206,572,773

The Board's proposed dividend corresponds to 13% of the Parent Company's equity and 8% of the Group's equity. Ahlseil's dividend policy is that, over time, the dividend should be between 40-60% of profit after tax. In the light of the anticipated economic growth, the Board of Directors considers the proposed dividend to be balanced 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%. Ahlseil'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.



Financial Statements

Consolidated income statement

MSEK	Note	2017	2016
Net sales	2	27,484	24,606
Cost of goods sold		-20,062	-17,916
Gross profit		7,423	6,690
Selling expenses		-4,962	-4,559
Administration expenses		-455	-443
Other operating income	4	38	32
Other operating expenses		0	-1
Operating profit	2,3,5,6,7,8	2,043	1,719
Finance income	9	47	550
Finance costs	10	-256	-1,689
Net financial items		-209	-1,140
Profit before tax		1,834	579
Income tax	11	-406	-237
Profit for the year		1,428	342
Profit for the year attributable to owners of the parent company		1,428	342
Non-controlling interests		-	-
Basic earnings per share, SEK	28	3.28	1.11
Diluted earnings per share, SEK	28	3.28	1.11

Consolidated statement of income and other comprehensive income

MSEK	Note	2017	2016
Profit for the year		1,428	342
Other comprehensive income			
<i>Items that will be reclassified to profit or loss</i>			
Translation differences for the year	28	-11	-60
Change in hedging reserve for the year	28	-10	-4
Tax attributable to items that will be reclassified to profit or loss	28	-6	72
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of defined-benefit pension plans		-4	-2
Tax attributable to items that will not be reclassified to profit or loss		3	1
Other comprehensive income for the year		-29	7
Comprehensive income for the year		1,399	348
Comprehensive income for the year			
owners of the parent company		1,399	348
Non-controlling interests		-	-

Consolidated cash flow statement

MSEK	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		1,834	579
Adjustment for non-cash items	35	563	1,001
		2,397	1,580
Tax paid		-203	-245
Cash flow from operating activities before changes in working capital		2,193	1,335
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		-489	-165
Change in operating receivables		-547	-554
Change in operating liabilities		703	630
Cash flow from operating activities		1,861	1,246
INVESTING ACTIVITIES			
Acquisition of operations	36	-346	-451
Acquisition of intangible assets		-39	-30
Acquisition of property, plant and equipment		-178	-127
Sale of property, plant and equipment		6	78
Change in financial assets		16	0
Cash flow from investing activities		-541	-530
FINANCING ACTIVITIES			
Repurchase of shares		-369	-
Dividend paid		-153	-
Disposal of derivatives		-	455
Issued warrants		-	3
Proceeds from borrowings		999	8,651
Repayment of borrowings		-1,712	-10,979
Cash flow from financing activities		-1,235	-1,871
Cash flow for the year		86	-1,155
Cash and cash equivalents at beginning of year		1,209	2,360
Exchange differences		0	4
Cash and cash equivalents at end of year	32	1,295	1,209

Reconciliation of liabilities in financing activities

MSEK	31/12/2016	Cash flow		Non-cash effect			31/12/2017
		Borrowings/ repayment	Acquisi- tions	Revalua- tion	New leases	Amortisation of capitalised bank charges	
Borrowing	8,422	-712	12	-5	-	-	7,718
Capitalised bank charges	-96	-1	-	-	-	22	-75
Lease liability	320	-	-	-	10	-	329
	8,645	-713	12	-5	10	22	7,972

Consolidated balance sheet

MSEK	Note	2017	2016
ASSETS			
NON-CURRENT ASSETS			
<i>Intangible assets</i>			
Customer relationships	13	2,929	3,250
Trademark	14	3,837	3,837
Other intangible assets	15	136	123
Goodwill	16	7,207	7,028
Total intangible assets		14,109	14,237
<i>Property, plant and equipment</i>			
Land and buildings	17	244	250
Plant and machinery	18	155	170
Equipment, tools and fixtures & fittings	19	451	355
Construction in progress and advances for property, plant and equipment		2	5
Total property, plant and equipment		853	781
<i>Financial assets</i>			
Financial investments	20	3	3
Other non-current receivables	24	7	4
Total financial assets		10	8
Deferred tax asset	23	8	7
Total non-current assets		14,980	15,032
CURRENT ASSETS			
<i>Inventories</i>			
Finished goods and goods for resale	25	3,888	3,287
Total inventories		3,888	3,287
<i>Current receivables</i>			
Trade receivables	26	3,491	3,054
Tax receivables		–	17
Other receivables		43	44
Prepaid expenses and accrued income	27	1,178	1,031
Total current receivables		4,712	4,146
<i>Cash and cash equivalents</i>	32	1,295	1,209
Total current assets		9,894	8,641
TOTAL ASSETS		24,874	23,674

Consolidated balance sheet, cont'd

MSEK	Note	2017	2016
EQUITY AND LIABILITIES			
EQUITY	28		
Share capital		123	123
Other paid-in capital		7,739	7,702
Reserves		-77	-49
Retained earnings, including profit for the year		1,218	313
Total equity		9,004	8,089
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	32	7,920	7,926
Provisions for pensions	29	53	50
Other non-current provisions	30	3	5
Deferred tax liabilities	23	1,494	1,427
Derivative instruments	32	14	4
Other non-current liabilities		29	25
Total non-current liabilities		9,512	9,436
CURRENT LIABILITIES			
Liabilities to credit institutions	32	51	719
Advances from customers		8	6
Trade payables		5,218	4,599
Current tax liabilities		148	8
Derivative instruments	32	0	4
Other current provisions	30	10	19
Other non-interest-bearing current liabilities		341	245
Accrued expenses and deferred income	31	582	549
Total current liabilities		6,358	6,148
TOTAL EQUITY AND LIABILITIES		24,874	23,674

Information about the Group's pledged assets and contingent liabilities can be found in note 33.

Consolidated statement of changes in equity

MSEK	Note	Share capital	Other paid-in capital	Reserves	Retained earnings including profit for the year	Total equity
Opening balance, 1 January 2016		79	719	-57	-31	711
Comprehensive income for the year						
Profit for the year		-	-	-	342	342
Other comprehensive income for the year	28	-	-	7	-1	7
Comprehensive income for the year		-	-	7	341	348
Withdrawal of preference shares	28	-9	-132	-	-	-142
Bonus issue	28	9	-9	-	-	-
Non-cash issue	28	1	95	-	-	96
Offset issue	28	43	7,023	-	-	7,066
Long-term share-saving programme		-	7	-	-	7
Issued warrants		-	-	-	3	3
Total shareholder transactions		44	6,983	-	3	7,030
Closing balance, 31 December 2016		123	7,702	-49	313	8,089
Opening balance, 1 January 2017		123	7,702	-49	313	8,089
Comprehensive income for the year						
Profit for the year		-	-	-	1,428	1,428
Other comprehensive income for the year	28	-	-	-28	-1	-29
Comprehensive income for the year		-	-	-28	1,427	1,399
Long-term share-saving programme		-	37	-	-	37
Dividend		-	-	-	-153	-153
Repurchase of own shares	28	-	-	-	-369	-369
Total shareholder transactions		-	37	-	-522	-485
Closing balance, 31 December 2017		123	7,739	-77	1,218	9,004

Also see note 28 Equity.

Parent Company income statement

MSEK	Note	2017	2016
Net sales		453	1
Gross profit		453	1
Administration expenses		-133	-67
Operating profit/loss		320	-66
PROFIT/LOSS FROM FINANCIAL ITEMS			
Interest and similar income	9	592	547
Interest and similar expense	10	-1,982	-567
Profit/loss after financial items		-1,070	-86
Appropriations		-170	-112
Profit/loss before tax		-1,240	-198
Tax on profit/loss for the year	11	-112	-74
Profit/loss for the year		-1,353	-272

Parent Company statement of income and other comprehensive income

MSEK	Note	2017	2016
Profit/loss for the year		-1,353	-272
Items that will be reclassified to profit or loss			
Change in hedging reserve for the year		-10	-4
Tax attributable to items that will be reclassified to profit or loss		2	1
Other comprehensive income for the year		-8	-3
Comprehensive income for the year		-1,361	-275
Comprehensive income for the year attributable to owners of the parent company		-1,361	-275

Also see Note 28 Equity.

Parent Company cash flow statement

MSEK	Note	2017	2016
OPERATING ACTIVITIES			
Profit/loss after financial items		-1,070	-86
Adjustment for non-cash items	35	1,832	15
		762	-71
Tax paid		-77	-
Cash flow from operating activities before changes in working capital		684	-71
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in operating receivables		2	-7
Change in operating liabilities		17	70
Cash flow from operating activities		704	-8
INVESTING ACTIVITIES			
Change in interest-bearing liabilities		999	-8,342
Cash flow from investing activities		999	-8,342
FINANCING ACTIVITIES			
Shareholder contributions		-479	-
Repurchase of shares		-369	-
Dividend paid		-153	-
Proceeds from borrowings		999	8,651
Repayment of borrowings		-1,700	-300
Cash flow from financing activities		-1,701	8,351
Cash flow for the year		2	0
Cash and cash equivalents at beginning of year		0	-
Cash and cash equivalents at end of year		2	0

Reconciliation of liabilities in financing activities

MSEK	31/12/2016	Cash flow	Non-cash effect		31/12/2017
		Borrowings/ repayment	Revaluation	Amortisation of capitalised bank charges	
Borrowing	8,422	-700	-5	-	7,717
Capitalised bank charges	-96	-1	-	22	-75
	8,326	-701	-5	22	7,641

Parent Company balance sheet

MSEK	Note	2017	2016
ASSETS			
NON-CURRENT ASSETS			
<i>Intangible assets</i>			
Capitalised expenditure		2	–
Total intangible assets		2	–
<i>Property, plant and equipment</i>			
Equipment, tools and fixtures & fittings		0	–
Total property, plant and equipment		0	–
<i>Financial assets</i>			
Shares in subsidiaries	21	1,658	3,032
Receivables from Group companies	22	11,791	12,845
Financial investments		1	–
Total financial assets		13,449	15,877
Deferred tax asset		3	1
Total non-current assets		13,455	15,877
CURRENT ASSETS			
<i>Current receivables</i>			
Receivables from Group companies		–	1
Other receivables		4	6
Prepaid expenses and accrued income		2	1
Total current receivables		6	7
<i>Cash and bank balances</i>		2	0
Total current assets		7	7
TOTAL ASSETS		13,462	15,885

Parent Company balance sheet, cont'd

MSEK	Note	2017	2016
EQUITY AND LIABILITIES			
EQUITY	28		
<i>Restricted equity</i>			
Share capital (436,302,187 shares)		123	123
<i>Unrestricted equity</i>			
Share premium reserve		7,837	7,837
Retained earnings		-1,277	-513
Profit/loss for the year		-1,353	-272
Total equity		5,330	7,175
Untaxed reserves		282	112
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	32	7,641	7,648
Derivative instruments	32	14	4
Total non-current liabilities		7,655	7,652
CURRENT LIABILITIES			
Liabilities to credit institutions	32	–	678
Trade payables		7	12
Current tax liabilities		109	74
Derivative instruments	32	0	4
Liabilities to Group companies		2	128
Other non-interest-bearing current liabilities		6	–
Accrued expenses and deferred income	31	71	51
Total current liabilities		195	946
TOTAL EQUITY AND LIABILITIES		13,462	15,885

Parent Company statement of changes in equity

MSEK	Restricted equity	Unrestricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings/ profit/loss for the year	
Opening balance, 1 January 2016	79	719	-375	423
Profit/loss for the year	–	–	-272	-272
Other comprehensive income for the year	–	–	-3	-3
Comprehensive income for the year	–	–	-275	-275
Withdrawal of preference shares	-9	–	-132	-142
Bonus issue	9	–	-9	–
Non-cash issue	1	95	–	96
Offset issue	43	7,023	–	7,066
Long-term share-savings programme	–	–	7	7
Total shareholder transactions	44	7,118	-135	7,027
Closing balance, 31 December 2016	123	7,837	-785	7,175
Opening balance, 1 January 2017	123	7,837	-785	7,175
Profit/loss for the year	–	–	-1,353	-1,353
Other comprehensive income for the year	–	–	-8	-8
Comprehensive income for the year	–	–	-1,361	-1,361
Long-term share-savings programme	–	–	37	37
Dividend	–	–	-153	-153
Repurchase of own shares	–	–	-369	-369
Total shareholder transactions	–	–	-484	-484
Closing balance, 31 December 2017	123	7,837	-2,630	5,330

Notes

NOTE 1 General information and accounting policies

GENERAL INFORMATION

Ahlsell AB (publ) (Parent Company) and subsidiaries (together referred to as the Group) are the Nordic region's leading distributor of installation products, tools and supplies for installers, construction companies, facility managers, industrial and power companies and the public sector. Ahlsell's offering covers over a million 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 accounts and the consolidated financial statements were approved and authorised for issue by the Board and CEO on 14 March 2018. The consolidated and Parent Company income statements and balance sheets will be presented for adoption at the Annual General Meeting.

As the reported figures have been rounded in some cases, tables and calculations do not always add up exactly.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparing these annual accounts and consolidated 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 (IFRS) as adopted by the 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 amortised cost. Available-for-sale financial assets and financial assets and liabilities (including derivative instruments) 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 accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in 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 39.

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 2017:

Amended accounting policies applied by the Group from 1 January 2017 are described below. Other IFRS amendments effective for annual periods beginning on or after 1 January 2017 have not had any effect on the Group's financial statements.

Amended IAS 7 Statement of Cash Flows, effective from 2017. The standard requires increased disclosures in the cash flow statement, where the year's changes in liabilities attributable to financing activities are reconciled with specifications of, e.g., new borrowings, repayments, changes related to divestments/acquisitions of subsidiaries and currency effects. Disclosures are provided for both cash and non-cash changes. As the amendment is applied prospectively, no information is presented for the comparative year.

INFORMATION ABOUT IFRS STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE.

The Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018.

IFRS 9 Financial instruments

IFRS 9 brings changes to the classification and measurement of financial assets, introducing an impairment model based on expected credit losses rather than established losses, and changes to the principles for hedge accounting, with the aim of simplifying and increasing coherence with internal risk management strategies. The standard replaces IFRS 39 Financial Instruments: Recognition and Measurement.

Classification of financial assets and liabilities

The Group's assessment is that the standard does not have any material impact on the classification of financial assets or liabilities as of 1 January 2018.

Impairment of financial assets and contract assets

The Group's assessment is that the introduction of IFRS 9 will not affect its earnings and financial position, as the Group already has a customer loss allowance principle, which is based on an expected loss model. The carrying amount of the Group's financial assets on the date of transition to IFRS 9 (1 January 2018) is therefore considered to be unaffected by the introduction of the new categories in IFRS 9.

Hedge accounting

On transition to IFRS 9, the Group may choose between continuing to apply the hedge accounting rules under IAS 39 and changing to the IFRS 9 hedging rules. The Group has decided to apply the new rules in IFRS 9.

Transition

The new hedge accounting requirements are mainly to be applied prospectively.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a single standard for determining the amount and timing of revenue recognition. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Sale of goods

For the sale of goods, revenue is currently recognised when delivery has occurred, which is the point in time when the customer accepts the goods, and the risks and rewards pass to the customer. Revenue is recognised at this time, provided income and expenses can be measured reliably, it is likely that the economic benefits associated with the transaction will flow to the Company and there is no continuing involvement with the goods.

Under IFRS 15, revenue is recognised when the customer obtains control of the goods, which is considered to be the point in time when the risk is transferred.

Transition

Prior to the introduction of IFRS 15, the Group has reviewed the different revenue streams in the operations. The Group's assessment is that the standard will not have an effect on the Group's earnings and financial position.

IFRS 16 Leases

IFRS 16 Leases supersedes existing standards related to lease recognition, such as IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group plans to apply the standard from 1 January 2019.

IFRS 16 primarily affects lessees and the main effect is that all leases currently accounted for as operating leases are to be accounted for as finance leases. This means that for operating leases, a right-of-use asset and a lease liability are also recognised, together with related depreciation and interest expenses. This differs from the current method, where the leased asset and related liability are not reported, and lease payments are recognised on a straight-line basis as lease costs. Exemptions for reporting a right-of-use asset and a lease liability are allowed for low-value leases and leases with a term of 12 months or less.

The Group has completed its initial assessment of the potential effects on its financial reports, but has not yet completed a more detailed

analysis. The final impact of the introduction of IFRS 16 on the financial statements will depend on future economic conditions, including the Group's borrowing rate on 1 January 2019, the composition of the Group's lease portfolio at that time, the Group's latest assessment of whether to use any options to extend leases and the extent to which the Group chooses to apply practical expedients and exemptions from reporting in the balance sheet/statement of financial position.

The most significant impact identified to date is that the Group will need to report new assets and liabilities for its operating leases for warehouses and stores. At 31 December 2017, the Group's future minimum lease payments and non-cancellable operating leases amounted to MSEK 2,870 on an undiscounted basis. See note 6.

No significant effect is expected for the Group's finance leases.

As a lessee, the Group may choose to apply the standard either:

- retrospectively; or
- with a modified retrospective approach.

The selected method is applied to all leases.

The Group plans to apply the modified retrospective approach, which means that the cumulative effect of the transition to IFRS 16 will be reported in the opening balance sheet on 1 January 2019. Comparatives will not be restated.

When the modified retrospective approach is applied to leases previously classified as operating leases, there are a number of practical expedients available to lessees on a lease-by-lease basis on transition. The Group is evaluating the potential effects of using these practical expedients.

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 Ahsell AB (publ) has control. Control exists when Ahsell AB (publ) has power over the investee, has exposure or rights to variable returns from its involvement and has the ability to affect those returns through its power over the investee. When assessing whether control exists, consideration is given to potential voting shares and whether de facto control exists.

Subsidiaries are accounted for by applying the acquisition method. The method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the acquisition-date fair value of the identifiable assets acquired and liabilities assumed and any non-controlling interest. Transaction costs, apart from transaction costs attributable to the issue of equity or debt instruments, are recognised directly in the income statement as administration expenses.

For business combinations where 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.

The consideration transferred in connection with the business combination does not include payments for the settlement of pre-existing relationships. Such settlement amounts are recognised in the income statement.

Any contingent consideration is recognised at the acquisition-date fair value. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and settlement is recognised in equity. Otherwise, contingent consideration is remeasured at each reporting date, with any changes recognised in profit or loss.

(b) Non-controlling interests

Non-controlling interests (NCI) arise in cases where the acquisition does not include 100% of the subsidiary. There are two options for recognising non-controlling interests: to measure the NCI either at its proportionate share of net assets or to measure the NCI at fair value, which means that the NCI has a share of goodwill. The accounting policy choices for NCI measurement are available on a transaction by transaction basis.

For step acquisitions, goodwill is measured on the date that control is obtained. Any previously held interest is measured at fair value, with changes recognised in profit or loss.

For divestments that result in a loss of control, but a continuing interest, the remaining interest is remeasured at fair value, with any change recognised in profit or loss.

(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 indicates evidence of impairment of 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 for which discrete financial information is available. An operating segment's performance is monitored by the Company's chief operating decision maker in order to assess its performance and allocate resources to it. The chief operating decision maker is the President and CEO. The Ahsell 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 classification and presentation of operating segments.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currencies

Items in the individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its 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

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities using the closing rate are recognised in profit or loss. The exception is when transactions relate to qualifying cash flow hedges and qualifying net investment hedges, in which case gains or losses are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the 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;
- b) income and expenses of each foreign operation are translated at the average exchange rate, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- c) all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of net investments in foreign operations and borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, either fully or in part, the associated exchange differences in other comprehensive income are reclassified to profit or loss, as part of the gain or loss on sale.

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

INTANGIBLE ASSETS

(a) Goodwill

The difference between the cost of acquisition and the fair value of the acquired identifiable assets at the date of the transaction is recognised as goodwill. Goodwill arising from the acquisition of subsidiaries is reported as an intangible asset. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment. Any gain or loss on the disposal of an entity includes the remaining carrying amount of the goodwill relating to the entity.

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

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

(b) Customer relationships, licences, leases and similar rights

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

(c) Trademarks

The useful life is considered indefinite as this is a well-established trademark that the Group intends to retain and develop. Trademarks are tested for impairment annually and are carried at cost 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 finite useful life and are recognised at cost less accumulated amortisation. Amortisation is applied on a straight-line basis to distribute the costs of capitalised development expenses over the estimated useful life of 3-7 years.

Research costs are recognised as expenses as incurred.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less depreciation and impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale are included in the cost of acquisition.

Assets can consist of different components and each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. In order for subsequent costs to be included in cost, the expenditure must relate to the replacement of identified components or parts thereof. If this is the case, these costs are capitalised. The residual value of a replaced component or part thereof is disposed of and recognised as an expense at the time of replacement. Repairs are recognised as an expense as incurred.

Land is not depreciated. Other assets are depreciated, in order to reduce their historical cost or written-down value to the 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount, calculated in accordance with IAS 36.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement under 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 useful life is made.

IMPAIRMENT

Items of property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is measured. The recoverable amount is calculated annually for goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use. If an asset does not generate independent cash inflows and its fair value less costs to sell cannot be used, it is tested for impairment as part of the cash-generating unit to which it belongs, i.e. the smallest identifiable group of assets which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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. Impairment losses recognised for a cash-generating unit (group of units) are initially allocated to goodwill. They are then proportionately allocated to the other assets of the unit (group of units). The recoverable amount is the higher of fair value less costs to sell and value in use. In measuring value in use, future cash flows are discounted using a discount rate that reflects the risk-free rate of interest and the risks specific to the asset.

Impairment of assets accounted for under IAS 36 is reversed if there is an indication that the impairment no longer exists and there has been a change in the assumptions on which the calculation of recoverable amount was based. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation where applicable, had no impairment loss been recognised. However, goodwill impairment is never reversed.

FINANCIAL INSTRUMENTS

Financial assets

The Group's financial assets are classified in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification is based on the purpose for which the instrument was acquired. Management determines the classification of the instrument on initial recognition. The Group has financial instruments in the following categories:

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

Financial assets measured at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly to be sold in the short term. Derivatives are always classified as 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 in the receivables. They are reported under current assets unless the settlement date is more than 12 months after the reporting date, in which case they 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 designated as available for sale or are not classified in any of the other categories. They are reported under non-current assets if management does not intend to dispose of them within 12 months of the reporting date.

Purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits itself to purchase or sell the asset. On initial recognition, financial instruments are measured at fair value plus transaction costs. This applies to all financial assets not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, while related transaction costs are recognised in profit or loss. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred substantially all the 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.

Gains or losses arising from fair value changes in the category financial assets at fair value through profit or loss are recognised under Finance income or Finance costs in the period in which they occur. Dividend income from securities in the category financial assets at fair value through profit or loss is recognised under Finance income when the Group's right to receive payment is established.

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

Interest on available-for-sale securities measured using the effective interest rate method is recognised under Finance income in the income statement. Dividends on available-for-sale shares are recognised under Finance income in the income statement 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 reporting 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 fair 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 reporting date.

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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. Trade payables are recognised on receipt of the invoice.

A financial asset is derecognised when the rights to receive benefits have been realised, expired or the Company loses control over them. The same applies to a component 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 component 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 32. 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 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 costs. 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 at the reporting 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). Exchange 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 portion is recognised directly in profit or loss.

Equity swaps

The Group has entered into equity swaps in order to hedge the payment it needs to make for future delivery of shares under the share savings programme. The instruments are not accounted for as hedges. The swaps are settled net in cash, which means that if, on settlement, AhlSELL's share price is higher than the share price in the equity swap agreement, i.e. the share price at the inception of the agreement, the counterparty pays the difference to AhlSELL. If the share price is lower, AhlSELL pays the difference to the counterparty. During the agreement period, AhlSELL pays interest on the swap amount and receives any dividend paid on the number of shares specified in the agreement. The equity swaps that the Group had at the start of 2017 were terminated in November 2017.

At inception, the agreement has no value and no payment is made. In subsequent accounts, it is recognised at fair value through profit or loss. The agreement is considered to relate to decisions on the financing of future payments, and affects future payment flows associated with acquisition of shares, which does not come under accounting for equity-settled share-based payments, and the changes in value are therefore reported under net financial items.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the basis of weighted average prices including inbound logistics 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, deposits held with banks and other short-term investments with maturities of three months or less 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 of tax, in equity as a deduction from the proceeds of the issue.

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 reporting 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 plans. The plans 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 plans.

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 reporting 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 plans 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 between how pension costs are determined in legal entities and the Group, a provision or receivable for payroll

taxes is recognised 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 plan. For the 2017 financial year, the Company did not have access to sufficient information to enable it to report this plan as a defined benefit plan. The pension obligation is therefore recognised as a defined contribution plan. The same conditions apply to the new AFP plan in Norway, which is thus also recognised as a defined contribution plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional 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 Company recognises termination benefits when it is demonstrably committed to terminating the employment of employees before the normal retirement date or providing termination benefits as a result of an offer made to encourage voluntary layoff. The Company is demonstrably committed to a termination when it has a detailed formal plan for the termination. 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 reporting date are discounted at present value.

(c) Bonus plans

The Group reports a liability and a cost for bonus 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 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-savings programme

The Group has a share-savings programme that allows participants who invest in savings shares to receive Ahlseil shares under certain conditions. The programme is an equity-settled programme, which means that it will be settled in shares. The amount is recognised as a personnel cost, distributed over the vesting period, with a corresponding amount recognised directly in equity. The cost is based on fair value per share right at the start of the programme.

The holding of shares is conditional on continued employment during the vesting period, continued holding of purchased savings shares and the degree of fulfilment of three different performance conditions. Each of the performance conditions applies to one-third of the programme and consists of specified levels of sales growth, EBITA margin and total shareholder return (TSR). The two previous conditions are performance conditions that are not market conditions. They do not affect the initial valuation of the shares. At each reporting date, an assessment is made of the number of share rights expected to be earned taking into account these conditions, which affects the reported cost for the period. The TSR condition constitutes a market condition, which is included in the initial valuation of the relevant share rights. During the vesting period, no assessment or adjustment of the reported cost of the expected or confirmed outcome for this condition is made; the total number of share rights that are conditional on the TSR form the basis for the reported cost, regardless of the outcome.

Social security contributions will have to be paid on the benefits that the participants may earn. Personnel costs and liabilities are reported for social security contributions during the vesting period. The principles are the same as for accounting for the share-savings programme, with the difference that the fair value of the share rights on each reporting date is the basis for the reporting. When the programme has been settled, the accumulated reported cost is the amount that the Group will pay for social security contributions.

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 leasing agreements and severance pay. There are no provisions for future operating losses.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. 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 costs for the liability. Corresponding payment obligations, net of finance costs, are included in Other non-current liabilities. The interest element of the finance cost is charged to 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 that are attributable to the construction of qualifying assets are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset that necessarily takes a significant length of time to prepare for its intended use.

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 dividend was established at the general shareholders' meeting/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 in accordance with 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 is calculated by dividing profit for the year attributable to Parent Company shareholders by the weighted average number of shares outstanding. As the equity swaps used to hedge the share-savings programme are settled net in cash and recognised as a financial instrument at fair value through profit or loss, not as if shares were repurchased, no adjustment is made to the number of shares due to the agreement.

Diluted earnings per share is calculated by dividing profit for the year attributable to Parent Company shareholders by the number of basic shares adjusted to include dilutive potential ordinary shares. The rights under the share savings programme, which under certain conditions allow the programme participants to receive shares in the future, are potential ordinary shares. The share rights are considered dilutive to the extent that the share savings programme's conditions are fulfilled at the reporting date, regardless of the expected outcome during the remainder of the vesting period. In addition, the number of dilutive potential ordinary shares is reduced by the number of shares that could have been hypothetically purchased during the year by the amount that the participants "pay" the Group in the form of the value of future services under the programme, measured as residual costs to be reported in accordance with the principles described under Employee benefits, share savings programme.

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 described 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.

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

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

The company reports group contributions and shareholder contributions in accordance with the Swedish Financial Reporting Board's recommendation RFR 2. 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.

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 finance costs are not broken down by segment. Consequently, the financial assets and liabilities are not broken down 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.

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 and plumbing. The Company has been in business for 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 61% (65) of the Group's external net sales in 2017. Sales

Ahlseil 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 2017, Norwegian operations accounted for 19% (20) of the Group's external net sales. Sales in Norway amounted to a total of MSEK 5,356 (4,913). At year-end, Ahlseil had about 50 business units in Norway.

Ahlsell established its operations in Finland in 1990 through acquisitions in the HVAC & Plumbing (cooling products) area. They expanded in 1999 through more acquisitions in the Heating & Plumbing segment. The Tools & Supplies product area was introduced in Finland in 2006 through the acquisition of Kojalte. The Electrical product area was introduced in 2007 through the acquisition of Sähkötarvike Oy. The operations today cover HVAC & Plumbing, Tools & Supplies and Electrical. At year-end, Ahlsell had 37 business units in the Finland segment. The Finnish market accounted for 12% (12) of the Group's external net sales. Sales in Finland totalled MSEK 3,206 (3,055).

Ahlsell has had a presence in Denmark since 1990 when the HVAC & Plumbing (refrigeration) operation was acquired. Since then, further acquisitions have been made in the HVAC & Plumbing area. The operations in Denmark currently comprise HVAC & Plumbing only. In 2017, the segment accounted for 1 % (1) of the Group's external net sales. Sales in Denmark totalled MSEK 405 (374). At year-end, Ahlsell had 4 business units in the Denmark segment.

Other markets comprise the operations in Estonia, Russia and Poland. The operations are primarily HVAC & Plumbing, but also Electrical and Tools & Supplies. In 2017, the segment accounted for 2% (2) of the Group's external net sales. Sales for the segment totalled MSEK 465 (410). At year-end, Ahlsell had 13 business units in the segment.

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

The eliminations comprise eliminations of internal sales and operational transactions

[illegible]

NOTE 2 – cont'd

2016	Sweden	Norway	Finland	Denmark	Other ¹	Central	Eliminations	Total
Revenue								
Revenue from external customers ³	15,874	4,909	3,050	364	410	–	–	24,606
Revenue from internal customers	159	4	6	9	–	–	–178	–
Total sales	16,033	4,913	3,055	374	410	–	–178	24,606
Gross profit	4,628	1,273	577	138	75	–	–	6,690
EBITA ²	1,936	142	114	33	9	–176	–	2,058
EBITA adjusted for items affecting comparability ⁴	1,936	149	114	33	9	–111	–	2,131
Operating profit	1,697	94	71	27	9	–179	–	1,719
Finance income	–	–	–	–	–	550	–	550
Finance costs	–	–	–	–	–	–1,689	–	–1,689
Income tax	–	–	–	–	–	–237	–	–237
Profit for the year								342
Other comprehensive income	–	–	–	–	–	–	–	7
Comprehensive income for the year								348

2017	Sweden	Norway	Finland	Denmark	Other ¹	Central	Eliminations	Total
Other disclosures								
Assets	13,074	3,437	2,629	379	314	3,774	–45	23,561
Unallocated assets	–	–	–	–	–	1,313	–	1,313
Total assets	13,074	3,437	2,629	379	314	5,087	–45	24,874
Liabilities	3,996	1,332	658	57	88	128	–45	6,214
Unallocated liabilities and equity	–	–	–	–	–	18,659	–	18,659
Total liabilities and equity	3,996	1,332	658	57	88	18,788	–45	24,874
Investments in property, plant and equipment and intangible assets	151	36	26	2	1	1	–	217
Depreciation and impairment	–356	–67	–81	–10	–4	–1	–	–519
Amortisation of intangible assets	–251	–50	–44	–6	0	–1	–	–351
Impairment of intangible assets	–	–	–	–	–	–	–	–
Depreciation of property, plant and equipment	–105	–18	–37	–4	–4	0	–	–168
Impairment of property, plant and equipment	–	–	–	–	–	–	–	–
Significant costs and revenue not corresponding to payments	–31	–9	–28	–1	0	113	–	44

2016	Sweden	Norway	Finland	Denmark	Other ¹	Central	Eliminations	Total
Other disclosures								
Assets	12,160	3,375	2,505	356	285	3,785	–32	22,434
Unallocated assets	–	–	–	–	–	1,240	–	1,240
Total assets	12,160	3,375	2,505	356	285	5,025	–32	23,674
Liabilities	3,411	1,202	607	54	69	161	–32	5,471
Unallocated liabilities and equity	–	–	–	–	–	18,202	–	18,202
Total liabilities and equity	3,411	1,202	607	54	69	18,363	–32	23,674
Investments in property, plant and equipment and intangible assets	112	16	21	3	2	3	–	156
Depreciation and impairment	–332	–70	–78	–10	–4	–3	–	–496
Amortisation of intangible assets	–239	–49	–43	–6	0	–3	–	–340
Impairment of intangible assets	–	–	–	–	–	–	–	–
Depreciation of property, plant and equipment	–92	–21	–35	–4	–4	0	–	–156
Impairment of property, plant and equipment	–	–	–	–	–	–	–	–
Significant costs and revenue not corresponding to payments	–23	–3	–24	1	0	546	–	496

NOTE 2 – cont'd**External sales, MSEK**

MSEK	2017	2016
HVAC & Plumbing	12,627	11,609
Electrical	8,023	7,289
Tools & Supplies	6,834	5,708
Total external sales	27,484	24,606

Ahlsell's operations are based on our product areas being essentially supplied through jointly-controlled distribution and sales channels in each geographic area. This means that the assets used in each product area are the same, in all essentials, 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 also note 37

NOTE 3 Employees**AVERAGE NUMBER OF EMPLOYEES**

	2017		2016	
	Number	male	Number	male
<i>Parent Company</i>	25	64%	–	–
<i>Group</i>				
Sweden	3,152	78%	2,833	79%
Norway	1,044	83%	1,028	83%
Finland	576	82%	597	81%
Denmark	90	74%	88	73%
Estonia	134	85%	133	86%
Russia	55	51%	60	50%
Poland	43	81%	41	80%
China	12	67%	11	64%
Total, Group	5,106	79%	4,791	80%

GENDER DISTRIBUTION IN SENIOR MANAGEMENT AT YEAR-END**Gender distribution in Senior management**

	Female %	
	2017	2016
<i>Parent Company</i>		
Board	33%	27%
Other senior executives	20%	0%
<i>Total, Group</i>		
Boards	19%	15%
Other senior executives and CEO, (8 (8) people)	13%	13%

SALARIES, EMPLOYEE BENEFITS AND SOCIAL SECURITY CONTRIBUTIONS

MSEK	2017		2016	
	Salaries and benefits	Social security contributions	Salaries and benefits	Social security contributions
Parent Company	48	25	–	–
<i>(of which pension costs)</i>	–	8	–	–
Subsidiaries	2,291	800	2,124	744
<i>(of which pension costs)</i>	–	209	–	200
Total, Group	2,338	824	2,124	744
<i>(of which pension costs)</i>	–	218	–	200
<i>(of which defined benefit plans)</i>		1		1
<i>(of which defined contribution plans)</i>		217		199

SALARIES AND OTHER EMPLOYEE BENEFITS FOR BOARD/SENIOR EXECUTIVES AND OTHER EMPLOYEES

MSEK	2017		2016	
	Board/senior executives	Other employees	Board/senior executives	Other employees
Parent Company total	27	20	–	–
<i>(of which bonus)</i>	6	1	–	–
Total, subsidiaries	10	2,279	35	2,089
<i>(of which bonus)</i>	3	24	7	22
Total, Group	39	2,299	35	2,089
<i>(of which bonus)</i>	9	24	7	22

REMUNERATION OF SENIOR EXECUTIVES OF THE GROUP

The Chairman and Board members of the Board who are not employed by the Company receive fees in accordance with the decision of the Annual General Meeting. Employee representatives do not receive Board fees. Remuneration of the Group President (Johan Nilsson) and other senior executives consists of basic salary, variable remuneration, other benefits and pensions, etc. Other senior executives refers to the 7 (7) people who along with the Group President constitute the Group management and 6 Board members who are paid fees.

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 70% (70) of basic salary. The maximum variable remuneration of other senior executives is 25-60% (25-60) of basic salary. Variable remuneration is based on performance in relation to individual targets. Pensions and other benefits of the Group President 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).

NOTE 3 – cont'd**Remuneration and other benefits**

	Basic salary/ Board fee	Variable remuneration	Other ben- efits	Pension cost	Total
2017					
Kenneth Bengtsson, Chairman, Ahlseil AB (publ)	1.1	–	–	–	1.1
Johan Nilsson, CEO of Ahlseil AB (publ), Group President	7.4	3.3	0.1	2.2	13.0
Peter Törnquist, Vice Chairman, Ahlseil AB (publ)	0.8	–	–	–	0.8
Terje Venold, Board member, Ahlseil AB (publ)	0.4	–	–	–	0.4
Magdalena Gerger, Board member, Ahlseil AB (publ)	0.5	–	–	–	0.5
Satu Huber, Board member, Ahlseil AB (publ)	0.5	–	–	–	0.5
Charlotta Sund, Board member, Ahlseil AB (publ)	0.3	–	–	–	0.3
Gustaf Martin-Löf, Board member, Ahlseil AB (publ)	–	–	–	–	–
Søren Vestergaard-Poulsen, Board member, Ahlseil AB (publ)	–	–	–	–	–
Other senior executives (7 people)	18.5	5.2	0.9	4.5	29.1
Total	29.5	8.5	1.0	6.7	45.7

For the financial year 2017, variable remuneration refers to a bonus charged as a cost and paid out in 2018. Other benefits refers to company cars and fuel. In addition, calculated non-cash expenses for the incentive programmes in accordance with IFRS 2, including social security contributions, are MSEK 3.6 (0.6) for the CEO and MSEK 13.1 (2.3) for other senior executives.

	Basic salary/ Board fee	Variable remuneration	Other ben- efits	Pension costs	Total
2016					
Kenneth Bengtsson, Chairman, Ahlseil AB (publ)	0.9	–	–	–	0.9
Johan Nilsson, CEO of Ahlseil AB (publ), Group President	6.9	2.9	0.2	2.0	12.0
Peter Törnquist, Vice Chairman, Ahlseil AB (publ)	0.7	–	–	–	0.7
Terje Venold, Board member, Ahlseil AB (publ)	0.3	–	–	–	0.3
Göran Näsholm, Board member, Ahlseil Operations AB (publ) (up to August 2016)	0.4	–	–	–	0.4
Magdalena Gerger, Board member, Ahlseil AB (publ)	0.2	–	–	–	0.2
Satu Huber, Board member, Ahlseil AB (publ)	0.2	–	–	–	0.2
Gustaf Martin-Löf, Board member, Ahlseil AB (publ)	–	–	–	–	–
Søren Vestergaard-Poulsen, Board member, Ahlseil 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, calculated non-cash expenses for the incentive programmes in accordance with IFRS 2, including social security contributions, are MSEK 0.6 for the CEO and MSEK 2.3 for other senior executives.

BONUS

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

PENSION

The CEO has a defined-contribution pension plan 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 at the reporting 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 termination benefits amounting to 12-18 monthly salaries, which expire if the employee is terminated without notice. The termination benefits cannot be longer than the period of notice issued by the Company. The other executives receive no severance pay.

LONG-TERM INCENTIVE PROGRAMMES

An Extraordinary General Meeting of the shareholders of Ahlseil on 16 October 2016 adopted the introduction of two long-term incentive programmes.

- A share-savings programme for senior executives, including Group management and certain other key personnel.
- A warrants programme for ten senior executives, including Group management.

The purpose of the incentive programmes is to encourage a broad shareholding among the Company's key employees, to recruit and retain qualified and talented employees, to strengthen the link between the goals of key employees and the Company and to raise motivation. The programmes have a structure that aims to create a balance between, on the one hand, key employees' risk exposure through requirements for personal investment, and on the other hand employees' opportunity to obtain performance-related allocation of shares and/or the option to subscribe for new shares.

The share savings and warrants programmes mean that key employees invest a total of approximately MSEK 150 of their own resources. The highest individual investment was approximately MSEK 10. As Ahlseil does not participate in the financing of individual investments, this involves a significant financial commitment for the key employees. In addition, part of the key employees' compensation is linked to the long-term development of Ahlseil and its share, and the employees therefore have the same goals as the Company's shareholders. The Board's overall assessment is that incentive programmes are well suited to achievement of their purpose.

NOTE 3 – cont'd**Share savings programme**

The share savings programme comprises about 100 individuals with a total of 2.7 million savings shares.

Participation in the share savings programme requires a minimum number of shares in Ahlseil to be acquired or held. Participants who hold such shares ("Savings shares") until the end of the programme's qualifying periods (the day after the 2019 full-year report and the day after the 2020 full-year report) and continue to be employed by Ahlseil during each qualifying period above 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"). Delivery of the first earned Performance shares will take place after the year-end report is issued in January 2020.

There are three performance requirements, earned by up to one-third of a Performance share per year for each of the three qualifying periods. Vesting according to one performance requirement is independent of vesting according to the other performance criteria, which means that vesting according to a performance requirement in one year does not affect vesting according to this requirement in subsequent years or vesting in the same or subsequent years according to the other performance requirements.

Performance requirements take into account the Company's financial targets and are based on (i) sales growth in 2018, 2019 and 2020, (ii) average adjusted EBITA margin for the periods 2016-2018, 2017-2019 and 2018-2020 and (iii) total return on the Ahlseil share minus the return on the SIX Return Index for 2018, 2019 and 2020.

The cost recognised for 2017 was MSEK 51 (9), MSEK 37 (7) of which was reversed to equity and MSEK 14 (2) was reserved for social security contributions. The cost for the year is approximately 29% (5) of the estimated total cost.

During the year, Ahlseil repurchased shares to limit exposure to the share savings programme. A total of 7 million shares have been repurchased, which corresponds to Ahlseil's estimated exposure to the share savings programme. In connection with the repurchase of shares, the equity swaps with third parties, previously used to limit exposure to the share savings programme, were terminated. Ahlseil's maximum exposure under the share savings programme amounts to a value corresponding to 7.6 million shares. There are also additional social security contributions at 24%.

Based on the assumptions¹ that Ahlseil uses to calculate the cost of the share savings programme, the cost of all performance requirements being fully met is approximately MSEK 333.

Warrants programme

At an extraordinary general meeting held on 16 October 2016, it was decided to issue warrants for transfer to ten senior executives including members of Group management. The issue comprises a maximum of 1.5 million warrants giving entitlement to subscribe for the equivalent number of shares in the Company. Remaining warrants are held by Ahlseil to be offered to any senior executives joining the Company in the future. Participants were offered the opportunity to acquire the warrants at market value. If the maximum number of warrants is exercised to subscribe for new shares, this will mean dilution corresponding to a maximum 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 on the warrant exercise date the Ahlseil share price is more than 170% of the share price in the offer (ceiling), the number of shares issuable upon exercise of each warrant shall be reduced so that the total value per warrant on the exercise date does not exceed the difference between the ceiling and the redemption price. The Company reserves the right to repurchase warrants under certain circumstances if the employees' employment in the Company is terminated or the participants wish to transfer the warrants.

The price to be paid for subscription for one share by exercising a warrant was set at SEK 55.20 (120% of the price for the shares in the offer at the IPO, i.e. SEK 46). If on the warrant exercise date the Ahlseil share price is more than SEK 78.20 (i.e. has exceeded the ceiling), the number of shares issuable upon exercise of each warrant will be proportionately reduced.

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 contributions of 24%, which takes into account the mix of where the programme's participants are required to pay tax.

NOTE 4 Other operating income**Other operating income**

Group, MSEK	2017	2016
Income from leases	6	2
Gas provisions	5	5
Invoice charges received	12	9
Supplier support received	3	5
Other	13	11
Total other operating income	38	32

NOTE 5 Depreciation, amortisation and impairment of assets**By type of asset**

Group, MSEK	2017	2016
Customer relationships	-323	-313
Other intangible assets	-28	-27
Sub-total intangible assets	-351	-340
Land and buildings	-13	-14
Plant and machinery	-33	-32
Equipment, tools and fixtures & fittings	-122	-111
Sub-total property, plant and equipment	-168	-156
Total depreciation, amortisation and impairment	-519	-496

No impairment losses were recognised in 2017 or 2016.

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, MSEK	2017	2016
Cost of goods sold	-33	-28
Selling expenses	-408	-387
Administration expenses	-79	-82
	-519	-496

Amortisation and impairment of intangible assets is attributable to selling costs of MSEK 346 (335), and cost of goods sold of MSEK 5 (5).

NOTE 6 Operating leases

Group, MSEK	2017	2016
Lease payments for the financial year	-556	-452
Future minimum lease payment for non-cancellable leases are due as follows:		
Within one year	-506	-488
Two to five years	-1,298	-1,073
After five years	-1,066	-705
Total operating leases	-2,870	-2,266

The above lease payments include lease costs for central storage facilities in Sweden and Norway. The contracts run through 2035 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, MSEK	2017	2016
KPMG		
Audit services	-6	-6
Tax advisory services	-4	-8
Other services	-1	-7
Total fees	-10	-21

Of the above costs for tax advisory and other services for 2016, MSEK 12.0 relates to costs associated with the listing on Nasdaq Stockholm.

Other auditing services purchased by the Group cost MSEK 0 (0).

Audit services comprise the statutory examination of the annual financial statements and accounting records, administration of the business by the Board of Directors and the CEO and audits carried out under agreement or contract.

This includes other procedures required to be carried out by the company's auditors and advice or other assistance relating to observations made during the audit or performance of such other procedures.

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

NOTE 8 Expenses by nature

Group, MSEK	2017	2016
Finished goods and goods for resale	-19,110	-17,086
Employee benefit costs	-3,163	-2,868
Depreciation	-519	-496
Transport costs	-995	-868
Costs for premises	-724	-666
Other expenses	-969	-936
Total operating expenses	-25,480	-22,920

NOTE 9 Finance income

Group, MSEK	2017	2016
Interest income	19	19
Fair value changes due to revaluation of derivatives	28	531
Total finance income	47	550

Changes in fair value by measurement category

Loans and receivables	19	19
Financial assets/liabilities at fair value	28	531
Total finance income	47	550

Parent, MSEK	2017	2016
Interest income, Group companies	559	506
Interest income	1	-
Fair value changes due to remeasurement of derivatives	32	-
Exchange differences	-	41
Total finance income	592	547

Changes in fair value by measurement category

Loans and receivables	560	506
Financial assets/liabilities at fair value	32	-
Total finance income	592	506

NOTE 10 Finance costs

Group, MSEK	2017	2016
Interest expense, shareholder loans	-	-632
Interest expense, other	-196	-840
Fair value adjustment	-4	-2
Interest expense, pension obligations	-1	-1
Impairment of financial receivable	-	-9
Exchange differences	-37	-178
Other bank costs	-19	-29
Total finance costs	-256	-1,689

Changes in fair value by measurement category

Financial assets/liabilities at fair value	-4	-2
Other financial liabilities	-232	-1,658

Total finance costs for financial instruments

	-237	-1,659
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Group, MSEK	2017	2016
Interest expense, shareholder loans	-	-534
Interest expense, Group companies	-1	-
Interest expenses, other	-186	-30
Exchange differences	-42	-
Fair value changes due to remeasurement of derivatives	-	-4
Profit/loss from investments in Group companies	-1,753	-
Total finance costs	-1,982	-567

Changes in fair value by measurement category

Financial assets/liabilities at fair value	-	-4
Other financial liabilities	-229	-564

Total finance costs for financial instruments

	-229	-567
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NOTE 11 Income tax

Group, MSEK	2017	2016
Current tax	-352	-230
Deferred tax	-54	-7
Total income tax	-406	-237

Reconciliation of effective tax

Group	2017		2016	
	%	Amount	%	Amount
Profit before tax		1,834		579
Tax according to Parent's applicable tax rate	-22.0%	-403	-22.0%	-127
Effect of different tax rates for foreign subsidiaries		-5		4
Non-deductible interest expense		-		-117
Other non-deductible expenses		-18		-15
Increase in loss carryforwards without corresponding capitalisation of deferred tax		-		-8
Utilisation of prior years' losses for which deferred tax has not been taken into account.		-		37
Capitalisation of previously unused loss carryforwards		19		-
Tax-free income		1		11
Adjustment of tax relating to prior years		-		-17
Changed tax rate in Norway		-2		0
Other		1		-5
Recognised effective tax	-22.1%	-406	-40.9%	-237
Current income tax rate in Sweden	-22.0%		-22.0%	
Effective tax rate	-22.1%		-40.9%	

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 the shareholders (Ahlseil Sverige AB).

The Norwegian and Finnish Tax Authorities 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 as equivalent adjustments for taxable interest income should be permitted in Sweden.

Parent, MSEK	2017	2016
Current tax	-112	-74
Deferred tax	-	-
Total income tax	-112	-74

Reconciliation of effective tax

Parent	2017		2016	
	%	Amount	%	Amount
Profit before tax		-1,240		-198
Tax according to Parent's applicable tax rate	-22.0%	273	-22.0%	44
Non-deductible interest expense		-		-117
Tax-free distribution		365		-
Non-deductible impairment of shares in subsidiaries		-750		-
Other		0		-
Recognised effective tax	9.1%	-112	37.3%	-74
Current income tax rate in Sweden	-22.0%		-22.0%	
Effective tax rate	9.1%		37.3%	

NOTE 12 Operating cash flow

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

MSEK	Note	2017	2016
Operating profit		2,043	1,719
Adjustments for non-cash items	35	493	449
Operating cash flow before working capital changes		2,535	2,168
Operating cash flow after working capital changes			
Change in inventories		-489	-165
Change in operating receivables		-547	-554
Change in operating liabilities		703	630
Operating cash flow before investments		2,203	2,079
Acquisition of intangible assets		-39	-30
Acquisition of property, plant and equipment		-178	-127
Sale of property, plant and equipment		6	78
Cash flow from operating investments		-211	-79
Operating cash flow		1,991	2,000

CASH FLOW RECONCILIATION

The consolidated operative 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 according to IAS 7 Cash Flow Statement. The table below shows the reconciliation between operating cash flows before investments and cash flows from operating activities according to IAS 7.

Cash flow from operating investments includes the type of investments and sales which are attributable to the ongoing operations, while the cash flow from investing activities in the cash flow statement according to IAS 7 also includes acquisitions and divestment of operations and financial assets. The table below shows the reconciliation between 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.

MSEK	2017	2016
Operating cash flow before investments	2,203	2,079
Finance income (according to the income statement)	47	550
Finance costs (according to the income statement)	-256	-1,689
Income tax paid (according to statement of cash flows)	-203	-245
Difference in adjustment for non-cash items	70	552
Cash flow from operating activities	1,861	1,246
Cash flow from operating investments	-211	-79
Acquisition of operations	-346	-451
Changes in financial assets	16	0
Cash flow from investing activities	-541	-530
Cash flow from financing activities	-1,235	-1,871
Cash flow for the year	86	-1,155

NOTE 13 Customer relationships

Group, MSEK	2017	2016
Accumulated cost		
Opening cost	4,662	4,432
Acquisition of subsidiaries	14	143
Translation differences for the year	-17	88
Closing accumulated cost	4,659	4,662
Accumulated amortisation		
Opening amortisation	-1,413	-1,087
Amortisation for the year	-323	-313
Translation differences for the year	6	-13
Closing accumulated amortisation	-1,730	-1,413
Carrying amount at end of period	2,929	3,250

The entire carrying amount relates to assets acquired.

About SEK 2.0 billion of the carrying amount of customer relationships has a remaining amortisation period of 14 years. The rest of the amount attributable to customer relationships has a remaining amortisation period of 4 years.

NOTE 14 Trademark

Group, MSEK	2017	2016
Accumulated cost		
Opening cost	3,837	3,767
Acquisition of subsidiaries	-	70
Carrying amount at end of period	3,837	3,837

The entire carrying amount relates to assets acquired.

IMPAIRMENT TESTING - TRADEMARK

The Ahlsell and Prevex trademarks are considered to have an indefinite useful life. The useful lives are considered to be indefinite as it is a question of a well-established trademarks that the Group intends to retain and develop. The cost of the Ahlsell trademark (acquisition date 9 May 2012) and the Prevex trademark (1 August 2016) was determined using the relief-from-royalty method and at the end of the year the carrying amount was MSEK 3,837.

Impairment testing is carried out annually. The assessment is performed using the 1.5% royalty rate set at the time of acquisition and estimated future sales growth. Management has estimated the budgeted sales for the next five years based on past performance and expected future market growth. A 2% (2) growth rate has been used to extrapolate sales growth beyond the budget period. This amount is discounted using a 10.5% (10.5) current cost of capital before tax for the Group. The results of the impairment test performed in 2017 show that no impairment is necessary at this time.

NOTE 15 Other intangible assets**2017**

Group, MSEK	Capitalised expenditure	Licences	Lease contracts and similar rights	Total
Accumulated cost				
Opening cost	220	92	-	312
Acquisition of subsidiaries	1	-	-	1
Additions	36	3	-	39
Reclassifications	-	2	-	2
Sales and disposals	-38	0	-	-38
Translation differences for the year	0	-1	-	-1
Closing accumulated cost	218	97	-	315
Accumulated amortisation				
Opening amortisation	-116	-73	-	-189
Sales and disposals	38	-	-	38
Amortisation for the year	-21	-7	-	-28
Translation differences for the year	0	0	-	0
Closing accumulated amortisation	-99	-80	-	-179
Carrying amount at end of period	119	17	-	136

2016

Group, MSEK	Capitalised expenditure	Licences	Lease contracts and similar rights	Total
Accumulated cost				
Opening cost	204	91	29	323
Additions	29	1	-	30
Reclassifications	-	0	-30	-30
Sales and disposals	-13	-2	-	-15
Translation differences for the year	-	3	1	4
Closing accumulated cost	220	92	-	312
Accumulated amortisation				
Opening amortisation	-109	-64	-23	-196
Sales and disposals	13	0	-	14
Reclassifications	-	0	24	23
Amortisation for the year	-20	-8	-	-27
Translation differences for the year	-	-2	-1	-3
Closing accumulated amortisation	-116	-73	-	-189
Carrying amount at end of period	104	19	-	123

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 16 Goodwill

Group, MSEK	2017	2016
Accumulated cost		
Opening cost	7,028	6,634
Acquisition of subsidiaries	207	239
Translation differences for the year	-28	155
Closing accumulated cost	7,207	7,028
Carrying amount at end of period	7,207	7,028

GOODWILL IMPAIRMENT TESTING

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

Goodwill by cash generating unit is summarised below:

	2017	2016
Sweden	5,024	4,848
Norway	1,105	1,157
Finland	952	901
Denmark	125	122
	7,207	7,028

The recoverable amount of the CGU has been determined based on value-in-use calculations. Value in use is calculated using pre-tax cash flow projections based on the business plans of the geographic regions covering a five-year period and which have been approved by corporate 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 for value-in-use measurements:

- 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. In order to budget future market development, internal and external data has been used. A 2% (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% (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 17 Land and buildings

Group, MSEK	2017	2016
Accumulated cost		
At beginning of year	417	412
Additions	1	1
Sales and disposals	-5	-14
Translation differences for the year	11	19
Closing accumulated cost	424	417
Accumulated depreciation		
At beginning of year	-167	-157
Sales and disposals	5	11
Depreciation for the year	-13	-14
Translation differences for the year	-5	-7
Closing accumulated depreciation	-180	-167
Carrying amount at end of period	244	250
Buildings held under finance leases are included at the following amounts:		
Cost of acquisition	244	237
Accumulated depreciation	-117	-105
Carrying amount	127	132

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

Total minimum lease payments and their present value

Total minimum lease payments	284	296
Present value of minimum lease payments	173	176

Total minimum lease payments

Within one year	20	20
Between 2-5 years	81	79
After 5 years	183	197
	284	296

Present value of minimum lease payments

Within one year	8	7
Between 2-5 years	38	35
After 5 years	127	134
	173	176

Payments for assets held under finance leases for the year totalled MSEK 18 (18). MSEK 10 (11) was interest expense and MSEK 8 (7) repayment of liabilities. Depreciation of assets held under finance leases amounted to MSEK 9 (9). Total expenses for assets held under finance leases were MSEK 19 (19).

NOTE 18 Plant and machinery

Group, MSEK	2017	2016
Accumulated cost		
At beginning of year	455	418
Additions	19	34
Sales and disposals	-14	-12
Translation differences for the year	-2	15
Closing accumulated cost	458	455
Accumulated depreciation		
At beginning of year	-285	-254
Sales and disposals	14	10
Depreciation for the year	-33	-32
Translation differences for the year	2	-10
Closing accumulated depreciation	-302	-285
Carrying amount at end of period	155	170

NOTE 19 Equipment, tools, fixtures and fittings

Group, MSEK	2017	2016
Accumulated cost		
At beginning of year	1,278	1,129
Acquisition of subsidiaries	17	6
Additions	229	181
Sales and disposals	-47	-89
Reclassifications	-3	22
Translation differences for the year	-1	30
Closing accumulated cost	1,473	1,278
Accumulated depreciation		
At beginning of year	-923	-821
Acquisition of subsidiaries	-9	-5
Sales and disposals	30	52
Reclassifications	1	-14
Depreciation for the year	-122	-111
Translation differences for the year	1	-24
Closing accumulated depreciation	-1,022	-923
Carrying amount at end of period	451	355
Equipment held under finance leases is included at the following amounts:		
Cost	560	505
Accumulated depreciation	-396	-355
Carrying amount at end of period	163	151

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

Group, MSEK	2017	2016
Total minimum lease payments and their present value		
Total minimum lease payments	159	154
Present value of minimum lease payments	156	144
Total minimum lease payments		
Within one year	43	39
Between 2-5 years	116	115
After 5 years	-	-
	159	154
Present value of minimum lease payments		
Within one year	42	37
Between 2-5 years	114	107
After 5 years	-	-
	156	144

Finance lease payments for the year totalled MSEK 36 (34). MSEK 2 (2) was interest expense and MSEK 34 (32) repayment of liabilities. Depreciation of assets held under finance leases amounted to MSEK 39 (36). Total costs of equipment held under finance leases were MSEK 42 (39).

NOTE 20 Financial investments**Shares and participating interests classified as non-current assets**

Group, MSEK	2017	2016
Opening carrying amount	3	3
Exchange differences	0	0
Closing carrying amount	3	3

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 21 Shares in subsidiaries

Parent, MSEK	2017	2016
Accumulated cost		
At beginning of year	3,032	2,930
Shareholder contributions	479	7
Acquisition of subsidiaries	-	96
Merger	-96	-
Intra-group restructuring	-1,757	-
Carrying amount at end of period	1,658	3,032

The above-mentioned shares in subsidiaries refer to the ownership of Norrmalm 2 AB (corp. ID 556882-5326) and Ahlseil Förvaltning AB (corp. ID 559077-0797). The carrying amount for Norrmalm 2 AB is MSEK 1,658 and for Ahlseil Förvaltning AB MSEK 0.

A shareholder contribution of MSEK 51 was made to the subsidiary Norgemalm AS during the year.

Ahlseil Förvaltning 2 AB was merged with the Parent Company during the year. The subsidiary Norgemalm AS has been sold internally to Ahlseil Sverige AB as part of the process of simplifying the Group structure.

A merger between Ahlseil AB (publ) and Norrmalm 2 AB was initiated in 2017. The merger, which was in progress at the end of the year, was completed in January 2018.

NOTE 21 – cont'd**Investment in Group companies (indirect ownership)**

Companies at 31 Dec 2017	Corp. ID	Head office/Country	Share of capital ¹⁾
Nybrojarl New 1 AB (publ)	556715-7812	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
Verktygshuset i Kiruna AB	556578-4971	Kiruna	100
Prevex AB	556199-3899	Gothenburg	100
Infästningsspecialisten Göteborg AB	556775-6902	Gothenburg	100
G-ESS Yrkeskläder AB	556296-6845	Huddinge	100
Svensk Industri & Kommunservice AB	556517-1252	Gothenburg	100
Jobline i Umeå AB	556160-6947	Umeå	100
Enexia AB	556906-7076	Knivsta	100
Prepipe Construction AB	559004-7204	Lammhult	100
Sprinkler Nordic AB	556763-9405	Knivsta	100
SAFE Workwear Sweden AB	556543-1375	Strängnäs	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
Proffklær Haugesund AS	991 248 722	Haugesund (N)	100
Yrkes & Profilkær AS	981 519 345	Tønsberg (N)	100
Lenson Elektro AS	993 465 852	Trondheim (N)	100
AhlSELL Oy	1819153-8	Helsinki (SF)	100
Aninkaisten Tapetti ja Väri Oy	0197404-2	Helsinki (SF)	100
Enexia Oy	1834183-1	Kerava (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 with the share of votes for the total number of shares.

NOTE 22 Receivables from Group companies

Parent, MSEK	2017	2016
Accumulated cost		
At beginning of year	12,845	5,051
Subsequent receivables	–	7,794
Settled receivables	–1,054	–
Carrying amount at end of period	11,791	12,845

MSEK 11,791 (12,845) of the above relates to receivables from subsidiaries.

NOTE 23 Deferred income tax**GROUP****Recognised deferred tax assets and liabilities**

Group, MSEK	2017			2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Loss carryforwards	153	–	153	162	–	162
Intangible assets	–	–1,445	–1,445	–	–1,510	–1,510
Provisions/accrued	13	–	13	7	–	7
Financial assets and liabilities	9	–	9	9	–	9
Current receivables and inventories	9	–	9	13	–	13
Machinery and equipment	29	–35	–6	27	–33	–6
Land and buildings	–	–3	–3	–	–3	–3
Untaxed reserves	–	–220	–220	–	–98	–98
Other	5	–	5	8	–	8
Total	217	–1,703	–1,486	225	–1,644	–1,420
Offset of assets/liabilities	–209	209	–	–218	218	–
Balance sheet total	8	–1,494	–1,486	7	–1,427	–1,420

The loss carryforwards are primarily attributable to Ahlseil'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 unrecognised loss carryforwards are MSEK 0 (20).

Changes in deferred tax asset for temporary differences and loss carryforwards

2017 MSEK	At beginning of year	Recognised in income statement	Recognised in OCI	Translation differences	Acquired/divested companies	Balance at end of year
Loss carryforwards	162	–1	–	–7	–	153
Intangible assets	–1,510	66	–	2	–3	–1,445
Provisions/accrued	7	3	3	1	–	13
Financial assets and liabilities	9	0	3	–3	–	9
Current receivables and inventories	13	–4	–	1	–	9
Machinery and equipment	–6	0	–	0	–	–6
Land and buildings	–3	1	–	–1	–	–3
Untaxed reserves	–98	–116	–	–	–6	–220
Other	8	–3	–	0	–	5
Total changes	–1,420	–54	5	–8	–10	–1,486

2016 MSEK	At beginning of year	Recognised in income statement	Recognised in OCI	Translation differences	Reclassified as As- sets held for sale	Balance at end of year
Loss carryforwards	183	–33	–	12	–	162
Intangible assets	–1,506	66	–	–23	–47	–1,510
Provisions/accrued	7	0	1	0	–	7
Financial assets and liabilities	4	4	1	0	–	9
Current receivables and inventories	13	0	–	–1	1	13
Machinery and equipment	–6	1	–	0	–	–6
Land and buildings	–4	2	–	–1	–	–3
Untaxed reserves	–48	–50	–	–	–	–98
Other	3	4	–	0	–	8
Total changes	–1,354	–7	1	–14	–46	–1,420

Ahlseil 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 unpaid gains are allocated to the Parent Company, the Estonian government can claim up to 21 % tax, the equivalent of MSEK 47 (42) on 31 December 2017.

NOTE 24 Other non-current receivables

Group, MSEK	2017	2016
Accumulated cost		
At beginning of year	4	4
Additions	1	–
Reclassification	16	9
Impairment	–	–9
Settlements	–15	–1
Translation differences for the year	0	0
Closing accumulated cost	7	4
Carrying amount at end of period	7	4
of which interest-bearing	4	3

NOTE 25 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 MSEK –19,110 (–17,086). During this period, inventories of finished goods have been written down by MSEK –84 (–86).

NOTE 26 Trade receivables

Group, MSEK	2017	2016
Trade receivables, gross	3,525	3,093
Provisions for doubtful receivables	–34	–39
Total trade receivables	3,491	3,054

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, MSEK	2017	2016
Provisions at beginning of year	–39	–32
Provisions for anticipated losses	–29	–27
Actual losses	34	22
Exchange differences	0	–2
Provisions at end of year	–34	–39

Actual bad debt expenses and recovered bad debt expenses during the year amounted to a net total of MSEK 33 (19).

CONCENTRATIONS OF CREDIT RISK

The credit risk for trade receivables is not concentrated within any particular geographic region as the Group has a wide spread of customers in the Nordic region, Russia the Baltic region 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 2017		
Exposure < MSEK 1.5	99.7%	62.4%
Exposure MSEK 1.5 - 10.0	0.3%	23.2%
Exposure > MSEK 10.0	0.0%	14.4%
Total	100%	100%

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

Ageing of trade receivables

Group, MSEK	2017	2016
Not overdue	3,078	2,623
0 - 30 days	362	398
31 - 60 days	42	25
61 - 90 days	10	5
> 91 days	0	3
Total	3,491	3,054

NOTE 27 Prepaid expenses and accrued income

Group, MSEK	2017	2016
Prepaid rents	97	89
Accrued supplier bonus	822	685
Accrued income for delivered but non-invoiced goods	196	202
Other items	63	55
Total prepayments and accrued income	1,178	1,031

Parent, MSEK	2017	2016
Other items	2	1
Total prepayments and accrued income	2	1

NOTE 28 Equity/Earnings per share**GROUP**

On 31 December, equity amounted to MSEK 9,004 (8,089).

Reserves

MSEK	Hedging reserve	Translation reserve	Total
Opening balance, 1 January 2016	–	–57	–57
Translation differences for the year	–	17	17
Hedging of currency risk in foreign operations	–	–78	–78
Cash flow hedges recognised directly in OCI	–4	–	–4
Tax attributable to items recognised in OCI	1	71	72
Closing balance, 31 December 2016	–3	–47	–49
Opening balance, 1 January 2017	–3	–47	–49
Translation differences for the year	–	–16	–16
Hedging of currency risk in foreign operations	–	5	5
Cash flow hedges recognised directly in OCI	–10	–	–10
Tax attributable to items recognised in OCI	2	–8	–6
Closing balance, 31 December 2017	–11	–66	–77

NOTE 28 – cont'd

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 currency in Norway and Finland.

The hedging reserve comprises the change in value of the interest rate swaps accounted for as hedges.

Earnings per share

	2017	2016
Earnings per share		
Profit attributable to owners of the parent company (MSEK)	1,428	342
Weighted average number of ordinary shares outstanding (millions)	435	308
Earnings per share, SEK	3.28	1.11

Diluted earnings per share

The AhlSELL Group's two long-term incentive programmes could potentially lead to future dilution of the number of shares. The share savings programme could result in a maximum dilution of 1.9% of the total number of shares in the Company. If the maximum number of warrants is exercised to subscribe for new shares, this will mean dilution corresponding to a maximum of 0.3% of the total number of shares in the Company. It will only be possible to calculate the dilutive effect of the share-savings programme after the first measurement period has ended (2018). There is currently a slight dilutive effect for the warrants programme. There is no other dilution associated with ordinary shares.

Parent, MSEK	2017	2016
Weighted average number of diluted ordinary shares outstanding (millions)	435	308
Diluted earnings per share, SEK	3.28	1.11

Decision date	Date of registration with 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 Preference shares B: 8,804,250 Preference shares C: 147,122 Preference shares D: 277,620		79,380,546	0.25
04/10/16	11/10/16	Share split (1:4) ¹	Total: 238,141,638 Ordinary shares A1: 192,150,000 Ordinary shares A2: 18,304,662 Preference shares B: 26,412,750 Preference shares C: 441,366 Preference shares D: 832,860	Total: 317,522,184 Ordinary shares A1: 256,200,000 Ordinary shares A2: 24,406,216 Preference shares B: 35,217,000 Preference shares C: 588,488 Preference shares D: 1,110,480	0	79,380,546	0.25
27/10/16	28/10/16	Withdrawal of all preference shares ²	-36,915,968	280,606,216	-9,228,992	70,151,554	0.25
27/10/16	28/10/16	Bonus issue ³	0	280,606,216	9,228,992	79,380,546	0.28
16/10/27	28/10/16	Conversion of shares ⁴	0	280,606,216	0	79,380,546	0.28
27/10/16	28/10/16	Offset issue ⁵	153,614,345	434,220,561	43,455,882	122,836,428	0.28
27/10/16	28/10/16	Non-cash issue ⁶	2,081,626	436,302,187	588,870	123,425,298	0.28

¹ A share split has been conducted to obtain an appropriate number of shares in the Company.

² All preference shares withdrawn at market value. Through the reduction in the share capital, a total of SEK 141,535,705 was repaid to shareholders, of which SEK 9,228,992 reduces the Company's share capital.

³ Simultaneously with the withdrawal, the Company decided on a bonus issue with funds from unrestricted equity to keep share capital intact.

⁴ All shares reclassified to shares of the same type (ordinary shares) through registration of new Articles of Association that only allow one share class.

⁵ Share loans plus the value of withdrawal of preference shares are offset against newly issued ordinary shares in the Company. The offset issue was conducted at SEK 46, and increased total equity by MSEK 7,066, of which MSEK 43 was an increase in share capital.

⁶ Minority shareholders add to the previous value of preference shares, which at this time consist of a receivable from the Company in exchange for newly issued shares in the Company. The non-cash issue was conducted at SEK 46 and increased equity by a total of MSEK 96, of which MSEK 1 was an increase in share capital.

⁷ For 2016, no adjustment has been made for the preference share dividend as these shares were converted into ordinary shares at the time of the IPO in October.

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 par value, an amount equivalent to the premium must be credited to the share premium reserve.

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 reserve together constitute total unrestricted equity, in other words the amount available for distribution to shareholders.

Total equity in AhlSELL AB (publ) was MSEK 5,330 (7,175) on the reporting date, MSEK 123 (123) of which was restricted equity.

Number of shares

The number of shares outstanding at the beginning of the year was 436,302,187, with a par value of SEK 0.28. The number of shares at the end of the year was 429,302,187 with a par value of SEK 0.28. During the year, the average number of outstanding shares was 435,415,135.

Change in number of shares

	Number of shares
Number of registered shares, 1 January 2017	436,302,187
Repurchased shares held by AhlSELL AB (publ)	-7,000,000
Number of shares outstanding, 31 December 2017	429,302,187

The table below shows the previous year's changes in number of shares and changes in share capital.

NOTE 28 – cont'd

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.

Repurchase of shares

The authorisation to repurchase shares granted by the Annual General Meeting on 4 May 2017 was exercised during the year. 7,000,000 shares were repurchased in 2017, at an average share price of SEK 52.75, corresponding to 1.6% of the number of registered shares. The total purchase price was MSEK 369. The purpose of the repurchase was to secure the Group's long-term incentive programmes.

Capital management

Capital is defined as total equity, which corresponds to what is reported as equity in the consolidated balance sheet. Ahlseil's goal is for the Group over time to have net debt in relation to adjusted EBITDA in the range of 2.0-3.0 times.

Net debt is measured in relation to adjusted EBITDA (Net debt/Adjusted EBITDA). At 31 December 2017, net debt/EBITDA was 2.6 (3.3).

There are external requirements in the bank loan agreements, for further information, see note 32.

Proposed appropriation of profits

The following funds are at the disposal of the Annual General Meeting	SEK	5,206,572,773
The Board and the CEO propose a dividend to shareholders of SEK 1.65 per share.	SEK	708,348,609
the remaining profits be carried forward	SEK	4,498,224,164
	SEK	5,206,572,773

NOTE 29 Provisions for pensions

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, MSEK	2017	2016
Present value of funded obligations	29	31
Fair value of plan assets	-24	-28
The amount of the surplus in the plan is restricted by an asset ceiling	4	4
Total of wholly or partly funded obligations	9	7
Present value of unfunded obligations	44	43
Net debt in the balance sheet	53	50
Amounts reported in the balance sheet - liabilities	53	50

The amounts in the balance sheet are distributed across the various geographic areas as follows:

	Sweden	Finland
Present value of funded obligations	29	-
Fair value of plan assets	-24	-
The amount of the surplus in the plan is restricted by an asset ceiling	4	-
Present value of unfunded obligations	35	9
Net debt in the balance sheet	44	9

Group, MSEK	2017	2016
Cost of pensions earned during the year	-	-
Interest expense	-2	-2
Interest income	1	1
Costs for defined benefit plans	-1	-1
Costs for defined contribution plans	-217	-199
Payroll tax	-33	-29
Total cost for post-employment benefits	-251	-229
The cost of defined benefit pension plans is recognised in the following lines of the Income statement		
Selling expenses	-	-
Finance costs	-1	-1
	-1	-1
Cost recognised in Other comprehensive income		
Revaluations:		
- Actuarial gains/losses	-4	-3
- Difference between actual and calculated return on the plan assets	0	1
	-4	-2

The current value of the defined benefit obligation has changed as follows during the year

Group, MSEK	2017	2016
Current value of defined benefit obligations at beginning of year	74	76
Interest expense	2	2
Payment of benefits	-8	-10
Actuarial gains (minus) and losses (plus)	4	4
Reclassification	-	0
Exchange differences on foreign plans	0	1
Current value of defined benefit obligations at end of year	72	74

The fair value of the plan assets has changed as following during the year:

Group, MSEK	2017	2016
Fair value of plan assets at beginning of year	28	34
Interest income	1	1
Difference between actual and calculated return	0	1
Pension payments	-6	-7
Fair value of plan assets at end of year	24	28

The actual return on plan assets was MSEK 1 (2).

Group	2017	2016
The plan assets are classified in the following categories as a percentage of the total plan assets:		
Shares	38%	36%
Interest-bearing securities	39%	36%
Property	11%	11%
Other	12%	17%

NOTE 29 – cont'd

Group, MSEK	2017	2016	2015	2014	2013
Historical information					
Present value of defined benefit obligations (including payroll tax)	72	74	76	104	98
Fair value of plan assets	-24	-28	-34	-24	-21
The amount of the surplus in the plan is restricted by an asset ceiling	4	4	6	-	-
Surplus (minus)/Deficit (plus)	53	50	49	80	77
Experience-based adjustments to plan assets	0	1	0	1	0

Experience adjustments on defined benefit obligations amount to MSEK -6 (1).

Assumptions used for valuations

2017	Sweden	Finland
Discount rate %	1.9%	1.0%
Mortality table	DUS14	
2016	Sweden	Finland
Discount rate %	3.2%	1.2%
Mortality table	DUS14	

The Group expects to make MSEK 2 (2) in payments in 2018 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 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 plan. 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 plan in Norway, which is thus also recognised as a defined contribution plan.

The year's ITP pension insurance contributions through Alecta amount to MSEK 102 (84). Alecta's surplus may be distributed to the policyholders and/or the insured parties. At the end of 2017, Alecta's surplus, in the form of a collective consolidation level, was 154% (149). The collective funding ratio is the market value of Alecta's assets as a % of its insurance obligations calculated by reference to Alecta's actuarial assumptions. This is not consistent with IAS 19. Information about the collective consolidation level for the AFP plan in Norway is not available.

NOTE 30 Other provisions

Group, MSEK	2017	2016
Balance at beginning of year	23	19
New/extended provisions	30	19
Provisions used	-40	-16
Exchange differences	-1	2
Balance at end of year	13	23
Other provisions		
Restructuring	11	22
Guarantee obligations	2	1
Total other provisions	13	23
Other provisions consist of:		
Long-term provisions	3	5
Short-term provisions	10	19
Total provisions	13	23

The additional provisions in 2017 relate primarily to provisions for layoffs with salary during restructuring in the Swedish and Finnish operations.

Provisions used are mainly related to the reversal of provisions relating to dismissed salaried staff in the Swedish, Norwegian and Finnish operations and the reversal of provisions relating to costs for premises in Norway.

NOTE 31 Accrued expenses and deferred income

Group, MSEK	2017	2016
Accrued interests	33	24
Accrued holiday pay	333	307
Accrued salary bonuses	36	34
Accrued social security contributions	98	74
Other items	83	110
Total accruals and deferred income	582	549

Parent, MSEK	2017	2016
Accrued interests	33	24
Accrued holiday pay	5	-
Accrued salary bonuses	6	-
Accrued social security contributions	10	-
Other items	17	27
Total accruals and deferred income	71	51

NOTE 32 Financial instruments and financial risk management**GROUP**

New financing was provided in connection with Ahlseil's IPO on Nasdaq Stockholm 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 charges related to previous financing were recognised as expense. The refinancing also settled the derivatives that were linked to the old financing. The new financing agreement contains upfront fees, which were paid and capitalised on the loan payment date. The Group initiated a commercial paper programme during the year. The programme has a total value of MSEK 2,500. Further information about the new financing 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 arranged to finance operations, trade payables, lease liabilities and additional consideration.

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.

Five derivative instruments are qualifying for hedge accounting at 31 December 2017. These instruments are always used to hedge an underlying exposure and not for speculative purposes.

FINANCIAL RISK MANAGEMENT

The Group's financial policy for financial risk management was formulated by the Board and provides a framework of guidelines and rules in the form 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.

NOTE 32 – cont'd

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 develops and draws up 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.

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: There is a risk of negative equity effects when the assets and liabilities of foreign subsidiary companies are translated into Swedish kronor.

Credit risk: Is the risk of financial loss to the Group as a result of a counterparty 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 Financial policy states that if an individual facility has less than 1 year to maturity, refinancing arrangements must have started, and that the average maturity of the Group's facilities shall be at least 1.5 years. At year end the average time to maturity was 3.5 years.

The financing agreements that Ahlsell has entered into include two term loan facilities and two revolving facilities. The term loan facilities were fully utilised and amounted to MSEK 6,717 (7,722) at 31 December 2017, with MSEK 1,467 (1,472) due in November 2019 and MSEK 5,250 (6,250) due in November 2021. MSEK 1,000 of the term loan due in November 2021 was repaid during the year. In connection with the repayment, a revolving facility of MSEK 1,000 was arranged as a back-up to the Group's commercial paper programme established during the year. The programme has a total value of MSEK 2,500. In addition to this back-up facility, there is a revolving facility of MSEK 2,250. The revolving facilities mature in November 2021, and MSEK 0 (700) had been utilised at the reporting date. In addition, MSEK 35 (16) had been used for bank guarantees and letters of credit at the reporting date. All facilities are at variable rates in SEK, EUR and NOK. 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 that Ahlsell must fulfil are:

- Consolidated EBITDA in relation to interest payments
- Total net debt in relation to consolidated EBITDA

There are specific definitions for each component and some non-recurring items are excluded from EBITDA.

At 31 December, the 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

	2017		2016	
	Total borrowing	Total credit	Total borrowing	Total credit
MSEK				
Term loans ¹⁾	6,717	–	7,722	–
Revolving facility ²⁾	–	3,250	700	2,250
Commercial papers ³⁾	999	–	–	–
Total	7,717	3,250	8,422	2,250

¹⁾ Have variable interest rates and are in EUR, SEK and NOK.

²⁾ In addition to borrowing, the revolving facility is available as overdraft facilities in SEK, NOK, DKK and EUR with variable rates, bank guarantees etc. At the end of the year, MSEK 35 (16) was utilised. MSEK 1,000 serves as a back-up facility for the Group's commercial paper programme, with the outstanding amount at the end of the year being MSEK 999.

³⁾ With variable interest rate in SEK.

The Group's loan maturity structure, liabilities to credit institutions

Maturity MSEK	2017	2016
2018	–	–
2019	1,467	1,473
2020	–	–
2021	6,249	6,949
>2021	–	–
Total*	7,717	8,422

* The commercial paper programme has a revolving backup facility that matures in 2021 and the outstanding amount of MSEK 999 is therefore reported as non-current.

The specification of lease assets and the current values of finance leases are presented in note 19 Equipment, tools, fixtures and fittings and Note 17 Land and buildings. Information about the Group's operating leases is provided in note 6.

Maturity profile of lease liability

MSEK	2017	2016
Within 1 year	51	44
Maturity date, 1-5 years after the reporting date	152	142
Maturity date, later than five years	127	134
Total	329	320

Total maturity profile

MSEK	2017	2016
Within one year	51	22*
Maturity, 1-5 years after the reporting date	7,793	8,490
Maturity date, later than five years	127	134
Total	7,971	8,645

* The difference from amounts in the balance sheet is due to the fact that the balance sheet shows expected repayments within 12 months as the Company intends to repay the revolving facility in advance.

Interest rate risk

Interest rate risk for Ahlsell is the risk of adverse movements in the interest rate resulting 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 decided on by the Board. The financial policy states that 20-50% of the Group's loans, including interest hedges, must be at fixed interest rates. At year end 45% was fixed. Four fixed-interest swaps totalling MSEK 3,300 (2,500) mature on 1 October 2021 and a further fixed-interest swap of MNOK 180 (0) matures at the end of October 2019. In addition to the fixed-interest swaps there is a zero percent floor of MSEK 3,300 where, in the case of negative STIBOR, the Group receives the difference between 3 months STIBOR and 0%. The main floating rates are STIBOR, EURIBOR and NIBOR.

NOTE 32 – cont'd

Given the same borrowings, hedges, zero percent floor in loans 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 expenses by about MSEK 29 (28). Excluding the zero percent floor in loans, the corresponding change would be about MSEK 42 (59) and excluding hedges, about MSEK 48 (38). Excluding hedges and the zero percent floor in loans, interest expenses would change by about MSEK 77 (84).

Liabilities to credit institutions and fixed interest period, by currency before fixed-interest swaps, MSEK

Currency	2017			2016		
	Liabilities to credit institutions	Share, %	Fixed interest period, days	Liabilities to credit institutions	Share, %	Fixed interest period, days
SEK	6,774	89%	11	7,453.7	90%	2
EUR	500	7%	2	486.0	6%	2
NOK	367	5%	2	386.2	5%	2
Total	7,641	100%	10	8,325.9	100%	2

Effective interest on the reporting date was	2017			2016		
	SEK	EUR	NOK	SEK	EUR	NOK
Bank loans and commercial papers*	1.47%	1.25%	2.06%	1.69%	1.25%	2.31%
Lease liabilities	0.99%	5.67%	–	0.97%	5.81%	–

Liabilities to credit institutions and fixed interest period, by currency after fixed-interest swaps, MSEK

Currency	2017			2016		
	Liabilities to credit institutions	Share, %	Fixed interest period, days	Liabilities to credit institutions	Share, %	Fixed interest period, days
SEK	6,774	89%	670	7,454	90%	576
EUR	500	7%	2	486	6%	2
NOK	367	5%	315	386	5%	2
Total*	7,641	100%	609	8,326	100%	516

Effective interest on the reporting date was	2017			2016		
	SEK	EUR	NOK	SEK	EUR	NOK
Bank loans and commercial papers including derivatives	1.71%	1.25%	2.23%	1.84%	1.25%	2.31%
Lease liabilities	0.99%	5.67%	–	0.97%	5.81%	–

* Effective interest rate excluding amortisation of capitalised upfront fees for bank loans

Currency risk

Ahlseil's transaction exposure is concentrated on the import of goods and lending and borrowing in foreign currencies. The financial 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 2017 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 financial policy states that the distribution of loans per currency should reflect EBITDA per currency in the Group.

Based on income and expenses in foreign currencies for 2017, a five percentage point change in the Swedish krona against other currencies, excluding currency hedges, impacts operating income by about MSEK 13 annually. As Group uses equity hedges (see note 28), exchange rate changes do not affect net financial items when converting foreign currency loans. Group companies have cash in currency other than their reporting currency, which, in the event of changing exchange rate, leads to revaluation effects in net financial items. The exposure changes from day to day and the Group has entered into currency swaps to reduce 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, MSEK

Group Currency (country)	2017			2016		
	Net assets	Hedged	Net	Net assets	Hedged	Net
EUR (Finland and Estonia)	1,644	–500	1,144	1,584	–486	1,098
DKK (Denmark)	360	–	360	424	–	424
NOK (Norway)	2,383	–367	2,016	3,633	–386	3,246
PLN (Poland)	13	–	13	14	–	14
RUB (Russia)	–65	–	–65	–53	–	–53
Total	4,335	–867	3,467	5,601	–872	4,729

Ahlseil has chosen to hedge net assets in Norway and Finland, to the extent that there are external loans in the Parent Company in the corresponding currency. For other countries no hedge accounting is applied.

NOTE 32 – cont'd**FAIR VALUE****Calculation of fair value**

The fair values of financial instruments that are not traded in an active market are determined by using different valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer price quotes for similar instruments are used to estimate the fair value of non-current liabilities. Other techniques, such as estimated discounted cash flows, are used to determine the fair value of remaining financial instruments. The fair value of fixed-interest swaps, currency swaps and equity swaps is based on the valuation of intermediary credit institutions, the reasonableness of which is tested.

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

With regard to external borrowing, there is no material difference between the carrying amount and fair value, as the Group's borrowings have variable interest rates. Nor does the Group have any other financial assets or liabilities off the balance sheet.

Carrying amount of financial instruments

	2017	2016
	Carrying amount	Carrying amount
Financial assets		
<i>Financial assets held for trading measured at fair value</i>		
Currency swaps	0	0
Total	0	0
<i>Loans and receivables</i>		
Other non-current receivables	7	4
Trade receivables	3,491	3,054
Cash and cash equivalents	1,295	1,209
Total	4,793	4,267
<i>Available-for-sale financial assets</i>		
Financial investments	3	3
Total	3	3
	2017	2016
	Carrying amount	Carrying amount
Financial liabilities		
<i>Financial liabilities held for trading measured at fair value</i>		
Currency swaps	0	1
Equity swaps	–	4
Fixed interest rate swaps	14	4
Total	14	8
<i>Other financial liabilities</i>		
Liabilities to credit institutions	7,971	8,645
Other non-current liabilities	29	25
Trade payables	5,218	4,599
Total	13,218	13,269

Level 2 has been used to determine the fair values of derivative instruments measured at fair value.

Level 3 has been used to determine the fair values of other non-current liabilities, which refer to an unpaid additional purchase consideration.

Change for the year where Level 3 used to determine fair value

MSEK	2017	2016
Opening balance	25	–
Consideration for the year's acquisitions	–	24
Fair value adjustment	4	2
Closing balance	29	25

The differences between the fair value and carrying amount for financial assets and liabilities are marginal.

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

MSEK	2017	2016
<i>The following components are included in cash and cash equivalents:</i>		
Cash and bank balances	1,295	1,209
Short-term investments, comparable to cash & cash equivalents	–	–
Total cash and cash equivalents	1,295	1,209

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 be readily converted into cash
- They are a short term investment

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. Ahlseil'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 Ahlseil's customers are conducted by credit departments at country level. Each country's credit department reviews and assesses compliance with credit policies. Ahlseil's business system incorporates support functions that help them to 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 that have been set. Credit limit utilisation is reviewed at regular intervals. Ahlseil's maximum credit risk exposure is the carrying amount of the Company's financial assets. Ahlseil'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 26 Trade receivables.

Liquidity risk

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 financial policy states that the Group's liquidity reserve must amount to at least 5% of annual net sales. See tables below regarding the liquidity reserve and maturity structure of the Group's trade payables, and tables above for maturity structure on loans and interest terms.

Liquidity reserve

Group, MSEK	2017	2016
<i>The following components are included in the liquidity reserve</i>		
Cash and bank balances	1,295	1,209
Short-term investments, comparable to cash and cash equivalents	–	–
Unused revolving credit facilities*	2,215	1,534
Total cash and cash equivalents	3,510	2,742

* The revolving back-up facility for the commercial paper programme is not included in the liquidity reserve as long as the commercial paper amount does not fall below the facility's total of MSEK 1,000

NOTE 32 – cont'd**Maturity structure trade payables**

Group, MSEK	2017	2016
Not overdue	4,094	3,747
Within one month	1,103	837
Longer than one month but no longer than three months	7	5
Longer than three months	15	10
Total	5,218	4,599

PARENT COMPANY

AhlSELL AB (publ) handles the Group's external borrowing. The financing agreements that the Company has entered into include two term loan facilities and two revolving facilities.

The term loan facilities were fully utilised and amounted to MSEK 6,717 (7,722) at 31 December 2017, with MSEK 1,467 (1,472) due in November 2019 and MSEK 5,250 (6,250) due in November 2021. MSEK 1,000 of the term loan due in November 2021 was repaid during the year. In connection with the repayment, a revolving facility of MSEK 1,000 was arranged as a back-up to the Group's commercial paper programme established during the year. The programme has a total value of MSEK 2,500. In addition to this back-up facility, there is a revolving facility of MSEK 2,250. The revolving facilities mature in November 2021, and MSEK 0 (700) had been utilised at the reporting date. In addition, MSEK 35 (16) had been used for bank guarantees and letters of credit at the reporting date. All facilities are at variable rates in SEK, EUR and NOK.

The Group is obliged to maintain certain quarterly financial obligations, covenants, which are linked to this financing. The covenants that AhlSELL must fulfil are:

- Consolidated EBITDA in relation to interest payments
- Total net debt in relation to consolidated EBITDA

There are specific definitions for each component and some non-recurring items are excluded from EBITDA. At 31 December, the covenants had been met.

The Parent Company is exposed to the same refinancing and interest rate risk as the Group, see above for a further description. The Parent Company is also exposed to the corresponding currency risk where external borrowing is concerned.

At year-end, the Parent Company AB (publ) had borrowings, with any associated statutory limits, as follows:

Borrowing

MSEK	2017		2016	
	Total borrowing	Total credit	Total borrowing	Total credit
Term loans ¹⁾	6,717	–	7,722	–
Revolving facility ²⁾	–	3,250	700	2,250
Commercial papers ³⁾	999	–	–	–
Total	7,717	3,250	8,422	2,250

¹⁾ Have variable interest rates and are in EUR, SEK and NOK.

²⁾ In addition to borrowing, the revolving facility is available as overdraft facilities in SEK, NOK, DKK and EUR with variable rates, bank guarantees etc. At the end of the year, MSEK 35 (16) was utilised. MSEK 1,000 serves as a back-up facility for the Group's commercial paper programme, with the outstanding amount at the end of the year being MSEK 999.

³⁾ With variable interest rate in SEK.

The Parent Company's loan maturity structure, relating to liabilities to credit institutions, including amortisation of capitalised bank charges

Maturity MSEK	2017	2016
2018	–	–
2019	1,467	1,473
2020	–	–
2021	6,249	6,949
>2021	–	–
Total	7,717	8,422

AhlSELL AB (publ) has financial assets and financial liabilities to Group companies. See note 22 and note 38 Related party disclosures.

Foreign exchange rates used in the financial reporting

Currency	2017		2016	
	Average rate	Closing rate	Average rate	Closing rate
EUR	9.633	9.850	9.470	9.567
NOK	1.033	1.001	1.020	1.054
DKK	1.295	1.323	1.272	1.287
PLN	2.263	2.361	2.171	2.166
RUB	0.146	0.143	0.129	0.150

NOTE 33 Contingent liabilities and pledged assets

Group, MSEK	2017	2016
Contingent liabilities	None	None
Pledged assets		
Property mortgages	5	5
Total pledged assets	5	5

NOTE 34 Interest received/paid

Group, MSEK	2017	2016
Interest received	17	19
Interest paid	–152	–575

NOTE 35 Adjustments for non-cash items

Group, MSEK	2017	2016
Depreciation, amortisation and impairment of assets	519	496
Impairment of financial assets	–	9
Capitalised and accrued interests	9	459
Unrealised exchange differences	62	181
Fair value changes due to revaluation of interest rate and exchange rate derivatives	–28	–531
Depreciation and impairment of capitalised financing charges	22	426
Proceeds from sale of non-current assets	–3	0
Provisions for pensions	3	2
Other provisions	–10	3
Other non-cash items	–11	–44
Total	563	1,001

Parent, MSEK	2017	2016
Accrued interest	9	52
Unrealised exchange differences	42	–41
Profit/loss from investments in Group companies	1,753	–
Fair value changes due to revaluation of interest rate and exchange rate derivatives	–32	4
Costs of share savings programme	37	–
Other non-cash items	22	–
Total	1,832	15

NOTE 35 – cont'd**Non-operating cash flow items**

Group, MSEK	2017	2016
Depreciation, amortisation and impairment of assets	519	496
Proceeds from sale of non-current assets	-3	0
Provisions for pensions	3	2
Other provisions	-10	3
Costs of share savings programme*	37	-
Financial leases*	-54	-52
Total	493	449

*Included in Other non-cash items above

NOTE 36 Business combinations**BUSINESS COMBINATIONS IN 2017**

The company G-ESS Yrkeskläder AB was acquired at the end of February. 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. The acquisition of G-ESS broadens the product portfolio and strengthens Ahlseil's Nordic market position in the field of professional clothing and footwear. The company has annual sales of about MSEK 120 and 37 employees.

C.J. Järn & Maskin AB was acquired in May. C.J. Järn & Maskin offers an extensive range of tools, machinery, personal protective equipment and industrial supplies for the professional market. Its operations are based in Vårgårda. C.J. Järn & Maskin has a strong position in the region, with customers mainly in the industrial sector. The acquisition of C.J. Järn & Maskin brings interesting customers, while also strengthening Ahlseil's position in the region. The company had an annual turnover of approximately MSEK 45 and 18 employees on the acquisition date.

Svensk Industri & Kommunservice AB was acquired in June. The company is known under the brand name Sikab, and is one of Gothenburg's leading companies within professional workwear and footwear. The company has a 1,200 square metre store on Hisingen near the Tingstad Tunnel, where approximately 5,000 warehouse articles are offered to municipalities and small and medium-sized entrepreneurs. The acquisition of Sikab extends and strengthens Ahlseil's offering in professional workwear and footwear in the Gothenburg region, and there are considered to be good opportunities for cross-selling, notably in personal protective equipment. The company had an annual turnover of approximately MSEK 55 and 13 employees on the acquisition date.

Lenson Elektro AS, with annual sales of approximately MSEK 23, was acquired in October. Lenson Elektro AS (Lenson) provides products in the area of temporary electrical installations such as lighting and climate. The company is located in Trondheim and has five employees. Lenson's primary market is Norway's central regions.

In June, Ahlseil signed an agreement with Saferoad Holding on the acquisition of its Swedish water & sewer business ViaCon VA, with annual sales of approximately MSEK 320. The acquisition includes the takeover of inventories, equipment and intangible assets belonging to the Water & Sewer operations. The business has 81 employees based at 11 locations in Sweden. The acquisition adds valuable expertise and strengthens Ahlseil's focus on attractive customer segments in construction and infrastructure. Closing was in early November, following approval by the Competition Authority.

Gehås AB, with annual sales of approximately MSEK 15, was acquired at the beginning of December. Gehås sells workwear, profile products, stationery and office supplies in Värmland, and has two stores: one in Arvika and one in Årjäng. The acquisition of the Gehås operations further strengthens Ahlseil's presence in Värmland within personal protective equipment, workwear and profile clothing. The company has six employees.

Infästningsspecialisten i Göteborg AB was also acquired at the beginning of December. Infästningsspecialisten distributes building supplies to professional customers in Västra Götaland. The company has a particular-

ly strong position within fastening products and related tools, which are sold to small and medium-sized contractors in the customer segments construction, electrical, assembly, steel plating, HVAC and plumbing and demolition. Through the acquisition, Ahlseil's customers in the region gain even better access to components within fastening. The company has eight employees and annual sales of approximately MSEK 28.

Doradus Capital AB's sprinkler operations were acquired in December. The acquisition included Enexia AB, Prepipe Construction AB and Nordic Sprinkler AB in Sweden and Enexia Oy in Finland. In Sweden, Nordic Sprinkler AB offers a full range of sprinkler components. Prepipe Construction AB offers prefabricated sprinkler systems, while Enexia AB is a distributor of grooved piping systems. In Finland, Enexia Oy distributes a full range of sprinkler system components and grooved piping systems. Customers are found mainly within plumbing and industry. Ahlseil has limited sprinkler system operations and the acquisition is aimed at strengthening Ahlseil's market presence. The acquired businesses have combined annual sales of approximately MSEK 120. The companies have about 30 employees in total.

Jobline i Umeå AB was acquired at the end of December. Jobline sells workwear and protective equipment to small and medium-sized professional customers in Umeå and its surroundings. The acquisition will enable Ahlseil to offer customers an even better range of products. The company has eight employees and annual sales of approximately MSEK 26.

Safe Workwear Sweden AB was also acquired at the end of December. Safe Workwear has two branches, one in Stockholm and one in Strängnäs. The company mainly sells well-known brands of workwear and protective equipment to companies and municipalities. The acquisition of Safe Workwear strengthens Ahlseil's presence in both Stockholm and Mälardalen. The company has nine employees and annual sales of approximately MSEK 24.

Group, MSEK Company	Country	Date of acquisition	Share of capital
G-ESS Yrkeskläder AB	Sweden	28/02/2017	100%
C.J. Järn & Maskin AB	Sweden	02/05/2017	100%
Svensk Industri & Kommunservice AB	Sweden	01/06/2017	100%
Lenson Elektro AS	Norway	02/10/2017	100%
ViaCon VA (assets and liabilities)	Sweden	01/11/2017	100%
Gehås AB (assets and liabilities)	Sweden	01/12/2017	100%
Infästningsspecialisten Göteborg AB	Sweden	04/12/2017	100%
Sprinkler Nordic AB, Enexia AB, Prepipe Construction AB	Sweden	28/12/2017	100%
Enexia Oy	Finland	28/12/2017	100%
Jobline i Umeå AB	Sweden	29/12/2017	100%
SAFE Workwear Sweden AB	Sweden	29/12/2017	100%

In addition to the above, three acquisitions have also been made after the reporting date, see note 40.

Purchase price per segment

Sweden	-321
Norway	-8
Finland	-38
Denmark	-
Other	-
Total purchase price	-368

NOTE 36 – cont'd

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, consolidated
Cash and cash equivalents	22	–	22
Customer relationships	–	14	14
Capitalised expenditure	1	–	1
Property, plant and equipment	8	–	8
Inventories	137	–5	132
Assets	89	–	89
Liabilities	–96	–	–96
Deferred tax liabilities, net	–6	–3	–10
Net assets	155	6	161
Net assets acquired			161
Goodwill on consolidation			207
Consideration paid			–368
Less cash and cash equivalents in acquired companies			22
Effect on the Group's cash and cash equivalents			–346

As the acquisitions are immaterial for the Group as a whole, the net assets and goodwill acquired are shown on an aggregated level.

The goodwill that arose with the acquisitions is attributable to the synergies that are expected to arise.

As the acquired operations are integrated into Ahlseil's existing operations immediately after the acquisition, it is not possible to make disclosures about how much the acquired companies have contributed to consolidated sales and earnings.

If all acquisitions during 2017 had been made on 1 January, sales would have been approximately MSEK 555 higher and EBITA would have been about MSEK 35 higher.

Ahlseil considers the analysis of the acquired net assets to be provisional, and subsequent fair value adjustments may therefore be made.

Business combinations in the previous year

Group, MSEK Company	Country	Date of acquisition	Share of capital
Elgross'n i Göteborg AB	Sweden	08/06/2016	100%
Prevex AB	Sweden	01/08/2016	100%
Värmematerial VVS AB (assets and liabilities)	Sweden	06/12/2016	100%

Purchase price per segment

Sweden	–512
Norway	–
Finland	–
Denmark	–
Other	–
Total purchase price	–512

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, consolidated
Cash and cash equivalents	38	–	38
Customer relationships	–	143	143
Trademark (Prevex)	–	70	70
Property, plant and equipment	1	–	1
Inventories	104	–6	98
Assets	71	–	71
Liabilities	–94	–	–94
Deferred tax liabilities, net	–9	–46	–54
Net assets	111	161	273
Acquired net assets			273
Goodwill on consolidation			239
Consideration paid			–512
Unpaid additional consideration			24
Less cash and cash equivalents in acquired companies			38
Effect on the Group's cash and cash equivalents			–451

As the acquisitions are immaterial for the Group as a whole, the net assets and goodwill acquired are shown on an aggregated level.

The total consideration for Prevex comprised a base purchase price and additional contingent consideration. The additional consideration was valued at MSEK 23 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 is due for payment in 2020. The outcome will be in the range of MSEK 0-40 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.

As the acquired operations are integrated into Ahlseil's existing operations immediately after the acquisition, it is not possible to make disclosures about how much the acquired companies have contributed to consolidated sales and earnings.

If all acquisitions during 2016 had been made on 1 January, sales would have been approximately MSEK 370 higher and EBITA would have been about MSEK 30 higher.

The purchase price allocations for the acquisitions made in 2016 are now final and no changes have been made to the allocations for Elgross'n and Prevex from what was previously presented. The purchase price allocation for Värmematerial VVS AB has been adjusted so that goodwill has increased by MSEK 5 and inventories have declined by MSEK 5.

NOTE 37 Items affecting comparability

To achieve better comparability between years, EBITA is presented in the interim report net of items affecting comparability. Items affecting comparability are large non-recurring items which have an effect on EBITA.

Items affecting comparability in 2017

Type of cost/revenue	Segment	Amount
Restructuring costs	Finland	–11
Total items affecting comparability		–11

Items affecting comparability in 2016

Type of cost/income	Segment	Amount
IPO costs	Central	–65
Restructuring costs	Norway	–7
Total items affecting comparability		–72

NOTE 38 Related party disclosures

GROUP

Ahlseil AB (publ), corp. ID 556882-8916 (registered in Sweden, head-quartered in Stockholm) has been listed on Nasdaq Stockholm since 28 October 2016.

Prior to the listing on Nasdaq Stockholm, the Ahlseil Group was invoiced a monitoring fee of MSEK 4 by CVC Capital Partners Advisory Company S.a.r.l. for 2016. No monitoring fee was invoiced for 2017.

Information about personnel expenses and remuneration of senior executives can be found in note 3 Personnel.

PARENT

Ahlseil AB (publ) has non-current receivables from other Group companies amounting to MSEK 11,791 (12,845). See note 22. In addition, the Company has current receivables from subsidiaries amounting to MSEK 0 (1). The Company also has MSEK 2 (128) in current liabilities to subsidiary companies.

The Company has a related party relationship with its subsidiaries. See note 21.

NOTE 39 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 assumptions

The Group makes estimates and assumptions 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, in accordance with the accounting policies 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 Note 14 and Note 16).

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 regard to trademarks with an indefinite useful life (Ahlseil and Prevex), 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 Ahlseil and Prevex trademarks to exceed their recoverable amount.

Income tax

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, MSEK 153 (162) 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 40 Events after the reporting period

Acquisitions

In December, Ahlseil entered into an agreement to acquire Proffsmagasinet AB. The transaction was closed on 16 January 2018, following approval by the Swedish Competition Authority. Proffsmagasinet is active in e-commerce in Sweden, Norway and Finland. The Company offers about 17,000 items under well-known brands within professional hardware products, such as tools, gauges, laser instruments and personal protective equipment. The company has annual sales of approximately MSEK 260. A significant part of Ahlseil's sales are conducted through e-commerce and the acquisition reinforces Ahlseil's already strong position. For both Ahlseil and Proffsmagasinet, growth is strong in this sales channel.

Following the approval of the Competition Authority, the acquisition of Bekken & Strøm was closed in early February. Bekken & Strøm is one of Norway's largest retailers of workwear, protective equipment, work & safety footwear and profile clothing. The company has about 160 employees and annual sales of MSEK 415.

In February 2018, HMK i Västerås AB was acquired. The company has estimated annual sales of MSEK 16 and eight employees. The Company sells workwear and protective equipment.

The final analysis and purchase price allocation are not yet completed.

Signatures

The Board and CEO herewith confirm that the Parent Company's annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with international financial reporting standards as defined in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The Parent Company and consolidated annual financial statements provide a true and fair view of the financial performance and position of the Parent Company and the Group.

The Board of Directors' report for the Parent Company and Group provides a true and fair overview of the development of the operations, financial position and performance of the Parent Company and Group, and describes material risks and uncertainties faced by the Parent Company and Group companies.

The Board has authorised the Parent Company's annual financial statements and the consolidated annual financial statements for issue on March 14, 2018. The consolidated and Parent Company income statements and balance sheets will be presented for approval at the Annual General Meeting on May 3, 2018.

Stockholm, March 14, 2018

Kenneth Bengtsson
Chairman

Peter Törnquist
Deputy Chairman

Magdalena Gerger
Board member

Satu Huber
Board member

Gustaf Martin-Löf
Board member

Charlotta Sund
Board member

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
CEO
& Board member

Our audit report was submitted on March 15, 2018

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Audit Report

To the general meeting of the shareholders of Ahlseil 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 Ahlseil AB (publ) for the year 2017, except for the sustainability report on pages 12-13 and 17-29. The annual accounts and consolidated accounts of the company are included on pages 12-13, 17-29 and 37-93 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 2017 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 2017 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. Our opinions do not cover the sustainability report on pages 12-13 and 17-29. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 cur-

rent 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.

Vaulting of goodwill and other intangible assets in the form of customer relationships and brand (group)

See disclosure 13, 14, 16 and 39 and accounting principles on pages 65-66 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, 2017 amounted to SEK 13 973 million, which is approximately 55% of total assets. Intangible assets with a indefinite useful life should annually, 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.

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 1-11, 14-16, 30-36 and 98-110. 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 scepticism 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.

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 2017 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.

Responsibility 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

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 scepticism 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.

Auditors' opinion regarding the statutory sustainability report

The Board of Directors and the Managing Director are responsible for the sustainability report on pages 12-13 and 17-29, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Ahlseil AB (publ) by the general meeting of the shareholders on the 4 May 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2012.

Stockholm March 15, 2018

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

The Ahlseil share

Ahlseil's unique business model has generated stable cash flows and profitable growth to its shareholders over time, driven by continuous business development and acquisitions.

REASONS TO INVEST

- Leading positions in markets with attractive and structural growth dynamic
- Economies of scale and unique added value for customers make Ahlseil stand out both operationally and in terms of profitability
- Broad and fragmented customer base with a favourable mix towards small and medium-sized customers
- A robust and resilient business model that generates a strong cash flow
- Capital-efficient business with low investment needs
- Significant continuing growth potential, as a result of strong market development and organic strategic initiatives, such as cross selling and private labels
- Consistent and long history of successful acquisitions, and a extensive active acquisition pipeline
- Highly experienced organisation with a management group that has a good track record and strong succession planning

Price development and return

Ahlseil's shares were listed on Nasdaq Stockholm's Large Cap list on 28 October 2016 at a price of SEK 46. In 2017, the price of Ahlseil's share increased by 1.9% to SEK 52.80 (+13.0% in 2016).

Market capitalisation

Ahlseil's market capitalisation at the end of 2017 was MSEK 23,037 (22,688), which corresponds to 0.35% of Nasdaq Stockholm's entire market value.

Trading

Ahlseil's share was the 44th most traded share during the year. Total trading in Ahlseil shares on Nasdaq Stockholm during the year was BSEK 20.3, corresponding to average daily turnover of MSEK 81 (71).

However, Nasdaq Stockholm accounts for only 49.5% (54.0) of Ahlseil's total trading. Just over 42.8% (51.4) of this trading was done on the open market, while the remainder was outside the public market, e.g. through over-the-counter trading and dark pools.

In total, 28.8% (44.1) of Ahlseil's shares were traded in public markets and the remaining 71.2% (55.9) were traded outside public markets.

Incentive programmes

Ahlseil has a share-savings programme and a warrants programme. In November 2017, 7,000,000 shares were repurchased for a value corresponding to MSEK 369 to hedge the Group's long-term share-savings programme. See note 3 for more information.

Dividend policy and dividend

With scope for strategic flexibility, Ahlseil will pay a dividend equivalent to 40-60% of net profit (profit after tax).

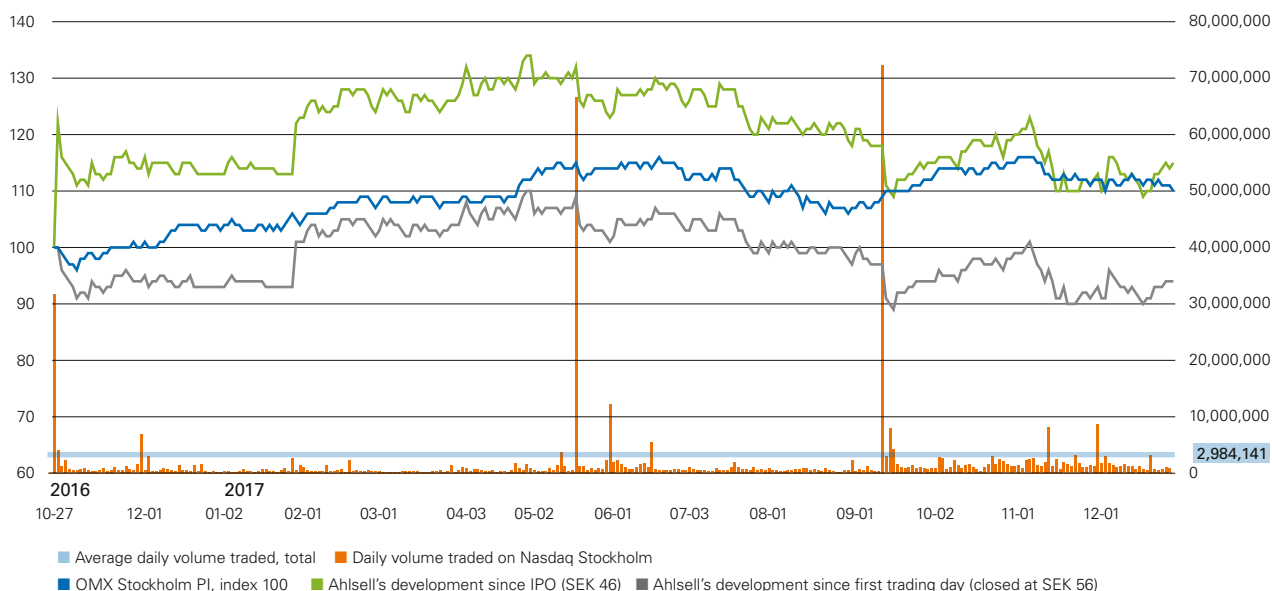
In 2017, a dividend of SEK 0.35 per share was paid to shareholders. This corresponds to 40% of earnings per share, adjusted for the period in 2016 during which Ahlseil was listed. The total dividend paid amounted to MSEK 153.

The Board of Director proposes that the AGM 2018 adopt a dividend of SEK 1.65 per share, which is in line with the company's dividend policy and corresponds to 50% of earnings per share. An estimated MSEK 708 will be paid to shareholders in May 2018.

The Ahlseil share

Share development, Index 100

Number of shares traded



Ownership structure

At the end of 2017, Ahlseil had 15,143 (14,261) shareholders. The ten largest shareholders, sorted by capital, registered directly or as an owner group with Euroclear Sweden, held 53% (70) of the capital.

At the end of the year, Swedish investors held 32% of the capital, with the remainder owned by foreign investors.

Fifteen largest owners	Number	% of capital and votes
1 CVC/Keravel SARL	109,578,323	25.1%
2 Norges Bank	21,111,122	4.8%
3 AMF Försäkring	19,455,956	4.5%
4 JP Chase NA (custodian)	14,748,060	3.4%
5 Odin Fonder	12,151,000	2.8%
6 Alecta Pensionsförsäkring	11,000,000	2.5%
7 Swedbank Robur Fonder	10,032,648	2.3%
8 Handelsbanken Fonder	9,213,260	2.1%
9 AFA Försäkring	8,713,744	2.0%
10 Nordea Investment Funds	7,968,359	1.8%
<i>Ahlseil AB</i>	<i>7,000,000</i>	<i>1.6%</i>
11 SEB Investment Management	5,864,711	1.3%
12 Andra AP-fonden	4,816,223	1.1%
13 Lannebo Fonder	4,700,000	1.1%
14 Catella Fondförvaltning	4,234,629	1.0%
15 JP Morgan Bank Luxembourg	3,631,806	0.8%
Other	182,082,346	42%
Total shares outstanding	436,302,187	100%

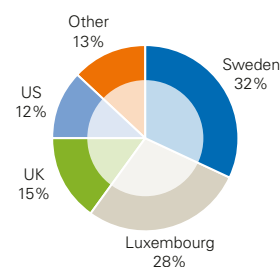
Owner categories

	% of capital and votes
Foreign owners	68.2%
Financial companies	21.5%
People residing in Sweden	3.9%
Other Swedish legal entities	2.3%
Uncategorised legal entities	2.3%
Social security funds	0.8%
The Swedish state	0.5%
Interest organisations	0.4%
Other financial companies	0.1%
Total	100%

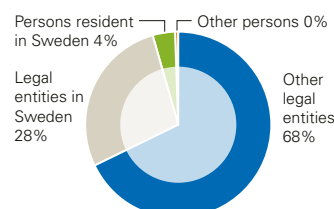
Ownership structure

Holding	Number of shareholders	Holding of capital and votes, %
1 - 500	11,737	0.5
501 - 1,000	1,431	0.3
1,001 - 5,000	1,236	0.7
5,001 - 10,000	201	0.4
10,001 - 15,000	72	0.2
15,001 - 20,000	44	0.2
20,001 -	422	97.7
Total	15,143	100.0%

Ownership by country (capital and votes)



Ownership by category (capital and votes)



Share data

ISIN code	SE0009155005
Nasdaq Stockholm ticker	AHLS

Performance measure	2016	2017
Market cap at end of year, MSEK	22,688	23,037
Basic/diluted earnings per share, SEK	1.11/1.11	3.28/3.28
Dividend per share, SEK	0.35	1.65 ¹⁾
Dividend as % of earnings before dilution	40%	50%
Dividend yield, %	0.7%	3.1%
Operating cash flow per share, SEK	4.6	4.6
Equity per share, SEK	18.5	20.6
Share price at end of year, SEK	52.0	52.8
Highest share price during the year, closing price, SEK	56.0	61.8
Lowest share price during the year, closing price, SEK	51.0	50.0
Average share price, closing price, SEK	52.5	55.9
Number of ordinary shares at end of year	436,302,187	436,302,187
– of which shares held by Ahlseil	0	7,000,000
Average number of shares after dilution at end of year	308,409,000	435,428,000
Par value of share, SEK	0.28	0.28
P/E	46.8	16.1

1) Board's proposal to the Annual General Meeting.

Contact for investor related questions

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Head of IR and External Communications
karin.larsson@ahlseil.se
+46 8 685 5924

Board of Directors



Kenneth Bengtsson



Peter Törnquist



Johan Nilsson



Magdalena Gerger



Satu Huber

Position/since	Chairman of the Board / 2012	Board member / 2012 Vice Chairman / 2015	Board member / 2015 President and CEO Ahlseil AB / 2015	Board member / 2016	Board member / 2016
Nationality/born	Swedish / 1961	Swedish / 1953	Swedish / 1960	Swedish / 1964	Finnish / 1958
Education	Economics at upper secondary level. Several education programmes within ICA Group.	M.Sc. (Business and Economics), Stockholm School of Economics, and MBA, IMD, Switzerland.	M.Sc. (Business and Economics), Lund University, and M.Sc. (Engineering), Lund Faculty of Engineering, Sweden.	M.Sc. (Business and Economics) and MBA from Stockholm School of Economics - incl. MBA Exchange with McGill University, Montreal.	M.Sc. (Econ), Hanken School of Economics, Helsinki.
Other positions	Chairman of – Clas Ohlsson – Systembolaget – Ersta sjukhus – World Childhood Foundation. Board member of – Synsam – Herenco	Chairman of – Synsam – ÅR Packaging – Shd Green Energy – Virtual Stores AB. Vice Chairman of – Paroc Group	–	CEO, Systembolaget. Board member of – Investor AB – Svensk Handel	CEO, Elo Mutual Pension Insurance Company. Board member of – YIT – Arbetspensionsförsäkrarna TELA – Näringslivets forskningsinstitut (ETLA) – Näringslivets delegation (EVA) – Finans Finland (FA) Deputy Board member of – Pensionsskyddscentralens (ETK)
Previous positions	President and CEO and various positions in ICA Group over more than 30 years.	Various positions at CVC Capital Partner Nordic, Including Managing Director and Chairman. Managing Director, Nordic region and European Industrial sectors Lehman Brothers. Senior Partner, Executive Committee member and Head of Europe Bain & Company. Peter has also held directorships at DT Group, Post Danmark and Matas A/S.	CEO, Ahlseil Sweden since 2008. Sales and Marketing Director Sanitec. CEO, IFÖ Sanitär and IDO.	Board member of IKEA (Ingka Holding BV), Husqvarna AB and Svenska Spel. Vice President, Global Fresh Dairy and Nordic Marketing & Innovation, Arla Foods. Management Consultant, Futoria AB. Division Head, Nescafé Market Director, UK & Ireland, ICI Paints.	Vice CEO, Elo Mutual Insurance Company. CEO, Pensionsbolaget LokalTapiola. CEO, Finansbranschens Centralförbund. Various positions at Statskontoret, Merita Bank and Citibank in Helsinki and London. Board member of Finnair, Metso and Boliden.
Independent of Ahlseil and its management	Yes	Yes	No, President and CEO Ahlseil AB	Yes	Yes
Independent of main owner	Yes	No	Yes	Yes	Yes
Holdings, incl. related parties	312,940 shares	20,000 shares	1,581,127 shares and 202,429 options	4,000 shares	14,000 shares
Board attendance	14/14	14/14	14/14	12/14	13/14
Attendance at AGM	Yes	Yes	Yes	Yes	Yes
Remuneration Committee attendance	3/3 Chair	3/3	–	3/3	–
Audit Committee attendance	–	7/7 Chair	–	–	6/7

**Gustaf Martin-Löf**

Board member / 2012

Swedish / 1977

B.A. (Hons) International Business Studies (finance and economics), European Business School, London.

Managing Director, CVC Capital Partners and Deputy MD, CVC Capital Partners' Swedish branch.

Board member of
– Synsam
– Etraveli.

Board and Audit Committee member, Paroc Group.

Various senior roles at PWC Transaction Service.

Yes

No

–

14/14

Yes

–

7/7

**Charlotta Sund**

Board member / 2017

Swedish / 1963

M.Sc. (Engineering) Linköping Institute of Technology, Sweden.

Takes over as CEO of Tekniska Verken in Linköping in May 2018.

(Charlotta has therefore announced herself unavailable for re-election at the 2018 AGM).

Various positions in Ericsson Group over 25 years, including Senior Vice President, Group Management, Manager for client group Industry & Society, Vice President, member of global management group, Head of the region Northern Europe and Central Asia, and Vice President for Multimedia & Systems Integration in the market unit Nordic and Baltics.

Yes

Yes

–

14/14

Yes

–

–

**Terje Venold**

Board member / 2014

Norwegian / 1950

M.Sc. (Business and Economics), BI Norwegian Business School.

Board member of Sporveien AS.

Chairman of the Corporate Assembly and Nomination Committee at Norsk Hydro.

Member of the Corporate Assembly at Statoil.

President and CEO, Veidekke.

Nomination Committee member at
– Storebrand
– Borregaard.

Chairman of BI Norwegian Business School, and Norwegian Association for Share Promotion.

Member of Executive Board of NHO, Confederation of Norwegian Enterprise.

Yes

Yes

89,702 shares

14/14

Yes

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**Søren Vestergaard-Poulsen**

Board member / 2012

Danish / 1969

M.Sc.(Econ), Copenhagen Business School.

Managing Partner, CVC Capital Partners.

Executive Board member, CVC Capital Partners.

Vice Chairman, Post Invest Europe.

Board member of
– AR Packaging
– CVC Capital Partners
– Douglas Group
– News Capital.

Vice Chairman of DT Group.

Chairman of Matas Group.

Vice Chairman of Danske Commodities and Douglas Group.

Board member of Paroc Group, BPost, Post Danmark.

Yes

No

–

13/14

Yes

–

–

**Glenn Edlund**

Board member and employee representative in Ahlsell AB since 2012.
Glenn Edlund (b. 1954) is a specially trained pipe installation technician, and has also completed several sales courses and TCO's Board training for employee representatives.

Glenn is Chairman of the Executive Committee, Central Union group, and owns 700 Ahlsell shares.

Szilvia Nemes-Andersson acts as Deputy for Glenn.

**Maria Herbertsson**

Board member and employee representative in Ahlsell AB since 2012.
Maria Herbertsson (b. 1979) has completed LO's Board training for employee representatives and several other LO courses, including Labour Law, and the Union of Commercial Employees' training for elected representatives.

Maria works at Ahlsell Sweden's central warehouse in Hallsberg and owns 500 Ahlsell shares.

Rebecca Zgavec acts as Deputy for Maria.

**Anders Nilsson**

Board member and employee representative in Ahlsell AB since 2012.
Anders Nilsson is a specialist construction products salesperson, a professional electrician and has also completed several sales course during his employment. Anders is Chairman of Unionen Gothenburg and Chairman of Unionen's Handels & Visita negotiating delegation.

He owns 500 Ahlsell shares.

Jeanette le Claire acts as Deputy for Anders.

Group Management



Johan Nilsson



Kennet Göransson



Erik Andersson



Anna Friberg Björklund

	Johan Nilsson President and CEO Ahlseil AB Board member	Kennet Göransson Chief Financial Officer	Erik Andersson Head of Business Support	Anna Friberg Björklund HR Director
Present position since/with Ahlseil since	2015 / 2008	2014 / 2014	2015 / 1989	2016 / 2016
Nationality/born	Swedish / 1960	Swedish / 1963	Swedish / 1968	Swedish / 1964
Education	M.Sc. (Business and Economics), Lund University, and M.Sc. (Engineering), Lund Faculty of Engineering, Sweden.	M.Sc. (Business and Economics), Linköping University, Sweden.	Economics degree, Linköping University, Sweden.	M.Sc. (Personnel, work and organisation), Stockholm University.
Other positions	–	–	–	–
Previous positions	CEO, Ahlseil Sweden since 2008. Sales and Marketing Director, Sanitec. CEO, IFÖ Sanitär and IDO.	CFO of – Indutrade – Addtech – Bergman & Beving and other senior positions at Bergman & Beving.	Various senior positions at Ahlseil Sverige, including CFO for many years.	Human Resources Director, Svenska Spel. Project manager at SEB and 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



Magnus Nordstrand



Mika Salokangas



Claes Seldeby

Rune Flengsrud Head of Operations Norway	Magnus Nordstrand Chief Purchasing Officer	Mika Salokangas Head of Operations Finland	Claes Seldeby Head of Operations Sweden	
2015 / 2015	2011 / 2011	2006 / 2006	2016 / 2016	Present position since/ with Ahlseil since
Norwegian / 1960	Swedish / 1965	Finnish / 1962	Swedish / 1969	Nationality/ born
Engineering degree, NTNU in Gjøvik, Norway.	M.Sc. (Business and Economics), Lund University, Sweden.	M.Sc. (Econ), Hanken School of Economics, Helsinki.	M.Sc. (Business and Economics), Lund University, Sweden.	Training
–	–	Chairman of – Örum – Elektrotekniska Handelsförbundet in Finland Board member of – VVS-Tekniska handelsförbund – LVI-Numero.	Board member of – RGF Service and VVS-Information Data in Stockholm – Sveriges Elgrossisters Serviceaktiebolag (Swedish Electrical Wholesalers Federation).	Other positions
CEO and Senior Vice President Nordic 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.	President and CEO, FM Mattsson Mora Group. CEO, Schneider Electric Sverige. Chairman, Damixa.	Previous positions
152,845 shares and 121,457 options	1,030,540 shares and 101,214 options	893,712 shares and 121,457 options	196,447 shares and 101,214 options	Holdings including related parties

Karolina Hagberg Chinell

Karolina Hagberg Chinell has been appointed the new Chief Purchasing Officer at Ahlseil AB. She will join Group Management and take up her new position by 15 June 2018 at the latest.

Karolina currently works as Business Area Director for Purchasing and Category at COOP Sverige AB. She has solid experience from various positions within purchasing and category management, marketing and sales, including Sales Director at Barilla and Category Manager and several other roles within ICA.

As CPO, Karolina will lead the work of developing category management and purchasing in the Group, and be responsible for sustainability, which is a central part of Ahlseil's strategic plan.

Magnus Nordstrand, current CPO at Ahlseil, previously announced that he would be leaving his position due to family reasons.



GRI Index

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102-45	Entities included in the consolidated financial statements	The report covers the entire Group, unless otherwise stated.
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102-47	List of material topics	19
102-48	Restatements of information	29
102-49	Changes in reporting	29
102-50	Reporting period	1 January 2017 – 31 December 2017
102-51	Date of most recent report	30 March 2016
102-52	Reporting cycle	Calendar year
102-53	Contact point for questions regarding the report	karin.larsson@ahlseil.se
102-54	Claims of reporting in accordance with the GRI Standards	Yes
102-55	GRI content index	104
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	Emissions	
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	Occupational health and safety	
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	24
	Training and education	
	Percentage of employees receiving regular performance and career development reviews	26
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409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	22
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Glossary

Active customers	Customers who regularly shop at AhlSELL.	One-stop shop	For AhlSELL, the concept means that customers can find everything they need with us. A distributor who is always close by and provides what the customer is looking for.
Active suppliers	Suppliers from which AhlSELL buys goods for at least SEK 150,000 per year.	On-site solution	A sales solution that includes, but is not limited to, vending machines, temporary sales outlets at the customer's premises and unmanned stores.
B2B	Abbreviation of Business to Business, which refers to transactions between companies.	Pop-up store	A temporary store, built using containers, at an attractive venue that may change.
CRM system	Abbreviation of Customer Relationship Management.	PPE	Abbreviation of personal protective equipment.
Cross-selling	Means that the same customer buys products from different product segments.	Private label product	A product manufactured by a third party and sold under another company's brand.
DIY	Do-it-yourself. Products used by people doing their own decorating or repairs.	RMI	Abbreviation of renovation, maintenance and improvement.
EDI	Abbreviation of Electronic Data Interchange, which is an electronic communication method for automatic transfers of order data.	RTM	Abbreviation of rolling twelve months.
ERP	Abbreviation of Enterprise Resource Planning – a business system that encompasses several functions, such as purchasing, planning and sales.	Runners	Support persons who help make our customers' everyday life easier by dealing with tasks such as unpacking goods.
GDP	Abbreviation of gross domestic product.	SEK, MSEK, BSEK	Swedish kronor, millions of Swedish kronor, billions of Swedish kronor.
GRI	Abbreviation of Global Reporting Initiative.	SKUs	Abbreviation of Stock-Keeping Units, referring to items stored in AhlSELL's central warehouses in Hallsberg, Gardemoen or Hyvinkää.
HVAC	Abbreviation of heating, ventilation and air-conditioning.	SME customers	Abbreviation of small and medium-sized enterprise customers.
KPI	Key Performance Indicator, another term for performance measure.	The Code	The name of the interactive game used for training in AhlSELL's Code of Conduct.
Main markets	For AhlSELL, refers to Sweden, Norway and Finland.	UN	Abbreviation of United Nations.
Multi-segment buyer	To be a multi-segment buyer, customers must be active and buy at least 5% of their purchases from their second-largest product segment.		
OEM	Abbreviation of Original Equipment Manufacturer – the company that manufactures the product.		
Omnichannel	AhlSELL offers its customers the opportunity to shop through several sales channels, referred to as omnichannel. Also called multichannel.		

Definitions of performance measures

Performance measure	Description	Reason for use
Organic growth	Sales growth excluding the difference in the number of days worked, exchange rate fluctuations and acquisitions.	Used by management to analyse underlying sales growth driven by volume, price and product mix changes for comparable business units across different periods.
EBIT margin, %	Operating profit (EBIT) as a percentage of net sales.	Used to monitor value creation.
EBITA	Operating profit/loss excluding amortisation and impairment of intangible assets.	Provides an overall picture of profit generated by operating activities.
EBITA margin, %	EBITA as a percentage of total net sales.	AhlSELL considers EBITA margin useful in monitoring value creation, together with sales growth and working capital.
Adjusted EBITA	EBITA excluding items affecting comparability.	Adjusted EBITA excludes items affecting comparability and AhlSELL therefore considers it a useful measure of profit generated by operating activities.
Adjusted EBITA margin, %	EBITA excluding items affecting comparability as a percentage of net sales.	Adjusted EBITA margin excludes items affecting comparability and AhlSELL therefore considers it a useful measure of profit generated by operating activities.
EBITDA	Operating profit/loss excluding amortisation/depreciation and impairment of assets.	EBITDA and EBITA together provide an overall picture of profit generated by operating activities.
Adjusted EBITDA	EBITDA excluding items affecting comparability.	Adjusted EBITDA excludes items affecting comparability and AhlSELL therefore considers it a useful measure of profit generated by operating activities..
Operating cash flow	Cash flow based on business operations, excluding financial transactions, taxes and acquisitions and divestments of operations.	Used by management to monitor cash flow generated by operating activities.
Operating cash flow/EBITDA (cash conversion)	Operating cash flow in relation to EBITDA.	Cash conversion is used by management to assess the efficiency of tied-up working capital.
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 assess the efficiency of tied-up working capital.
Working capital	Inventories, trade receivables and other operating receivables less trade payables and other current liabilities (excluding interest). This figure represents an average for each 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 assess the efficiency of tied-up working capital.
Return on equity	Profit after tax for the period as a percentage of average equity.	From a shareholder perspective, shows the return on capital invested in the company by shareholders.
Operating capital	Property, plant and equipment, goodwill and other intangible assets, deferred tax assets and working capital less deferred tax liabilities, provisions (non-current and current) and other non-current liabilities. The figure represents an average for each period based on quarterly data.	This measure shows the capital tied up in operations, including intangible assets.
Operating capital (excluding intangible assets)	Operating capital less goodwill and other intangible assets, and related deferred tax. The figure represents an average for each period based on quarterly data.	This measure shows 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 measure shows the average operating capital tied up in operations, including intangible assets.
Average operating capital (excluding intangible assets)	Average operating capital (excluding intangible assets) calculated as the average of the opening balance, closing balance and the quarters in between.	This measure shows the average operating capital tied up in operations, excluding intangible assets.
Return on operating capital	Operating profit as a percentage of average operating capital.	This measure shows the return on capital tied up in operations, including intangible assets.
Return on working capital	EBITA as a percentage of average working capital.	This measure shows the return on working capital tied up in operations.
Return on operating capital (excluding intangible assets)	EBITA as a percentage of average operating capital (excluding intangible assets).	This measure shows the return on operating capital tied up in operations, excluding intangible assets.
Net debt including shareholder loans	Non-current and current interest-bearing liabilities less non-current and current interest-bearing assets.	A measure used to show the Group's total debt.
External net debt	Net debt, excluding shareholder loans.	A measure showing 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.
Number of employees at end of period	Number of persons who received a salary, converted to full-time, in the last month of the period.	Provides management with information about the number of full-time employees in the Group.
Equity/assets ratio	Equity as a percentage of total assets.	Provides management with information about the percentage of assets funded by equity.

Performance measures

MSEK unless otherwise stated	2017	2016	2015
Sales measures			
Net sales	27,484	24,606	22,586
Growth, %	12%	9%	4%
Organic growth, %	9%	7%	3%
Income measures			
Operating profit (EBIT)	2,043	1,719	1,505
EBITA	2,394	2,058	1,837
Adjusted EBITA	2,405	2,131	1,878
EBITDA	2,562	2,215	1,990
Adjusted EBITDA	2,573	2,287	2,025
Margin measures			
EBIT margin, %	7.4%	7.0%	6.7%
EBITA margin, %	8.7%	8.4%	8.1%
Adjusted EBITA margin, %	8.8%	8.7%	8.3%
Cash flow measures			
Cash flow for the period	86	-1,155	604
Operating cash flow	1,991	2,000	1,838
Operating cash flow/EBITDA, %	78%	90%	92%
Capital structure			
Cash	1,295	1,209	2,360
Net debt including shareholder loans	6,742	7,486	14,242
External net debt	6,742	7,486	7,854
External net debt/Adjusted EBITDA	2.6	3.3	3.9
Debt/equity ratio, times	0.7	0.9	20.0
Working capital (average)	2,429	2,189	2,155
Working capital at end of period	2,483	2,042	1,799
Operating capital (average)	15,890	15,529	15,738
Operating capital, excluding intangible assets (average)	3,277	3,058	3,222
Equity/assets ratio, %	36%	34%	3%
Returns			
Return on operating capital, %	13%	11%	10%
Return on operating capital (excluding intangible assets), %	73%	67%	57%
Return on equity, %	17%	15%	10%
Return on working capital %	99%	94%	85%
The share ¹⁾			
Number of shares outstanding at end of period (thousands)	436,302	436,302	317,522
Number of shares outstanding, net after repurchase (thousands)	429,302	436,302	317,522
Weighted average number of basic shares outstanding, net after repurchase (thousands)	435,415	308,409	280,606
Weighted average number of diluted shares outstanding, net after repurchase (thousands)	435,428	308,409	280,606
Equity per share, SEK	20.6	18.5	–
Basic earnings per share, SEK	3.28	1.11	0.21
Diluted earnings per share, SEK	3.28	1.11	0.21
Dividend per share, SEK	1.65	0.35	–
Operating cash flow per share, SEK	4.6	4.6	–
Other			
Number of employees at end of period	5,471	5,090	4,820
Average number of employees	5,106	4,791	4,632

¹⁾ Historically, the number of shares has been adjusted so that the number of diluted shares equals the number of shares following a split.

Alternative performance measures

Organic growth, EBITA, Adjusted EBITA, EBITA margin and Adjusted EBITA margin are alternative performance measures, for which detailed calculations are presented below. The APMs are used by management to monitor business performance.

2017

Organic growth

%	Group	Sweden	Norway	Finland	Denmark	Other
Growth, %	12%	14%	9%	5%	5%	14%
Aquisitions, %	-3%	-4%	0%	0%	0%	0%
Currency, %	-1%	0%	-1%	-2%	-2%	-4%
Difference in number of trading days, %	1%	1%	1%	1%	0%	0%
Organic growth, %	9%	11%	8%	4%	4%	10%

EBITA/Adjusted EBITA

MSEK	Group	Sweden	Norway	Finland	Denmark	Other	Central
EBIT	2,043	1,962	128	74	36	12	-170
Amortisation and impairment of intangible assets	351	251	50	44	6	0	1
Profit (EBITA), MSEK	2,394	2,213	177	117	42	12	-169
Items affecting comparability ¹⁾	11	-	-	11	-	-	-
Adjusted EBITA, MSEK	2,405	2,213	177	129	42	12	-169

EBITA margin/Adjusted EBITA margin

%	Group	Sweden	Norway	Finland	Denmark	Other
EBIT margin, %	7.4%	10.8%	2.4%	2.3%	9.5%	2.6%
Amortisation and impairment of intangible assets, %	1.3%	1.4%	0.9%	1.4%	1.6%	0.0%
Profit (EBITA) margin, %	8.7%	12.2%	3.3%	3.7%	11.1%	2.6%
Items affecting comparability ¹⁾ , %	0.0%	-	-	0.4%	-	-
Adjusted EBITA margin, %	8.8%	12.2%	3.3%	4.0%	11.1%	2.6%

¹⁾ See also note 37.

Multi-year overview

The multi-year overview below shows how the underlying operations have developed over the years. As the Group has changed owners during this period of time, it has had different parent companies during the years below. In certain years, there have been parent companies at a higher level and administration costs for these are not included in the table below.

	2017	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, MSEK	27,484	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	7,423	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⁾	2,562	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 (EBITA) ⁵⁾	2,394	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, %	8.7	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	2,043	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 affecting comparability	-11	-72	-41	-7	-15	-	-	-	-102	-187	-	-	-	-	-	-	-	-
Adjusted EBITA	2,405	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, %	8.8	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	-351	-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	-168	-156	-153	-136	-118	-117	-108	-102	-114	-122	-119	-109	-93	-82	-83	-89	-126	-68
Operating cash flow	1,991	2,000	1,838	1,708	2,122	1,584	1,247	1,296	1,657	1,669	1,229	1,203	-	-	-	-	-	-
Operating cash flow/EBITDA, %	78	90	92	90	112	91	72	96	138	119	92	84	-	-	-	-	-	-
Average number of employees	5,106	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 Nybrojarl New 1 AB (556715-7812) Group; figures for 2012 are reported in Nybrojarl New 1 AB's separate financial statements for 2013.

2) Figures refer to the consolidation of Ahlseil AB (publ)/Nybrojarl New 2 AB (556715-7820) Group. Latvia was included in discontinued operations during the period 2007-2009. The figures for Latvia are not included in the table above.

3) Figures refer to the consolidation of Ahlseil Holding AB (556578-4732) Group. 2006 and 2005, in accordance with IFRS; 2000-2004, in accordance with the recommendations of the Swedish Accounting Standards Board; 2006 and 2005, in accordance with separate financial statements.

4) EBITA = 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.

Calendar

Important dates

Date	Event/report
27 April	Q1, Interim report Jan-March
3 May	Last day of trading in the Ahlseil share including dividend entitlement
3 May	Annual General Meeting 2018
7 May	Dividend record date
11 May	Dividend payment date
19 July	Q2, Interim report April-June
4 September	Capital Markets Day
26 October	Q3, Interim report July-Sept
25 January 2019	Q4, Year-end report for 2018

ANNUAL GENERAL MEETING 2018

Ahlseil's 2018 Annual General Meeting (AGM) will be held at 4 p.m. on May 3, 2018 at Vasateatern, Vasagatan 19, Stockholm.

The notice convening the AGM is given as an advertisement in Post- och Inrikes Tidningar (the official Swedish gazette) and as a publication on the Company's website. When notice of the Meeting has been given, information to this effect will be announced in Svenska Dagbladet.

Documents to be presented at the AGM will be made available on the Company's website minimum three weeks prior to the AGM.

Shareholders registered in the shareholder register held by Euroclear Sweden AB on Thursday, April 26, 2018, and who notify the Company of their intention to attend the Annual General Meeting in the prescribed way, will be entitled to attend the Annual General Meeting.

Shareholders with nominee-registered shares must temporarily register the shares with Euroclear Sweden AB in their own name in order to attend the Meeting. Shareholders must notify the nominee of this in due time before April 26, 2018.

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