



▲ AXEL JOHNSON INTERNATIONAL

Annual Review 2009

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One parent group, four business groups,
70 companies and 2,000 people,
all united at one crucial point.



A true passion for business, respect for people
and a constant quest for customer value.
We call it the X-factor.

Xceed

Best Products

Xtend

Superior Service

Xplore

Technical Expertise

Xpect

Committed People

We're on a mission to improve the profitability and productivity of our customers.

Our people combine problem-solving skills with a genuine understanding of the customer's products and processes.

We represent world-leading brands – within steel wires, pumps, bearings, heavy duty vehicle components and imaging solutions – adding value through customised offerings, service, training and installation.

We are privately owned and part of the Axel Johnson group. As a private company, we can think and act long-term. Headquartered in Sweden, we operate all over Europe.

We have a strong portfolio of market-leading niche companies, organised into four business groups: **Forankra, AxFlow, AxIndustries** and **AxImage**.

Five-year review

Sales and profit

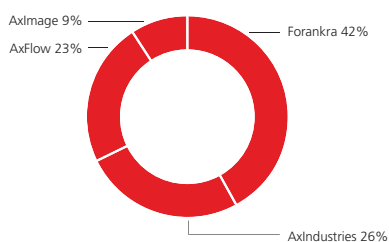
MSEK	2009	2008	2007	2006	2005
Sales	5,299	6,065	6,639	6,743	5,609
Cash flow from operating activities	399	145	414	117	311
Return on capital employed, %	6.4	15.6	18.7 ¹⁾	16.8	13.7
Profit after financial items	110	284	511	232	163

1) Excl. effect of capital gains.

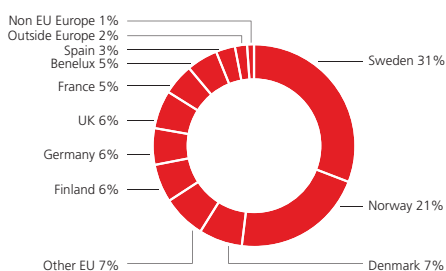
Sales and operating profit per business group

MSEK	Sales 2009	Sales 2008	Change in %	Operating profit 2009	Operating profit 2008	Change in %
Forankra	2,224.4	2,564.9	-13	85.0	170.4	-50
AxFlow	1,177.2	1,349.1	-13	37.9	85.9	-56
AxIndustries	1,354.4	1,537.7	-12	43.2	91.9	-53
AxImage	476.5	549.0	-13	-17.0	-23.6	28
AxMediTec	66.9	64.0	5	4.2	4.0	5
Parent company and others	-	-	-	-6.7	-10.2	34
Amortisation on goodwill	-	-	-	-10.1	-10.1	-
Total	5,299.4	6,064.7	-13	136.5	308.3	-56

Distribution of sales by business group



Distribution of sales by market



Spanning heavy duty to high tech



Forankra – a world player in lifting and lashing solutions and equipment.

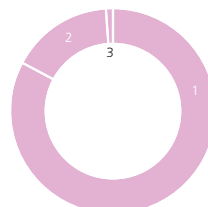
Comprising more than 30 companies, Forankra is the leading supplier of lifting and lashing equipment in Europe. Its three divisions, Certex, Forankra and Allsafe Jungfalk, supply customised solutions and lifting equipment for wind turbines and offshore applications, for material handling in industry and transportation, and for lashing cargo to trucks, trailers, aircraft and ro-ro vessels. Customers include some of the biggest shipping and transportation companies in the world, as well as leading airlines, automotive manufacturers and the engineering, paper, mining and steel industries.



1. EU 64%
2. Non EU Europe 32%
3. Rest of World 4%

AxFlow – leading European supplier of fluid handling solutions.

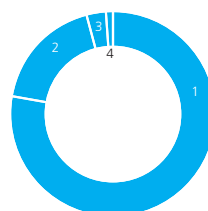
AxFlow is a leading supplier of fluid handling solutions and services in Europe. The Group supplies customers in more than 20 countries with a comprehensive range of the world's best positive displacement pumps, as well as process and application expertise in the chemical & petrochemical, food & beverage, water & waste water, building, ceramics, pharmaceutical and pulp & paper industries.



1. EU 83%
2. Non EU Europe 16%
3. Rest of World 1%

AxIndustries – leading full-service Nordic supplier in bearings and transmissions and heavy duty vehicle components.

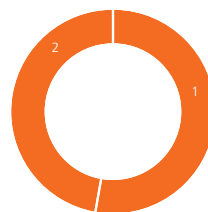
AxIndustries is a leading supplier of products, solutions and after-market services in two focus areas – bearings and transmissions, and heavy duty vehicle components – to the manufacturing and automotive industries and service workshops in the Nordic and Baltic countries. Customers range from small and medium-sized companies to industry leaders within the process, mining and engineering industries and automotive and transportation companies.



1. Sweden 78%
2. Rest of EU 18%
3. Non EU Europe 3%
4. Rest of World 1%

AxImage – supplier of world-leading Fujifilm high-tech photographic, graphic and medical equipment.

AxImage is the exclusive distributor for the Japanese Fujifilm Corporation in Sweden and Norway. Offering a complete product portfolio, AxImage is a leading supplier of products and systems to the photo and medical imaging markets in both countries and to the graphic arts and printing industries in Sweden.



1. Sweden 53%
2. Norway 47%

Creating value in four business groups

Representing world-leading brands, we offer the best products and systems available. We add value through our solutions, including installation and training as well as after-market services, which can also be customised.

Our overall business concept is to create solutions primarily for industrial customers, assisting them in achieving profitable operations by ensuring efficiency, reliability, quality and safety in their processes. We are distributors, problem-solvers and advisors at the same time. We link customers to products and systems from leading manufacturers around the world, adding our own expertise in various solutions and service commitments to create value for customers and suppliers alike.

All our businesses share the following characteristics:

Technology focus

- All market and distribute high-end products
- All deliver solutions based on technical expertise and know-how
- All operate in a business-to-business sector

Global sourcing – Local customisation

- All conduct global sourcing to offer a competitive product portfolio
- All design, assemble and customise in their own workshops

Active in European markets

- Customers are industrial, service and transport companies
- Sales are mostly direct and, in addition, conducted through local distributors and resellers

Market leaders

- All are, or strive to be, market leaders (No.1 or 2) in their niche

All companies in the Group conduct business based on the same business model. We create profitable, safe and problem-free solutions by combining four cornerstones.



Expanding customer value and moving up the value-chain

In many respects 2009 was a good year. For us it was a year when the driving power of our business model, built on entrepreneurship and customer value, proved itself sustainable even in a difficult environment. We gained market share in most of our markets and are now favourably geared for further expansion.

As we all know, 2009 provided a very rough business climate. Some of our customer segments, such as the process, graphic arts, automotive and construction industries, were hit harder than most. That certainly had an impact on us through weaker demand for the products, solutions and services that we provide. In spite of that, with a 13 percent drop in business volume, we fared better than our peer group companies. Our profit after financial items amounted to MSEK 110 (284).



We already saw indications of the business climate turning sour in mid 2008, and managed to put a cost-reduction programme into effect early on – unfortunately resulting in employees having to leave the company. It was fully implemented by the end of Q1, 2009, and we could then focus on sales and marketing initiatives throughout the year. This has impacted positively on the annual results.

Furthermore, 2009 was a year for carrying out business reviews. All our businesses have been re-assessed, and we now have solid road-maps and sharp strategies in place for all four of our business groups. These all have the aims of continuously reinforcing customer value and moving up the value chain, by adding more consulting services, broader engineered solutions and deeper service and after-sales commitments; making the most out of all the excellent products we source from all over the world.

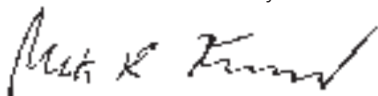
As a group we have embarked on a major transformation from a traditional trading company, with a product and distribution focus, to a problem-solving partner with an efficiency focus in our fields of expertise. I'm convinced that this will create considerably more value for all our stakeholders, and foremost for our customers.

It's our strategy to mainly expand organically. We will grow our market share in existing markets through continuously evolving our value propositions, but we will also open new geographies. Our customers are moving to low-cost countries and so must we. One of our business groups (Forankra) has already set up in China, following the establishment there of a customer in wind power, and we see opportunities in other segments as well. As we work in fragmented markets we will also take an active role in the ongoing Europe-wide consolidation. We have a very strong owner supporting our expansion.

We see 2010 as a year of mild recovery. Demand is likely to resume, even if not at the same levels as before the financial crisis. We are affected by the investment activity in the industries we serve and there are pockets of dammed up investment need that we can tap into.

We are not short on challenges, but all things considered, the outlook is bright. Welcome to share our thoughts on the prospects and opportunities ahead. Better still join us, as a customer, partner or supplier!

Stockholm in February

A handwritten signature in black ink, appearing to read 'Mats R. Karlsson', written in a cursive style.

Mats R. Karlsson
CEO

Xcite

Xplain

Xpand

Growing businesses, relationships and people

We have a passion for business, and for people. Our management model is highly decentralised, and we give our employees ample leeway in conducting business. We manage the Group and its 70 companies through goals, strategies and guidelines, in close cooperation with our business group leaders, but most of all through consolidating our group-wide entrepreneurial culture. Our management focus is to grow our businesses, grow our people and grow our relationships.

Boosting organic growth

Developing our business has organic growth as its basic objective. We are boosting organic growth in all our companies through intensified sales penetration, extended geographical coverage, a competitive product portfolio, local presence and a one-stop-shop philosophy. A gradual shift in focus from products to solutions and services has successfully contributed to further enhance customer loyalty.

Earning customer trust

Building repeat business is essential in organic growth and that is only possible by earning customer trust and building strong customer relationships. We work hard on establishing partnerships with our customers for mutual long-term success.

Active acquisition strategy

In addition to organic growth, we are pursuing an active acquisition strategy. During the last five years, the Group has acquired 45 companies and operations. There will be more additions to expand our geographical coverage and to increase our market penetration, as well as to roll out successful concepts into new growing markets.

A strong corporate culture

More than anything else, what distinguishes us from our competitors, who quite often have the same or equivalent products, is our culture and our people. To secure the right people on a more competitive talent market will be one of our most important challenges in the years to come, when there will be more people leaving than entering the European workforce. To manage this challenge we have established a group level Human Resources function, with the main task of raising our visibility and building our employer brand, as well as further reinforcing our strong corporate culture. Leadership development and succession planning are other important issues.

Our culture: The X-factor

The way we do business and the way we treat people, customers and colleagues alike, is our main differentiator. Entrepreneurship and respect for people are the key characteristics. That we are “good to work with”, far-sighted and we make things happen, characterise all our operations.

We have a passion for business. That requires action and initiatives from everyone. Decision-making is a swift process. In our group things happen without everyone waiting for instructions. In our view, most problems are business opportunities.

Long-term perspectives and perseverance is very strong. Financially healthy, we can stick to long-term commitments. Simultaneously we embrace change. In fact, in our expertise areas we want to drive change.

Not everyone thrives in a business culture like ours. We look for the people who do, because we know they have the potential to provide outstanding results.



Axel Johnson International is all about making a difference. It is about offering the best service to the customers, being the best partner for the suppliers and supporting your colleagues.



Working at Axel Johnson International involves making your own decisions and having a lot of independence. You are empowered to find the means to get the job done, which also means a big responsibility.



Daily business is driven by our strong customer understanding. But our working environment is also informal and unceremonious, which is gratifying in itself.



Face-to-face meetings are a crucial part of our culture. This is a heritage from being a part of the Axel Johnson group, with its traditions and culture of a family company.

The X-team

Our more than 2,000 employees represent the real X-factor. Axel Johnson International's future success is closely linked to the skills, commitment and energy of our "X-men and X-women". We invite you to meet some of them in their fields of expertise.





Xpert

Xpress

Xcel

Finding the right people

Contributing to making Axel Johnson International an appealing employer that can keep and attract skilled people is the most important task of the new Head of Human Resources. Meet Anki Kling.

Coming from a background of 20 years working for the airline company SAS, Anki Kling has vast experience from a broad range of fields – primarily within change management, communication and people development.

“My task is to support our business, today and tomorrow. Human Resources must always be grounded on the challenges and goals of the business operation. The needs are to build the team and ultimately boost sales,” Anki Kling explains.

The new function has a delicate role in balancing a strong leadership with the decentralised and entrepreneurial culture which is so vital in Axel Johnson International.

“The high degree of empowerment we give all our employees is fundamental, and it is crucial to find the right level of management control. The managers need to feel that my ideas and tools support their businesses. The whole Group is very interesting, with its traditions and long-term business perspective typical of the family company. It feels real and genuine. This entrepreneurially driven culture was one of the things that attracted me in the first place, and you need to maintain and support it – not suppress it with rules and regulations,” Anki continues.

New methods and ideas for competence sharing within and between the companies of the Group are currently being unfolded, as a part of the new people development strategy.

“We need to identify what kind of leaders we need in the future, and make sure we have the means to train those leaders. This will also make Axel Johnson International more attractive, internally as well as externally. Young people joining the company today are searching for interesting careers and personal development, and we have a lot to offer. Our values and our culture are very attractive to the right kind of employee.”

Finally, who is the perfect X-man or X-woman?

“Oh, there is no such thing. We believe in different personalities, cultures and a rich manifold. The difference is the X factor! We want individuals who can strive towards the same goals from different starting points, and develop the business. To achieve that, we offer empowerment and freedom of action, and connected to that – an equally high degree of responsibility,” Anki concludes.



Looking for companies with a natural X-factor

To reach our growth targets, and better serve our pan-European customers, we will continue to pursue a focussed acquisitions programme. We have targeted an annual growth for the Group that is twice that of the market as a whole. Expansion will mainly be organic, but there is substantial acquisition potential over the next few years.

During the period 2005–2009 we merged 45 companies and operations into the Group, corresponding to a total sales volume of 2.5 billion SEK. Among those companies are Trailereffekter and LVD in Sweden (AxIndustries), Peter Harbo in Denmark and Erling Haug in Norway (Forankra) and the service company TAPS in UK (AxFlow) – all crucial to developing the offerings or geographical coverage of our business groups. The track record of these and other acquired companies in our environment is so far very encouraging.

Assessing acquisition candidates

Our acquisition strategy is quite simple. We look for companies in the business-to-business sector with a strong market position in their segment or niche and sales ranging from 20 to 500 MSEK. Acquisition candidates should have a matching or complementary business proposition (or geographical location) that ties in well with our present structure. Prospective acquisitions are evaluated according to their business activities, track record, growth potential and management.

Entrepreneurial family companies

The acquisition strategy is based on majority ownership. We particularly look at companies that are entrepreneurially driven “family companies”, ideally with the entrepreneur still on board. Merging into our group leaves ample room for independence. In exchange for a majority stake in their business we offer a dynamic and financially solid growth platform, combined with a decentralised management model and entrepreneurial business environment. Finding companies with the natural X-factor is a natural way to consolidate and develop our group culture.

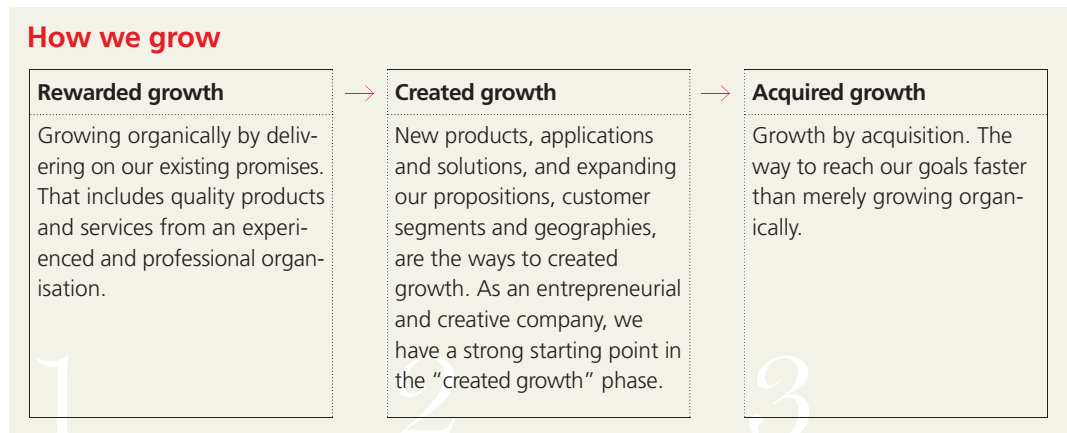
Our financial strength enables us to continuously examine new opportunities for growth through acquisition. We never consider exit options when judging an acquisition candidate.

What we look for

- Entrepreneurially driven B2B companies
- Group relevance through matching or complementary business proposition or geography
- A strong market position within their segment or niche
- High expertise in their field
- Sales ranging from 20 to 500 MSEK

What we offer

- Entrepreneurial business culture
- Strong financial platform
- Decentralised management model with a high degree of freedom to continue developing the company
- Supply-chain expertise
- Group-wide best practise sharing



Acquisition case

The perfect match

In 2008, LVD Lastvagnsdelar was merged into the AxIndustries business group. The company was acquired from owner and MD Leif Bohlenius, who had been with the company since 1984. Leif first came into contact with AxIndustries in 2004, but it would be another four years before he judged that the company was ripe for selling. The intervening years were spent structuring the business and organisation, whilst maintaining an ongoing dialogue with Axel Johnson International.

A serious buyer

LVD supplements and complements our assortment on the heavy duty vehicle side, adding an important future expansion area for AxIndustries, as well as healthy revenue. From LVD’s perspective, Axel Johnson International was the right choice.

“They seemed like a serious and professional company. I needed to think about my employees as well. I didn’t want to leave them in the hands of a venture capitalist who would sell the company after a few years. I was also planning to stay on myself, so it was important that our values coincided with the buyer’s.”

LVD was the typical entrepreneurially driven company; decentralised in both organisation and decision making, with a wealth of experienced and skilled people. Merging with a big group would have to imply some changes.

“I felt that Axel Johnson International dared to believe and invest in the entrepreneurs behind the company. I know that the motivation and energy that has built up LVD is based on this way of thinking. After all, it is all about retaining the joy of doing business,” Leif says.

Widest product range on the market

LVD has the widest and most complete range of truck parts on the after-sales market, with a network of about 300 suppliers and manufacturers of heavy vehicle components. The company has 79 employees in 8 different locations throughout Sweden.

Customers include independent workshops for heavy duty vehicle spare parts and fleet operators with their own repair shops. Fast delivery, based on smooth-functioning logistics, is a prerequisite in this industry. It’s all about delivering the right part in as short a time as possible. As an independent player, it’s all the more important to build trust and strong long-term relationships with customers by keeping ones’ promises.

“We import the spare parts directly from the manufacturers, which means that we can often provide the same parts as the original equipment suppliers, but in a shorter time and at a lower cost. We need to constantly improve, to always deliver at our best. I think our high service level is one of the reasons why AxIndustries were interested, in addition to our wide customer base,” Leif concludes.

On a continuous quest for more customer value

We have embarked on a journey from a primarily products orientation to a customer and solutions approach in everything we do.

Why we're in business

It's our mission to:

- assist customers in achieving increased profitability...
- ... by ensuring efficiency, reliability, quality and safety in the customers' processes.

Where we're heading

It's our vision to:

- ... be the preferred partner for customers and suppliers alike
- ...attract the best people...
- ...be the obvious choice for entrepreneurs considering selling their companies.

What we want to achieve

It's our goal to:

- establish market leadership for all companies (No. 1 or 2) in their segment/geographical market,
- build strong brand recognition,
- grow twice as fast as the market as a whole, through a combination of organic growth and acquisitions,
- establish the strongest partner relationships in our market.

Strategic priorities

We will increasingly focus on:

- customers and customer relations, solutions and services,
- profitability and growth,
- building a strong employer brand and superior management of our human resources,
- building group synergies, while maintaining all of the benefits of entrepreneurial drive in a decentralised organisation,
- active marketing and development of new distribution channels, including e-trade,
- evolving our expertise and sharing it with our customers.

Financial targets

- 15 percent annual return on capital employed (ROCE), measured over a business cycle of 3–5 years.
 - 10 percent annual growth, measured over a business cycle of 3–5 years.
 - The ROCE and growth targets are to be achieved while the Group as a whole generates a positive cash flow and maintains a debt ratio not exceeding 50 percent.
-

Strong starting positions for where we're heading

Our four business groups have identified their target positions and mapped their strategic journeys.

Forankra

Starting position:

Leading European supplier of lifting and lashing equipment.

Target position:

World-leader in efficient safety solutions.

Priority market segments:

General industry, automotive, offshore & energy, marine.

Key actions:

- Solutions development
- Channel development
- Brand building
- Integration and coordination
- Geographic expansion

AxFlow

Starting position:

A leading European supplier of positive displacement pumps and other fluid handling equipment.

Target position:

The leading partner for reliable, cost-efficient fluid handling systems in Europe.

Priority market segments:

Chemical, petrochemical, food & beverage, water & waste water, building, ceramics, pharmaceutical and pulp & paper.

Key actions:

- Additional products and new solutions
- Geographic expansion
- Continue to build the brand
- System development
- Service development

AxIndustries

Starting position:

A leading supplier of bearings & transmissions and heavy duty vehicle components and industrial products in Sweden.

Target position:

Nordic market leadership.

Priority market segments:

Transportation industry, general industry and heavy industry.

Key actions:

- Additional products and new solutions
- Geographic expansion
- Integration & coordination
- Brand building

AxImage

Starting position:

Fujifilm products for photo, graphic arts and the medical industry in Sweden and Norway.

Target position:

Leading Nordic partner in hi-tech imaging frontiers.

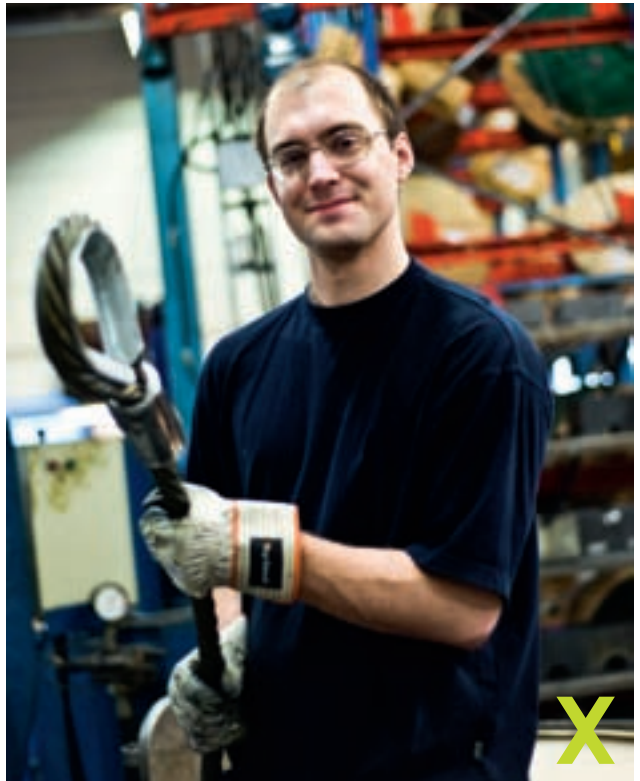
Priority market segments:

Photo, graphic arts and the medical industry.

Key actions:

- Medical industry development
- Service development





Forankra

It all comes down
to safety



The Forankra Group has a global customer base and is the leading European supplier of lifting and lashing equipment.

Every day, all over the world, wire rope, chain tackles, slings, lashings and other Forankra products are being used to ensure a safe and efficient working environment in ports, on offshore platforms and by transportation firms.

Through our three divisions, Certex, Forankra and Allsafe Jungfalk, we cater for the needs and requirements of heavy duty industrial operators.

Safety first

The Forankra Group has a global customer base and is the leading European supplier of lifting and lashing equipment.

The Forankra Group offers products and customised solutions for industrial, energy and offshore operators. Trucks, trailers, cars, trains, aircraft and ro-ro vessels all benefit from our loading, lashing and towing products and solutions for efficient material handling, securing and transportation of cargo.

Among our customers are leading companies in a wide range of areas and industries, such as offshore, wind power, shipping, transportation, automotive manufacturing, air transportation, ports, fish farming, engineering, pulp and paper, mining and steel.

Based on a true understanding of our customers’ needs, we provide high quality products and an extensive know-how within our areas of expertise. Our product portfolio contains a wide selection of steel wire, polyester ropes, slings, lashings, packaging and other material handling and lifting equipment. In addition, we conform to the growing customer demand for inspections, education, certifications and maintenance services.

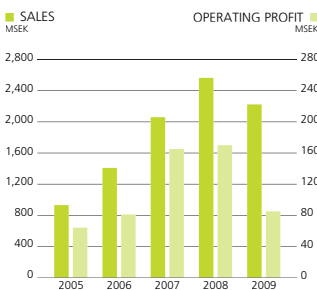
Full service concept fulfils new demands

Within Certex, one of our three divisions, the increased demand for service, in conjunction with more severe security regulations, has led to a shift in business over recent years. Customers seek something more than just steel wires or ropes for ski lifts, telecom pylons or other equipment. They also need guidance as to what kind of wire they need for specific equipment, or for specific conditions.

After having supplied the customer with the right product, regular inspections are then needed to make sure that all safety regulations are followed. Certex inspects, documents and certifies lifting and lashing products and equipment – their own as well as their competitors’ – out in the field. Special service vans are used to maintain and repair products and equipment on-site to facilitate the customers’ operations.

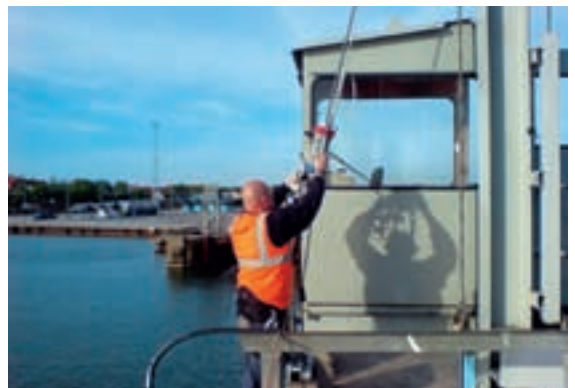
As an entrepreneurially driven company with an extensive technical expertise, we are keenly aware of the necessity of a flexible and personal approach – with service as our prime differentiator.

Sales and operating profit



Sales by segment





World-class quality assurance with magnetic rope testing

Certex has launched a new technique for detecting fractures in steel wire rope applications. This “non-destructive test” technique was developed for mining and ski-lift applications, but is now also used for inspections on stay ropes. By magnetising and scanning the complete wire rope, Certex is able to detect any broken wire, wear or corrosion in order to assure the quality of the complete wire rope. Since this kind of equipment have a limited life span, signs of deterioration typically appear after a certain time, causing operations to become increasingly dangerous if the signs remain undetected. With this technique, we can provide increased service reliability for all our customers using steel wire rope applications.

Asian expansion and new facility in Scotland

Forankra opened a new office, AxSafe, in Shanghai. The company supports European customers operating in China by providing direct deliveries and services.

Certex Lifting UK launched its new wire rope sling facility, based outside Aberdeen in Scotland. The centre supports the offshore market sector with its new brand of Quic-slings, which are the first on the market to fully comply with the latest European EN standard.

Strong market growth in offshore and energy

2009 was characterised by lower industry demands particularly in the transportation and trucks & automotive body building sectors. Increased sales within the mining and offshore sectors partly compensated.

There is a distinct trend towards an intensified focus on safety, fuelled by commercial needs as well as legislative requirements. This has been especially true for lifting and lashing applications, supported by technical inventions such as the development of high strength synthetic fibres. These materials enable new high-performance solutions.

Significant investments in the offshore and energy segments, i.e. oil, gas and wind power energy, as well as in water tide, water wave and buoy systems, has led to a strong market growth.

Leader in efficient safety solutions

We intend to strengthen our position as a leading European player, and maintain our leading position in the Nordic and Baltic countries. Our goal is to continue our expansion in markets where Forankra has limited or no market coverage.

Our product portfolio is continuously upgraded to assure that our offerings meet our customers' future needs and requirements. This is achieved by global sourcing, combined with local manufacturing. We believe that local manufacturing is a prerequisite for providing customised solutions and short delivery times when needed.

Focus on supply services

In addition to products, supply services are increasingly important. Services, such as repair and maintenance, inspection and testing, training and certification management, will be further rolled out to increase the overall market share.

Some of our customers are: Aker Solutions, A.P. Møller-Maersk, Boliden, Grundfos, Höegh Autoliners, National Oilwell Varco, Odfjell, Sandvik, Scania, Statoil, Transocean, Vestas Wind Systems and Wallenius Wilhelmsen.



New 4-year deal with Aker

In 2009, Certex Norway signed a new 4-year deal with Aker Solutions, in the face of tough competition from both national and international players. Aker Solutions has recently reduced its number of suppliers from 90 to 7 through a new kind of partnership deal for the purchasing of operation-critical products and services. Wire, chains, hooks, solutions for the securing of cargo and other products for lifting, towing and anchoring all come into this category, and the new deal means that Certex will gradually become the sole supplier for all Aker Solutions companies in Norway.

Aker Solutions is one of Norway's biggest companies with more than 30,000 employees, of which nearly 50 percent are located in other countries. This provides a huge opportunity for Certex to expand into new markets.

Aker Solutions operates in the offshore sector and offers everything from designing to producing, installing and connecting complex equipment for the exploration and production of oil and gas. These operations are mostly conducted at deep sea level, which requires highly specialised equipment.

AxFlow
**Efficient flow
solutions**



AxFlow is Europe's leading provider of fluid handling solutions and services to the process industry.

AxFlow's customers in the chemical, petrochemical, food and beverage, water and waste water, building, ceramics, pharmaceuticals and pulp and paper industries are served with high performance, cost-efficient and safe fluid handling equipment from world-leading manufacturers.

With operations in more than 20 countries, and a distribution centre in the Netherlands, AxFlow is able to ship pumps and associated equipment to customers within 48 hours – anywhere in Europe.

Customer profitability through efficient fluid handling systems

AxFlow is the natural hub between fluid handling manufacturers and the European process industry. We provide our customers with positive displacement pumps, mixers, grinders and associated fluid handling technologies and equipment.

A wealth of international experience puts AxFlow in a position to be able to assist and guide companies in the field of fluid handling systems (selection, specification, installation, maintenance and repair) and to provide technical consultancy services; all accompanied by a genuine customer service approach.

There are many applications and processes that require precision engineered pumps and metering systems that move, measure and dispense difficult and high value liquids and solids. With its many years of experience in providing processing solutions, AxFlow has all the necessary qualifications to provide professional practical advice and to identify the most appropriate technologies.

Establishing a peace of mind

In an ever-changing global market, many customers are no longer simply buying “a pump in a box”. AxFlow has responded to this development and has become recognised for its ability to forge strategic alliances with customers in order to develop fluid handling systems that are common to processing plants in one or more countries. This strategy is helping AxFlow’s customers to achieve higher levels of production efficiency, attain a single standard for product quality across many sites and benefit from economies of scale in equipment purchasing. The objective is to give our customers complete peace of mind. We call it fluidity.nonstop®.

Technologically advanced production processes demand solutions where a positive displacement pump is an integral part of a system. AxFlow’s strengths are its customer management, engineering capabilities and comprehensive knowledge of fluid handling. It is these capabilities that appeal to customers and business prospects and which are helping us to expand and gain an upper hand with respect to our competitors.

Promoting and developing the brand

During 2009, AxFlow implemented a range of marketing and sales initiatives to promote both the AxFlow brand and individual product brands. These activities have included increasing the number of sales visits, building a new interactive website and running pan-European sales campaigns for the chemical, petrochemical and offshore oil and gas sectors.

Strategic acquisitions have always been a part of AxFlow’s development. In 2009 AxFlow UK acquired TAPS, a specialist service and repair facility for pumps and engineered seals. They have now been fully integrated and have extended considerably the range of technical support services provided in the UK and has created new business opportunities.



Centre of Excellence makes AxFlow a systems supplier all over Europe

In the past couple of years, the European process industry has shown a clear shift in demand from component supply to systems supply. In order to meet this increasing demand in the best possible way, AxFlow has recently established a new company called AxFlow Systems in The Netherlands. In this new Centre of Excellence (COE) for systems, AxFlow concentrates engineering expertise and knowledge in system design, construction and sales. The COE will provide its services to all AxFlow markets, enabling the smaller sales organisations in particular to offer pump packages, skids and process systems, as well as improved customer service. In the first phase, systems will be developed and tested for key applications in the focal segments, such as chemical, food & beverage, pharmaceutical and waste water.

New laws open up new possibilities

New laws within health and safety, together with emerging legislation on environmentally acceptable processing technologies, have led to additional investments in core market segments. With end-users increasingly expecting support over the long-term in order to optimise life cycle costs, AxFlow is committed to working with customers throughout the entire operating life of the process solution.

Expansion with service in focus

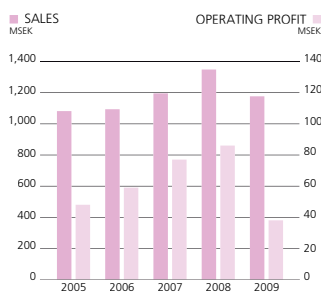
AxFlow plans to expand organically and grow throughout Europe, establishing local teams in geographical markets where historically the company has not had a presence. In addition, plans are already in place to expand and improve services, maintenance and after-sales support. In order to meet the growing demand in these areas there is a need to constantly improve our service concepts.

Continued marketing and sales focus

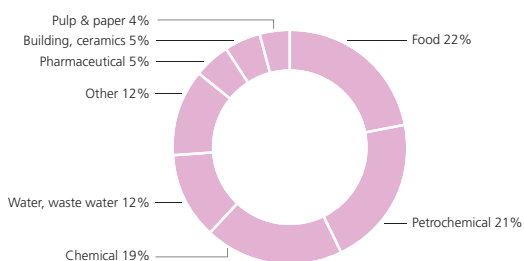
The focus on priority market segments will continue throughout 2010, and the programme of strengthening the AxFlow brand through marketing and sales initiatives will be rigorously pursued.

Some of our customers are: Akzo Nobel, Alfa Laval, Arla Foods, Cadbury-Wedel, Cargill, Dow Chemicals, Gea Liquid Processing, Honeywell, Proctor & Gamble, Statoil, Tetra Pak, Total and Veolia Water STI.

Sales and operating profit



Sales by segment





Complete pumping system boosts oil recovery for SNF, France

There are many applications and processes that require precision engineered pumps and metering systems that move, measure and dispense difficult and high-value liquids and solids. With its many years of experience in providing processing solutions, AxFlow is ideally qualified to design complex pumping systems for local, as well as multinational, clients. A recent example of a multinational contract is the renewed deal with the French SNF group.

In 2007, AxFlow, together with its partner supplier Bran+Luebbe, was rewarded with a contract for a pumping system for polymer dosing in EOR technology (Enhanced Oil Recovery). The system was to be installed at Petroleum Development in Oman by SNF. SNF is the leading producer of acrylamide-based polymers and has 40 percent of the world production capacity. By using polymer flooding technology, the oil recovery can be increased by up to 50 percent – nearly 20 percent more than when conventional methods are used – and the cost per barrel of recovered oil is significantly lower.

AxFlow's customer care, expertise and long track record in pumping systems as well as the strong partnership with Bran+Luebbe were the key reasons behind winning a similar contract in November 2009. In this case, the systems will be installed in Indonesia for Chevron Pacific. Both of these projects are essential references, demonstrating AxFlow's complete offering to the oil industry in the Middle East and elsewhere.

AxIndustries
Right-on-need,
just-in-time



AxIndustries' main focus and expertise lies in bearings & transmissions and heavy duty vehicle components for customers in manufacturing and after-market segments. We combine access to leading technologies with highly dedicated service.

Apart from offering our customers a broad range of products on a one-stop-shopping platform, we add value through broader solutions and service commitments.

Our business is organised in three divisions: Bearings & Transmissions, Heavy Duty Vehicle Components and Industrial Products.

Bringing structure and efficiency to the supply chain

AxIndustries creates value for customers and suppliers alike by bringing structure and efficiency to the supply chain, through combining access to leading technologies with highly committed service.

Offering the widest range of high-quality products on the market is indeed appreciated by our customers. But even more appreciated is our ability to provide exactly the right component, at exactly the right time.

AxIndustries' main focus and expertise lies in bearings & transmissions and heavy duty vehicle components. In addition, we cater to highly specialised industrial needs in areas such as polymers and hydraulics.

Our unique competitive advantage is the ability to combine technical expertise and advanced engineering products in complete customised solutions. Our strong position in the after-market sector is an ideal ground for building long-term customer relations.

Adjusting to the market with a new structure

Consolidating AxIndustries' new structure with its three divisions and taking advantage of the inherent synergies after a period of acquisitions has been the major focus of 2009, along with adjusting to the market downturn. Our new structure allows us to approach market and customer needs in a more holistic way, by combining the optimal product portfolio for each customer segment.

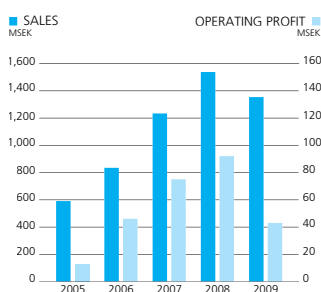
2010 will be a year of recovery

Like everyone else we have seen volumes decline during 2009; sales decreased by 12 percent. However, we have reduced the bottom-line impact by implementing an effective cost-reduction programme. In 2010, we expect our market segments to start recovering.

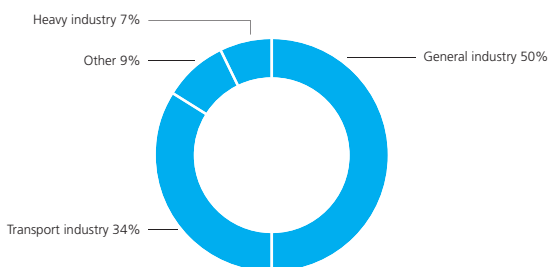
Aiming at Nordic leadership

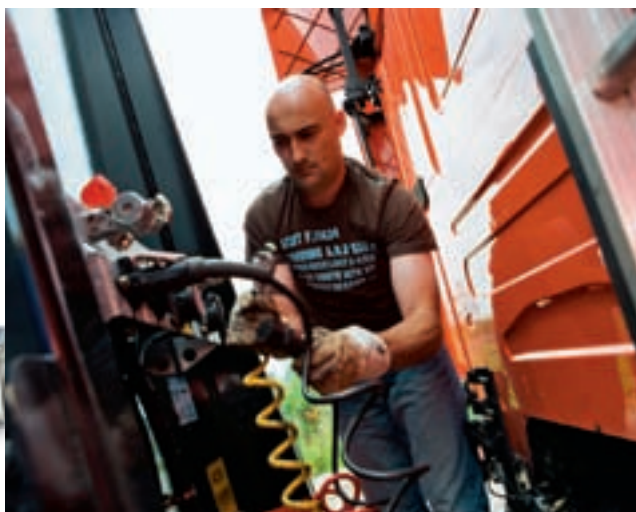
The long-term goal for the two larger divisions is to expand from a mainly Swedish to a Nordic-wide operation. Our aim is for each of our companies to be No. 1 or 2 in their segment or niche in all of our markets.

Sales and operating profit



Sales by segment





Scania retailers chose Trailereffekter for unique deal

A group of Scania retailers in Central Sweden has signed a 3-year deal with AxIndustries' subsidiary Trailereffekter. The agreement is very unusual in the industry, because few suppliers offer a complete range of spare parts for trailers. It's the first time that a group of private Scania retailers have united to carry out a joint purchase. The final choice was based on Trailereffekter being one of the few distributors to have a high technical competence and comprehensive overall product range, while also excelling in the fields of service and availability.

Through this deal, Trailereffekter guarantees overnight deliveries of trailer spare parts to workshops in the client group. This means that repairs can be performed the following day as required by the customer. The time schedule is extremely tight, and a local presence is one of the conditions. Arver Lastbilar, one of the Scania retailers, also cites the possibility of reducing the number of suppliers as being a clear advantage. Logistics and processes can be better coordinated, stock-keeping kept to a minimum at the retailers' workshops, and invoicing and budgets are facilitated. For Trailereffekter the deal is naturally a great business opportunity – and a much more efficient way of distributing spare parts for trailers.

Our goal is to expand faster than the underlying growth in each market. We will accomplish that through organic growth, driven mainly by adding new product lines and service concepts around our key offerings, and also possibly through acquisitions.

Focus on cross-selling and packaging

The main priority for 2010 is to leverage the potential in our new structure and in each division, including cross-sales. We are working hard to “package” and commercialise all of our expertise, products and solutions in relevant, visible and digestible conceptual offerings.

Some of our customers are: Atlas Copco, Outokumpu, Sandvik, Savecon, SSAB, Translink, Volvo and Scania truck resellers and independent workshops.

Bearings & Transmissions

Bearings & Transmissions offers all components between a motor and a machine. The main product groups are roller bearings and mechanical transmission components. Our companies, **Elektro-Dynamo, Jens S, Nomo Kullager** and **Sverull**, supply customised products and services for small and medium-sized companies, as well as for global leaders.

* Maintenance Repair Operations

		Customers		
		OEM	Project	MRO*
Products	Transmission			
	Bearings			
	Service			

Heavy Duty Vehicle Components

Heavy Duty Vehicle Components offers a broad range of components for trucks and trailers, forestry vehicles, construction and agricultural vehicles. Through our companies, **Abkati, LVD Lastvagnsdelar** and **Trailereffekter**, we cover the whole range from lighting and electrical components to brakes, tail-lifts, axles, suspensions systems and body and chassi components.

		Customers			
		Body builders and trailer manufacturers	OEM workshops	Independent workshops/shops	Off-road vehicles
Products	Spare parts to commercial vehicles				
	Spare parts to trailers				
	Chassi spare parts				

Industrial Products

Eigenbrodt

Distributor of technical quality components for the manufacturing industry. Eigenbrodt supplies OEM's and after-market customers in the Nordic countries with well-known brands within, for example, filters, hydraulic components, built-in components, gas springs, telescopic slides, adhesives, GRP laminate and lightning.

Sundquist Components

The company develops, produces and delivers unique high-performance solutions in polymer materials that seal, absorb, protect and insulate in demanding environments. The main products are gaskets, sound and vibration dampers, insulating materials and moulded parts.



One-stop-shop for Sandvik Materials Technology

The trend is evident. Apart from cutting costs in the supply chain, a majority of customers within the industrial segment are positive to one-stop-shopping. This assumption was proven to be correct in a customer survey conducted by AxIndustries during 2009. Sandvik Materials Technology is no exception. When AxIndustries offered an overall solution with a wider assortment of spares than the competitors, leading to significant cost savings, it was an open-and-shut case. The combined forces of Nomo Kullager and Jens S made the deal possible and marks the beginning of many similar cooperations to come.

It is not the first cooperation with Sandvik, but this deal is the first of its kind for AxIndustries. Through Nomo Kullager, Sandvik Materials Technology has access to a broad range of industrial bearings and gaskets, and Jens S can provide all kinds of transmission systems. Cost-cutting will be accomplished over time, focussing on three main areas: product assortment, competence and process optimisation. AxIndustries' extensive technical expertise is another important benefit and the offer involves the training of Sandvik's employees, for example in bearings technology, chain and belt drives, couplings, gearboxes, engines and hydraulic gaskets.



AxImage

**New technological
horizons in the digital era**

AxImage is traditionally connected to the photographic sector through its customer brand Fujifilm. But the areas where technological advances have truly opened up new prospects and growth opportunities are in the medical sector and the graphic arts industry.

An upcoming key area is medical imaging solutions, where hospitals and other medical clinics are supplied with high-tech imaging systems.

The future also lies in information systems. The Fujifilm brand enjoys a particularly strong graphic arts market position, with the pronounced ambition of leading the technological development of digital plates, as well as the next shift to Ink Jet-based digital printing.

Digital imaging solutions revolutionise new areas

In a fast-moving market like ours, what sells today might not sell tomorrow. The technological frontiers of photography are relentlessly pushed forward, day by day. New inventions revolutionise and expand application areas and reveal new business opportunities. For a customer-orientated company such as AxImage, this calls for constantly staying in the vanguard when it comes to evolution.

Fujifilm is the brand by which AxImage addresses the market, as the exclusive distributor in Sweden and Norway for the Japanese Fujifilm Corporation. The Fujifilm brand dates back to the 1930s, and enjoys a top photography market position.

The focus on digitalised imaging solutions offers great promise as well as major challenges. Customers demand constantly higher technological levels, more functionalities, higher resolution and shorter delivery times; all at a lower cost.

The competition is fierce, but the AxImage recipe for future success is based on solid long-term customer relations, excellent service and quality, a more competitive product portfolio and, most importantly, reviewing packaging and pricing models to find the optimal offer and price tag.

Growth in medical imaging and graphic arts

AxImage and Fujifilm have traditionally been associated with the photo and imaging sector, including digital cameras and photographic paper. But the two major growth areas for AxImage where technological advances have truly opened up new prospects are the medical sector and graphic arts.

A fresh example from the medical sector is the introduction of the new X-ray detector technology (Flat Panel Detector). In addition, a brand new type of printing plate has been launched for the graphic arts industry. The market response to increasing the print capacity from approximately 70,000 prints per plate to about 350,000 has been very positive. The quality is a highly appreciated benefit, in addition to quite a few environmental bonus points due to the reduced need for chemicals.

Otherwise digital printing is the natural graphic arts growth area, especially Ink Jet technology, where AxImage has taken the lead through the Wide Format Ink Jet.

New product developments

The crucial developments are all new products, powered by technological innovations. During the year, AxImage opened its very first state-of-the-art X-ray lab in Sweden. The technology behind this revolutionary new X-ray detector has been developed by Fujifilm, using Swedish robot technology.



New Fujifilm printing plates are four times as efficient

Brillia LH-NN2 is a brand new printing plate which uses Fujifilm's patented MultiGrain technology. Among the many benefits are an improved printing efficiency, facilitated plate making, reduced ink usage and faithful tone reproduction. In addition and above all, more than four times as many prints can be extracted from the same plate.

Daily newspaper Dagens Nyheter's printing house, a Fujifilm client since 2003, has been successfully using the new printing plate for half a year now. It was in the second half of 2008 when they suddenly experienced a most troublesome situation. DN Bostad is one of the printing house's biggest print series with 200,000 copies, but already after 70,000 prints, the plates were worn out and needed to be changed – and then changed again. A request was quickly sent out to all suppliers involved in the printing process to find a solution.

During this period, the R&D department of the Japanese Fujifilm Corporation was finally ready with the testing of a brand new type of plate. It was tried and the success was immediate. Dagens Nyheter could now print more than 300,000 copies without changing plates. In addition to the cost-efficiency, less chemicals and ink are used, to the benefit of the environment.

Increasing market shares

The graphic arts industry will be an important market for the next years to come. The market will be fairly level, apart from the anticipated shift in technology from print plates to Ink Jet technology. Our target is to grow our market share.

We are particularly proud of our accomplishment in achieving, and even exceeding, our environmental goals during this period of economic downturn. Our customers are changing from traditional print plates to low-chemical plates; saving the environment at the same time as saving money. AxImage is ahead of the competition in this area, and we aim to stay ahead.

The medical imaging sector will increasingly develop as a key market. The new X-ray detector is expected to further expand our market share.

Higher profitability

Our overall goal is to stabilise our business, in terms of market position as well as revenue streams. This will be achieved by fully utilising new technology. We estimate the turnover to be on par with that of today, but with higher profitability.

Business development

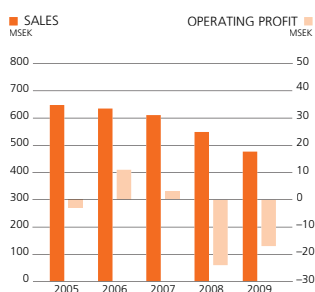
During 2010 we will focus on three major development projects. The first task is to review our product concept. In a market where prices are dropping whilst competition is growing, it is even more important to match product concepts to actual customer demand.

The second area is to fine-tune our customer delivery processes. We aim to improve our processes to be best-in-class in the Nordic countries within logistics, the sourcing of products and spare parts, as well as the provision of delivery status and stock availability information.

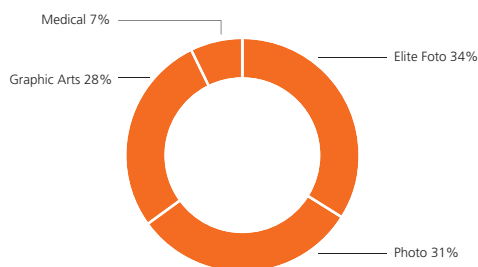
The third development area is service. Excellent service, installation and fault handling are crucial in all sectors; photo, medical and graphic arts.

Some of our customers are: Bold-Gruppen, Exakta, Expert Sverige, Fälth & Hässler, Karolinska University Hospital, Lund's University Hospital, MediaMarkt and V-TAB.

Sales and operating profit



Sales by segment





Innovative flat panel detector lowers radiation dose

In December 2008, Fujifilm presented a revolutionary new technology to the Medical segment. The innovative flat panel detector is at the heart of Fujifilm's digital radiology system FDR AcSelerate. The new X-ray detector provides sharper and clearer diagnostic images, using the high conversion efficiency of its unique technology. By utilising the full potential of amorphous selenium, a highly sensitive material, Fujifilm has taken the lead in this particular field of medical imaging solutions.

The technology is especially attractive on the Nordic medical market, as this sector is very sensitive when it comes to radiation doses. Reduced radiation is perhaps the biggest advantage, but the detector also allows more effective use of the X-ray energy and offers images of higher quality. Lifespan and temperature limitations, which are an issue for traditional flat panels, have also been greatly improved. The high-quality imaging is a result of Fujifilm's innovative "direct conversion" technology. With indirect conversion, X-rays are recorded as optical data, often resulting in noise, diffusion and data loss. With direct conversion, the X-rays are instead converted directly into electrical signals, which are more efficient and also give a remarkably high resolution.

The world's first FDR AcSelerate was installed at a Swedish hospital during the autumn of 2009, and a second one will be installed at the Karolinska University Hospital in Stockholm during the spring of 2010.

Income Statements – Group

MSEK	2009	2008
Net sales	5,299	6,065
Cost of goods sold	-3,754	-4,243
Gross profit	1,545	1,822
Selling expenses	-1,009	-1,049
Administrative expenses	-417	-459
Other operating income	33	25
Other operating expenses	-16	-31
Operating profit	136	308
Result from other securities and receivables accounted for as fixed assets	-3	-2
Interest income and similar income	3	21
Interest expense and similar charges	-26	-43
Profit after financial items	110	284
Income taxes	-61	-106
Minority interests	-1	-5
Net profit for the year	48	173

Balance Sheets – Group

MSEK	31/12/2009	31/12/2008
Assets		
<i>Fixed assets</i>		
Intangible fixed assets	494	590
Tangible fixed assets	211	233
Financial fixed assets	81	76
<i>Current assets</i>		
Inventories	822	983
Current receivables	875	1,123
Cash and bank balances	357	334
TOTAL ASSETS	2,840	3,339
Shareholders' equity and liabilities		
Shareholders' equity	1,281	1,303
Minority interests	12	15
Provisions	135	127
Long-term liabilities	285	389
Current liabilities	1,127	1,505
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,840	3,339
Pledged assets	974	984
Contingent liabilities	40	46

Cash Flow Statements – Group

MSEK	2009	2008
Cash from from operating activities		
Profit after financial items	110	284
Adjustment for items not affecting cash flow	141	134
	251	418
Income taxes paid	-69	-103
Cash flow from operating activities before changes in working capital	182	315
<i>Cash flow from changes in working capital</i>		
Increase (-)/Decrease (+) in inventories	154	-95
Increase (-)/Decrease (+) in trade and other receivables	255	-45
Increase (+)/Decrease (-) in trade and other liabilities	-192	-30
Cash flow from operating activities	399	145
Cash flow from (or used in) investing activities	-35	-312
Cash flow from (or used in) financing activities	-340	79
Net change in cash and cash equivalents	24	-88
Cash and cash equivalents at beginning of year	334	415
Effects of exchange rate changes on cash and cash equivalents	-1	7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	357	334

Board of Directors

Fredrik Persson

President and Chief Executive Officer, Axel Johnson AB

Fredrik Persson holds a M.Sc. Econ. from the Stockholm School of Economics. Previously, he was Head of Research at Aros Securities and worked with ABB Financial Services. Fredrik has been employed by the Axel Johnson group since 2000, previously as Executive Vice President and Chief Financial Officer of Axel Johnson AB.

Directorships: Chairman of Axel Johnson International AB, Novax AB, Servera R&S AB, Svensk Bevaknings-Tjänst AB, Åhléns AB, Mekonomen AB and Axfood AB. Vice Chairman of Svensk Handel and board member in AxFast AB, Svenska Handelsbanken Regionbanken Stockholm, Svenskt Näringsliv and Lancelot Asset Management AB.

Lilian Fossum

Executive Vice President and Chief Financial Officer, Axel Johnson AB

Lilian Fossum holds a M.Sc. Econ. from the Stockholm School of Economics. Previously, she worked at Electrolux AB as a member of the company's Group Management, with responsibility for organisational development and human resources, and as Vice President, Head of Strategic Pricing within the Major Appliances business area in Europe. Lilian has also worked as Executive Vice President and Chief Financial Officer at Spendrups Bryggeri and as a management consultant at McKinsey & Company.

Directorships: Member of the Board of Directors of Axel Johnson International AB, Novax AB, Servera R&S AB, Svensk BevakningsTjänst AB, Åhléns AB, Holmen AB, Oriflame Cosmetics S.A. and RNB AB.

Caroline Berg

Director of Human Development and Communications, Axel Johnson AB

Caroline Berg holds a B.A. from Middlebury College in the US and has extensive experience from various operations within media, film and television in Sweden and the US. Within the Axel Johnson AB group, she has served on various boards since the mid 1990s. Since 2005, Caroline has worked at Axel Johnson AB and has served as a member of the company's Group Management.

Directorships: Member of the Board of Directors of Axel Johnson Inc., USA, Axel Johnson International AB, Servera R&S AB and Åhléns AB.

Erik Lindvall

Group Chief Executive and CEO, AxFast AB

Erik Lindvall holds a M.Sc. in Civil Engineering from the Royal Institute of Technology in Stockholm. Previously, he served as Regional Director of AP Fastigheter, and as CEO of Tekno-Detaljer AB. For much of the 1990s, Erik worked at Skanska. Since 2003, he has worked within the Axel Johnson group.

Directorships: Member of the Board of Directors of Axel Johnson International AB and Tekno-Detaljer AB.

Executive Management

Mats R. Karlsson

President and CEO

Lars Brehmer

Executive Vice President and CFO

Ann-Christine Kling

Director Human Resources

Martin Malmvik

President Forankra

Ole Weiner

President AxFlow

Mikael Stöhr

President AxIndustries

Nils Petter Tetlie

President AxImage

The Axel Johnson group

Axel Johnson International is part of the Axel Johnson group, a family owned company that builds and develops businesses within retail and business-to-business sectors as well as related services. The company was founded in 1873 as a trading company and later developed into a global enterprise.

The founders of the company believed in the dynamic power of entrepreneurship to change the world. Family values such as long-term thinking, quality, respect for people, environmental sensitivity and social responsi-

bility continue to permeate the group. Now in its fourth and fifth generation, the company is owned by Antonia Ax:son Johnson and her family. With sales of SEK 56 billion and 17,000 employees and partially owned companies, Axel Johnson AB builds and develops businesses within trade and services.

The Axel Johnson group companies currently comprise Axel Johnson International, Novax, Servera, Svensk BevakningsTjänst, the Åhléns group and the partly owned listed companies Axfood and Mekonomen.

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 AXEL JOHNSON INTERNATIONAL

Axel Johnson International AB
Sveavägen 166, floor 15, SE-113 46 Stockholm, Sweden
Tel: +46 8 453 77 00. www.axinter.se