# Annual report 2011

dlh.

# DLH in brief

DLH is a leading international wholesaler of timber and timber products manufactured from sustainably produced raw materials. In 2011, the Group posted a turnover of approx. DKK 3 billion and employed 650 individuals across the world.

**Turnover**
Approximately 75% of the group's turnover derives from regional sales units serving the key markets in Europe, the USA and Russia. Other turnover derives from the Group's global sales activities comprising direct sales from producer to customer thus bypassing warehousing.

**Business areas**
DLH is organised into six independent business areas; the geographical sales regions *Western Europe, Nordic, Central & Eastern Europe, USA,* and *Russia* and the business area *Global Sales.*

**Sales regions**
In the five independent geographical sales regions, DLH serves industry, DIY and to a lesser extent retail customers from own warehouses. Most of the turnover is centred on Europe.

**Global Sales**
Within the business area Global Sales, that operates on 5 continents, the group employs its skills within procurement and logistics to enter into back-to-back deals on major hardwood and sheet material consignments.

**Supply**
DLH's products are procured from the major supply areas in the world. In several of these areas – South America, West Africa, the Far East and Russia – the group has its own procurement agents.

**CSR**
DLH offers its customer access to legal timber. Through its CSR and Environment Department, which is responsible for the company's CSR compliance, DLH ensures that we only purchase timber that is felled and traded legally and is in line with DLH's CSR policy.

DLH is a signatory of the UN's Global Compact and reports accordingly. In 'Forest Footprint Disclosure Annual Review for 2010', published in January 2011, DLH was among the best in its category.

**Facts about the shares**
DLH's shares are listed on NASDAQ OMX Copenhagen. There is one share class and each share has one vote. For a description of developments in the share price, please refer to the following section concerning shareholder information.

DLH is a signatory of the UN's Global Compact and reports accordingly. In 'Forest Footprint Disclosure Annual Review for 2010', published in January 2011, DLH was among the best in its category.

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Central Business Registration no.: 34 41 19 13
Registered office: Høje-Taastrup

**Annual General meeting**
The Ordinary General Meeting will be held on Thursday 12 April, 2012, at 3 pm, at Quality Hotel Høje Taastrup A/S
Carl Gustavsgade 1, DK-2630 Taastrup.

**Supervisory Board**
Kurt Anker Nielsen (Chairman)
Kristian Kolding (Vice-Chairman)
Jesper Birkefeldt (elected by employees)
Lars Green
Ann Høy-Thomsen (elected by employees)
Aksel Lauesgaard Nissen
Agnete Raaschou-Nielsen
John Stær
Johannes Borglykke Sørensen
(elected by employees)

**Executive Board**
Kent Arentoft, President & CEO

**Auditors**
KPMG
Statsautoriseret Revisionspartnerselskab
Osvald Helmuths Vej 4
DK-2000 Frederiksberg

The Annual Report of Dalhoff Larsen & Horneman A/S is published in Danish and English on 8 March 2012 as announcement No. 2 via NASDAQ OMX Copenhagen. In the event of any discrepancy between the two versions, the Danish version shall prevail.

# Contents

# A landmark year for DLH

2011 became a landmark year for DLH during which the company took a decisive step towards strengthening its position as a focused, global timber wholesaler. The year was characterised by major changes within the global economy as well as within DLH itself, and despite the significantly deteriorating global economic climate, DLH maintained its rate of change and achieved its earnings targets for the year. Efforts to further develop DLH as a dynamic, focused and profitable business will continue undiminished in 2012.

**A stronger platform**
In 2011 we continued our work to transform DLH into a focused, global timber wholesaler. These endeavours included the completion of a number of divestments of non-core activities which, in themselves, led to a reduction in the group's interest-bearing debt by approx. DKK 400 million. DLH strengthened its financial foundation when, in April, we executed a rights issue and signed a new long-term bank agreement. This allows us to focus on the further development of the business over the years ahead.

The initiated strategic moves paid off during the year. Despite the significant slowdown in the global economy and its consequences, which impacted on the group's turnover especially in the second half year, DLH succeeded in meeting its earnings expectations with an EBIT of DKK 62 million.

**Prepared for growth**
In December 2010 we introduced the "Go to Market" strategy aimed at focusing and strengthening DLH up to 2014. Based on DLH's core competencies and its position as a strong global timber wholesaler, the strategy will ensure good results and establish a solid foundation for growth.

The new strategy resulted in a number of changes during the year. We introduced a new organisational structure and created a global business based on independent sales regions, strong Global Sales, joint procurement functions and a focused and trimmed head office.

In 2011 we took a significant step in our efforts to generate growth by strengthening the sales organisation and achieving economies of scale through cross selling of a broad range of homogeneous products. Based on the new strategy we focused on a number of global growth markets and decided to relocate the centre for the further development of Global Sales from Europe to Asia. In this connection, we initiated the move of the group's back-office functions from Denmark to Hong Kong where, during 2012, we will continue the further expansion of this business area.

Reducing DLH's cost levels is crucial for creating a competitive and profitable business in the longer term. We have, therefore, implemented a number of organisational changes and other initiatives, which have contributed to reducing the group's costs. In order to further strengthen profitability and create an improved platform for profitable growth some pilot projects were initiated in selected regions aimed at optimising working capital and margins, as well as improving DLH's price structure. These projects have all brought good results and, in 2012, we intend to implement standards and concepts from the projects across the organisation.

**The work continues in 2012**
Regardless of the global economic crisis DLH is on the right track and we have – despite the crisis – posted important results. However, the journey towards meeting our objectives for 2014 has only just begun. We will continue our efforts to create a stronger organisation and focus on One Company with the two business models that characterise DLH: sales from our own warehouses in the regions where this is strategically and commercially appropriate and Global Sales' activities.

In respect of Global Sales, the activities will be increasingly centred in Hong Kong. As a result, there will be further transfer of responsibilities, management and employees to the Hong Kong unit.

The sales regions will continue to focus on maintaining warehousing and facilities wherever this is commercially sound. We will continue our efforts to organise and adjust the European units in order to optimise management as well as sales.

DLH focuses clearly on Europe and on optimising the opportunities offered by this market area. This means that when resources are to be prioritised, DLH will choose Europe rather than the warehouse sales-based business in the US which performs well under the circumstances, but requires considerable investment in the form of management resources and capital in order to maximise its full potential. In 2012, therefore, we will strive to dispose of that part of the American business which is based on sales from our own warehouses while, at the same time, we will underpin our other activities in this market through Global Sales.

The economic slowdown that took place in the second half of 2011 continued into 2012 and put a damper on demand, which creates an imbalance between supply and demand. Despite this, DLH expects turnover and EBIT margin in 2012 to be on a par with 2011.

Kurt Anker Nielsen
Chairman

Kent Arentoft
President & CEO

# Financial highlights for the DLH Group

| (DKK million) | 2011 1) 2) | 2010 1) 2) | 2009 1) | 2008 | 2007 |
|---|---|---|---|---|---|
| **Income statement:** | | | | | |
| Net turnover | 2,937 | 3,125 | 2,936 | 5,013 | 5,720 |
| Gross profit | 451 | 493 | 450 | 544 | 986 |
| Costs excluding depreciation and amortisation | (364) | (417) | (533) | (688) | (650) |
| Operating profit(loss) before depreciation and amortisation (EBITDA) | 87 | 76 | (83) | (144) | 336 |
| Earnings before interest, taxes and amortisation (EBITA) | 74 | 63 | (101) | (241) | 254 |
| Operating profit(loss) (EBIT) | 62 | 49 | (140) | (315) | 244 |
| Net financials | (51) | (65) | (80) | (107) | (86) |
| Profit(loss) for the year from continuing activities before tax (EBT) | 11 | (15) | (220) | (422) | 159 |
| Profit(loss) for the year from discontinued activities | (9) | 24 | (492) | 580 | 47 |
| Profit(loss) for the year | 2 | 4 | (752) | 227 | 147 |
| **Balance sheet details:** | | | | | |
| Inventories | 740 | 739 | 1,028 | 1,467 | 1,793 |
| Trade receivables | 350 | 329 | 393 | 543 | 669 |
| Total assets | 1,689 | 2,013 | 2,108 | 3,043 | 4,005 |
| Equity | 776 | 528 | 533 | 1,240 | 1,172 |
| Average invested capital including goodwill | 1,278 | 1,605 | 1,359 | 2,913 | 2,641 |
| Average interest-bearing debt, net | 546 | 948 | 1,089 | 1,317 | 1,881 |
| **Investments:** | | | | | |
| Gross investments, excluding acquisitions | 24 | 14 | 33 | 134 | 95 |
| Hereof investments in tangible assets | 19 | 9 | 29 | 111 | 80 |
| Gross investments, including acquisitions | 24 | 14 | 33 | 234 | 243 |
| Net investments (carrying amount) excluding acquisitions | 22 | 3 | 43 | 124 | 91 |
| **Cash flow:** | | | | | |
| Cash flow from operating activities (CFFO) | (71) | (23) | 119 | (50) | 34 |
| Cash flow from investment activities | (23) | (59) | 12 | (249) | (232) |
| Cash flow from financing activities | (113) | 5 | (127) | (626) | 93 |
| **Performance ratios:** | | | | | |
| Gross margin | 15.3% | 15.8% | 15.3% | 10.9% | 17.2% |
| Operating margin (EBIT margin) | 2.1% | 1.6% | (4.8%) | (6.3%) | 4.3% |
| Net working capital / sales | 32.2% | 29.6% | 41.9% | 36.1% | 38.4% |
| Return on equity (ROE) | 0.2% | 0.7% | (48.9%) | 18.9% | 13.2% |
| Equity ratio | 45.9% | 26.2% | 25.3% | 40.8% | 29.3% |
| Return on invested capital including goodwill (ROIC) | 5.8% | 3.9% | (7.4%) | (8.2%) | 9.7% |
| Average number of employees | 656 | 713 | 792 | 3,688 | 3,661 |
| **Stock market ratios 3) 4):** | | | | | |
| Book value per diluted DKK 5 / 10 share (BVPS-D) at end of the period | 16 | 15 | 30 | 70 | 64 |
| Share price, at end of the period (P), DKK | 6.40 | 30.70 | 16.50 | 26.00 | 90.22 |
| Diluted share price / book value (P/BV-D) | 0.39 | 2.06 | 0.55 | 0.37 | 1.42 |
| Average number of diluted shares issued (in denominations of 1,000 shares) | 47,331 | 35,347 | 17,652 | 18,179 | 18,438 |
| Cash flow per diluted DKK 5 / 10 share (CFPS-D) | (1.50) | (0.65) | 6.75 | (2.69) | 1.87 |
| Dividend per DKK 5 / 10 share (DPS) | - | - | - | - | 2.00 |
| Price Earning diluted (P/E-D) | 27.8 | (52.2) | (1.1) | 2.1 | 11.3 |
| EPS basic per share of DKK 5 / 10 | 0.23 | (0.59) | (14.70) | 12.46 | 7.96 |

1) The group's main figures have been adopted solely for the presentation of discontinued operations in 2009-2011.
2) The classification of Norway and Finland as discontinued operations has been adopted solely for 2010-2011.
3) Earnings and earnings per share (diluted) have been determined in accordance with IAS 33 "Earnings per share". Other financial ratios have been calculated in accordance with the "Recommendations and Financial Ratios 2010" issued by the Danish Society of Financial Analysts.
4) The denomination of the shares was changed to DKK 5 in connection with the capital increase in April 2011 and have been adopted solely for 2010.

2011 became a landmark year for DLH. We took a decisive step towards strengthening our position as a focused, global timber wholesaler. The most important earnings targets for the year were achieved despite the significantly deteriorating global economic climate. In 2012, we shall continue our efforts to further develop DLH as a dynamic, focused and profitable business.

# Strategy 2011-14 – Go to Market

DLH is committed to implementing the "Go to Market" strategy to develop and strengthen its position as a focused and leading global timber wholesaler. The strategy covers the period 2011-2014 and a number of initiatives have now been launched after the first year, which will contribute to the group's development and achievement of its stipulated objectives.

DLH's "Go to Market" strategy will create growth and value based on the group's existing core skills and leading position as a focused, global timber wholesaler. DLH will focus on a number of areas which will contribute to growth:

### Major customers and joint products

DLH will adapt and market a broad range of homogenous products across the group's markets in order to achieve economies of scale and ensure supply flexibility. This will make DLH more attractive for suppliers and make it possible to supply retail chains and industries across national borders. By combining these initiatives with efficient logistics, DLH's objective is to commit a number of key companies to entrust parts of their supply work to DLH.

### Status

- The expansion of the sheets business in France, Poland, US and Asia has been successful and will be continued in 2012.
- Work on creating stronger relations with retail chains has produced good results and developments have been particularly positive in the Nordic countries. The initiative is expected to make a positive contribution to sales going forward.
- The companies in the Netherlands and Belgium have been merged and DLH will continue its efforts to expand the product portfolio in Western Europe.
- In Russia, DLH is committed to introducing the Group's broad range of homogenous products in order to achieve economies of scale and offer customers greater supply flexibility.

### Selected markets combined in strong regions

DLH will work dedicatedly to achieve critical mass in selected markets and to become the largest timber wholesaler by far in these markets. In this way, DLH will have a major impact on distribution, establish profound market insight and the opportunity to optimise logistics and organisation.

### Status

- DLH has introduced a new organisational structure and established five independent sales regions.
- In the individual sales regions, initiatives have been launched to improve logistics, inventory control and administration.
- DLH's activities in the Nordic area have been focused. Regional activities in Finland and sales from the group's Norwegian company to distribution customers are being terminated. In addition, the group's Danish and Swedish administration has been combined in Sweden.
- DLH terminated the group's regional activities in Germany and the UK with these markets now being served via Global Sales.
- In USA two administrative entities have been combined with a view to rationalising the business and achieving savings. In addition, the management has decided to dispose of the part of the American business which is based on sales from its own warehouses and instead cover the region via Global Sales.

### Streamlined organisation with low complexity

Cost levels and the ability to react rapidly to market opportunities are imperative as a wholesaler in the timber sector. DLH, therefore, intends to simplify the organisation, bring decision-making closer to customers and significantly reduce fixed costs in relation to turnover. Areas of responsibility will be more clearly defined so that each unit has focused tasks and "best practice" will be deployed across the group's units.

### Status

- DLH has rationalised head office functions, which has resulted in significant savings, and has delegated responsibility and a number of tasks to the sales regions.
- The new organisational structure has been supplemented by reporting tools which will create greater transparency and provide both the group and regional leaderships with an improved platform for decision-making.
- In the second half year, DLH implemented pilot projects in order to improve the group's profitability and reduce working capital. The results of these projects have led to consistent standards and concepts which will be implemented across the organisation in 2012.
- DLH has intensified its focus on being present in selected global growth markets. In this connection, it was decided to centralise the development of Global Sales in Asia, and back-office functions were relocated from Denmark to Hong Kong. This concentration will continue so that all back-office functions during 2012 will be combined in a strong centre in Hong Kong.

### Complementary sales channels

DLH is a wholesale business and can, at the same time, offer back-to-back trading. This

provides an opportunity to offer customers differentiated services at various price levels, and to build up new markets without a complex and costly infrastructure. DLH will exploit these benefits and strengthen the sales regions and Global Sales activities.

### Status

- The new organisational structure has paved the way for a new division of responsibilities between the sales regions and Global Sales. In this connection, DLH's sheet material products have been successfully launched in several markets. The work to expand DLH's sheet material products continues in 2012.
- Global Sales activities in Asia were strengthened through the addition of resources to the group's offices in India and Vietnam as well as the concentration of back-office functions in Hong Kong. DLH wishes to develop a strong position within the sales of hardwood and sheet materials in Asia.

### The leading supplier network and partnership with selected suppliers

DLH currently has approximately 900 suppliers globally. This creates a unique platform for robust supply, the development of new products and contracting with suppliers. DLH wishes to optimise and develop this supplier network and enter into partnerships with a number of central suppliers in order to reduce costs in the value chain and develop new solutions. DLH wishes to optimise the strong focus on securing trade with environmentally-friendly and legal timber in order that DLH's leading position in this area is maintained.

### Status

- DLH has expanded the group's purchasing office in Cameroon, West Africa and strengthened the management in the region.
- Contracts have been entered into with major sheet material producers with a view to enhancing impact in selected market areas.
- Effort to secure trade with environmentally-friendly and legal timber continued in 2011 when DLH integrated the group's CSR and environmental activities into the Global Sourcing and Global Sales business areas. The embedding will create an improved platform for meeting customers' requirements and complying with international regulations.

### Financial objectives for the strategy period

Launched in December 2010, the Go to Market strategy, comprised a number of financial targets. These were based on DLH's structure at the time as well as the expectations for economic developments in general. Since 2010, the general economic uncertainty has increased. As a consequence, a number of structural initiatives have been undertaken, including the closure and divestment of activities. DLH, therefore, has adjusted its financial objectives, cf. the table below. The Supervisory Board has decided that in the autumn of 2012, a midway evaluation of the strategy will be carried out, which could result in changes to the financial objectives below..

Financial objectives for the strategy period

| | Actual 2011 | Objective 2014 |
|---|---|---|
| Annual organic growth | (6.0%) | 4-6% |
| EBIT-margin | 2.1% | > 4% |
| NWC/turnover | 32.2% | < 25% |
| ROIC | 5.8% | > 12% |

# Financial review

DLH met its earnings expectations in 2011, a year that was characterised by a significant economic slowdown in the second half with a consequent fall in turnover. The absolute earnings target was achieved with an EBIT of DKK 62 million compared to DKK 49 million the year before. The Group saw an improvement in the EBIT margin from 1.6% in 2010 to 2.1% in 2011 and return on invested capital was 5.8% compared to 3.9% in 2010.

### Sales and earnings trend

In 2011 DLH achieved a **turnover** of DKK 2,937 (2010: DKK 3,125 million). The first half year proceeded as expected while the second half year was affected by the global economic downturn. The sudden economic slowdown impacted on virtually all of DLH's markets and had a negative impact on turnover. In addition, the divestment of the group's forest concessions in Congo-Brazzaville and Gabon in January 2011 resulted in a planned strongly reduced contribution to turnover from sales of timber during the year. DLH's successful expansion of the sheet material business in France, Poland, USA and Asia and the ever stronger sales concept vis-à-vis DIY centres offset in part the effect of the economic downturn in 2011.

The group posted **gross profits** of DKK 451 million in 2011 against DKK 493 million the previous year and the gross margin was 15.3% against 15.8% in 2010.

**Overheads** fell to DKK 368 million in 2011 from DKK 423 million last year which is a consequence of the initiatives announced towards the end of 2010 and implemented during 2011.

Despite the negative global economic developments, DLH posted improved earnings in 2011. **EBIT** totalled DKK 62 million in 2011 (2010: DKK 49 million) equating to an EBIT margin of 2.1% (2010: 1.6%). The development is largely owing to significant cost reductions.

The group's **financial expenses** were DKK 51 million (2010: DKK 65 million). Despite the reduction, financial expenses continued to be relatively high as a consequence of DLH's capital structure during the period until the capital injection.

**Pre-tax profits** were DKK 11 million (2010: minus DKK 15 million) for the group's continuing activities. Tax on the year's profits totalled DKK 0.

**Annual profits after tax** totalled DKK 11 million for the group's continuing activities (2010: minus DKK 21 million), and with a loss of DKK 9 million for non-continuing activities the consolidated annual results totalled DKK 2 million.

**Discontinuing activities**, which in 2011 comprises the closure of a number of activities in the UK, Germany, Finland and Norway, produced a loss of DKK 9 million against last year's profits of DKK 24 million (please refer to Note 29)

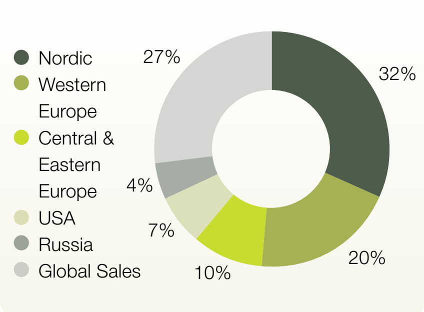
### Cash flow and balance sheet

The year's **operating cash flow** totalled DKK 18 million (2010: DKK 28 million), and cash flow from operating activities after paid interest and tax totalled DKK (71) million (2010: DKK (23) million).

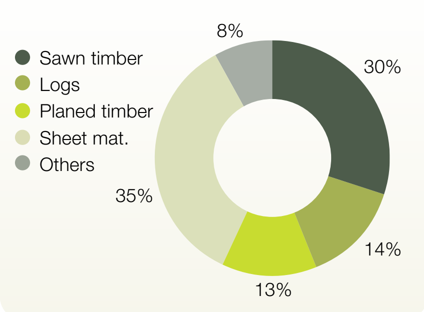
The group's **balance sheet** totalled DKK 1,689 million at the end of the year against DKK 2,013 million in 2010. The balance sheet has been reduced as a result of the divestment of the group's forest concessions in Congo-Brazzaville and Gabon, and return on invested capital, therefore, increased to 5.8% in 2011 from 3.9% last year. By the end of the year, the group, however, continued to have **assets held for sale** worth DKK 119 million. The majority of these assets are land and property in Brazil, Sweden and Poland. The group sold a major piece of land in Brazil in September 2010, but still awaits the authorities' final release of the deeds.

At year end, DLH's **equity** totalled DKK 776 million (2010: DKK 528 million) and solvency amounted to 45.9% against 26.2% last year.

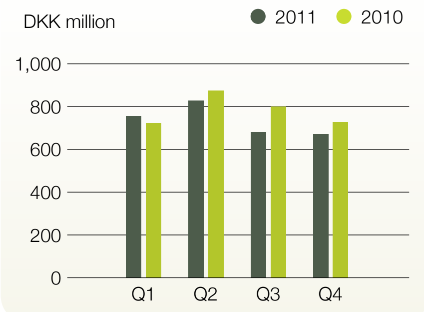
Turnover, breakdown for the group




Product mix, breakdown for the group




Turnover, quarterly breakdown




The rise can be attributed to the capital injection of DKK 249 million in April 2011.

DLH's total **net interest-bearing debt** was reduced to DKK 546 million (2010: DKK 948 million) as a consequence of the capital increase and the liquidity from the divestment of non-core activities. The sudden downturn in the global economy in the second half year of 2011 resulted in the build up of inventory due to the long delivery times for some of the Group's products. The build up of inventory had an adverse effect on the key figures for working capital in relation to turnover as well as the group's efforts to reduce the total net interest-bearing debt to the level of DKK 450 million.

### Q4

DLH's Q4 turnover totalled DKK 672 million (2010: DKK 727 million). The gross margin totalled DKK 108 million in 2011 against DKK 120 million the previous year. EBIT for the period was DKK 7 million against minus DKK 1 million the year before.

### Key events after the close of the financial year

A decision was made on 8 March 2012 to restructure the US business. As a result, the warehouse-based sales business in the US will be put up for sale.

In Q1 2012, contracts were signed for the sale of two properties in Poland and Sweden with total proceeds of DKK 18 million.

The group's bank agreement was adjusted in Q1 2012 (please refer to note 22).

Apart from this, no events of any significance to the 2011 consolidated accounts and company accounts occurred after the close of the year.

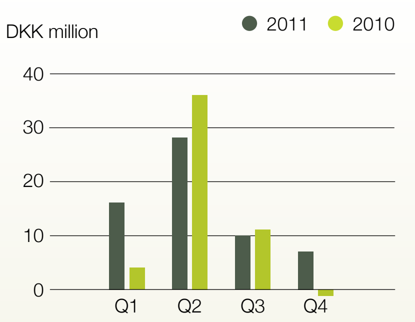
### Expectations for 2012

The economic slowdown that took place in the second half of 2011 continued into 2012 and put a damper on demand, which creates an imbalance between supply and demand. Despite this, DLH expects turnover and EBIT margin in 2012 to be on a par with 2011.

### Dividend

The Supervisory Board recommends to the general meeting that no dividend be paid for 2011.

EBIT




Financial highlights and key ratios for the group

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 2,937 | 3,125 | 672 | 727 |
| Gross margin | 15.3% | 15.8% | 16.1% | 16.5% |
| EBIT | 62 | 49 | 7 | (1) |
| EBIT margin | 2.1% | 1.6% | 1.1% | (0.2%) |
| Organic growth | (6.0%) | 9.0% | (7.6%) | 6.2% |
| NWC/turnover | 32.2% | 29.6% | 35.2% | 31.8% |
| NOA | 1,233 | 1,227 | 1,233 | 1,227 |
| ROIC incl. goodwill | 5.8% | 3.9% | 3.3% | 0.6% |

# The business areas

DLH is organized in six independent business areas: the geographical sales regions in the Nordic countries, Western Europe, Central & Eastern Europe and USA and the business area Global Sales.

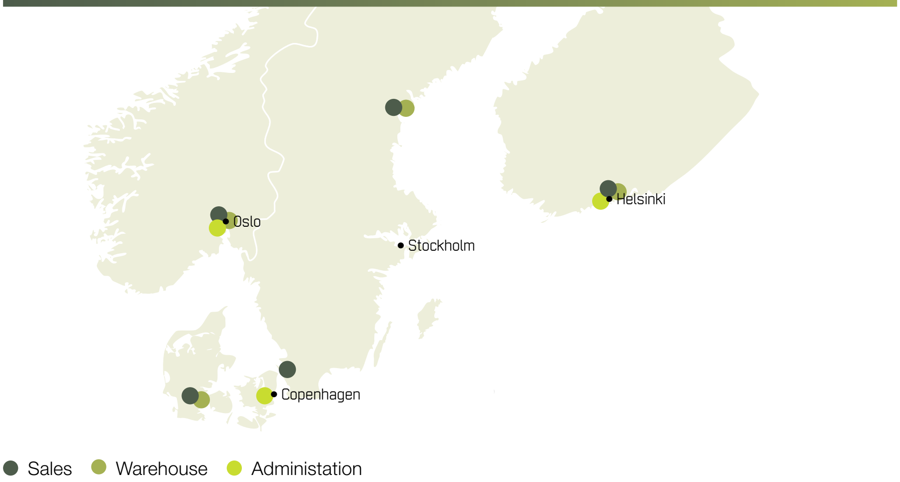
## The Nordic countries

DLH's Nordic activities posted good results in the first half year, but the business area failed to maintain the same momentum in the second half year. The downturn affected the Swedish activities particularly hard, but the Danish business was also affected, especially in the distribution segment. The management decided to terminate the Finnish activities. In Norway, the group terminated direct warehouse sales to the distribution segment due to a lack of profitability.

Turnover totalled DKK 931 million in 2011 against DKK 952 million last year. Earnings were held at the same level as last year. Lower overhead costs compensated for a declining gross margin which, compared to 2010, was affected by changes to the product mix and by the fact that 2010 benefited from windfall profits. EBIT was DKK 28 million in line with last year.

The region is currently implementing a pilot project with a view to reducing working capital, which must be reduced to below 25% for the group. In this connection, it has been decided to close two warehouses in Sweden. In addition to the closure of these facilities, the project will implement specific initiatives that can be used across the group's regions. The project comprises all aspects of the group's working capital – warehouses, debtors, the use of prepayments and supplier credit.

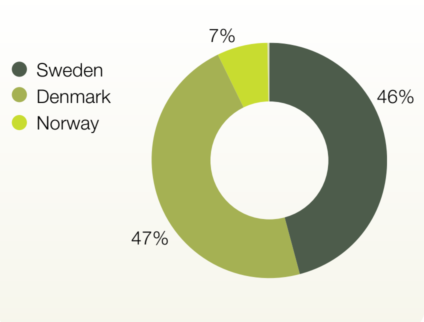
### DLH's facilities in the Nordic countries as at end 2011



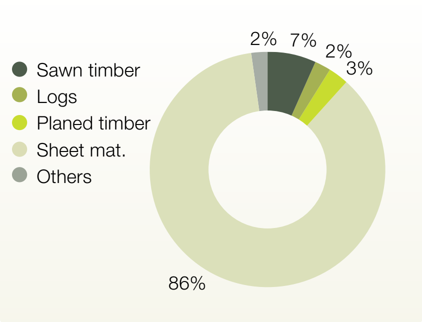

### Financial highlights and key ratios for the Nordic countries

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 931 | 952 | 216 | 236 |
| Gross margin | 16.3% | 18.2% | 15.3% | 18.4% |
| EBIT | 28 | 28 | - | 1 |
| EBIT margin | 3.0% | 2.9% | - | 0.6% |
| Organic growth | (2.3%) | (1.3%) | (8.4%) | 0.8% |
| NWC/turnover | 23.1% | 20.6% | 24.8% | 20.8% |
| NOA | 463 | 446 | 463 | 446 |
| ROIC | 9.9% | 9.3% | 3.0% | 3.8% |

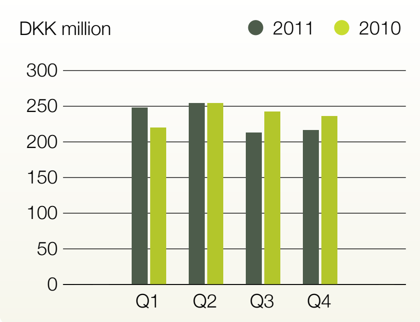
### Turnover, breakdown for the region




### Product mix, share for the region




### Turnover, quarterly breakdown



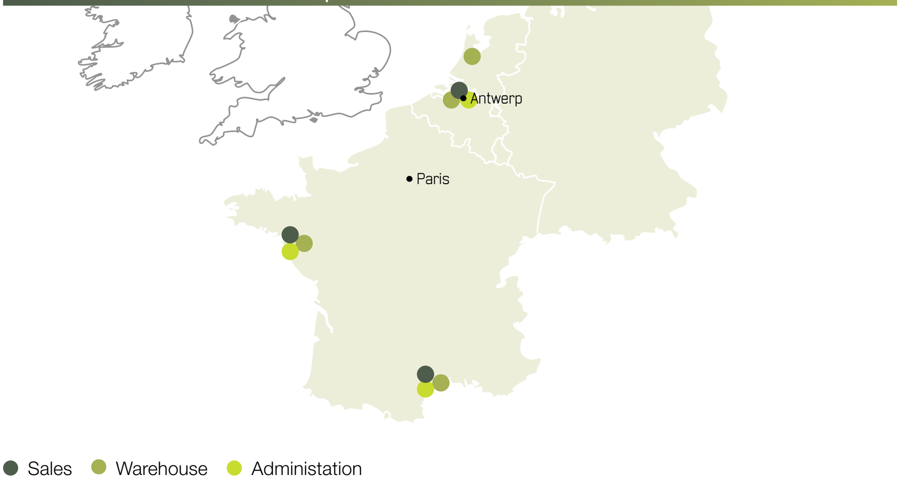
## Western Europe

Turnover in Western Europe, which comprises France, Belgium and the Netherlands, reached almost the same level as last year, i.e. DKK 574 million in 2011 against DKK 579 million last year. An improved gross margin and lower overhead costs, however, ensured significantly improved earnings of DKK 41 million against DKK 31 million last year.

France has been pinpointed as one of the emerging growth areas with the introduction of sheet material products. The organisation, suppliers and warehouses are in place and the new concentrated effort will complement the strong position DLH has established within tropical hardwood. In Belgium and the Netherlands, the focus has been on combining the two companies and initiating an expansion of the product portfolio.

The Western European region is spearheading a pilot project which is set to increase DLH's gross margin. The project entails a review of pricing policy, support services and sales training. The intention is to implement the concept in the group's other regions in order to create joint access to customers across geographical regions.

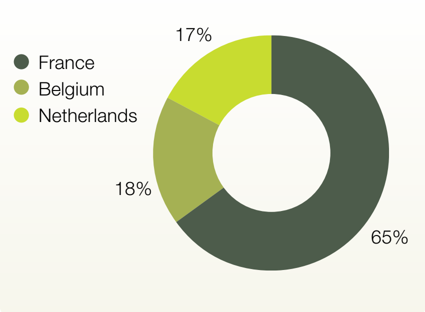
### DLH's facilities in Western Europe at the end of 2011



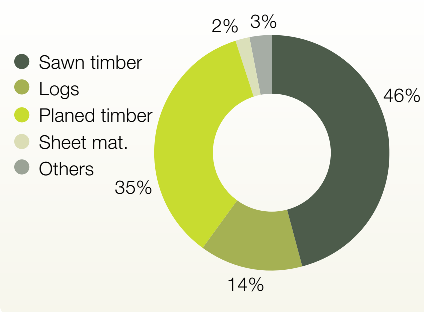

### Financial highlights and key ratios for Western Europe

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 574 | 579 | 105 | 118 |
| Gross margin | 17.2% | 16.2% | 17.6% | 17.5% |
| EBIT | 41 | 31 | 4 | 6 |
| EBIT margin | 7.2% | 5.4% | 3.5% | 5.3% |
| Organic growth | (0.8%) | 17.3% | (11.3%) | 23.4% |
| NWC/turnover | 51.8% | 46.7% | 70.9% | 57.2% |
| NOA | 294 | 269 | 294 | 269 |
| ROIC | 14.1% | 12.2% | 5.0% | 10.0% |

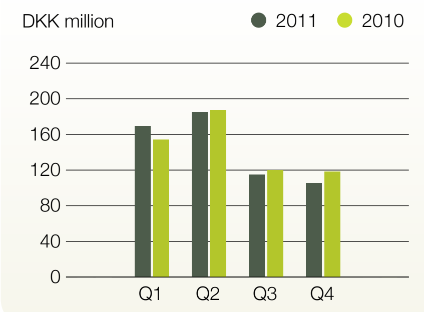
### Turnover, breakdown for the region

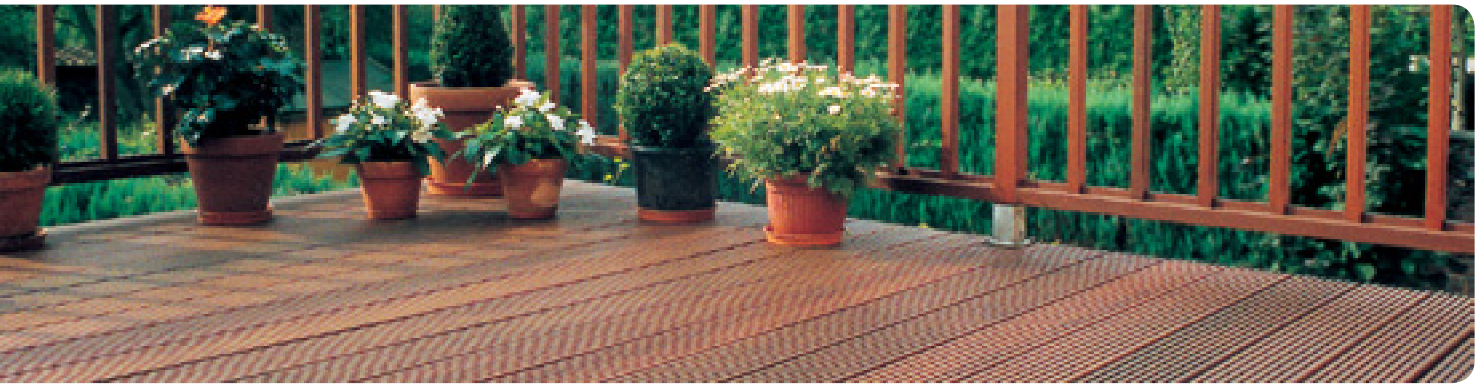



### Product mix, share for the region




### Turnover, quarterly breakdown



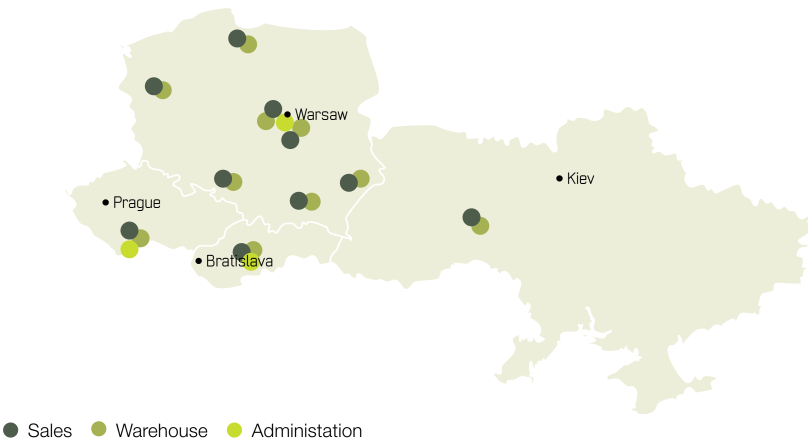


## Central & Eastern Europe

Although the Central and Eastern European markets saw a challenging start to the year, developments took a positive turn in the second half. Turnover reached DKK 295 million against DKK 310 million last year while EBIT rose from DKK 10 million to DKK 14 million driven by lower overhead costs.

The region is in the process of a controlled restructuring process focused on becoming a purely wholesale business. This has resulted in the closure of points of sale in Poland. In general, the region performed well through 2011 and increased profitability and adjusted its capital tie-up to the lower level of turnover. With Poland as the launch pad, efforts are being made to expand DLH's presence in the Czech Republic, Slovakia and Ukraine.

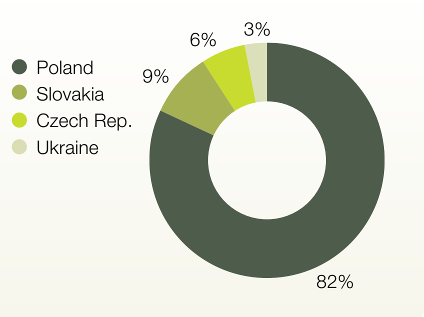
DLH's facilities in Central & Eastern Europe at the end of 2011



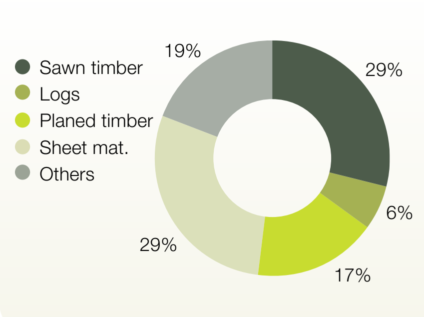

Financial highlights and key ratios for Central & Eastern Europe

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 295 | 310 | 65 | 71 |
| Gross margin | 16.9% | 16.2% | 15.1% | 12.6% |
| EBIT | 14 | 10 | 3 | (1) |
| EBIT margin | 4.8% | 3.3% | 3.9% | (0.9%) |
| Organic growth | (4.8%) | 4.4% | (9.0%) | 1.5% |
| NWC/turnover | 32.2% | 32.4% | 36.6% | 35.2% |
| NOA | 126 | 138 | 126 | 138 |
| ROIC | 10.4% | 6.4% | 7.8% | (1.7%) |

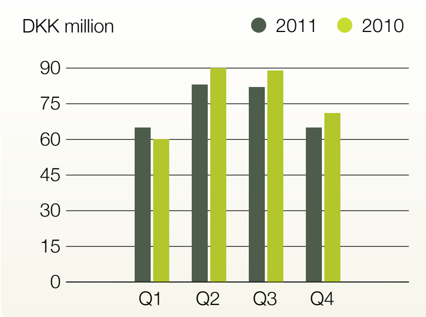
Turnover, breakdown for the region




Product mix, share for the region




Turnover, quarterly breakdown



## Russia

In Russia, the Group succeeded in improving its basic profitability through lower costs and increased gross margin. Turnover fell from DKK 153 million to DKK 141 million. The product portfolio remains dominated by plywood, but sales of local Russian timber have increased. The aim continues to be for DLH's broader product portfolio to be introduced in Russia.

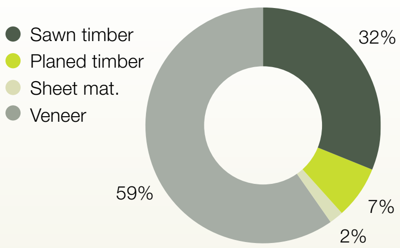
Russia will during the first quarter of 2012 become part of Sales Region Central & Eastern Europe in order to obtain synergies and accelerate the introduction of more products on the Russian market.

### DLH's facilities in Russia at the end of 2011

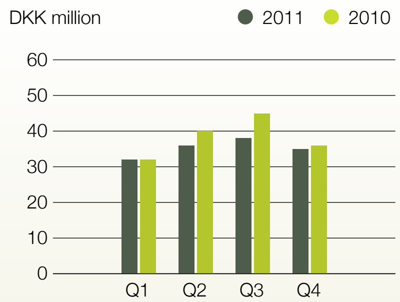

### Financial highlights and key ratios for Russia

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 141 | 153 | 35 | 36 |
| Gross margin | 24.9% | 22.9% | 25.1% | 24.8% |
| EBIT | 4 | 1 | 1 | - |
| EBIT margin | 3.0% | 0.8% | 1.4% | 0.6% |
| Organic growth | (7.4%) | 55.5% | (2.2%) | 28.7% |
| NWC/turnover | 39.3% | 36.6% | 39.9% | 39.2% |
| NOA | 53 | 58 | 53 | 58 |
| ROIC | 7.3% | 2.2% | 3.4% | 1.7% |

### Product mix, share for the region




### Turnover, quarterly breakdown



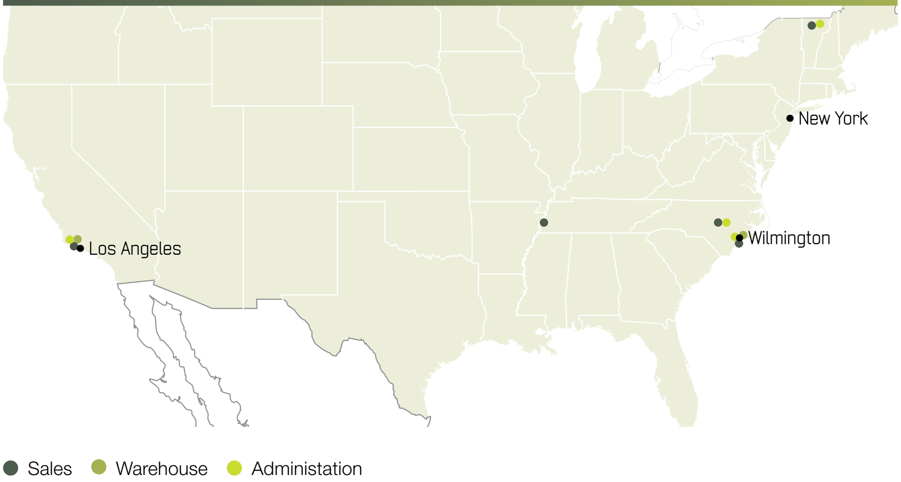
## USA

In the USA, an amalgamation of the group's two companies was carried out. Apart from the cost-related rationale, which the initiative brings out, this has presented the opportunity to create a more focused access to the market. Although the market has been difficult and challenging, high gross margins have been maintained. Measured in local currency, turnover fell by approximately 2.5%. At the end of the year, emphasis was put on the introduction of sheet material products with consequently increased capital tied up in stock. Turnover reached DKK 207 million against DKK 224 million last year. Earnings were at the same level as last year with DKK 10 million in EBIT driven by better gross margins and lower overhead costs.

The American business comprises two areas: one is based on sales from own stocks and the other is based on back to back trading. The warehouse-based business is run from own facilities in Wilmington, North Carolina and from Los Angeles in California. The back to back business is based in Greensboro, North Carolina. Turnover for the warhouse-based business in 2011 totalled approximately DKK 160 million whereas turnover for the back to back business totalled approximately DKK 50 million.

The DLH management has decided to restructure the American business so as to comprise back to back trading only. A sales process of the warehouse-based business will now be initiated.

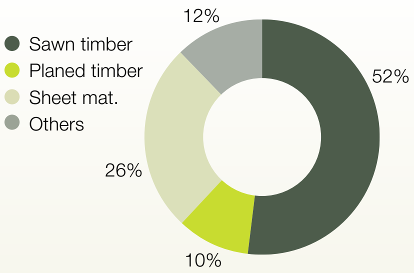
### DLH's facilities in the USA at the end of 2011



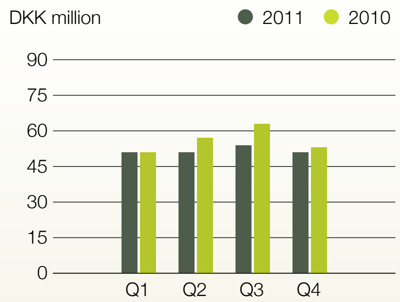

### Financial highlights and key ratios for USA

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 207 | 224 | 51 | 53 |
| Gross margin | 22.1% | 20.3% | 20.3% | 21.5% |
| EBIT | 10 | 10 | 1 | 1 |
| EBIT margin | 4.7% | 4.6% | 1.4% | 2.0% |
| Organic growth | (7.7%) | 16.9% | (3.0%) | 25.7% |
| NWC/turnover | 47.8% | 35.5% | 48.1% | 37.6% |
| NOA | 128 | 112 | 128 | 112 |
| ROIC | 8.7% | 9.7% | 2.4% | 4.2% |

### Product mix, share for the region




### Turnover, quarterly breakdown



## Global Sales

Developments in Asian and Middle Eastern activities were generally satisfactory. As well as the start of the build up of Hong Kong as the centre of the group's global sales activities, investment was made in the expansion of sales activities in India, which saw a rise in turnover of 33%. As a consequence of the severe national debt problems, Europe experienced severe sales challenges as access to trade credits was reduced.

The business area achieved a total turnover of DKK 787 million against last year's DKK 901 million. The decline was anticipated because part of last year's turnover was closely linked to sales of timber from the forest concessions that the group owned at that time in Congo-Brazzaville and Gabon.

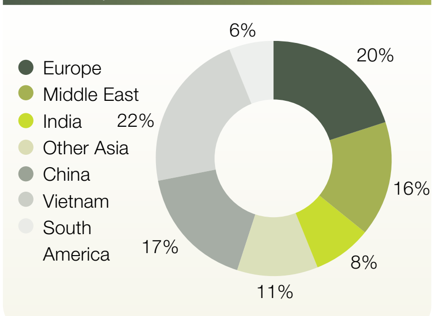
Earnings were increased as a result of lower overhead costs and EBIT totalled DKK 13 million against DKK 10 million last year.

### DLH's facilities in Global Sales at the end of 2011

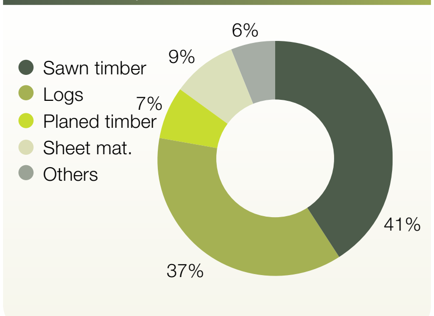

### Financial highlights and key ratios for Global Sales

| (DKK million) | YTD 2011 | YTD 2010 | Q4 2011 | Q4 2010 |
|---|---|---|---|---|
| Turnover | 787 | 901 | 199 | 204 |
| Gross margin | 8.0% | 9.4% | 8.0% | 11.0% |
| EBIT | 13 | 10 | 1 | (1) |
| EBIT margin | 1.7% | 1.1% | 0.5% | (0.7%) |
| Organic growth | (12.7%) | (9.4%) | (2.7%) | 8.6% |
| NWC/turnover | 21.4% | 19.3% | 21.1% | 21.3% |
| NOA | 167 | 165 | 167 | 165 |
| ROIC | 8.6% | 5.7% | 2.3% | (3.5%) |

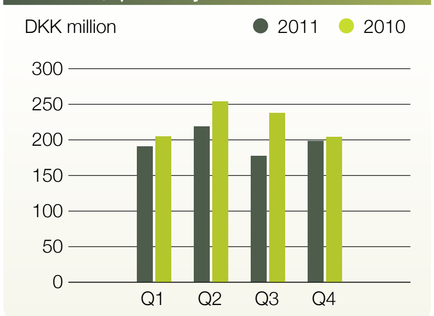
### Turnover, breakdown for the area




### Product mix, share for the area



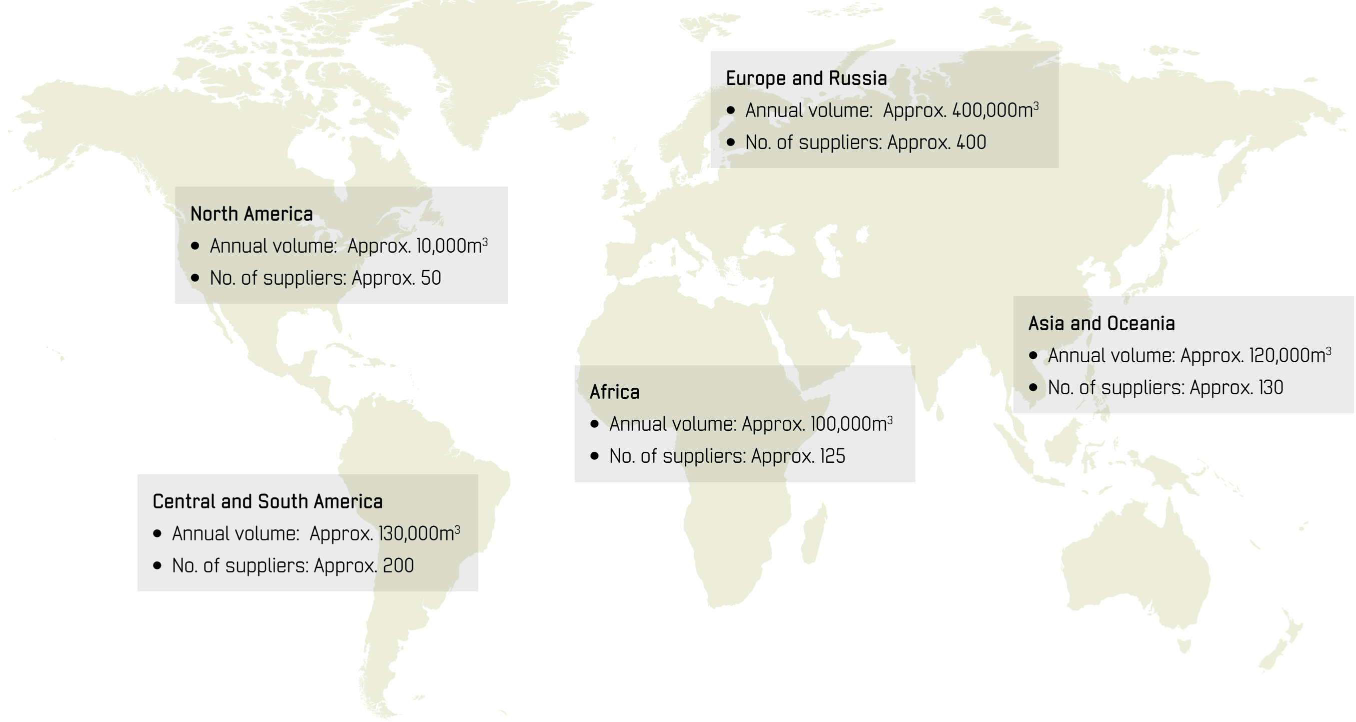

### Turnover, quarterly breakdown



## Global Sourcing

The group's sales regions are supported on an ongoing basis by a number of well-established sourcing units. The company has its own procurement and quality functions in a number of countries. South America is covered from two offices in Brazil. Africa is headed up from Douala in the Cameroon while the Asian procurement is primarily conducted from Indonesia and Shanghai. In addition the group has its own procurement office in Belarus. The area employs approximately 45 individuals and approximately DKK 30 million is deployed annually on procurement activities.

DLH's Global Sourcing activities at the end of 2011 (annual volume measured in cubic metres of timber)



# Risks

DLH's activities are exposed to a number of commercial, financial and insurable risks that are given high priority in the group's risk management.

The following risk factors should be taken into account when evaluating investment in the company's shares. The management believes that the key risks to be considered in relation to an analysis of the group and its activities are described below. The conditions mentioned are not necessarily exhaustive and are not listed in order of importance. Should some of the risk factors mentioned below materialise, it could have a significant impact on the group's future development, results, cash flow and financial position.

## Risks relating to the group's operations

### The value of DLH's inventories can see a negative trend

As a stock-holding wholesale business, DLH maintains substantial stock in order to meet customer orders in the shortest possible response time. If DLH does not dispose of its stock correctly or in the event of price falls or reduced demand for its warehoused products, there is a risk that the value of such stock will fall.

### DLH is dependent on access to certified tropical hardwood

DLH's objective is to be a leader in the global trade of certified tropical hardwood. As a result, the group is dependent on access to sufficient quantities thereof. The sale of DLH's own forest and production activities in Africa has impacted DLH's access to FSC certified tropical wood. The development of certified forest in supply markets has proceeded at a slow pace over the past couple of years but, in 2011, Brazil and Indonesia, in particular, saw a positive development where yet more of DLH's suppliers FSC certified their forests. However, overall, the supply of FSC certified tropical hardwood remains limited. There is a significant risk if the group cannot gain access to sufficient volumes of certified tropical hardwood.

### DLH is dependent on a few major sheet material suppliers

DLH has signed agreements with a limited number of producers concerning the distribution of sheet materials. Should the partnership with one or more of these producers cease, DLH is exposed to a supply risk until such supplies have been replaced by equivalent sheet material products from other suppliers.

### DLH is dependent on an efficient supply chain

DLH is dependent on having an efficient supply chain all the way from purchasing to delivery to the end customer. As a focused wholesaler in the market for trading timber and timber products, DLH operates in a market characterised by relatively low earnings margins. If the supply chain is inefficient, therefore, the group risks losing competitiveness and market share. The low earnings margins also mean that even minor cost increases can have a relatively significant adverse effect on the group's earnings.

### Access to freight and transport may be limited

The access to freight and transport of DLH's products from the supply countries to the group's markets can, for several reasons, be periodically limited or subject to delays.

Access to sea freight can be limited at times of high business activity if ship owners' tonnage availability is deployed on other freight routes. Equally, a lack of access to road transport, especially in certain African countries can delay deliveries. Moreover, climate conditions may limit access to freight and transport of supplies from susceptible geographical areas.

### DLH buys raw materials from countries where trade, logistics and legislation as well as political and economic conditions differ from western norms

An important part of DLH's supply areas is located in countries where trade, logistics and legislation differ from western norms. This can result in a lack of law enforcement, corruption and other types of criminality.

Moreover, the political and economic conditions in several supply areas are unstable and the risk of political turbulence, unrest etc. exists. Changes to policies in certain countries have resulted in export bans on goods, including timber products, for shorter or longer periods.

### DLH is exposed to losses on receivables or other counterparties

The group's credit risks primarily relate to receivables from sales, prepayments for goods and receivables from derivative financial instruments and, to a lesser extent, from bank account deposits. The economic slowdown in certain countries has increased the credit risk. The increased risk materialises when credit insurance companies reduce and, in the worst case, terminate their insurance limits for insured customers or when the group's own risk on uninsured customers increases. In addition to the increased risk, considerable costs for credit information and debtor insurance can be expected.

To secure supplies from Africa, South America and Eastern Europe, the company uses prepayments for suppliers as a substantial parameter. This involves a risk of losses.

**DLH can be made responsible for deficiencies**
As an intermediary, DLH is exposed to risk if the products that are sold are deficient. In this respect, if the risk cannot be transferred to the manufacturer, certain products may have to be recalled, which can entail considerable costs for replacement, repair or compensation. Such events may also harm the DLH brand and reputation.

**DLH is dependent on certain major customers**
If one or more of the group's major customers terminate their contracts with DLH or stop buying DLH products, this could have a significant negative impact on the group. The largest single customer accounted for 6% of the group's overall turnover for continuing activities in 2011

## Risks relating to markets in which the group operates

**The group is subject to global economic trends**
DLH is exposed to considerable risks relating to developments in its sales market. The financial crisis and the subsequent downturn in global economic trends have lead to falling consumption. The construction sector, DLH's most important market, has been among the hardest hit segments in that orders for new build and renovation activities are closely linked to general economic trends.

**The group sells products in several markets with political and economic risks**
DLH sells the majority of its products in Western Europe although a small proportion is sold in so-called emerging markets such as China, Russia, India and Vietnam. The group's sales in some of these markets are, in general, subject to risks that normally relate to sales in new markets, including possible political and economic turmoil.

**DLH is exposed to risks from global and regional disasters and other accidents**
The group's activities and results can be negatively affected by disasters or other accidents. DLH may also be affected by damage to its stock as a result of, e.g., fire or other accidents.

Damage to stock may, for instance, impede service to the group's customers and therefore have a negative impact on the group's turnover and reputation.

**Negative publicity may harm the group's activities**
The group wishes to be a leader within global trading with certified tropical hardwood. Trading – especially in tropical wood – is of interest to the media and DLH has, in the past, experienced negative publicity.

Despite the fact that the group's strategy is based on high profile environmental policies and that it is committed to operating as an environmentally responsible company, there is a risk that the group may again be subject to negative publicity.

**The group operates in a competitive market**
The market in which DLH operates, timber and timber products, is highly competitive. Price competition has further intensified in recent years in part because of low entry barriers, an increasing number of back-to-back customers and new wholesalers in the market. This has impacted on DLH's market position and earnings.

## Financial risks

**Financing**
In April, the group implemented a share issue with net proceeds of DKK 249 million, which together with the divestment of business activities in 2010 and 2011 reduced debt levels substantially. Tensions within the EU and the situation in financial markets combined with DLH's debt levels compared to earnings meant that access to financing was both more expensive and more difficult. This increased the group's risks.

In February, 2011, the group entered into a new bank agreement that runs until 31 March, 2014. The agreement was updated in 2011 and in March 2012.

The terms of the bank agreement, including a more detailed description of the conditions relating to financial performance and restrictions on the opportunities for dividend payments, are given in note 22.

**DLH has risks relating to non-covered pension commitments**
The parent company and the majority of the foreign companies' pension commitments are covered by insurance. In a few of DLH's foreign companies, however, the employees are covered by the so-called "defined benefit" pension schemes where the pension commitment is not covered and therefore involves a risk for DLH.

**The group is exposed to changes in foreign exchange rates**
Due to its international activities, DLH is exposed to foreign exchange fluctuations. The group's most important foreign exchange exposure relates to USD and to a lesser extent to PLN, SEK and NOK. If the fixed rate policy vis-à-vis EUR changes, DLH's foreign exchange exposure will increase.

**The group is exposed to changes in interest rates**
As a consequence of its financing activities, DLH is exposed to risks relating to fluctuations in interest rate levels in both DKK and other borrowing currencies. The primary interest rate exposure relates to fluctuations in short money market rates in the group's shadow currencies. It is DLH's policy to hedge interest rate risks on loans when it is deemed that interest payments can be hedged at a satisfactory level. Hedging is usually implemented at the time of the conclusion of interest swaps when variable rate loans are converted to fixed interest.

## Risks relating to litigation, disputes and legal issues

**DLH is at a risk of being a party to litigation and other disputes**
DLH could become a party to litigation and arbitration cases and may incur liability if these were to have a negative outcome for the group. There is a risk that DLH may incur liability for damages, fines or other sanctions at a future date.

**Risks relating to divested companies and activities**
DLH has disposed of a number of non-strategic companies and activities. Within this context, DLH has issued certain guarantees to purchasers that may involve a risk of losses. In connection with the sale of African forest and production activities, DLH has provided guarantees for some losses to the buyer as a result of political conditions or unrest.

**DLH is subject to prevailing laws in a number of special jurisdictions**
The group is subject to extensive national and international legislation and regulations within, for instance, employment law, the environment and competitive issues and prevailing industry standards and practices. The group is represented within a number of jurisdictions and, therefore, subject to widely different legislation and regulation regimes. Irrespective of the fact that the group strives to comply with all relevant legislation and regulations within the respective jurisdictions, there is a risk that DLH has not complied with all legislation and regulations.

**Tax regulations in some of DLH's markets may differ substantially from European traditions**
DLH's global timber trading business involves activities in a number of continents, regions and countries where the group is exposed to changes in taxation, levies, customs and accounting regulations.

In particular, the above is true where the taxation regulations and the administrative traditions and interpretation hereof may deviate considerably from regulations, traditions and administrative practice in Europe. Moreover, DLH has extensive intra-group trading. This entails risks in relation to a lack of compliance with local regulations including, for instance, in relation to the registration of fixed operating premises and the risk of some countries' lack of acceptance of the DLH Group's policy for determining intra-group settlement prices.

In Brazil, the local tax authorities have issued DLH's local subsidiary with a demand for the payment of further corporation tax, VAT and levies. In return, DLH's local subsidiary has lodged a counter claim. The matters are being dealt with partly through negotiation with the local tax authorities and partly within Brazil's legal system. The management's view is that the claims have been properly recognised in the financial statements, but there may be risks associated therewith in that the demands from the local tax authorities are substantial.

With regard to the former jointly-taxed subsidiary in Brazil, there exists in Denmark a re-taxation liability which, as at 31 December, 2011 stood at DKK 89.0 million. The liability has not been recognised in DLH's Annual Report because the management has taken, and will continue to take, measures to prevent the deferred tax commitment from being triggered. There may be a risk that these precautions prove insufficient.

## The group's principles for managing risks

The group has established a number of systems and policies for countering the above-mentioned risks.

The most important element is the company's management structure where, through close dialogue and rules for arrangement and procuration, a pro-active approach is ensured for all important issues that may incur a risk for the group.

The group has established a number of systems for managing quality and supplies under the frequently difficult conditions applying in the supply areas. The systems are supported by the group's physical presence in the form of procurement offices in most of the supply areas. These offices inspect the quality of the purchased timber before shipment.

With regard to tropical hardwood, in general DLH trades with many small and medium-sized suppliers, which ensures good supplier diversification. Usually it is possible to substitute a product from one supply region with products from other supply regions. It is this supply flexibility and the group's active presence in all important supply regions that sets DLH apart from almost all its competitors.

Risk relating to selling on credit is selectively covered through an active credit policy where credit insurance is used to a significant extent. The group's credit risks and policies for covering such risks are described in more detail in note 22.

DLH's financial risk management operates on the basis of fixed policies, which ensure that positions are only taken up to hedge risks. Risk management and the hedging of currencies linked to the group's product transactions are, in the main, managed on a decentralised basis while the hedging of the group's interest rate risk is managed centrally by the Finance Department. The Group primarily uses forward exchange contracts and interest swap agreements for its financial risk management. Please refer to note 22 for a detailed description of DLH's foreign exchange policy and financial risks.

DLH's insurance policy determines the general framework for insuring persons, property and interests associated with the group. Insurable risks are evaluated on an ongoing basis, with assets and serious financial losses being insured against according to the following principles:

- Risk analysis (identification)
- Risk assessment (frequency and scope)
- Risk limitation (elimination or prevention)
- Risk financing (own risk or insurance)

In general, no insurance is taken out against losses where, from the group's point of view, the costs of insurance are deemed to exceed the risk. DLH's insurance portfolio consists of global group schemes (extended property insurance, professional indemnity, product liability, transport and business trips) as well as regional/local policies (vehicles, industrial accidents, accidents etc.). With regard to general insurance, DLH has joined forces with international insurance broker, Willis.

# Corporate governance and risk management

The DLH Group's Supervisory and Executive Boards continuously strive to ensure that the Group's management structure and control systems are appropriate and function satisfactorily. A range of internal policies and procedures has been developed and is maintained on an ongoing basis to ensure an active, safe and profitable management of the group.

**Corporate governance**
The Supervisory Board monitors developments within the field of corporate governance and it is the company's intention to follow all recommendations where it is deemed expedient and relevant. Updates appear on the company's website throughout the year. A number of internal policies and procedures have been developed and are maintained on an ongoing basis with a view to ensuring active, safe and profitable management of the group.

In August 2011, the Committee on Corporate Governance published updated Recommendations for Corporate Governance based on a "comply or explain" principle. The Supervisory Board's view is that the Corporate Governance Recommendations are for the most part followed by the management of the DLH Group.

In accordance with the recommendations, the company's website sets out how the company complies with each point of the recommendations, c.f. the following URL: http://www.dlh.com/Investor/Corporate_governance/Corporate_governance_historical/2011.aspx?sc_lang=en.

**The role of shareholders and their interaction with the company's management**
The DLH Group seeks to ensure information given to, and the opportunity to dialogue with, the company's shareholders through the regular publication of news, financial reports and annual reports as well as at the Annual General Meeting. Published information is continually made available to investors on DLH's website. The DLH Group works actively to provide investors and analysts with the best possible insight into issues that can ensure the fair pricing of the group's shares, which is achieved partly through the information provided to the market on a regular basis and through meetings with professional investors. Information is also available on the group's website. Information to the market is published simultaneously in Danish and English on the website and is distributed directly to those shareholders who have requested it.

The Supervisory Board regularly assesses whether the group's capital structure is in line with the group's and its shareholders' interests. The main objective is to secure a structure that supports long-term and profitable growth, including ensuring that the group is always capitalised in order to obtain financing on the usual and expedient terms.

The Annual General Meeting is the ultimate authority. The Supervisory Board's intention is to ensure that shareholders receive detailed information about, as well as an adequate basis for examining, the items discussed and the decisions taken at the Annual General Meeting.

Notice of the Annual General Meeting is issued at least three weeks before the meeting. The aim is to ensure that all board members take part in the Annual General Meeting, and in 2011 all members of the Supervisory Board participated. All shareholders are entitled and encouraged to attend and vote in person or by proxy and put forward proposals for consideration. Shareholders may give a proxy to the Supervisory Board or other participants at the Annual General Meeting for each item on the agenda.

**The supreme and central governing bodies' tasks and responsibilities**
The Supervisory Board ensures that the Executive Board complies with the objectives, strategies, policies, etc. decided by the Supervisory Board. Briefing from the Executive Board to the Supervisory Board occurs systematically at meetings and through written and oral reports. Reporting includes matters relating to the financial position, profitability, development and factors relevant to the surrounding world.

The Supervisory Board meets at least four times a year and as required. In 2011, there were 7 Supervisory Board meetings.

The Supervisory Board receives regular written information on the group's operations and position as well as risks in significant areas. In addition to decisions relating to significant operational conditions, i.e. decisions on disposals and possible acquisitions, the adequacy of the capital base and the composition of long-term commitments, the Supervisory Board decides on key policies and auditing matters.

The Supervisory Board examines, adjusts and approves the business procedures for the Executive Board on an annual basis and sets out the reporting requirements sent to the Supervisory Board and for communication between the two governing bodies.

The Chairman and Vice-Chairman constitute the chairmanship. The Chairman's and, in his absence, the Vice-Chairman's specific tasks are specified in the rules of procedure.

The Supervisory Board evaluates, annually, the Supervisory Board's and the Executive

Board's work, results and composition. At the same time, an evaluation of the co-operation between the Supervisory Board and the Executive Board is carried out. The Supervisory Board assesses annually whether there is an opportunity to update or enhance board members' skills in terms of their responsibilities. In addition, the Supervisory Board determines annually its most important tasks in relation to an ongoing assessment of the Executive Board's work and the financial and managerial control of the group.

The Supervisory Board appoints the CEO. The Executive Board is responsible for the organisation and implementation of the strategic plans etc. decided by the Supervisory Board. Members of the Executive Board are not members of the Supervisory Board, but typically participate in board meetings.

### The supreme governing body's composition and organisation

The Supervisory Board is elected at the Annual General Meeting. At least half of the elected members of the Supervisory Board are independent. Today only one member is considered dependant. The DLH-Fonden has a statutory right to appoint one member provided that the DLH-Fonden owns at least 10% of the company's capital.

The Supervisory Board comprises six members who are elected by the Annual General Meeting and three employee members elected under the Companies Act's regulations for employee representation. The Supervisory Board deems the number of members to be appropriate.

All Supervisory Board members elected by the Annual General Meeting stand for election every year whereas the employee representatives are elected every four years. Re-election can take place, albeit not of individuals who, at the time of the election, have reached the age of 70. The Chairman and Vice-Chairman of the Supervisory Board are elected by the Annual General Meeting. The Supervisory Board determines its own rules of procedure.

The current members of the Supervisory Board, their ages, positions held, the year that they were first elected as a member of the Supervisory Board and the number of shares and changes in their shareholdings during the financial year are given in the overview on pages 25 and 26. Board members elected at the Annual General Meeting stand for election annually while board members elected by the employees stand for election in 2014.

The company is of the opinion that all members of the Supervisory Board possess the professional and international experience required to function as board members.

The company has established an Audit Committee. The Audit Committee's terms of reference, the number of meetings and information about the committee members are available at the group's website: http://www.dlh.com/Investor/Corporate_governance/Revisionsudvalg.aspx?sc_lang=en.

### Audit Committee

The Audit Committee, along with the Executive Board, monitors the group's internal control systems and the process of financial reporting as well as reviewing interim and annual reports prior to submitting these for approval and publication. The Audit Committee also evaluates the independence and skills of the auditors and nominates candidates for the position of independent auditor.

The Audit Committee also reviews the group's accounting policies and evaluates key accounting matters. The Audit Committee recommends to the Supervisory Board: fees, deadlines and other terms pertaining to the group's independent auditors; and it also monitors the audit process.

The independent auditors report directly to the Audit Committee with regard to the auditors' remarks and other recommendations, on matters pertaining to accounting policies and the reporting process. Auditor remarks and recommendations from the independent auditors are also reviewed by the group's Chief Financial Officer to ensure that all key aspects have been addressed correctly.

### Financial reporting

The Supervisory Board and the Executive Board are responsible for ensuring that the Annual Report and other financial reporting are prepared in accordance with legislation, applicable standards, etc. Prior to the publication of financial reports, the Supervisory Board ensures that these are comprehensible and balanced, and provide a true picture of assets, liabilities, financial position as well as results and cash flow. It also ensures that the Management's Review contains a true and fair account of the matters to which the report relates, including future prospects.

**Organisation, financial reporting process and internal controls**

The Supervisory and Executive Boards have overall responsibility for the group's risk management and internal controls in the financial reporting process, including compliance with relevant legislation and other financial reporting regulations.

Management has drawn up policies, instructions, manuals, procedures etc. for the key aspects relating to financial reporting, such as accounting and reporting instructions, which are kept updated on an ongoing basis. The individual Group companies' compliance with such guidelines is regularly monitored by the heads of the business areas and at group level by the group's Finance Department. Formal confirmation of compliance is requested annually.

Once a year, the Audit Committee and the Executive Board carry out a general risk assessment for the group that includes risks relating to the financial reporting process.

Control activities are based on risk assessment. The DLH Group's control activities aim to ensure compliance with the targets, policies, instructions, procedures and other guidelines adopted by management and to ensure the timely prevention, discovery and correction of any errors, deviations or defects, etc. Control activities include manual and physical controls as well as general IT controls and automated application controls in the IT systems used.

The DLH Group's activities are divided into several regions, each under a regional manager. The individual regions include companies in different countries with local management and finance functions. The level of skills of the local finance functions is regularly assessed and determined with regard to the significance and complexity of the activities. The individual companies operate their own IT systems for their local financial recording. All group companies, however, use a common standard for reporting and consolidation system.

To some extent, business procedures and the extent of internal controls are determined decentrally by the management of the individual companies. The group has standardised risk management and internal control procedures in connection with the financial reporting process. In 2011, this work included documentation of risk evaluation regarding the group's preparation of accounts, including specification of the most important processes and key controls. In addition, the work has included the design and implementation of a system for periodic reporting from the units to Group Management regarding the performance of the key controls. The work has primarily comprised the essential and most risk-bearing processes and business units within the group. Reporting from the units with regard to the confirmation of the existence of controls, documentation and execution were launched in 2011.

Financial reporting for the DLH Group is conducted through monthly reporting from the individual group companies to Group Finance, which is responsible for preparing quarterly and annual reports. The Finance Department is the main contributor to financial reporting and is responsible for determining the group's financial assets and financial liabilities.

Monthly reports from the group companies are unaudited. However, at regional and at group level, internal control of the financial reporting and cash flows is carried out independently of the business units.

**Going concern statement**

In connection with financial reporting, the Supervisory Board, Audit Committee and Executive Board have assessed whether it is justified that the going concern assumption is taken as its basis.The Board of Directors, the Audit Committee and the Executive Board have concluded that there are no factors at the time of financial reporting that give rise to doubts as to whether the group and the company can and wish to continue operations at least until the next balance sheet date. The conclusion is made on the basis of knowledge of the group and the company, the estimated future prospects and the identified uncertainties and risks related to this (referred to in the Management Review and Note 22) and after examination of budgets, including expected cash flow trends and developments in the capital base etc., the presence of credit facilities with associated contractual and expected maturity periods as well as conditions in general. It is, therefore, regarded as reasonable, judicious and well founded to assign the going concern assumption as the basis for financial reporting.

## The Supervisory Board's positions of trust

**Kurt Anker Nielsen**
**Chairman**
Joined the Supervisory Board in 2011. DOB: 1945

**Positions of trust:**
Chairman of Collstrups Mindelegat, Vice-Chairman of Novozymes A/S, member of the Board of Directors of Novo Nordisk Fonden, Novo Nordisk A/S, Vestas Wind Systems A/S and Veloxis Pharmaceuticals A/S. Chairman of the Audit Committee of Novo Nordisk A/S, Novozymes A/S, Vestas Wind Systems A/S and Veloxis Pharmaceuticals A/S.

**Areas of expertise:**
Kurt Anker Nielsen has management experience from a number of international businesses. Qualified as a financial expert of audit committees as defined by the US Securities and Exchange Commission.

Special expertise within finance, accounting, capital markets and other financial matters as well as management experience from an international, listed enterprise.

**Shareholding:**
Shares: 17,500
(acquired 17,500 shares in 2011)

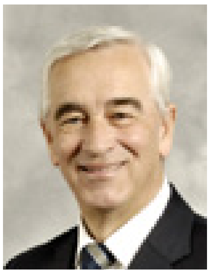
**Kristian Kolding**
**Vice-Chairman**
Joined the Supervisory Board in 2008. DOB: 1947

**Positions of trust:**
Chairman of Asko Aktieselskab, Alfred Priess A/S, Alfred Priess Holding A/S, Nordlux A/S, Nordlux Invest A/S, Lampekonsulenten A/S, Gottfred Petersen A/S, Gottfred Pedersen Holding A/S and Incentive Fonden. Member of the Board of Directors of DLH-Fonden, Daniamant A/S, Daniamant Holding A/S, Daniamant (UK) Ltd., Alex Gundersen Tobacco Aktieselskab, Assens Tobak Aktieselskab, Silkisif Aktieselskab as well as Ferd. and Ellen Hindsgauls Alm. Fond.

**Areas of expertise:**
Kristian Kolding has management experience from Martin Gruppen as well as from a number of management positions with DV Industri a/s and Superfos A/S.

Special expertise within management, wholesale and industry, logistics and finance.

**Shareholding:**
Shares: 22,653
(shareholding increased by 15,102 shares following the capital increase in 2011.)



**Aksel Lauesgaard Nissen**
Joined the Supervisory Board in 2007. DOB: 1944

**Positions of trust:**
Member of the Board of Directors of BRF Kredit A/S and A/S Einar Willumsen.

**Areas of expertise:**
Aksel Lauesgaard Nissen has experience from a number of management positions with DLF Trifolium A/S, Dansk Landbrugs Frøforsyning (DLF) A.m.b.A., Colorlux A/S and Esbjerg Matador Maskiner A/S.

Special expertise within management, trade, finance and accounts and management experience from an international enterprise.

**Shareholding:**
Shares: 15,600
(shareholding increased by 10,400 shares following the capital increase in 2011.)

**Agnete Raaschou-Nielsen**
Joined the Supervisory Board in 2010. DOB: 1957

**Positions of trust:**
Chairman of Brdr. Hartmann A/S and JØP, Vice-Chairman of Investeringsforeningen Danske Invest and member of the Board of Directors of Danske Invest Management A/S, Arkil Holding A/S and Novozymes A/S.

**Areas of expertise:**
Agnete Raaschou-Nielsen has experience from a number of management positions with, for example, Aalborg Portland A/S, Zacco Denmark A/S, Coca-Cola Tapperierne A/S and Carlsberg A/S.

Special expertise within macro economics, emerging markets, the international construction materials industry as well as logistics, production, sales and management.

**Shareholding:**
Shares: 6,500
(acquired 6,500 shares in 2011.)

**Lars Green**
Joined the Supervisory Board in 2011. DOB: 1967

**Positions of trust:**
Member of the Board of Directors of a number of subsidiaries in the Novo Nordisk Group. Senior Vice-President, Corporate Finance in Novo Nordisk

**Areas of expertise:**
Lars Green has experience from a number of management and board positions within the Novo Nordisk Group.

Special expertise within financial management in an international group, finance, accounting and auditing.

**Shareholding:**
Shares: 15,000
(acquired 15,000 shares in 2011.)

**John Stær**
Joined the Supervisory Board in 2011. DOB: 1951

**Positions of trust:**
Member of the Board of Directors of Ambu A/S and Satair A/S. CEO of Satair A/S.

**Areas of expertise:**
John Stær has special expertise within general management, including managing international wholesale businesses, logistics, supply chain management, acquisitions and disposals. He has a financial background.

**Shareholding:**
Shares: 7,500
(acquired 7,500 shares in 2011)

**Jesper Birkefeldt**
Joined the Supervisory Board in 2006. DOB: 1965

**Positions of trust:**
Procurement co-ordinator, Global Sourcing
Elected by the group's employees.

**Areas of expertise:**
Jesper Birkefeldt has been employed with the company since 1988 and has been involved with sales, IT and purchasing. He has extensive knowledge of timber-based sheet materials.

**Shareholding:**
Shares: 1,389
(shareholding increased by 926 shares following the capital increase in 2011.)

**Johannes Borglykke Sørensen**
Joined the Supervisory Board in 2010. DOB: 1974

**Positions of trust:**
Head of Department for Europe Global Sales
Elected by the group's employees.

**Areas of expertise:**
Johannes Borglykke Sørensen has been employed with the company since 1995 during which time he has worked in USA, Saudi Arabia and Hong Kong. Having worked in domestic as well as foreign sales, he has in-depth knowledge of hardwood and sheet materials.

**Shareholding:**
Shares: 1,434
(shareholding increased by 956 shares following the capital increase in 2011.)

**Ann Høy-Thomsen**
Joined the Board of Directors in 2010. DOB: 1962

**Positions of trust:**
Risk manager
Elected by the group's employees.

**Areas of expertise:**
Ann Høy-Thomsen has been employed with the company since 2006 during which time she has been involved in risk management, the group's global insurance programme, foreign exchange management, cash management and investor relations.

## Executive Board

**Kent Arentoft**
**President & CEO**
Appointed: September 2009
DOB: 1962

**Positions of trust:**
Member of the Board of Directors of Sonion A/S and Xilco A/S.

### Incentive programmes

The Group Management receives a remuneration package that consists of a fixed salary and a performance-related bonus. The previous Executive Board and other members of Group Management participated in a revolving share option scheme from 1 April 2002 – 31 March 2011. No new options have been assigned since 2008. The issued but not exercised share options during the period will remain unchanged. In connection with the rights issue in 2011, the option programme was value neutral when adjusted in respect of the exercise price and the number of options in order to compensate for the dilution resulting from the issue. As at 31 December 2011, after adjustment, the scheme comprised a total of 146,738 share options. Each share option entitles the holder to acquire one existing share at DKK 5 in the company.

If all share options are exercised the share option scheme grants holders the right to acquire 1.0% of the share capital. The company has repurchased shares, which broadly corresponds to this commitment. See also Note 7.

At the Annual General Meeting on 12 April 2012, the Supervisory Board will put forward a proposal for the establishment of a share-based incentive scheme for the Executive Board and the Group Management.

# Corporate social responsibility

This section includes the statutory corporate social responsibility statement made in pursuance of section 99a of the Danish Financial Statements Act.

The section describes DLH's Corporate Social Responsibility (CSR) focus areas and gives an overview of the key programmes and results achieved in 2011. For more information on specific CSR programmes and activities, please refer to http://www.dlh.com/CSR.aspx?sc_lang=en. DLH's CSR Report 2011, which doubles as DLH's Communication on Progress Report (COP) for United Nations' Global Compact, is also available on the website: http://www.dlh.com/CSR/Global_compact.aspx?sc_lang=en.

### Strategy and engagements

2011 was a year marked by difficult market conditions. In spite of the crisis, our commitment to implementing the principles of UN Global Compact continues. To help better embed our CSR policies into core business operations, the CSR & Environment department was integrated into the group's Global Sourcing unit. DLH is already benefitting from the CSR & Environment Department working closer with local sourcing offices on product development as well as on the screening of new suppliers.

Almost ten years ago, DLH introduced the Good Supplier Programme (GSP), a supplier risk-assessment tool aimed at collecting information on the origin of the timber sourced. In 2011, we focused on the development and pilot testing of an improved and more comprehensive GSP that will help us better manage our forest footprint, meet customer demands and responsible procurement policies.

In this way, DLH is getting ready for the times ahead. The new GSP will serve as the basis for supplier due diligence and thereby help the company comply with the new European Union Timber Regulation (EUTR) which will enter into force in March 2013. EUTR prohibits the placing of illegally harvested timber on the European market and requires traders like DLH to exercise due diligence.

## POLICIES

DLH's CSR strategy rests on three pillars: the Environmental Policy, the Social and Human Rights Policy and the Business Integrity Policy. These policies are framed within the principles of UN Global Compact. The backbone of DLH's Environmental and Social and Human Rights Policies is GSP, a tool used to collect and evaluate information on how suppliers produce, process and trade timber.

The general objectives and focus areas within social and environmental responsibility are set out in these policies and can be found in the CSR section at: http://www.dlh.com/sitecore/content/Group/CSR/~/media/files/Shared%20files%20cross%20websites/Corporate%20responsibility/Environment/DLH%20Environmental%20Policy%202010.ashx and http://www.dlh.com/CSR/~/media/files/Shared%20files%20cross%20websites/Corporate%20responsibility/Environment/DLH%20Social%20and%20Human%20Rights%20Policy%20UK.ashx.

## PROGRESS 2011

### Environmental Policy

The Environmental Policy was implemented throughout the year. An overview of the most important results achieved in 2011 is given in the following section.

### Social and Human Rights Policy

DLH's Social and Human Rights Policy regarding suppliers is integrated into the new GSP. The new programme incorporates a section on social and working conditions at supplier level and therefore it will serve as the basis for systematic due diligence in the area of social and human rights. Results will be available once the new GSP is fully implemented, i.e. in 2012.

### Business Integrity Policy

In 2011, DLH focused on ensuring the sustained implementation of the Business Integrity Policy launched the year before. This was attained by conducting follow-up training of country managers who are responsible for the local implementation of the policy, as well as by implementing information and communication procedures to monitor the implementation of the policy. Follow-up training sessions with country managers were conducted in Vietnam, Indonesia, Brazil, Gabon and Cameroon.

## RESULTS 2011

### Environmental Policy

### Good Supplier Programme

DLH's Good Supplier Programme – known as GSP – is a risk-assessment tool used to collect and evaluate information on the origin, legality, verification and certification of the timber and timber products sourced by DLH. GSP is targeted at at-risk countries, i.e. all tropical countries as well as Russia, Belarus, Ukraine and China. More than 600 suppliers participated in the programme in 2011.

### A new GSP is on its way

In 2011, DLH partnered with Track Record Global Ltd. for the development of a web-

based system for the new GSP, which DLH began developing in-house the previous year. Track Record Global provides companies with complex supply chains technical assistance and expertise in the development of supplier risk-assessment solutions.

Because the new group strategy focuses on global sourcing and distribution, the CSR strategy must primarily address supplier management. The development of the new GSP will enable DLH to better manage the supply chain and thereby effectively implement DLH's Environmental and Social and Human Rights policies.

The new GSP incorporates both the demands from key customers and stakeholders as well as the due diligence guidelines of the European Union Timber Regulation (EUTR) available to date. EUTR will come into force in March 2013 and we expect that the new GSP will enable us to comply with the regulation.

The new programme is more comprehensive with regard to data gathering. It covers origin, legality, verification, certification as well as social and working conditions; and it will serve as the basis for a thorough evaluation of suppliers based on DLH's social and environmental criteria.

The web-based system will make the collection, management and storage of data from suppliers more accurate and efficient. It will also facilitate data sharing between DLH offices and data updating.

In December 2011, the new GSP was pilot tested with success in Northern Brazil. The implementation of the new programme will be carried out during the first half of 2012, as planned and communicated in the CSR Report 2010.

### GSP results

In 2011, 99% of all purchases from risk countries were covered by GSP – a 3% improvement on the previous year. This improvement is significant in terms of purchasing volume covered by GSP, despite being below the group's target of 100%. We aim at fulfilling the target next year.

DLH had information on the origin of 92% of all timber procured from risk countries covered by GSP. The result shows a 5% improvement on the previous year but it is below the target of 95% for 2011. Gathering information on the origin of timber –understood as the forest of harvest – continues to be the group's major challenge. This is mainly due to the recent divestment of forestry activities and the number of current suppliers with long supply chains. By focusing on supplier due diligence, we expect that the new GSP will enable DLH to soon meet the target.

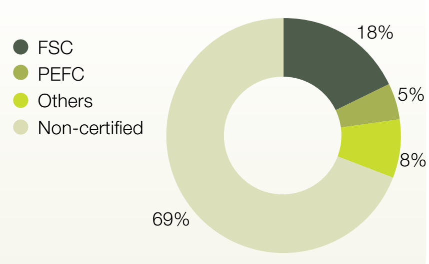
### Procurement of verified and certified timber

For many years, DLH's ambition has been to be a leading player within global trade with regard to certified tropical hardwood. Since 2000, DLH has been Chain of Custody certified and has, therefore, been permitted to trade in certified timber.

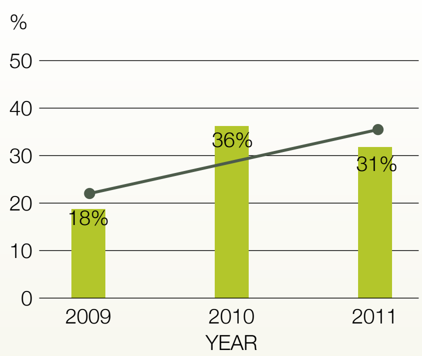
### Results

In 2011, 31% of all procured timber (volume) was third-party verified or certified. Approximately 18% was covered by the certification scheme FSC, 5% was covered by PEFC, and 8% by other verification and certification

**Total timber purchases (figure 1)**
Third-party verified and certified 2011




**Total timber purchases (figure 2)**
Third-party verified and certified 2009-2011[1]




1) Due to changes in DLH's product structure, no comparative figures are available for 2008 and previous years.

systems such as VLO, TLTV, MTCS and FSC CW.

Purchases of verified and certified timber continue the upward trend, as shown in figure 2. This is in line with DLH's goal of continuously increasing purchases of verified and certified timber. The result though shows a decline of 5% from the previous year. This decline was expected due to the divestment of DLH's FSC certified forest

Transport

| Total International Transport Carbon Emissions[1] | International Transport Carbon Emissions / $m^3$ of timber traded[2] |
|---|---|
| 69,278 tonnes $CO_2$ | 81 kg $CO_2$ |

[1] Total emissions calculated based on the average emissions of the containers shipped from the top ten origins in 2011.
[2] Emissions calculated based on the total timber volume traded in 2011.

concession in Congo-Brazzaville and DLH's subsidiary in Malaysia that sourced significant volumes of verified legal timber..

**Carbon and forest footprints**
As part of the group's continuous commitment to openness and transparency, DLH continues to report on carbon and forest footprints in 2011.

**Carbon transport footprint**
Starting in 2011, DLH will report only on emissions resulting from the international transport of timber and timber products.

The 2010 carbon figures show that international transport is the largest single contributor to the group's carbon footprint, accounting for more than 90% of total emissions.

DLH does not own any production facilities or forest concessions, and therefore direct emissions from the use of corporate cars and warehouse vehicles (Scope 1 in Carbon Footprint Disclosure), and those resulting from the purchase of electricity, heat or steam in offices (Scope 2 in Carbon Footprint Disclosure) are rather low, especially in relation to freight emissions. As such, reporting on these emissions is not material for a company like DLH.

Nonetheless, for an international timber trader and wholesaler like DLH, carbon emissions from international freight are relevant. Although the group does not have direct operational control over transport routes, we believe it is important to monitor and disclose the transport footprint to our stakeholders.

DLH's total transport carbon footprint 2011 adds up to approximately 81 kg/$CO_2$ per cubic meter of timber traded.

**Forest Footprint Disclosure (FFD)**
Companies participating in FFD are required to disclose the procedures and programmes they have in place to manage the impact that their business activities and supply chains have on the world's forests. FFD aims at helping companies and investors understand the importance of knowing and managing their forest footprints.

DLH is proud to be recognised as leader in its sector in the Forest Footprint Disclosure (FFD) Annual Review 2011. This is the second year the group has been awarded such recognition for the management of its forest footprint. In 2010 DLH was recognised as joint leader in its sector.

DLH participated in FFD Annual Review 2011 by reporting on the management of its timber supply chain. FFD Annual Review 2011 is available at http://www.forestdisclosure.com/annualreview.

## FUTURE PERSPECTIVES

In 2011, DLH's CSR work focused on the development and pilot testing of a new and improved Good Supplier Programme (GSP). This new development is part of the group's growing CSR commitments, which began in 2010 with the aligning of the CSR policies with the principles of UN Global Compact.

With the new European Union Timber Regulation entering into force in 2013, the 2008 amendments to the US Lacey Act, and the Guiding Principles on Business & Human Rights endorsed by UN in 2011, new guidelines have been defined for responsible business. They consider due diligence to be the appropriate action that responsible companies should exercise in order to manage and mitigate environmental, social and human rights risks.

With the implementation of the new GSP in 2012, which will serve as the basis for supplier due diligence, DLH will be better equipped for the times ahead. We expect that the new and improved GSP will help the company consolidate its market position as the preferred supplier of responsible timber.

## INTELLECTUAL CAPITAL

By means of its training policy, DLH aims to create the best possible framework for developing and retaining the skills that are crucial for the group's development in an increasingly tough competitive environment. DLH's strategy, therefore, focuses on attracting, retaining and developing the best employees in the industry.

The annual performance and development reviews form the basis for planning the education, training and further development of DLH's employees. To ensure that the knowledge and skills of DLH's employees remain up to date, there is an ongoing focus on the development of both internal and external training programmes.

The DLH Group's intranet provides written information to employees. The system is created so that information can be targeted according to organisational position, geographical location, job function etc. to ensure that the individual employee has access to precisely the type of information which he/she needs for the job.

Formal cooperation between employees and management takes place through local consultation committees or communication teams. At group level, it is conducted through group communication teams.

DLH adheres to the basic social values adopted by its founders – values such as credibility, integrity and empathy. In practice, DLH shows strong consideration for employees who, in one way or another, need understanding and flexibility from their employer in the event of serious illness, injury or similar. A number of the group's employees, therefore, have an employment contract with individual flexibility.

DLH is in regular contact with insurance brokers and insurance companies to ensure that the group's pension schemes and other personal insurances are in keeping with developments within this area. Individual employees are also offered advice on insurance and pension schemes.

The team spirit of employees is promoted through participation in social and sports events in the staff associations of the units. The group provides financial support for such activities.

# Shareholder information

### Share capital

DLH's share capital amounts to an aggregate nominal value of DKK 267,832,485 and 53,566,497 shares. The shares are listed on NASDAQ OMX Copenhagen A/S and are part of the SmallCap section. All shares have the same rights, including the same number of votes per share. In accordance with the Articles of Association, each share carries one vote.

### Rights issue

At an extraordinary general meeting of Dalhoff Larsen & Horneman A/S on 8 March, 2011 it was decided to reduce the share capital by DKK 89.3 million to DKK 89.3 million by reducing the nominal amount per share from DKK 10 to DKK 5. At the same time, it was decided to cancel the share classes so that all shares have the same rights, including the same number of votes per share. These above-mentioned decisions were conditional upon the implementation of the planned capital increase in April 2011.

In April 2011, DLH implemented the capital increase as planned. The share capital was increased by 35,710,998 new shares at a nominal value of DKK 5 to a total of 53,566,497 shares and with a nominal share capital of DKK 178.6 million to a total share capital of DKK 267.8 million. As a result of the implementation of the capital increase, the class A shares were cancelled and the articles of association were adapted to the resolutions of 8 March 2011. The development of the equity can be seen in note 18 and the rights issue is described in the management's review.

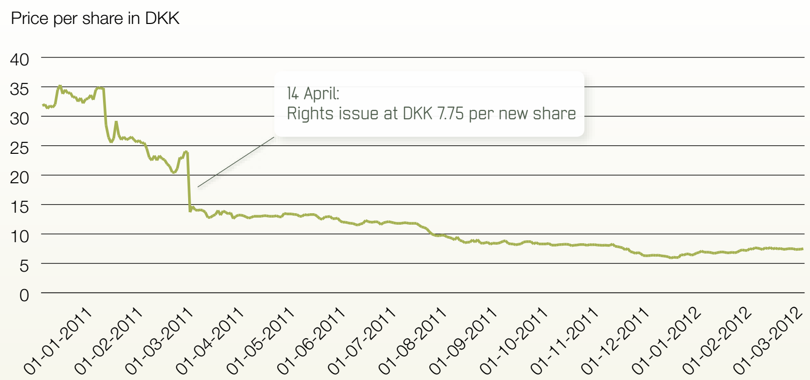
In connection with the capital increase, the Articles of Association were changed so that DLH-Fonden now has a statutory right to appoint one board member providing DLH-Fonden holds at least 10% of the company's share capital.

### Shareholders with a minimum of 5% share capital

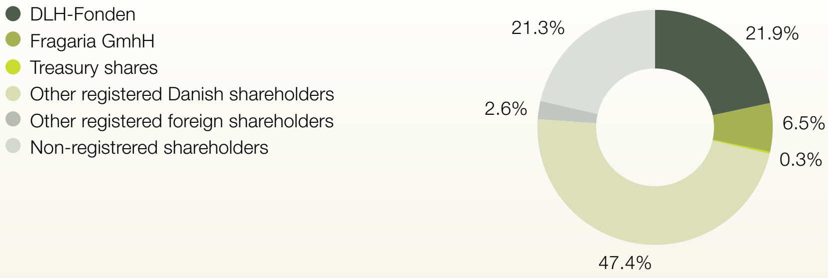
| Registered Office | Proportion of share capital* | Number of votes* |
|---|---|---|
| DLH-Fonden<br>Philip Heymans Allé 7, Box 191,<br>2900 Hellerup, Denmark | 21.9% | 21.9% |
| Fragaria GmbH<br>Vorwerker Str. 31,<br>27412 Wilstedt, Germany | 6.5% | 6.5% |

*) Calculated on 1 March, 2012.

### Development in the share price 1 January 2011 – 1 March 2012




### Composition of shareholders at 1 March 2012




DLH has more than 3,500 shareholders, who can be divided as shown above.

**Treasury share policy**

By authority granted at the Annual General Meeting, a maximum of 10% of the share capital may be acquired by DLH.

At 31 December 2011, DLH's portfolio of treasury shares had a total nominal value of DKK 910,940 corresponding to 0.3% of the share capital.

**Dividend**

The Supervisory Board recommends to the Annual General Meeting that no dividend be paid for 2011.

**DLH's shares on the stock exchange**

At the beginning of 2011, the price of DLH's shares was DKK 32, it rose to DKK 35 at the beginning of February 2011 and then fell to DKK 24 at the end of March 2011. At the announcement of the expected rights issue, where existing shareholders were given the opportunity to subscribe for two new shares for each existing share at a subscription price of DKK 7.75, the price fell to DKK 14 and remained stable until August after which it fell steadily over the rest of the period to DKK 7.5 on 1 March 2012. Over the year as a whole, the DLH share price fell 76%. By comparison, the SmallCap segment fell by approx. 20% over the same period.

Liquidity in the DLH share remained unchanged compared to the same period the year before, and DLH shares were traded on an average daily basis at value of DKK 0.5 million.

By the start of 2012, the group had more than 3,500 registered shareholders, corresponding to a rise of 8% compared to the level at the beginning of 2011. The number of registered foreign shareholders fell by 3.5 percentage points to 9%.

**Investor relations**

DLH encourages an open and active dialogue with existing and potential investors, financial analysts and other stakeholders concerning the company's business development and financial position. The purpose is to provide participants in the share market with the best possible information and thus enable them to make an objective and independent assessment of the company's market value, thereby creating the basis for a fair price information on the DLH shares.

**Investor queries**

Queries about DLH, its business areas and the annual report should be directed to President & CEO Kent Arentoft.

**Stock brokers monitoring DLH**

Danske Equities
Poul Ernst Jessen
Tel: +45 4512 8048

Nordea Markets
Jakob Hommel-Hansen
Tel: +45 3333 6386

SEB
Steven M. Brooker / Michael Nass Nielsen
Tel: +45 3328 3306

## Key stock exchange announcements in 2011

| Announcement | Date |
|---|---|
| DLH completes sales of its forestry production activities in Congo-Brazzaville and Gabon | 10 January |
| DLH plans a rights issue, new election to the Board of Directors, receives a conditional commitment letter for a new three-year bank agreement and announces expectations for 2011 | 7 February |
| Notice of extraordinary general meeting to be held on 8 March 2011 at 1 p.m. | 14 February |
| Annual Report 2010: Rapid execution of focus strategy has put DLH back in the black | 8 March |
| Specification of proposal for increase of the share capital | 8 March |
| Information from the Chairman | 8 March |
| Revised Articles of Association | 14 March |
| Divestment of activities in the UK and Germany | 16 March |
| DLH offers new shares for approximately DKK 277 million | 22 March |
| Notice of Annual General Meeting to be held on 28 April 2011 at 5 p.m. | 6 April |
| DLH completes fully subscribed rights issue, abolishes share classes and implements capital reduction and amendments to its Articles of Association, as adopted on 8 March 2011 | 14 April |
| Revised Articles of Association | 14 April |
| Information from the Chairman | 28 April |
| Notification of share capital and voting rights in Dalhoff Larsen & Horneman A/S | 29 April |
| Satisfactory development in turnover and operating results in Q1 | 23 May |
| Continued improvement to DLH's profitability and solvency | 23 August |
| DLH maintains its expectations for the year, i.e. an EBIT of approx. DKK 60 million | 16 November |

### Financial Calendar 2012

| | |
|---|---|
| Thursday, 8 March | 2011 Annual Report |
| Thursday, 12 April, at 3 p.m. | Annual General Meeting |
| Tuesday, 15 May | Interim Report for the three months ended 31 March 2012 |
| Thursday, 23 August | Interim Report for the six months ended 30 June 2012 |
| Monday, 19 November | Interim Report for the nine months ended 31 September 2012 |

# Statements

## Management Statement

The Supervisory and Executive Boards have today discussed and approved the annual report of Dalhoff Larsen & Horneman A/S for the financial year 2011. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the company's financial position at 31 December 2011 and of the results of the group's and the company's operations and cash flows for the financial year 1 January – 31 December 2011. In our opinion, the Management commentary includes a fair review of the development in the parent company's and the group's operations and financial conditions, the results for the year, the cash flow, and the financial position as well as a description of the more significant risks and uncertainty factors that the parent company and the Group face.

We recommend that the annual report be approved at the annual general meeting.

Høje Taastrup, 8 March 2012

**Executive Board:**

Kent Arentoft

**Supervisory board:**

Kurt Anker Nielsen
(Chairman)

Kristian Kolding
(Vice-Chairman)

Jesper Birkefeldt*

Lars Green

Ann Høy-Thomsen*

Aksel Lauesgaard Nissen

Agnete Raaschou-Nielsen

John Stær

Johannes Borglykke Sørensen*

*) Elected by the employees of the group.

## Independent auditors' report

**To the shareholders of Dalhoff Larsen & Horneman A/S**
We have audited the consolidated financial statements and parent company financial statements of Dalhoff Larsen & Horneman A/S for the financial year 1 January to 31 December 2011, which comprise income statement, comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

**Management's responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements**
The Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

**Opinion**
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2011 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

**Statement on the Management's review**
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements.

On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Høje Taastrup, 8 March 2012

**KPMG**
Statsautoriseret Revisionspartnerselskab

Finn L. Meyer
State Authorised Public Accountant

Per Ejsing Olsen
State Authorised Public Accountant

# Financial statements

# Income statement

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| Note | (DKK million) | 2011 | 2010 | 2011 | 2010 |
| 3 | Net turnover | 2,936.6 | 3,124.7 | 1,261.7 | 1,578.8 |
| 4, 7 | Cost of sales | (2,486.1) | (2,631.5) | (1,147.8) | (1,409.2) |
| | **Gross profit** | **450.5** | **493.2** | **113.9** | **169.6** |
| 6 | Other external expenses | (175.4) | (209.8) | (72.2) | (105.2) |
| 7 | Staff costs | (192.7) | (213.1) | (81.1) | (92.2) |
| 5 | Other operating income | 10.7 | 9.3 | 1.0 | 6.1 |
| 5 | Other operating expenses | (6.3) | (3.7) | - | (0.3) |
| | **Operating profit(loss) before depreciation and amortisation (EBITDA)** | **86.8** | **75.9** | **(38.4)** | **(22.0)** |
| 8 | Depreciation and amortisation | (25.3) | (26.5) | (7.5) | (7.9) |
| 8 | Impairment losses | - | - | (54.4) | 42.7 |
| | **Operating profit(loss) (EBIT)** | **61.5** | **49.4** | **(100.3)** | **12.8** |
| | **Financial items:** | | | | |
| 9 | Financial income | 4.4 | 5.1 | 25.8 | 48.6 |
| 10 | Financial expenses | (55.0) | (69.8) | (55.4) | (106.4) |
| | **Profit(loss) from continuing operations before tax (EBT)** | **10.9** | **(15.3)** | **(129.9)** | **(45.0)** |
| 11 | Tax for the year on the profit(loss) from continuing operations | - | (5.5) | 18.1 | 14.8 |
| | **Profit(loss) for the year from continuing operations** | **10.9** | **(20.8)** | **(111.8)** | **(30.2)** |
| 29 | Profit(loss) for the year from discontinued operations | (9.2) | 24.4 | 10.6 | 3.5 |
| | **Profit(loss) for the year** | **1.7** | **3.6** | **(101.2)** | **(26.7)** |
| 12 | **Earnings per share:** | | | | |
| | Earnings per share (EPS) of DKK 5 each | 0.04 | 0.10 | | |
| | Earnings per share diluted (EPS-D) of DKK 5 each | 0.04 | 0.10 | | |
| | Earnings per share (EPS) for continuing operations of DKK 5 each | 0.23 | (0.59) | | |
| | Earnings per share diluted (EPS-D) for continuing operations of DKK 5 each | 0.23 | (0.59) | | |
| | **Recommended appropriation of profits:** | | | | |
| | Dividend proposed 0% (2010: 0%) per share of DKK 5 each | | | - | - |
| | Retained earnings | | | (101.2) | (26.7) |
| | | | | (101.2) | (26.7) |

# Statement of comprehensive income

| Note | (DKK million) | 2011 | 2010 |
|---|---|---|---|
| | **Group** | | |
| | **Profit(loss) for the year** | **1.7** | **3.6** |
| | **Other comprehensive income:** | | |
| | Foreign currency translation adjustments on conversion of foreign operations | (0.5) | 35.1 |
| | Foreing exchange gains(losses) on hedging instruments concluded to hedge investments in foreign operations | (1.9) | (50.7) |
| | Foreign currency adjustments transferred to profit(loss), discontinued operations | 3.0 | 6.1 |
| | **Value adjustment of hedging instruments:** | | |
| | Value adjustment for the year | (4.6) | (3.0) |
| | Value adjustment transferred to turnover | - | 0.8 |
| | Value adjustment transferred to financial items | 3.2 | 3.4 |
| 19 | Actuarial gains(losses) on defined benefit plans | (4.3) | (0.6) |
| 11 | Tax on other comprehensive income | 0.5 | - |
| | **Other comprehensive income after tax** | **(4.6)** | **(8.9)** |
| | **Comprehensive income in total** | **(2.9)** | **(5.3)** |
| | These may be broken down as follows: | | |
| | Comprehensive income for the reporting period, continuing operations | (7.6) | (25.2) |
| | Comprehensive income for the reporting period, discontinued operations | 4.7 | 19.9 |
| | **Parent company** | | |
| | **Profit(loss) for the year** | **(101.2)** | **(26.7)** |
| | **Other comprehensive income:** | | |
| | **Value adjustment of hedging instruments:** | | |
| | Value adjustment for the year | (4.6) | (3.0) |
| | Value adjustment transferred to financial items | 3.2 | 3.4 |
| 11 | Tax on other comprehensive income | - | - |
| | **Other comprehensive income after tax** | **(1.4)** | **0.4** |
| | **Comprehensive income in total** | **(102.6)** | **(26.3)** |

# Assets

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| **Note** | **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| **3** | **Non-current assets:** | | | | |
| 13 | **Intangible assets:** | | | | |
| | Goodwill | 144.1 | 143.0 | 5.9 | 5.9 |
| | IT projects in progress | 0.8 | 0.5 | 0.3 | - |
| | Customer relations, trademarks and IT sytems | 74.1 | 82.1 | 7.9 | 8.9 |
| | | 219.0 | 225.6 | 14.1 | 14.8 |
| 13 | **Property, plant and equipment:** | | | | |
| | Land and buildings | 84.0 | 118.0 | 1.8 | 0.2 |
| | Plant and machinery | 5.7 | 6.6 | - | - |
| | Other plant and equipment, fixtures and fittings | 12.4 | 16.8 | 4.2 | 5.2 |
| | Property, plant and equipment under construction | 4.0 | 0.4 | - | - |
| | | 106.1 | 141.8 | 6.0 | 5.4 |
| | **Other non-current assets:** | | | | |
| 14 | Investments in subsidiaries | - | - | 497.1 | 513.9 |
| 14 | Receivables from group enterprises | - | - | 30.0 | 274.8 |
| 15 | Other investments and securities | 3.7 | 3.7 | 3.7 | 3.7 |
| | Other non-current assets | 0.1 | 0.1 | - | - |
| 16 | Deferred tax | 49.7 | 42.1 | 33.4 | 15.1 |
| | | 53.5 | 45.9 | 564.2 | 807.5 |
| | **Total non-current assets** | **378.6** | **413.3** | **584.3** | **827.7** |
| | **Current assets:** | | | | |
| | **Inventories:** | | | | |
| 4 | Manufactured goods and goods for resale | 712.0 | 701.5 | 128.2 | 151.2 |
| | Prepayment for goods | 27.7 | 37.4 | 19.9 | 19.5 |
| | | 739.7 | 738.9 | 148.1 | 170.7 |
| | **Receivables:** | | | | |
| 17 | Trade receivables | 349.7 | 329.3 | 160.1 | 124.4 |
| 14 | Receivables from group enterprises | - | - | 420.8 | 257.4 |
| 16 | Income tax receivables | 13.4 | 13.5 | - | - |
| | Other receivables | 28.3 | 44.7 | 3.5 | 15.7 |
| | Prepaid expenses | 14.2 | 21.2 | 5.2 | 13.2 |
| | | 405.6 | 408.7 | 589.6 | 410.7 |
| 32 | Cash | 45.5 | 38.2 | 24.0 | 21.7 |
| 29 | Assets held for sale | 119.3 | 414.1 | 9.0 | 173.5 |
| | **Total current assets** | **1,310.1** | **1,599.9** | **770.7** | **776.6** |
| | **Total assets** | **1,688.7** | **2,013.2** | **1,355.0** | **1,604.3** |

# Liabilities and equity

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| **Note** | **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| 18 | **Equity:** | | | | |
| | Share capital | 267.8 | 178.6 | 267.8 | 178.6 |
| | Hedging reserve | (4.6) | (3.2) | (4.6) | (3.2) |
| | Foreign currensy translation adjustment reserve | (41.0) | (41.6) | - | - |
| | Retained earnings | 553.7 | 393.7 | 380.0 | 319.1 |
| | | 775.9 | 527.5 | 643.2 | 494.5 |
| | **Non-current liabiities:** | | | | |
| 19 | Pensions and similar provisions | 13.1 | 11.6 | - | - |
| 16 | Deferred tax | 20.5 | 31.3 | - | - |
| 20 | Provisions | 17.4 | 13.8 | 14.1 | 13.8 |
| 21 | Subordinated loan | 37.2 | 55.9 | 37.2 | 55.9 |
| 21 | Credit institutions | 534.5 | - | 447.2 | - |
| 21 | Leasing commitments | 0.7 | 0.9 | 0.7 | 0.9 |
| | | 623.4 | 113.5 | 499.2 | 70.6 |
| | **Current liabilities:** | | | | |
| 21 | Credit institutions | - | 822.8 | - | 717.3 |
| | Trade payables and other payables | 222.2 | 220.4 | 79.7 | 92.1 |
| 21 | Current portion of non-current liabilities | 18.8 | 106.4 | 18.8 | 106.4 |
| | Payables to group enterprises | - | - | 103.2 | 62.2 |
| 16 | Income taxes | 12.8 | 10.4 | - | - |
| 20 | Provisions | 9.5 | 32.8 | 5.6 | 15.8 |
| | Deferred income | 0.7 | 2.4 | - | - |
| | | 264.0 | 1,195.2 | 207.3 | 993.8 |
| 29 | Liabilities relating to assets held for sale | 25.4 | 177.0 | 5.3 | 45.4 |
| | **Total liabilities** | **912.8** | **1,485.7** | **711.8** | **1,109.8** |
| | **Total liabilities and equity** | **1,688.7** | **2,013.2** | **1,355.0** | **1,604.3** |

# Cash flow statement

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| **Note** | **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| | Profit(loss) before tax for continued operations | 10.9 | (15.3) | (129.9) | (45.0) |
| 30 | Adjustment for non-cash operating items etc. | (30.3) | (9.2) | 33.8 | (8.8) |
| | **Cash flow from operating activities before change in working capital** | **(19.4)** | **(24.5)** | **(96.1)** | **(53.8)** |
| 31 | Change in working capital | 37.4 | 52.9 | 25.0 | (57.0) |
| | **Operating cash flow** | **18.0** | **28.4** | **(71.1)** | **(110.8)** |
| | Financial income, paid | 4.4 | 5.1 | 25.8 | 48.6 |
| | Financial expenses, paid | (74.2) | (55.1) | (74.6) | (91.7) |
| | Income taxes paid/refunded | (19.0) | (1.2) | (0.2) | - |
| | **Cash flow from operating activities** | **(70.8)** | **(22.8)** | **(120.1)** | **(153.9)** |
| | Acquisition of subsidiaries | - | (0.2) | - | (0.2) |
| | Acquisition of intangible assets | (4.7) | (4.9) | (4.6) | (4.4) |
| | Acquisition of tangible assets | (18.8) | (8.9) | (3.8) | (0.5) |
| | Sale of intangible and tangible assets | 2.2 | 4.1 | 0.2 | 0.3 |
| | Capital increase in subsidiaries | - | - | - | (30.6) |
| | Realised foreign exchange gains on hedged net investments denominated in foreign currencies | (1.9) | (49.2) | - | - |
| | **Cash flow from investment activities** | **(23.2)** | **(59.1)** | **(8.2)** | **(35.4)** |
| | **Cash flow from operating activities and after investments** | **(94.0)** | **(81.9)** | **(128.3)** | **(189.3)** |
| | Raising of debt from mortgage credit institutions and servicing of leasing commitments | (0.5) | (0.5) | (0.5) | (0.5) |
| | Raising of subordinated loan | - | 50.0 | - | 50.0 |
| | Repayment of subordinated loan | (106.0) | - | (106.0) | - |
| | Raising/repayment of intra-group accounts, net | - | - | 101.6 | 161.9 |
| | Capital increase | 249.0 | - | 249.0 | - |
| | Sale of treasury shares | 1.9 | - | 1.9 | - |
| | Repayment of debt from credit institutions | (257.4) | (44.7) | (251.1) | (22.3) |
| | **Cash flow from financing activities** | **(113.0)** | **4.8** | **(5.1)** | **189.1** |
| 29 | Cash flow from discontinued operations | 190.8 | 79.1 | 135.6 | 0.5 |
| | **Cash flow for the year** | **(16.2)** | **2.0** | **2.2** | **0.3** |
| | Cash at 1 January | 68.3 | 64.1 | 21.8 | 21.5 |
| | Foreign currency translation adjustment of cash | (0.7) | 2.2 | - | - |
| 32 | Cash at 31 December | 51.4 | 68.3 | 24.0 | 21.8 |

# Statement of changes in equity

**Group**

| (DKK million) | Share capital | Hedging reserve | Trans-lation reserve | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Equity at 1 January 2010** | **178.6** | **(4.0)** | **(48.9)** | **407.1** | **-** | **532.8** |
| **Comprehensive income in 2010:** | | | | | | |
| Profit(loss) for the year | - | - | - | 3.6 | - | 3.6 |
| **Other comprehensive income:** | | | | | | |
| Foreign currency translation adjustments on conversion of foreign operations | - | - | 35.1 | - | - | 35.1 |
| Foreign exchange gains on hedging instruments concluded to hedge investments in foreign operations | - | - | (50.7) | - | - | (50.7) |
| Foreign currency adjustments transferred to profit(loss), discontinued operations | - | - | 6.1 | - | - | 6.1 |
| Value adjustment of hedging instruments: | | | | | | |
| Value adjustment for the year | - | (3.0) | - | - | - | (3.0) |
| Value adjustment transferred to turnover | - | 0.8 | - | - | - | 0.8 |
| Value adjustment transferred to financial items | - | 3.4 | - | - | - | 3.4 |
| Actuarial gains(losses) on defined benefit plans | - | - | - | (0.6) | - | (0.6) |
| **Other comprehensive income in total** | **-** | **1.2** | **(9.5)** | **(0.6)** | **-** | **(8.9)** |
| **Total comprehensive income in 2010** | **-** | **1.2** | **(9.5)** | **3.0** | **-** | **(5.3)** |
| Reklassification | - | (0.4) | 16.8 | (16.4) | - | - |
| **Equity at 31 December 2010** | **178.6** | **(3.2)** | **(41.6)** | **393.7** | **-** | **527.5** |
| **Comprehensive income for 2011:** | | | | | | |
| Profit(loss) for the year | - | - | - | 1.7 | - | 1.7 |
| **Other comprehensive income:** | | | | | | |
| Foreign currency translation adjustments on conversion of foreign operations | - | - | (0.5) | - | - | (0.5) |
| Foreign exchange gains on hedging instruments concluded to hedge investments in foreign operations | - | - | (1.9) | - | - | (1.9) |
| Foreign currency adjustments transferred to profit(loss), discontinued operations | - | - | 3.0 | - | - | 3.0 |
| Value adjustment of hedging instruments: | | | | | | |
| Value adjustment for the year | - | (4.6) | - | - | - | (4.6) |
| Value adjustment transferred to financial items | - | 3.2 | - | - | - | 3.2 |
| Actuarial gains(losses) on defined benefit plans | - | - | - | (4.3) | - | (4.3) |
| Tax of other comprehensive income | - | - | - | 0.5 | - | 0.5 |
| **Other comprehensive income in total** | **-** | **(1.4)** | **0.6** | **(3.8)** | **-** | **(4.6)** |
| **Total comprehensive income in 2011** | **-** | **(1.4)** | **0.6** | **(2.1)** | **-** | **(2.9)** |
| **Transactions with owners:** | | | | | | |
| Sale of subscription rights on treasury shares | - | - | - | 1.9 | - | 1.9 |
| Capital reduction | (89.3) | - | - | 89.3 | - | - |
| Capital increase | 178.5 | - | - | 98.3 | - | 276.8 |
| Expenses connected to capital increase | - | - | - | (27.8) | - | (27.8) |
| Other | - | - | - | 0.4 | - | 0.4 |
| **Total transactions with owners** | **89.2** | **-** | **-** | **162.1** | **-** | **251.3** |
| **Equity at 31 December 2011** | **267.8** | **(4.6)** | **(41.0)** | **553.7** | **-** | **775.9** |

# Statement of changes in equity

**Parent company**

| (DKK million) | Share capital | Hedging reserve | Trans-lation reserve | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Equity 1 January 2010** | **178.6** | **(3.6)** | **-** | **345.8** | **-** | **520.8** |
| | | | | | | |
| **Comprehensive income in 2010:** | | | | | | |
| Profit(loss) for the year | - | - | - | (26.7) | - | (26.7) |
| **Other comprehensive income:** | | | | | | |
| Value adjustment of hedging instruments: | | | | | | |
| Value adjustment for the year | - | (3.0) | - | - | - | (3.0) |
| Value adjustment transferred to financial items | - | 3.4 | - | - | - | 3.4 |
| **Other comprehensive income in total** | **-** | **0.4** | **-** | **-** | **-** | **0.4** |
| | | | | | | |
| **Total comprehensive income in 2010** | **-** | **0.4** | **-** | **(26.7)** | **-** | **(26.3)** |
| | | | | | | |
| **Equity at 31 December 2010** | **178.6** | **(3.2)** | **-** | **319.1** | **-** | **494.5** |
| | | | | | | |
| **Comprehensive income in 2011:** | | | | | | |
| Profit(loss) for the year | - | - | - | (101.2) | - | (101.2) |
| **Other comprehensive income:** | | | | | | |
| Value adjustment of hedging instruments: | | | | | | |
| Value adjustment for the year | - | (4.6) | - | - | - | (4.6) |
| Value adjustment transferred to financial items | - | 3.2 | - | - | - | 3.2 |
| **Other comprehensive income in total** | **-** | **(1.4)** | **-** | **-** | **-** | **(1.4)** |
| | | | | | | |
| **Total comprehensive income in 2011** | **-** | **(1.4)** | **-** | **(101.2)** | **-** | **(102.6)** |
| | | | | | | |
| **Transactions with owners::** | | | | | | |
| Sale of subscription rights on treasury shares | - | - | - | 1.9 | - | 1.9 |
| Capital reduction | (89.3) | - | - | 89.3 | - | - |
| Capital increase | 178.5 | - | - | 98.3 | - | 276.8 |
| Expenses connected to capital increase | - | - | - | (27.8) | - | (27.8) |
| Other | - | - | - | 0.4 | - | 0.4 |
| **Total transactions with owners** | **89.2** | **-** | **-** | **162.1** | **-** | **251.3** |
| | | | | | | |
| **Equity at 31 December 2011** | **267.8** | **(4.6)** | **-** | **380.0** | **-** | **643.2** |

# Overview of notes

# Notes

## 1 Accounting policies

Dalhoff Larsen & Horneman A/S is a limited liability company domiciled in Denmark. The annual report for the period 1 January to 31 December 2011 consists of the consolidated financial statements of Dalhoff Larsen & Horneman A/S and its subsidiaries (the DLH Group) and the annual report of the parent company.

The 2011 annual report of Dalhoff Larsen & Horneman A/S has been prepared in accordance with International Financial Reporting Standards as approved by the EU and Danish disclosure requirements for annual reports of listed companies.

In addition, the annual report is in compliance with the International Financial Reporting Standards issued by the IASB.

The Supervisory and Executive Boards reviewed and adopted the 2011 annual report of Dalhoff Larsen & Horneman A/S on 8 March 2012. The annual report will be submitted for approval by the company's shareholders at the ordinary general meeting to be held on 12 April 2012.

### Basis of preparation

The annual report is presented in Danish Kroner, the parent company's functional currency, in amounts rounded to the nearest million with one decimal point.

The annual report was prepared under the historical cost convention, except for the following assets and liabilities, which were measured at their fair values: derivatives, financial instruments held for trading and financial instruments classified as held for sale.

Non-current assets and divestment groups determined for sale are measured at the lowest value of the carrying amount prior to the changed classification or fair value less sales costs.

The accounting policies outlined below have been applied consistently during the financial year, also with respect to comparative figures. With respect to accounting standards that will be implemented prospectively, comparative figures are not restated. Since the standards and interpretations have had no impact on the balance sheet total at 1 January 2010 with associated notes, they have not been included.

### Change in accounting policies

Dalhoff Larsen & Horneman A/S implemented the standards and interpretations that became effective in 2011. None of these impacted on recognition and measurement in 2011 or is expected to affect Dalhoff Larsen & Horneman A/S.

In addition, Dalhoff Larsen & Horneman A/S has chosen, with effect from 1 January, 2011, to change the classification of central sourcing costs so that these are recognised as part of cost of sales on a consistent basis, irrespective of whether this relates to internal or external procurement.

As a result, the contribution margin has been affected marginally negatively in that for the year to date, DKK 31 million was transferred in 2011 and DKK 34 million in 2010. Certain smaller items in the balance sheet have also been reclassified.

All comparative figures have been restated.

### Consolidated financial statements

The consolidated financial statements comprise the parent company Dalhoff Larsen & Horneman A/S and subsidiaries in which Dalhoff Larsen & Horneman A/S has control, i.e. the power to govern the financial and operating policies so as to obtain a return on its investment or otherwise benefit from its operations. Control is obtained when the company, directly or indirectly, controls or holds more than 50% of the voting rights in the subsidiary or controls the subsidiary in some other way.

Please refer to page 104 for the group chart.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared according to the DLH Group's accounting policies, eliminating intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on transactions between the consolidated entities.

In the consolidated financial statements, accounting items of subsidiaries are recognised in full.

### Business combinations

Entities acquired or formed during the financial year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities disposed of or closed down are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions. Discontinued operations are presented separately (please see below).

New entities in which Dalhoff Larsen & Horneman A/S obtains control over the acquired entity are accounted for under the purchase method. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on the revaluation is recognised.

The acquisition date is the date on which Dalhoff Larsen & Horneman A/S obtains actual control of the acquired entity.

Any positive differences (goodwill) between the purchase consideration for the entity acquired and the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under Intangible assets. Goodwill is not amortised, but is tested for impairment at least once a year. The first impairment test is performed before the end of the

# Notes

## 1 Accounting policies (continued)

acquisition year. Upon acquisition, goodwill is allocated to the cash-generating entities that subsequently form the basis of the impairment test. On initial recognition, goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the DLH Group's financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

The purchase consideration of an entity consists of the fair value of the agreed consideration in the form of assets acquired, liabilities assumed and equity instruments issued. If parts of the consideration are tied to future events or the fulfilment of conditions agreed upon, such parts are recognised at their fair values at the time of acquisition. Costs attributable to business combinations are recognised directly in the income statement as incurred.

If the identification or measurement of assets, liabilities or contingent liabilities acquired or the determination of the purchase consideration is uncertain at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If it subsequently turns out that the identification or measurement of the consideration, the assets acquired, the liabilities or the contingent liabilities were incorrect on initial recognition, the measurement will be adjusted with retroactive effect, including goodwill, until twelve months after the acquisition, and comparative figures will be restated. Goodwill will not be adjusted again at a later date. Changes to the conditional purchase consideration are recognised directly in the annual results.

Gains or losses on the disposal or closing of subsidiaries are stated as the difference between the selling price or closing costs and the carrying amount of net assets including goodwill at the date of disposal as well as disposal or closing costs.

**Foreign currency translation**

The DLH Group fixes a functional currency for each of its reporting entities. The functional currency is the currency that is applied in the primary economic environment in which the individual reporting entity operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the transaction date. Foreign currency differences arising between the exchange rates prevailing at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the balance sheet date. The difference between the exchange rates prevailing at the balance sheet date and at the date on which the receivable or payable item arose, or was recognised in the most recent annual report, is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than Danish Kroner, the income statements of such entities are translated to the rate prevailing at the transaction date, and balance sheet items are translated to the rate prevailing at the balance sheet date. An average exchange rate for the month is used as the exchange rate prevailing at the transaction date provided that this does not significantly distort the presentation of the underlying transactions. Foreign currency differences arising on translation of the opening balance of equity of such entities at the exchange rates prevailing at the balance sheet date and on translation of the income statements from the exchange rates prevailing at the transaction date to the exchange rates prevailing at the balance sheet date are recognised in Other comprehensive income in a separate reserve for foreign currency adjustments under equity.

Foreign currency rate adjustments of balances that are considered part of the overall net investment in entities with a functional currency other than Danish Kroner are recognised in the consolidated accounts in Other comprehensive income and classified in a separate reserve for foreign currency adjustments under equity. Correspondingly, foreign currency gains or losses on that portion of loans and derivative financial instruments that is designated as an investment hedge in such entities and that provides an efficient hedge against corresponding foreign currency gains and losses on the net investment in the entity are also recognised in Other comprehensive income in a separate reserve for foreign currency adjustments under equity.

Upon disposal of 100%-owned foreign entities, the exchange rate adjustments recognised in Other comprehensive income and which are attributable to the entity are reclassified from Other comprehensive income to Profit for the year together with any gains or losses incurred on disposal.

Settlement of intra-group balances that is considered part of the net investment is not in itself deemed partial disposal of the subsidiary.

**Derivative financial instruments**

Derivative financial instruments are recognised at fair value in the balance sheet from the transaction date. Positive and negative fair values of derivative financial

# Notes

## 1 Accounting policies (continued)

instruments are included in other receivables, trade payables and other payables, respectively, and positive or negative values are only set off if the entity has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are determined on the basis of current market data and generally accepted methods of measurement.

***Fair value hedges***
Changes in the fair value of derivative financial instruments designated as and qualifying as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Hedging of future cash flows in accordance with an agreement (firm commitment), other than foreign currency hedging, is treated as fair value hedging.

The portion of the value adjustment of a derivative financial instrument that is not part of the hedge will be presented under the heading of Financial items.

***Cash flow hedges***
Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of future cash flows are recognised in Other comprehensive income in a separate reserve for hedging transactions under equity until the hedged cash flows have an impact on the income statement. Once there is an impact on the income statement, gains or losses incidental to such hedging transactions are transferred from Other comprehensive income and recognised in the same item as the hedged item.

If a hedging instrument no longer qualifies for hedge accounting, the hedging relationship will cease from that point onward. The accumulated change in value recognised in Other comprehensive income will be transferred to the income statement when the hedged cash flows affect the income statement.

If the hedged cash flows are no longer likely to be realised, the accumulated change in value will immediately be taken to the income statement.

The portion of the value adjustment of a derivative financial instrument that is not part of the hedge will be presented under Net financials.

***Net investment hedges***
Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries that are effective hedges of currency fluctuations in the entities in question are recognised directly in the consolidated accounts in Other comprehensive income under a separate reserve for foreign currency adjustment.

The portion of the value adjustment of a derivative financial instrument that is not part of the hedge will be presented under the heading of Net financials.

***Other derivative financial instruments***
For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised as financial income or financial expenses in the income statement.

Some contracts contain provisions corresponding to derivative financial instruments. Such embedded derivatives are recognised separately and measured at fair value if they differ significantly from the host contract, unless the entire host contract is recognised and measured at fair value.

### INCOME STATEMENT

**Net turnover**
Net turnover derived from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery has taken place and the risk has passed to the purchaser before year-end and the income can be reliably measured and is likely to be received.

Net turnover is measured at the fair value of the agreed consideration exclusive of Value Added Tax and taxes charged on behalf of a third party. All discounts granted are recognised in net turnover.

**Cost of sales**
Cost of sales comprises costs incurred to generate the net turnover for the year. Trading entities recognise cost of sales, and production entities recognise production costs corresponding to the turnover for the year. The item includes direct and indirect costs of raw materials, auxiliary materials, wages and salaries. In addition, central sourcing costs are recognised such that these are recognised as a part of the cost of sales on a consistent basis.

**Other external expenses**
Other external expenses comprise distribution expenses and administrative expenses.

Distribution expenses include expenses incurred for the distribution of goods sold during the year and for sales campaigns launched during the year. Costs relating to advertising and exhibitions are included in this item.

Administrative expenses include expenses incurred during the year for management and administration, including expenses incurred for administrative personnel and office premises as well as office expenses.

Write-down charges relating to trade receivables are also included in Other external expenses..

**Staff costs**
Employee benefits such as salaries/wages, social contributions, holiday and sick leave,

# Notes

## 1 Accounting policies (continued)

bonuses and non-monetary benefits are recognised in the year in which the group's employees have performed the related work. In connection with the group's long-term employee benefits, the costs are accrued so that they are recognised as being the employees in question performing their work.

**Other operating income and expenses**
Other operating income and expenses comprise accounting items of a secondary nature in relation to the companies' activities, including gains and losses from ongoing sales and replacement of intangible and tangible assets. Gains and losses on the sale of intangible and tangible assets are calculated as the selling price less sales costs and the carrying value at the time of sale.

**Financial items**
Financial income and expenses comprise interest income and expenses, forreign currency gains and losses, and impairment of securities, payables and transactions denominated in foreign currencies. Moreover, amortisation of financial assets and liabilities are included, including financial leasing commitments, as well as surcharges and refunds under the on-account tax scheme as well as changes to the fair value of derivative financial instruments that do not qualify as hedging contracts.

Borrowing costs from general borrowing or loans directly related to the acquisition, construction or development of qualifying assets are attributed to the cost of such assets.

Dividends from profits in subsidiaries are recognised as income in the income statement of the parent company in the financial year in which the dividends are declared. If the dividend distributed exceeds the subsidiary's comprehensive income for the period under review, an impairment test will be performed.

**Tax on profit for the year**
Tax for the year, which consists of the year's current tax and changes in deferred tax, is recognised in the year's profits in Other comprehensive income or directly in the equity.

**BALANCE SHEET**

**Intangible assets**

**Goodwill**
As described under the heading of 'Business combinations', goodwill is initially recognised at cost in the balance sheet. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the DLH Group's cash-generating entities at the acquisition date. The identification of cash-generating entities is based on the management structure and internal financial control. Due to the integration of acquired entities into the existing group and the existence of segment managers in each of the group's reporting segments, management estimates that the smallest cash-generating entities to which the carrying amount of goodwill can be allocated are the operating segments, the Nordic Region, Western Europe, Central & Eastern Europe, USA, Russia and Global Sales.

**IT projects in progress**
Development costs comprise expenses attributable to the company's IT projects.

IT projects that are clearly defined and identifiable, whose technical feasibility, adequate resources and utilisation in the company are evidenced, and that are clearly intended for use, are recognised as intangible assets provided that the cost can be measured reliably. Other IT projects are recognised in the income statement as the costs are incurred.

Recognised IT projects are measured at cost less accumulated amortisation and impairment losses. Cost includes salaries and wages and other costs attributable to the DLH Group's IT projects and borrowing costs from funds borrowed specifically and funds borrowed as part of a general pool directly attributable to the development of IT projects.

On completing the development of IT projects, development costs are amortised on a straight line basis over the estimated useful life of the asset, commencing at the time when the asset is ready for use. The amortisation period is usually 1 to 5 years. The basis of amortisation is calculated less any impairment losses.

**Customer relations, trademarks and IT systems**
Intangible assets acquired in connection with business combinations, covering the value of customer relations, trademarks and IT systems, are measured at cost less accumulated amortisation and impairment losses. Customer relations, trademarks and IT systems are amortised on a straight line basis over the expected useful life of the asset. The amortisation period is usually 5 to 15 years. The basis of amortisation is calculated less any impairment losses.

Intangible assets with indefinite useful lives are not amortised, but tested annually for impairment requirements.

**Tangible assets**

**Property, plant and equipment**
Land and buildings, plant and machinery and fixtures and fittings, as well as other

# Notes

## 1 Accounting policies (continued)

plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition as well as costs directly attributable to the acquisition until the time when the asset is ready for use. With regard to self-constructed assets, cost comprises the direct and indirect cost of materials, components, sub-contractors, wages and borrowing costs, both funds borrowed specifically and funds that are part of a general pool and directly attributable to the construction of the asset in question.

The cost of assets held under finance leases is stated at the lower of the fair value of the asset and the present value of the future minimum lease payments. For the calculation of the present value, the interest rate implicit in the lease or the DLH Group's alternative rate of interest is applied as the discount rate.

Subsequent costs, e.g. in connection with the replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the DLH Group. The replaced components are removed from the balance sheet and the carrying value is transferred to the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

If the useful lives of the individual components of an aggregate asset differ, the cost is divided into separate components that are depreciated separately. Depreciation of property, plant and equipment is charged on a straight-line basis over the expected useful lives of the assets/components. These are as follows:

| | |
|---|---|
| Office buildings | 20-50 years |
| Other buildings and plant | 20-25 years |
| Plant and machinery | 5-10 years |
| Rolling stock and equipment | 3-7 years |
| IT equipment | 1-5 years |

Land is not depreciated.

The depreciation base is determined on the basis of the residual value of the asset less any impairment losses. The residual value is determined at the acquisition date and reassessed annually. Depreciation is discontinued if the residual value exceeds the carrying amount.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation and impairment losses are recognised under a separate heading in the income statement.

### Other non-current assets

### Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company's annual financial statements. If there is an indication of impairment, an impairment test is performed. Where the recoverable amount is lower than the carrying amount, investments are written down to this lower value.

Distribution of reserves, other than dividends from profits in subsidiaries, will reduce the cost of the shares if the distribution constitutes a repayment of the investment made by the parent company.

### Other investments and securities

Other investments and securities classified as 'held for sale' are recognised under the heading of non-current assets at their fair values with the addition of cost at the trading date and measured at their estimated fair values, corresponding to the market price for listed securities, and at their estimated fair values, computed on the basis of current market data and generally accepted valuation methods for unlisted securities. Unrealised value adjustments are recognised directly in equity with the exception of write-downs for impairment, which are recognised in the income statement under financial items. On realisation, the accumulated value adjustment recognised in equity is transferred to financial income or financial expenses in the income statement.

### Impairment test of non-current assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment requirements, initially before the end of the acquisition year. Similarly, development projects in progress are subject to an annual impairment requirement.

The carrying amount of goodwill is impairment tested together with the other non-current assets in the cash-generating entity to which goodwill is allocated and written down to the recoverable amount in the income statement if the carrying amount is higher. The recoverable amount is generally determined as the present value of expected future net cash flows from the entity or activity (cash-generating entity) to which goodwill is allocated.

Deferred tax assets are evaluated annually and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is assessed annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the asset's fair value less expected selling costs or its

# Notes

## 1 Accounting policies (continued)

value in use. The value in use is calculated as the present value of expected future net cash flows from the asset or the cash-generating entity of which the asset is part.

An impairment is recognised if the carrying amount of an asset or a cash-generating entity exceeds the recoverable amount of the asset or the cash-generating entity. Impairments are recognised in a separate line in the income statement.

Impairments on goodwill are not reversed. Impairments on other assets are only reversed in connection with changes in the assumptions and estimates underlying the impairment calculation. Impairments are only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation, had the asset not been impaired.

### Current assets

#### Inventories

Inventories are measured at cost according to the weighted average cost formula or at net realisable value, whichever is the lower.

The cost of goods for resale and raw materials and auxiliary materials comprises the purchase price plus delivery costs.

The cost of manufactured goods comprises the cost of raw materials, auxiliary materials, direct wages as well as production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance of the plant and machinery, buildings and equipment applied in the production process as well as costs of production administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined on the basis of marketability, obsolescence and the trend in the expected selling price.

#### Receivables

Receivables are measured at amortised cost. Receivables are written down to provide for losses where there is objective evidence that an individual receivable or a portfolio of receivables has decreased in value.

Receivables in respect of which there is no objective evidence of impairment at the individual level are assessed at portfolio level for an objective indication of an impairment requirement. Portfolios are primarily based on the domicile of debtors and credit ratings in accordance with the DLH Group's credit risk management policy. The objective indicators applicable to portfolios are based on historical loss records.

#### Prepaid expenses

Prepaid expenses are recognised under assets, comprising costs paid concerning subsequent financial years and are measured at amortised costs.

### EQUITY

#### Dividends

Proposed dividends are recognised as a liability at the date when they are adopted by the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

#### Treasury share reserve

Treasury share reserve comprises the purchase sums for the company's holding of treasury shares. The dividend for treasury shares is recognised directly in retained comprehensive income in the equity. Gains and losses on the sale of treasury shares are recorded at share premium.

#### Translation reserve

Translation reserve contains the parent company shareholders' share of foreign currency translation adjustments arising on translation of the financial statements of entities with a functional currency other than Danish Kroner, foreign currency translation adjustments relating to assets and liabilities that are part of the DLH Group's net investments in such entities as well as foreign currency translation adjustments relating to hedging transactions that hedge the DLH Group's net foreign currency investments in such entities.

On full or partial realisation of the net investment, foreign currency differences are recognised in the income statement.

#### Hedging reserve

The hedging reserve contains the accumulated net changes in the fair values of hedging transactions that fulfil the criteria for hedging future payment flows in cases where the hedged transaction has not yet been realised.

#### Share premium

Share premium comprises amounts over and above the nominal share capital, which is paid in by shareholders at the time of capital increases and gains and losses on the sale of treasury shares.

### EMPLOYEE BENEFITS

#### Pension schemes and similar non-current liabilities

The DLH Group has pension commitments and similar agreements with a considerable number of employees in the DLH Group.

Regular payments to independent pension funds by the DLH Group under defined contribution plans are recognised in the

# Notes

## 1 Accounting policies (continued)

income statement in the period earned, whereas amounts due at the balance sheet date are recognised under other payables in the balance sheet.

With respect to defined benefit plans, an actuarial calculation is made annually (projected unit credit method) of the present value of future contributions in accordance with the plan. The present value is determined on the basis of assumptions concerning future developments in factors such as salary trends, interest rates, inflation and mortality rates. The present value is calculated only on benefits that employees have earned during their employment with the DLH Group until the present time. The actuarial calculation of the present value less the fair value of any assets relating to the pension plan is recognised under pension liabilities.

In the income statement, pension costs for the year are recognised on the basis of actuarial estimates and financial expectations at the beginning of the year. Differences between the expected development in assets and liabilities under the pension plan and the actual values at the end of the year are designated as actuarial gains or losses and recognised in Other comprehensive income.

Changes in benefits relating to earnings of former employees will result in changes in the actuarial calculation of the value in use and are considered historical costs. Historical costs are charged to the income statement immediately if employees have gained a right to the changed benefit. Otherwise, the historical cost is recognised for the period in which the right is earned.

If a pension plan is a net asset, the asset is only recognised to the extent that it is offset by future repayments under the plan or will result in future reduced payments into the plan.

**Share option scheme**
The value of services received as consideration for options allotted is measured at the fair value of the options allotted.

For equity-settled schemes, share options are measured at the fair value at the allotment date and recognised in the income statement under staff costs over the period in which the right was earned (the vesting period). The counter item is recognised directly in equity as an owner transaction.

On initial recognition of share options, the company estimates the number of options staff expects to vest as per the service condition described in note 7. Subsequently, the estimate is revised for changes in the number of options vested so that recognition is based on the number of options ultimately vested.

The fair value of options allotted is estimated using an option pricing model. The estimate takes into account the terms and conditions upon which the options were allotted.

**Employee shares**
When DLH Group employees are offered the possibility of subscribing for shares at a price below the market price, the benefit element is included as cost under staff costs. The counter item is recognised directly in equity. The benefit element is recognised on the date of subscription as the difference between the market price and the subscription price of the shares.

### Liabilities

**Tax payable and deferred tax**
Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax on temporary differences relating to goodwill that cannot be amortised for tax purposes is not recognised, with the exception of business combinations, if such differences arose at the acquisition date without affecting either the profit or loss for the year or the taxable income. If the tax base may be measured according to alternative tax regulations, deferred tax is measured on the basis of the use of the asset or liability planned by the management.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the entity has a legal right to offset current tax liabilities and tax assets or intends to redeem current tax liabilities and tax assets on a net basis or to realise assets and liabilities simultaneously.

Deferred tax is adjusted for the elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to materialise as current tax. Any change in deferred tax due to changes in tax rates is recognised in the year's comprehensive income.

**Provisions**
Provisions are recognised when, as a result of events arising before or at the balance

# Notes

## 1 Accounting policies (continued)

sheet date, the DLH Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources incorporating economic benefits to settle the obligation.

The amount recognised as a provision is management's best estimate of the expenses required to settle the obligation.

On measuring provisions, costs required to settle the liability are discounted if this has a significant impact on the measurement of the provision. The pre-tax discount factor applied will reflect the prevailing interest-rate level and any risks specifically associated with the liability in question. Changes in present values during the year are recognised as financial expenses.

Provisions for restructuring costs are recognised when a detailed, formal restructuring plan has been communicated to the persons affected by the plan, at the balance sheet date at the latest. In connection with acquisitions, provisions for restructuring costs in the acquired business are only recognised in goodwill if the group has a constructive obligation towards the acquired business at the date of acquisition.

Provisions for loss-making contracts are made if the inevitable costs under the contract exceed any benefits the DLH Group may expect.

Provisions for the dismantling of production facilities and renovation on vacating rented premises are measured at the present value of the future dismantling and renovation liability as anticipated at the balance sheet date. The provisions are calculated on the basis of current orders and estimated costs, which are discounted to net present value. Specific risks deemed to be associated with the provision in question are recognised in the estimated costs. The discount rate applied will reflect the prevailing interest-rate level. Liabilities are recognised as incurred and adjusted regularly to reflect changes in requirements, prices etc. The present value of costs is recognised in the cost of the property, plant and equipment in question and depreciated together with the said assets. The temporal increase in the present value is recognised under the heading of financial expenses in the income statement.

**Financial liabilities**
Amounts owed to credit institutions etc. are recognised at the date of borrowing at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the 'effective rate of interest method' in order that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual commitment under finance leases, measured at amortised cost.

Other financial liabilities are measured at amortised cost.

**Leasing**
For accounting purposes, leasing commitments are divided into commitments under finance leases and commitments under operating leases.

A lease is classified as a finance lease when in all material aspects it transfers the risks and rights of ownership of the leased asset. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the associated liability is described in the sections regarding property, plant and equipment or financial liabilities, respectively.

Leasing payments relating to operating leases are recognised in the income statement on a straight line basis over the leasing period.

Assets hired out under operating leases are recognised, measured and presented in the balance sheet under the heading of other similar assets held by the DLH Group.

**Deferred income**
Deferred income is recognised as a liability, comprising payments received relating to income in subsequent years, measured at amortised cost.

**Assets held for sale**
Assets held for sale comprise non-current assets and disposal groups held for sale. Disposal groups are groups of assets that are to be sold or disposed of in some other manner by means of a single transaction. Liabilities relating to assets held for sale are liabilities attached to the said assets, which will be transferred in connection with the transaction. Assets are classified as 'held for sale' when the carrying amount of the asset would primarily be recovered by means of a sale within 12 months according to a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the carrying amount at the time of the asset being classified as 'held for sale' or the fair value less selling costs, whichever is the lower. Depreciation and amortisation are not charged for assets from the time when they are classified as 'held for sale'.

Impairments upon the initial classification as 'held for sale' as well as gains or losses ascertained upon any subsequent measurement at carrying amount or fair value less selling costs, whichever is the lower, are recognised under the relevant items in the income statement. Gains and losses are disclosed in the notes.

Assets and related liabilities are presented on separate lines in the balance sheet, and the main items are specified in the notes. Comparative figures are not restated in the balance sheet.

# Notes

## 1 Accounting policies (continued)

**Presentation of discontinued operations**
Discontinued operations constitute a significant part of an entity if operations and cash flows can be clearly separated from the remaining business operations for the purposes of operating and accounting, and if the entity has either been disposed of or singled out as held for sale and the sale is expected to be completed within one year in accordance with a formal plan. Discontinued operations also include entities that have been classified as 'held for sale' in connection with acquisitions.

The profit after tax of discontinued operations and value adjustments after tax on the assets and liabilities as well as gains or losses relating to the discontinued operation are presented on a separate line in the income statement, together with comparative figures. The notes disclose turnover, costs, value adjustments and tax for the discontinued activity. Assets and the related liabilities of discontinued operations are presented on separate lines in the balance sheet without restatement of the comparative figures, please refer to the section 'Assets held for sale', and the main items are specified in the notes.

Cash flows from operating, investment and financing activities for the discontinued operations are disclosed in a note.

**Cash flow statement**
The cash flow statement shows the group's cash flow divided into operating activities, investment activities and financing activities for the year, the change in cash and cash equivalents during the year and the group's cash and cash equivalent balances at the beginning of the year and at the year-end.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investment activities. Cash flows of acquired entities are recognised in the cash flow statement as from the acquisition date. Cash flows of entities sold are recognised up until the date of disposal.

Cash flows from operating activities are determined according to the indirect method as profit or loss before tax adjusted for non-cash operating items, changes in working capital, interest received and paid, dividends received and income tax paid.

Cash flows from investment activities comprise payments in connection with the acquisition and disposal of entities and activities, intangible assets and of property, plant and equipment and other non-current assets as well as the acquisition and disposal of securities not recognised as cash and cash equivalents.

Finance leases are considered non-cash transactions.

Cash flows from financing activities comprise changes in the amount or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, purchase and sale of treasury shares and payment of dividends to shareholders.

Cash flows relating to assets under finance leases are recognised as debt service payments.

Cash and cash equivalents include cash.

Cash flows in currencies other than the functional currency are translated at average rates of exchange unless these deviate significantly from the rates prevailing at the transaction date.

The cash flow statement cannot be generated from the published financial statements only.

**Segment information**
Segment information is provided in accordance with the DLH Group's accounting policies and is in line with intra-group management reporting.

Segment turnover and costs and segment assets and investments comprise items that are directly attributable to individual segments and items that can be allocated to individual segments on a reliable basis. Non-allocated items primarily comprise income and expenses related to the DLH Group's administrative functions, investment activities, etc.

Non-current assets within the segment comprise non-current assets that are used directly in the operations of the segment, including intangible assets and property, as well as plant and machinery. Current assets within the segment comprise current assets that are used directly in the operations of the segment, including inventories, trade receivables, other receivables, prepaid costs and cash.

Net operating assets (NOA) within the segment primarily include tangible and intangible assets, inventories and trade receivables less trade payables.

# Notes

## Financial ratios

Earnings per share (EPS) and earnings per share diluted (EPS-D) are determined in accordance with IAS 33.

Other financial ratios have been calculated in accordance with the Recommendations & Financial Ratios 2010 issued by the Danish Society of Financial Analysts.

| | | |
|---|---|---|
| Gross margin | = | Gross profit x 100 / Net turnover |
| Profit for ratio analysis | = | Profit on ordinary activities after tax |
| Net working capital/sales | = | Net working capital (at year-end) / Net turnover |
| Operating margin | = | Operating profit x 100 / Net turnover |
| Return on equity | = | Profit for ratio analysis x 100 / Average equity |
| Equity ratio | = | Equity at year-end x 100 / Consolidated balance sheet total at year-end |
| Equity ratio including subordinated loan | = | Equity + subordinated loan x 100 / Consolidated balance sheet total at year-end |
| Return on invested capital incl. goodwill (ROIC incl. goodwill) | = | EBITA / Average invested capital incl. goodwill |
| Book value per diluted share (BVPS-D) | = | Equity at year-end / Number of diluted shares in issue at year-end |
| Diluted price/book value (P/BV-D) | = | Share price (at year-end) / Book value per diluted share |
| Earnings per share (EPS) | = | Profit for ratio analysis / Average number of shares in issue |
| Diluted earnings per share (EPS-D) | = | Profit for ratio analysis / Average number of diluted shares |
| Cash flow per diluted share in issue (CFPS-D) | = | Cash flow from operations / Average number of shares in issue |
| Dividend per share (DPS) | = | Dividend rate x nominal value of share / 100 |
| Diluted price earnings ratio (P/E-D) | = | Market price per share / Earnings per diluted share |

# Notes

## 2 Material accounting estimates and assessments

**Estimation uncertainty**
Determination of the carrying amounts of certain assets and liabilities is on the basis of assessments, estimates and assumptions with respect to future events.

The estimates and assumptions applied are based on past experience and other factors, which are deemed reasonable by management in the circumstances, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Actual results may deviate from the estimates as a consequence of the risks and uncertainties to which the DLH Group is exposed. Those risks to which the DLH Group is particularly vulnerable are discussed in the management review on page 18 and in note 22 of the consolidated accounts.

The notes disclose assumptions about the future and other estimation uncertainties at the balance sheet date. The assumptions are disclosed where there is a considerable risk of changes that may lead to a significant adjustment in the carrying amounts of assets or liabilities within the next financial year.

Estimates may have to be changed as a result of changes in the circumstances on which they were originally based, or on account of new information or subsequent events.

The above mentioned risks and uncertainties materialised to a significant degree for the DLH Group in 2008-2011. Since the beginning of the financial crisis in 2008 the DLH Group's markets and financing terms have changed significantly. This, in turn, has considerably increased the uncertainty surrounding the accounting estimates made. Significant reduction in turnover and contribution margins as well as the resulting organisational changes and the impact on the terms of bank loan agreements have called for considerable adjustments to previous estimates.

The estimation uncertainties that have the greatest impact on the affairs of the DLH Group are outlined below. These include: the determination of liabilities relating to companies and activities that have been sold; the net realisable values of non-strategic activities that are to be discontinued; the recoverable amount of goodwill; depreciation, amortisation and impairment losses on non-current assets; the measurement of inventories; trade receivables and deferred taxes; and loan agreements as a basis for using the going concern assumption in the presentation of the financial statements and recognition of debt as long-term.

The estimates and assessments represent management's best judgment and evaluation at the balance sheet date.

**Capital**
The DLH Group's financing is mainly based on an agreement with a bank consortium. The agreement's terms and conditions were updated in March 2011 followed by some additional updates during 2011 and in February 2012. In addition, the group's activities are financed by subordinated loan capital and small credit facilities with other credit institutions.

The financing agreement with the bank consortium, which runs until March 2014, contains a number of financial and non-financial covenants. The financial covenants are dependent on the group's operating and cash budgets as well as strategy plans for the term of the agreement. They are calculated on the basis of EBITDA, net interest-bearing debt, net financial income and expenses, investments and solvency ratio.

For this reason, adherence to the group's operating and cash budgets and strategy plans is a key condition for performance of the bank agreement, since breach of the covenants means the bank consortium can terminate the agreement.

In connection with the capital injection of April 2011, the credit limit under the bank agreement was reduced. The basis for this reduction was the company's operating and cash budgets and its strategy plans for the term of the agreement adjusted for the net proceeds received from the capital injection and the proceeds from the expected property sale. It has not been possible to implement the expected sale of property to the extent and within the timescale upon which the reduction of the credit limit was based. As a result, the bank consortium has made further credit facilities available to the group until the end of July 2012. This facility, however, must be reduced by the net proceeds from the sale of assets if implemented before the expiry of the agreement.

The safety margin between the financial covenants and the group's operating and cash budgets, as agreed with the bank consortium, allows for minor deviations. Management takes the view that the agreed safety margins are sufficient to absorb probable deviations from the forecast with respect to turnover, contribution margins, cash flows and other important parameters.

It is the opinion of the Supervisory and Executive Boards that the company's cash resources are adequate in the light of the agreed credit limits and covenants, and the budgets and plans for 2012.

See note 22 for further description of the loan agreements, terms and credit risks.

**Non-strategic and unprofitable activities to be phased out**
Since the start of 2010, the DLH Group has implemented a strategy which focuses on its wholesale business. In this connection, it was decided to phase out forestry and production entirely, with activities in this area largely discontinued during 2010 and at the

# Notes

## 2 Material accounting estimates and assessments (continued)

beginning of 2011. During 2011, it was also decided to dispose of and discontinue non-profitable activities in Finland and Norway.

The remaining assets within discontinued activities comprise land in Sweden, Poland, Brazil and Hungary. The land is recognised under assets held for sale at the expected realisation value. The estimates are based on valuations from real estate agents and management's estimates of leasing opportunities. These estimates and the recognised net realisable values are subject to uncertainty.

Assets held for sale are described in greater detail in note 29.

**Provisions relating to divested activities and activities to be phased out**
The agreements on the sale of companies and discontinuation of activities include certain guarantees provided by the DLH Group. In determining gains and losses related to these divestments, provisions were made for these guarantees based on management's assessment of associated risks. Management estimates of this risk are subject to considerable uncertainty.

Gains and losses on the sale of discontinued activities are described in greater detail in note 29.

The activities that the DLH Group is in the process of divesting include a number of contractual obligations that were loss-making at 31 December 2011, including lease agreements. These obligations are recognised as provisions or debt based on management's estimate of future net payments, which may be subject to considerable uncertainty.

**Breakdown of accounting items into continuing and discontinued activities**
Divested and discontinued activities are classified as discontinued activities in the income statement. In connection with the sale and disposal of companies and activities, it has also proved necessary to discontinue leases as well as functions and systems that are directly related to the servicing thereof. The breakdown into continuing and discontinued activities of income and expenses relating to these sales and service functions and systems is based on management estimates.

Please refer to note 29 for further description and specification of discontinued activities.

**Goodwill impairment test**
During the annual goodwill impairment test or whenever impairment of goodwill is deemed to be necessary, an estimate will be made of the capacity of those parts of the business to which the goodwill is attached (the cash generating units) to generate sufficient cash inflows in future to support the value of the goodwill and other net assets in that part of the business.

Due to the nature of the business, the projected cash flows have to be estimated for many years into the future, which would naturally lead to some uncertainty. This uncertainty is reflected in the discount rate applied.

The DLH Group is a wholesale business, and the main uncertainty related to the company's impairment test is that of estimating turnover and contribution margins in the various markets and group entities.

For details on the impairment test and related sensitivity factors please refer to note 13.

**Shares in subsidiaries**
In the parent company, an impairment test is carried out in respect of the value of shares in the subsidiaries. The impairment test carries the same uncertainty as described under the impairment test for goodwill.

**Property, plant and equipment**
The estimation uncertainty involving property, plant and equipment is related to the determination of the useful lives and residual values of the assets. The assessment of useful lives is based on the assets' usefulness to the group. The assessment of residual values depends on the expected state of repair and age of the assets upon discontinuation of their use as well as the existence of a market for those assets.

The estimated useful lives of the assets etc. are shown in note 1, accounting policies applied.

**Inventories**
The estimation uncertainty involving inventories relates to the write-down to the net realisable value.

The need to write down inventories and the uncertainty involving the estimation of the net realisable value increased significantly during the period 2008-2011 as a result of a fall in sales and sales prices.

Moreover, the need to write down inventories increases with the time individual goods are kept in stock as a certain degree of commercial obsolescence is deemed to exist in old inventories.

Inventories are written down in accordance with the group's general write-down policy, and are also subject to an assessment on an individual basis with a view to ascertaining potential losses due to obsolescence, poor quality and market trends.

A portion of the group's recognised inventories consists of prepayments to suppliers. When determining the net realisable value of inventories, the need to write down prepayments is assessed where it is unlikely that the group will derive benefit from the prepayments in the form of goods from suppliers.

# Notes

## 2 Material accounting estimates and assessments (continued)

Please refer to note 4 for details on the assessment of inventory write-downs.

**Trade receivables**
The estimation uncertainty involving trade receivables relates to write-downs to provide for losses. Write-downs are assessed on the basis of inability to pay. The need for a write-down is determined after deducting the portion of the receivables that is covered by credit insurance and other securities. In the assessment, customers' past history of payment as well as political, national and economic conditions in the customers' home countries also play an important part. If customers' capacity to pay is impaired, it may be necessary to make additional write-downs in future financial reporting periods.

Please refer to note 17 for details on the assessment of credit quality and the need to write down trade receivables.

**Deferred tax**
The DLH Group recognises the value of tax losses carried forward where management estimates that the tax asset may be offset against future income for the foreseeable future.

As a consequence of the financial crisis and the resulting great uncertainty in estimating future earnings and thus taxable profits and possible changes to tax rules, the recognition of tax assets in the individual units is subject to a great deal of uncertainty. For further particulars on recognised tax assets please refer to note 16.

Furthermore, a great deal of uncertainty is related to the recognition of the re-taxation liability in Denmark concerning previously jointly tax subsidiaries. Please refer to note 24 on contingent liabilities for details of this uncertainty.

# Notes

## 3 Segment information

Those DLH segments, for which financial reporting is compulsory, comprise six independent business areas: The Nordic Region, Western Europe, Central & Eastern Europe, USA, Russia and Global Sales. Each business area operates independently of the entities.

**Sales regions**
Within the five independent, geographical sales regions, DLH services its industrial, DIY and, to a lesser extent, retail customers from its own warehouses, with Europe accounting for most of the turnover. In 2011 the sales regions posted a turnover of DKK 2,148 million equating to 73% of the consolidated turnover. The turnover for the sales regions is on a par with 2010.

**Global Sales**
Within the Global Sales business area, the group employs its expertise within sourcing and logistics to enter into back-to-back contracts with major consignments of hardwood and sheet materials. Global Sales, which operates internationally, posted a turnover of DKK 787 million in 2011 corresponding to 27% of the group's turnover. The turnover for the business area has declined by 13% compared to 2010.

**The management's review**
The management assesses the operating results for the business segments separately in order to decide on the allocation of resources and to measure results. The segments' results are evaluated on the basis of the operating results which are calculated on the same basis as the consolidated accounts. Group financing (including financial income and expenses) and corporation tax are treated at group level and not allocated according to operational segments.

Cost allocation between the business segments is made on an individual basis with the addition of a few systematically allocated indirect costs. Other operating income is apportioned across the six business segments in accordance with the same principle.

NOA comprises assets directly linked to the segment, including intangible, tangible and financial assets, inventories, trade receivables and other receivables.

No single customer accounts for more than 10% of the turnover.

**Geographical information**
DLH operates mainly in Denmark, the other Nordic region, Western Europe, USA and emerging markets (Far East, Middle East, South Africa and Eastern Europe).

With regard to presenting information relating to geographical areas, details on the breakdown of turnover and assets according to geographical segments is based on the customers' geographical location.

# Notes

## 3 Segment information (continued)

**Activities**

**2011**

| (DKK million) | Nordic | Western Europe | Central & Eastern Europe | USA | Russia | Global Sales | Not-allocated/ elimina-tions | Group elimina-tions | Conti-nuing opera-tions | Discon-tinued opera-tions | Group elimina-tions | Group Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 939.8 | 578.0 | 295.5 | 207.4 | 143.4 | 794.0 | 60.6 | - | 3,018.7 | 149.9 | (85.7) | 3,082.9 |
| Intra-group turnover | (9.2) | (3.6) | (0.4) | (0.6) | (2.2) | (7.3) | (58.8) | - | (82.1) | (3.6) | 85.7 | - |
| Turnover to external customers | 930.6 | 574.4 | 295.1 | 206.8 | 141.2 | 786.7 | 1.8 | - | 2,936.6 | 146.3 | - | 3,082.9 |
| Gross profit | 151.9 | 98.6 | 49.9 | 45.6 | 35.1 | 63.0 | (10.4) | 16.8 | 450.5 | 11.6 | - | 462.1 |
| Operating profit(loss) before depreciation and amortisation (EBITDA) | 40.7 | 42.3 | 16.7 | 12.0 | 4.8 | 13.4 | (58.5) | 15.4 | 86.8 | (23.1) | - | 63.7 |
| Depreciations and amortisation | (13.2) | (1.1) | (2.5) | (2.2) | (0.6) | (0.2) | (5.5) | - | (25.3) | (1.1) | - | (26.4) |
| Operating profit (EBIT) | 27.5 | 41.2 | 14.2 | 9.8 | 4.2 | 13.2 | (64.0) | 15.4 | 61.5 | (24.2) | - | 37.3 |
| Profit before tax (EBT) | 16.3 | 31.6 | 8.1 | 5.3 | (0.3) | 5.9 | (75.4) | 19.4 | 10.9 | (26.2) | - | (15.3) |
| NOA | 462.6 | 294.1 | 125.8 | 127.7 | 52.8 | 166.9 | (0.6) | 3.9 | 1,233.2 | 49.8 | - | 1,283.0 |

**2010**

| (DKK million) | Nordic | Western Europe | Central & Eastern Europe | USA | Russia | Global Sales | Not-allocated/ elimina-tions | Group elimina-tions | Conti-nuing opera-tions | Discon-tinued opera-tions | Group elimina-tions | Group Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 963.8 | 583.4 | 310.7 | 224.6 | 154.1 | 962.3 | 268.5 | - | 3,467.4 | 968.1 | (654.8) | 3,780.7 |
| Intra-group turnover | (11.6) | (4.3) | (0.7) | (0.5) | (1.6) | (61.6) | (262.4) | - | (342.7) | (312.1) | 654.8 | - |
| Turnover to external customers | 952.2 | 579.1 | 310.0 | 224.1 | 152.5 | 900.7 | 6.1 | - | 3,124.7 | 656.0 | - | 3,780.7 |
| Gross profit | 173.6 | 93.9 | 50.1 | 45.4 | 34.9 | 84.4 | (7.6) | 18.5 | 493.2 | 107.7 | - | 600.9 |
| Operating profit(loss) before depreciation and amortisation (EBITDA) | 40.2 | 32.4 | 12.6 | 12.6 | 2.3 | 10.3 | (50.5) | 16.0 | 75.9 | (10.6) | - | 65.3 |
| Depreciations and amortisation | (12.3) | (1.2) | (2.5) | (2.4) | (1.1) | (0.1) | (6.9) | - | (26.5) | (54.0) | - | (80.5) |
| Write-down | - | - | - | - | - | - | - | - | - | 91.7 | - | 91.7 |
| Operating profit (EBIT) | 27.9 | 31.2 | 10.1 | 10.2 | 1.2 | 10.2 | (57.4) | 16.0 | 49.4 | 27.1 | - | 76.5 |
| Profit before tax (EBT) | 18.5 | 23.0 | 2.0 | 6.9 | (3.0) | 2.4 | (81.5) | 16.4 | (15.3) | 12.5 | - | (2.8) |
| NOA | 445.7 | 268.8 | 137.8 | 111.8 | 57.5 | 165.3 | 36.6 | 3.9 | 1,227.4 | 289.9 | - | 1,517.3 |

**Geography**

| (DKK million) | Turnover 2011 | Turnover 2010 | Assets 2011 | Assets 2010 | Capital expenditure 2011 | Capital expenditure 2010 |
|---|---|---|---|---|---|---|
| Denmark | 430.3 | 417.7 | 215.8 | 333.7 | 7.2 | 3.3 |
| Other Nordic countries | 502.1 | 531.2 | 406.9 | 491.1 | 9.5 | 6.0 |
| Western Europe | 706.7 | 798.0 | 421.6 | 458.4 | 1.0 | - |
| USA | 201.0 | 228.8 | 135.6 | 135.0 | 3.7 | 1.0 |
| Emerging markets [1] | 1,096.5 | 1,149.0 | 389.5 | 180.9 | 2.0 | 2.4 |
| Continuing operations | 2,936.6 | 3,124.7 | 1,569.4 | 1,599.1 | 23.4 | 12.7 |
| Discontinued operations [2] | 146.3 | 656.0 | 119.3 | 414.1 | 0.3 | 19.8 |
| Group total | 3,082.9 | 3,780.7 | 1,688.7 | 2,013.2 | 23.7 | 32.5 |

[1] Emerging markets include Far and Middle East, South Africa and Eastern Europe.
[2] Discontinued operations relate to Forestry and Production activities.

# Notes

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |

## Note 4 Cost of sales

| | | | | |
|---|---|---|---|---|
| Inventories at 1 January | 701.5 | 984.5 | 151.2 | 147.9 |
| Inventories at 1 January, discontiuned operations | (26.5) | (335.0) | - | (4.7) |
| Inventories at 1 January, continuing operations | 675.0 | 649.5 | 151.2 | 143.2 |
| Purchased supplies | 2,307.9 | 2,366.3 | 1,089.5 | 1,405.6 |
| Own costs regarding purchases of supplies | 29.9 | 29.8 | 17.9 | 7.7 |
| Freight, customs duty, write-down, waste, etc. | 185.3 | 287.4 | 17.4 | 3.9 |
| Inventories at 31 December | (725.7) | (852.1) | (128.2) | (151.2) |
| Hereof inventories at 31 December, discontinued operations | 13.7 | 150.6 | - | - |
| Cost of sales | 2,486.1 | 2,631.5 | 1,147.8 | 1,409.2 |
| | | | | |
| Total write-downs of inventories at 1 January | 85.0 | 320.4 | 8.9 | 30.2 |
| Total write-downs of inventories at 1 January, discontinued operations | (1.0) | (198.1) | - | - |
| Total write-downs of inventories at 1 January, continuing operations | 84.0 | 122.3 | 8.9 | 30.2 |
| Write-downs during the year | 13.7 | 38.2 | 3.6 | 4.7 |
| Reversals of write-downs during the year | (76.6) | (75.5) | (10.9) | (26.0) |
| Total write-downs of inventories at 31 December | 21.1 | 85.0 | 1.6 | 8.9 |

Reversal of write-downs relate to sales of inventories earler written down.

| | | | | |
|---|---|---|---|---|
| **Inventories consist of the following categories:** | | | | |
| Raw materials | 56.5 | 48.8 | - | - |
| Work in progress | 8.5 | 12.0 | - | - |
| Manufactured goods and goods for resale | 660.7 | 765.9 | 128.2 | 151.2 |
| Spare parts and consumables | - | 25.4 | - | - |
| Assets held for sale | (13.7) | (150.6) | - | - |
| Total inventories | 712.0 | 701.5 | 128.2 | 151.2 |

## Note 5 Other operating items

| | | | | |
|---|---|---|---|---|
| **Other operating income:** | | | | |
| Proceeds from the sale of property, plant and equipment | 0.7 | 0.7 | - | - |
| Invoicing of intra-group services | - | - | - | 1.4 |
| Other operating income | 10.0 | 8.6 | 1.0 | 4.7 |
| | 10.7 | 9.3 | 1.0 | 6.1 |
| | | | | |
| **Other operating expenses:** | | | | |
| Losses on sale of property, plant and equipment | (0.3) | (0.4) | - | (0.3) |
| Other operating expenses | (6.0) | (3.3) | - | - |
| | (6.3) | (3.7) | - | (0.3) |

# Notes

## Note 6 Other external expenses

| (DKK million) | Group 2011 | Group 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|
| Write-down to market value including reversals of write-downs of trade receivables recognised in the income statement | (2.7) | (16.4) | (2.3) | (5.8) |
| Losses incurred on trade receivables | 3.4 | 9.1 | 1.0 | 2.1 |
| Credit insurance and similar expenses | 5.7 | 7.1 | 2.2 | 2.9 |
| Total credit expenses | 6.4 | (0.2) | 0.9 | (0.8) |
| Other sales expenses | 32.0 | 33.5 | 15.2 | 16.5 |
| Total sales expenses | 38.4 | 33.3 | 16.1 | 15.7 |
| Distribution expenses | 27.5 | 54.6 | 19.4 | 43.4 |
| Administrative expenses | 109.5 | 121.9 | 36.7 | 46.1 |
| | 175.4 | 209.8 | 72.2 | 105.2 |
| **Fees to auditors appointed at the annual general meeting:** | | | | |
| KPMG: | | | | |
| Statutory audit | 1.7 | 1.5 | 1.5 | 1.5 |
| Audit-related services | 2.1 | - | 2.1 | - |
| Tax advisory services | 0.9 | 0.4 | 0.9 | 0.4 |
| Other services | 1.2 | 1.8 | 1.2 | 1.8 |
| | 5.9 | 3.7 | 5.7 | 3.7 |

Of the above, DKK 2.9 million relates to the submission of statements and supporting the prospectus prepared in connection with the capital increase in April 2011. The amount is included in the costs relating to the capital increase while the remainder is included in the income statement.

## Note 7 Staff costs

| (DKK million) | Group 2011 | Group 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|
| Salaries and wages | 190.4 | 329.2 | 86.2 | 92.1 |
| Defined contribution plans, cf. note 19 | 11.0 | 13.3 | 5.1 | 6.7 |
| Defined benefit plans, cf. note 19 | 0.5 | 3.5 | - | - |
| Other social security costs, net of refunds | 27.5 | 27.8 | (0.1) | (0.6) |
| | 229.4 | 373.8 | 91.2 | 98.2 |
| Staff costs have been recognised under the following headings: | | | | |
| Staff costs related to purchase of supplies, continuing operations | 27.2 | 28.4 | 11.2 | (1.7) |
| Staff costs related to production, discontinued operations | 0.1 | 56.0 | - | - |
| Other staff costs, continuing operations | 192.7 | 213.1 | 81.1 | 92.2 |
| Other staff costs, discontinued operations | 9.4 | 76.3 | (1.1) | 7.7 |
| | 229.4 | 373.8 | 91.2 | 98.2 |
| Number of emplyees on average for the year | 691 | 2,123 | 228 | 259 |
| Number of these employed in discontinued operations | (35) | (1,410) | - | - |
| Number of these employed in continuing operations | 656 | 713 | 228 | 259 |

# Notes

## Note 7 Staff costs (continued)

**Remuneration to the Supervisory Board, Executive Board and other executives:**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| (DKK million) | Supervisory Board of parent company | Executive Board of parent company | Other executives | Supervisory Board of parent company | Executive Board of parent company | Other executives |
| Salaries | 2.0 | 3.9 | 11.1 | 1.7 | 3.8 | 11.6 |
| One-off fees | - | 1.3 | 1.0 | - | - | - |
| Bonus schemes | - | 1.0 | 2.5 | - | 1.0 | 0.1 |
| Pensions | - | - | 0.5 | - | - | 0.1 |
| | 2.0 | 6.2 | 15.1 | 1.7 | 4.8 | 11.8 |

Other executives comprise the Group Management excluding the Executive Board. The Executive Board's contract contains a term of notice on the part of the company comprising severance pay that is standard for Danish listed companies. In addition, a non-competition clause has been agreed. In addition to the Executive Board, the Group Management comprises 6 Executive Vice Presidents employed by the Parent Company or locally, but costs are carried by their respective regions. A fee of DKK 0.2 million to the Audit Committee is included in the amount of salaries to the Supervisory Board of parent company

| | Parent company | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| (DKK million) | Supervisory Board of parent company | Executive Board of parent company | Other executives | Supervisory Board of parent company | Executive Board of parent company | Other executives |
| Salaries | 2.0 | 3.9 | 7.1 | 1.7 | 3.8 | 10.2 |
| One-off fees | - | 1.3 | 1.0 | - | - | - |
| Bonus schemes | - | 1.0 | 1.6 | - | 1.0 | 0.1 |
| Pensions | - | - | 0.2 | - | - | 0.1 |
| | 2.0 | 6.2 | 9.9 | 1.7 | 4.8 | 10.4 |

The Executive Board and other members of the Group Management have been participating in a revolving share option scheme since 2002. On the backdrop of DLH's profit trends, it has been decided to suspend the allotment of share options for the Executive Board and the other members of Group Management for the period 1 April 2009 - 31 March 2011 with no compensation. In 2011, the Supervisory Board decided that the current option programme should be discontinued as at 31 March 2011. The non-exercised share options can continue to be exercised, but no further share options will be allotted within this programme. The Supervisory Board expects to present proposals for new guidelines for remuneration to the management at the Annual General Meeting.

Options allotted in 2005 and in subsequent years may be exercised for a period of 3-6 years after the allotment. There are no conditions attached to the exercise of the share options within the usual trading windows, apart from the period from the announcement of the annual financial statements in March and until 1 April and naturally subject to current insider trading rules. The exercise price corresponds to the allotment price indexed to an increase of 3% per annum. Members of the Group Management acquire their entitlement to share options over a 12 month period from 1 April to 31 March. Special provisions apply to changes in the company's capital structure. The allotment of share options is conditional upon the holder still being in employment.

## Note 7 Staff costs (continued)

**Allotted share options 2006 - 2008**

| | Expiry | Allotment rate | Executive Board[1)] | Other executives[1)] | Resigned employees | Total share options | Fair value per option[2)] | Total fair value[2)] |
|---|---|---|---|---|---|---|---|---|
| | Year | DKK | number | number | number | number | DKK | tDKK |
| Share options allotted for 2006 | 2012 | 112 | - | 2,790 | 25,090 | 27,880 | 17.90 | 500 |
| Share options allotted for 2007 | 2013 | 110 | - | 2,023 | 18,207 | 20,230 | 24.70 | 500 |
| Share options allotted for 2008 | 2014 | 75 | - | 8,934 | 23,824 | 32,758 | 16.80 | 550 |
| Total allotted share options | | | | 13,747 | 67,121 | 80,868 | | |

1) Employed at 31 December 2011
2) At time of allotment

**Adjustment of share options and reduction in the exercise price as a result of the capital increase**

In April 2011, DLH increased its share capital from DKK 178,554,990 to DKK 267,832,485. At the same time, the share classes were abolished and the size of the denomination reduced from the nominal price of DKK 10 to DKK 5. The number of shares rose from 17,855,499 to 53,566,497 after the capital increase. As a consequence of the capital increase, the share option holders are entitled to be compensated for the dilution of their share options through the allotment of a number of share options and an adjustment to the exercise prices which together correspond to an unchanged value of the already allotted share options. The number of outstanding share options has thus increased by 78% from 80,868 to 143,566. In addition, the exercise prices have been reduced by 44% from 82.06 to 46.22 (2008), from 123.57 to 69.60 (2007) and from 130.07 to 73.27 (2006).

**Adjustment of share option programme as a result of capital increase in 2011**

| | | Before capital increase | | After capital increase | | |
|---|---|---|---|---|---|---|
| **Allotment** | **Expiry** | **Number of share options** | **Exercise price April 2011** | **Number of share options** | **Δ Share options** | **Exercise price April 2011** |
| 2006 | 2012 | 27,880 | 130.07 | 49,496 | 21,616 | 73.27 |
| 2007 | 2013 | 20,230 | 123.57 | 35,915 | 15,685 | 69.60 |
| 2008 | 2014 | 32,758 | 82.06 | 58,155 | 25,397 | 46.22 |
| **Total** | | **80,868** | | **143,566** | **62,698** | |

At 31 December 2011, the share option scheme comprised a total of 143,566 share options. Each share option entitles its holder to acquire one existing share at the nominal price of DKK 5 in the company. The share options are issued at an exercise price that is calculated based on the market price for the company's B shares at the time of allotment. The share options can only be settled in shares. If all the share options are exercised, the share option scheme grants participants the right to acquire up to 1.0% of the share capital. As at 31 December 2011, the company repurchased shares that equate to this commitment.

The fair values at 31 December 2011 of issued non-exercised share options amounted to DKK 0 for the Executive Board, DKK 0.002 million for the other members of the Group Management and DKK 0.006 million for resigned employees.

# Notes

## Note 7 Staff costs (continued)

**Share options allotted 2006-2008**

| | Executive Board[1] | Other executives[1] | Resigned employees | Total share options | Average exercise price per share option | Fair value per option[2] | Total fair value[2] |
|---|---|---|---|---|---|---|---|
| | number | number | number | number | DKK | DKK | tDKK |
| Share options, outstanding at the beginning of 2010 | - | 21,067 | 125,671 | 146,738 | - | - | - |
| Exercised | - | - | - | - | - | - | - |
| Expired, non-exercised share options | | - | - | - | - | - | - |
| **Outstanding at the end of 2010** | **-** | **21,067** | **125,671** | **146,738** | | **-** | **-** |
| Exercised | - | - | - | - | - | - | - |
| Expired, non-exercised share options | - | (7,320) | (58,550) | (65,870) | | | |
| Transferred to resigned employees | - | - | - | - | - | - | - |
| Adjustment of number in relation to capital increase | - | 10,658 | 52,040 | 62,698 | - | - | - |
| **Outstanding at the end of 2011** | **-** | **24,405** | **119,161** | **143,566** | | **-** | **-** |
| Numbers of share options that may be exercised at the end of 2011 | - | 24,405 | 119,161 | 143,566 | - | - | - |
| Hereof "in the money" | - | - | - | - | | | |

1) Employees at 31 December 2011
2) At time of allotment

Resigned employees comprise the Executive Board and other Senior Executives. No share options were exercised in 2011. In 2011, the recognised fair value of share options for the group totalled DKK 0.008 million. The fair values determined on allotment are based on a Black Scholes model for the pricing of share options, which does not take in account any early exercise of the share option.

The assumptions for the determination of the fair value of outstanding share options are the following:

| | 2011 | 2010 |
|---|---|---|
| Share price (DKK) | 6.4 | 30.7 |
| Exercise price (DKK) indexed at 3% p.a. | 62.3 | 85.0 |
| Expected volatility | 65% | 59% |
| Dividend rate | 3.1% | 2.4% |
| Risk free interest rate | 1.8% | 3.0% |

The expected volatility has been calculated as a weighted average of the volatility of the last three financial years.

# Notes

## Note 8 Depreciation, amortisation and impairment losses

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| **Depreciation and amortisation:** | | | | |
| Customer relations, trademarks and IT systems | 12.2 | 13.8 | 5.2 | 5.8 |
| Intangible assets | 12.2 | 13.8 | 5.2 | 5.8 |
| Land and buildings | 6.4 | 17.0 | 1.0 | - |
| Plant and machinery | 0.9 | 23.0 | - | - |
| Fixtures and fittings, other plant and equipment | 6.9 | 26.7 | 1.7 | 2.1 |
| Tangible assets | 14.2 | 66.7 | 2.7 | 2.1 |
| | 26.4 | 80.5 | 7.9 | 7.9 |
| Of these, depreciation and amortisation relating to discontinued operations | (1.1) | (54.0) | (0.4) | - |
| Total depreciation and amortisation | 25.3 | 26.5 | 7.5 | 7.9 |
| **Impairment losses:** | | | | |
| Goodwill | - | 3.9 | - | - |
| Customer relations, trademarks and IT systems | - | 1.0 | - | 2.8 |
| Intangible assets | - | 4.9 | - | 2.8 |
| Land and buildings | - | (46.6) | - | - |
| Plant and machinery | - | (12.3) | - | - |
| Fixtures and fittings, other plant and equipment | - | (37.7) | - | - |
| Tangible assets | - | (96.6) | - | - |
| Investments in subsidiaries | - | - | 16.8 | (80.2) |
| Long-term receivables from group enterprises | - | - | 1.1 | 69.1 |
| Financial assets | - | - | 17.9 | (11.1) |
| Short-term receivables from group companies | - | - | 36.5 | (61.2) |
| Of these impaiment losses relating to discontinued operations | - | 91.7 | - | 26.8 |
| Total impairment losses | - | - | 54.4 | (42.7) |

Please refer to note 29 for information on the reversal of impairment losses on tangible assets

The equity investments in African activities was recognised under discontinued operations in 2010, and an amount of DKK 29.6 million was reversed to ensure that the measurement corresponds to the net realisable value. Furthermore, out of the amounts written down in previous years, DKK 50.6 million was reversed in 2010 as a result of rising turnover in the continuing entities. The reversal was made on the basis of impairment tests, which were in turn based on the budgets for the next four years.

Receivables from the entities that have been sold in 2011 were written down in 2009. Part of the write-down charge was reversed in 2010 so that the receivable was recognised at the realised or expected net realisable value.

In 2011 receivables and investments have been written down, primarily due to further transfers to discontinued activities.

# Notes

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |

## Note 9 Financial income

| | | | | |
|---|---|---|---|---|
| Interest income from group enterprises on long-terme loans | - | - | 12.9 | 11.8 |
| Interest income from group enterprises | - | - | 10.5 | 19.0 |
| Foreign currency gains | 2.9 | - | - | 4.2 |
| Interest income, cash etc. | 1.5 | 5.1 | 0.6 | 4.4 |
| Dividend from subsidiaties | - | - | 1.8 | 9.2 |
| | 4.4 | 5.1 | 25.8 | 48.6 |
| Interest from financial assets meassured at amortised cost amounts to | 1.5 | 5.1 | 25.8 | 44.4 |

## Note 10 Financial expenses

| | | | | |
|---|---|---|---|---|
| Interest paid to group enterprises | - | - | (2.7) | (0.8) |
| Foreign currency losses | - | (1.1) | (6.5) | - |
| Interest paid to credit institutions etc. | (55.0) | (68.7) | (46.2) | (105.6) |
| | (55.0) | (69.8) | (55.4) | (106.4) |
| Interest on financial liabilities meassured at amortised cost amounts to | (50.0) | (60.0) | (43.9) | (97.7) |

## Note 11 Tax on profit for the year

| | | | | |
|---|---|---|---|---|
| Tax for the year may be broken down as follows: | | | | |
| Tax on profit for continuing operations | - | 5.5 | (18.1) | (14.8) |
| Tax on other comprehensive income | 0.5 | - | - | - |
| Tax relating to discontinued operations | 0.3 | 11.1 | - | - |
| | 0.8 | 16.6 | (18.1) | (14.8) |
| **Tax on profit for the year for the continuing operations may be broken down as follows:** | | | | |
| Current tax | 21.3 | 17.0 | - | - |
| Deferred tax | (19.3) | (12.4) | (18.3) | (15.1) |
| Adjustment of tax for previous years | (2.0) | 0.9 | 0.2 | 0.3 |
| | - | 5.5 | (18.1) | (14.8) |
| **Computation of effective tax rate:** | | | | |
| Calculated 25% tax on pre-tax profit(loss) for the continuing operations | 2.7 | (3.8) | (32.5) | (11.3) |
| Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate | 1.8 | 1.6 | - | - |
| Adjustment of non-capitalized tax losses and inclusion of previous years' losses not recognised | (3.2) | 9.1 | 10.4 | 4.2 |
| Tax effect of: | | | | |
| Non-taxable income | (4.4) | (15.8) | (4.0) | (10.7) |
| Other non-tax deductible expenses | 5.1 | 13.5 | 7.8 | 2.7 |
| Tax adjustment relating to previous years | (2.0) | 0.9 | 0.2 | 0.3 |
| | - | 5.5 | (18.1) | (14.8) |
| Effective tax rate | 0.2% | (35.8)% | 13.9% | 32.9% |

# Notes

## Note 11 Tax on profit for the year (continued)

**Tax of other comprehensive income:**

| (DKK million) | 2011 Before tax | 2011 Tax income/ expense | 2011 After tax | 2010 Before tax | 2010 Tax income/ expense | 2010 After tax |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Foreign currency translation adjustments on conversion of foreign operations | (0.5) | - | (0.5) | 35.1 | - | 35.1 |
| Value adjustment on hedging instruments | 1.1 | - | 1.1 | (44.6) | - | (44.6) |
| Actuarial gains/(losses) on defined benefit plans | (4.3) | 0.5 | (3.8) | (0.6) | - | (0.6) |
| | (3.7) | 0.5 | (3.2) | (10.1) | - | (10.1) |
| **Parent company** | | | | | | |
| Value adjustment on hedging instruments | (1.4) | - | (1.4) | (0.4) | - | (0.4) |
| | (1.4) | - | (1.4) | (0.4) | - | (0.4) |

For 2010 and 2011 no tax asset on other comprehensive income was recognised since it would presumable not be utilised within the foresee-able future.

## Note 12 Earnings per share

| (DKK million) | Group 2011 | Group 2010 Adjusted | Group 2010 Original |
|---|---|---|---|
| Profit for the year | 1.7 | 3.6 | 3.6 |
| Profit for the year, discontinued operations | 9.2 | (24.4) | (24.4) |
| Profit for the year, continuing operations | 10.9 | (20.8) | (20.8) |
| **(Number 1,000)** | | | |
| Average number of shares issued | 47,513 | 35,711 | 17,855 |
| Average number of treasury shares | (182) | (364) | (182) |
| Average number of repurchased shares | - | - | - |
| Average number of shares in issue | 47,331 | 35,347 | 17,673 |
| Average dilution effect on outstanding options | - | - | |
| Average number of shares in issue after dilution | 47,331 | 35,347 | 17,673 |
| **(DKK)** | | | |
| Earnings per share (EPS) of DKK 5 | 0.04 | 0.10 | 0.20 |
| Earnings per share diluted (EPS-D) of DKK 5 | 0.04 | 0.10 | 0.20 |
| Earnings per share (EPS) of DKK 5 for continuing operations | 0.23 | (0.59) | (1.18) |
| Earnings per share diluted (EPS-D) of DKK 5 for continuing operations | 0.23 | (0.59) | (1.18) |

# Notes

## Note 13 Intangible assets and property, plant and equipment

| (DKK million) | Goodwill | IT projects in progress | Customer relations, trademarks and IT systems | Total intagible assets |
|---|---|---|---|---|
| **Group** | | | | |
| Cost at 1 Janauary 2010 | 163.9 | 1.0 | 178.5 | 343.4 |
| Foreign currency translation adjustment | 17.3 | - | 9.0 | 26.3 |
| Reclassifications | - | (3.9) | 3.9 | - |
| Additions during the year | - | 3.4 | 1.5 | 4.9 |
| Disposals during the year | (9.1) | - | (0.3) | (9.4) |
| Transferred to assets held for sale | (5.7) | - | (61.8) | (67.5) |
| Cost at 31 December 2010 | 166.4 | 0.5 | 130.8 | 297.7 |
| Depreciation, amortisation and impairment losses at 1 January 2010 | 31.6 | - | 93.1 | 124.7 |
| Foreign currency translation adjustment | 2.7 | - | 1.5 | 4.2 |
| Depreciation and amortisation for the year | - | - | 13.8 | 13.8 |
| Impairment losses for the year | 3.9 | - | 2.8 | 6.7 |
| Reversal of depreciation and amortisation on assets sold | (9.1) | - | (0.1) | (9.2) |
| Reversal of impairment losses | - | - | (1.8) | (1.8) |
| Transferred to assets held for sale | (5.7) | - | (60.6) | (66.3) |
| Depreciation, amortisation and impairment losses at 31 December 2010 | 23.4 | - | 48.7 | 72.1 |
| Carrying amount at 31 December 2010 | 143.0 | 0.5 | 82.1 | 225.6 |
| **Additions and disposals, continuing operations:** | | | | |
| Additions during the year | - | 3.4 | 1.5 | 4.9 |
| Disposals during the year | - | - | (4.2) | (4.2) |
| **Parent company** | | | | |
| Cost at 1 Janauary 2010 | 6.3 | 1.0 | 32.1 | 39.4 |
| Reclassifications | - | (3.9) | 3.9 | - |
| Additions during the year | - | 2.9 | 1.5 | 4.4 |
| Disposals during the year | (0.4) | - | (0.2) | (0.6) |
| Transferred to assets held for sale | - | - | (2.8) | (2.8) |
| Cost at 31 December 2010 | 5.9 | - | 34.5 | 40.4 |
| Depreciation, amortisation and impairment losses at 1 January 2010 | - | - | 19.9 | 19.9 |
| Reclassifications | - | - | (0.1) | (0.1) |
| Depreciation and amortisation for the year | - | - | 5.8 | 5.8 |
| Impairment losses for the year | - | - | 2.8 | 2.8 |
| Transferred to assets held for sale | - | - | (2.8) | (2.8) |
| Depreciation, amortisation and impairment losses at 31 December 2010 | - | - | 25.6 | 25.6 |
| Carrying amount at 31 December 2010 | 5.9 | - | 8.9 | 14.8 |

# Notes

## Note 13 Intangible assets and property, plant and equipment (continued)

| (DKK million) | Goodwill | IT projects in progress | Customer relations, trademarks and IT systems | Total intagible assets |
|---|---|---|---|---|
| **Group** | | | | |
| Cost at 1 Janauary 2011 | 166.4 | 0.5 | 130.8 | 297.7 |
| Foreign currency translation adjustment | 0.3 | (0.1) | (0.8) | (0.6) |
| Reclassifications | - | (0.5) | 0.5 | - |
| Additions during the year | - | 1.2 | 3.9 | 5.1 |
| Disposals during the year | - | - | (0.8) | (0.8) |
| Transferred to assets held for sale | - | (0.3) | (2.5) | (2.8) |
| Cost at 31 December 2011 | 166.7 | 0.8 | 131.1 | 298.6 |
| Depreciation, amortisation and impairment losses at 1 January 2011 | 23.4 | - | 48.7 | 72.1 |
| Foreign currency translation adjustment | (0.8) | - | (1.4) | (2.2) |
| Depreciation and amortisation for the year | - | - | 12.2 | 12.2 |
| Reversal of depreciation and amortisation on assets sold | - | - | (0.8) | (0.8) |
| Transferred to assets held for sale | - | - | (1.7) | (1.7) |
| Depreciation, amortisation and impairment losses at 31 December 2011 | 22.6 | - | 57.0 | 79.6 |
| Carrying amount at 31 December 2011 | 144.1 | 0.8 | 74.1 | 219.0 |
| **Additions and disposals, continuing operations:** | | | | |
| Additions during the year | - | 0.8 | 3.9 | 4.7 |
| Disposals during the year | - | - | - | - |
| **Parent company** | | | | |
| Cost at 1 Janauary 2011 | 5.9 | - | 34.5 | 40.4 |
| Reclassifications | - | (0.5) | 0.5 | - |
| Additions during the year | - | 0.8 | 3.8 | 4.6 |
| Disposals during the year | - | - | (0.7) | (0.7) |
| Cost at 31 December 2011 | 5.9 | 0.3 | 38.1 | 44.3 |
| Depreciation, amortisation and impairment losses at 1 January 2011 | - | - | 25.6 | 25.6 |
| Depreciation and amortisation for the year | - | - | 5.2 | 5.2 |
| Reversal of depreciation and amortisation on assets sold | - | - | (0.6) | (0.6) |
| Depreciation, amortisation and impairment losses at 31 December 2011 | - | - | 30.2 | 30.2 |
| Carrying amount at 31 December 2011 | 5.9 | 0.3 | 7.9 | 14.1 |

# Notes

## Note 13 Intangible assets and property, plant and equipment (continued)

| (DKK million) | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Property, plant and equipment under construction | Total property, plant and equipment |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Cost at 1 January 2010 | 303.5 | 148.6 | 160.8 | 24.4 | 637.3 |
| Foreign currency translation adjustment | 13.6 | 2.9 | 5.2 | 0.5 | 22.2 |
| Reclassifications | 4.5 | 12.8 | 2.0 | (19.3) | - |
| Additions during the year | 12.9 | 3.9 | 10.9 | 1.0 | 28.7 |
| Disposals during the year | (65.4) | (34.7) | (52.5) | - | (152.6) |
| Transferred to assets held for sale | (119.8) | (120.5) | (74.7) | (6.2) | (321.2) |
| Cost at 31 December 2010 | 149.3 | 13.0 | 51.7 | 0.4 | 214.4 |
| Depreciation, amortisation and impairment losses at 1 January 2010 | 164.3 | 118.5 | 113.7 | 13.1 | 409.6 |
| Foreign currency translation adjustment | 2.3 | 1.0 | 3.1 | - | 6.4 |
| Depreciation and amortisation for the year | 17.0 | 23.0 | 26.7 | - | 66.7 |
| Reversal of depreciation and amortisation on assets sold | (33.4) | (24.1) | (44.3) | - | (101.8) |
| Reversal of impairment losses | (56.2) | (18.1) | (24.9) | (13.1) | (112.3) |
| Transferred to assets held for sale | (62.7) | (93.9) | (39.4) | - | (196.0) |
| Depreciation, amortisation and impairment losses at 31 December 2010 | 31.3 | 6.4 | 34.9 | - | 72.6 |
| Carrying amount at 31 December 2010 | 118.0 | 6.6 | 16.8 | 0.4 | 141.8 |
| **Additions and disposals, continuing operations:** | | | | | |
| Additions during the year | 5.6 | 0.5 | 2.5 | 0.3 | 8.9 |
| Disposals during the year | (0.1) | (0.3) | (6.0) | - | (6.4) |
| **Parent company** | | | | | |
| Cost at 1 January 2010 | 0.3 | 6.2 | 20.9 | - | 27.4 |
| Additions during the year | - | - | 0.5 | - | 0.5 |
| Disposals during the year | - | (4.6) | (9.7) | - | (14.3) |
| Cost at 31 December 2010 | 0.3 | 1.6 | 11.7 | - | 13.6 |
| Depreciation, amortisation and impairment losses at 1 January 2010 | 0.1 | 6.1 | 12.7 | - | 18.9 |
| Depreciation and amortisation for the year | - | - | 2.1 | - | 2.1 |
| Reversal of depreciation and amortisation on assets sold | - | (4.5) | (8.3) | - | (12.8) |
| Depreciation, amortisation and impairment losses at 31 December 2010 | 0.1 | 1.6 | 6.5 | - | 8.2 |
| Carrying amount at 31 December 2010 | 0.2 | - | 5.2 | - | 5.4 |

# Notes

## Note 13 Intangible assets and property, plant and equipment (continued)

| (DKK million) | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Property, plant and equipment under construction | Total property, plant and equipment |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Cost at 1 January 2011 | 149.3 | 13.0 | 51.7 | 0.4 | 214.4 |
| Foreign currency translation adjustment | (4.2) | (0.5) | (1.5) | - | (6.2) |
| Reclassifications | 6.1 | (0.2) | (5.9) | - | - |
| Additions during the year | 8.8 | 0.1 | 6.3 | 3.6 | 18.8 |
| Disposals during the year | (2.7) | (1.4) | (5.0) | - | (9.1) |
| Transferred to assets held for sale | (39.6) | 0.3 | (0.1) | - | (39.4) |
| Cost at 31 December 2011 | 117.7 | 11.3 | 45.5 | 4.0 | 178.5 |
| Depreciation, amortisation and impairment losses at 1 January 2011 | 31.3 | 6.4 | 34.9 | - | 72.6 |
| Foreign currency translation adjustment | (0.7) | (0.4) | (1.5) | - | (2.6) |
| Reclassifications | 3.1 | (0.2) | (2.9) | - | - |
| Depreciation and amortisation for the year | 6.4 | 0.9 | 6.9 | - | 14.2 |
| Reversal of depreciation and amortisation on assets sold | (0.6) | (1.4) | (4.2) | - | (6.2) |
| Transferred to assets held for sale | (5.8) | 0.3 | (0.1) | - | (5.6) |
| Depreciation, amortisation and impairment losses at 31 December 2011 | 33.7 | 5.6 | 33.1 | - | 72.4 |
| Carrying amount at 31 December 2011 | 84.0 | 5.7 | 12.4 | 4.0 | 106.1 |
| **Additions and disposals, continuing operations:** | | | | | |
| Additions during the year | 8.8 | 0.1 | 6.3 | 3.6 | 18.8 |
| Disposals during the year | (1.1) | - | (0.7) | - | (1.8) |

The carrying amount of assets under finance leases amounted to DKK 0.5 million at 31 December 2011 (2010: DKK 0.7 million).

| (DKK million) | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Property, plant and equipment under construction | Total property, plant and equipment |
|---|---|---|---|---|---|
| **Parent company** | | | | | |
| Cost at 1 January 2011 | 0.3 | 1.6 | 11.7 | - | 13.6 |
| Reclassifications | 5.4 | (0.2) | (5.2) | - | - |
| Additions during the year | - | - | 3.8 | - | 3.8 |
| Disposals during the year | - | (1.4) | (1.8) | - | (3.2) |
| Transferred to assets held for sale | (0.3) | - | (0.3) | - | (0.6) |
| Cost at 31 December 2011 | 5.4 | - | 8.2 | - | 13.6 |
| Depreciation, amortisation and impairment losses at 1 January 2011 | 0.1 | 1.6 | 6.5 | - | 8.2 |
| Reclassifications | 2.6 | (0.2) | (2.4) | - | - |
| Depreciation and amortisation for the year | 1.0 | - | 1.7 | - | 2.7 |
| Reversal of depreciation and amortisation on assets sold | - | (1.4) | (1.5) | - | (2.9) |
| Transferred to assets held for sale | (0.1) | - | (0.3) | - | (0.4) |
| Depreciation, amortisation and impairment losses at 31 December 2011 | 3.6 | - | 4.0 | - | 7.6 |
| Carrying amount at 31 December 2011 | 1.8 | - | 4.2 | - | 6.0 |

The carrying amount of assets under finance leases amounted to DKK 0.5 million at 31 December 2011 (2010: DKK 0.7 million)

## Note 13 Intangible assets and property, plant and equipment (continued)

**Impairment test**

From the beginning of 2011 the DLH Group's activities were divided into six strategic business units, comprising:

- Distribution divided into the regions USA, Russia, Western Europe, Central- & Eastern Europe and Nordic
- Global Sales & Sourcing

**Impairment test for strategic activities**

As at 31 December 2011, management carried out an impairment test of the carrying amount of goodwill within the strategic cash generating units.

The group's goodwill has been allocated to the following cash generating units:

| (DKK million) | 2011 | 2010 |
|---|---|---|
| Global Sourcing & Global Sales | 5.9 | 5.9 |
| Sales Region USA | 1.3 | 1.3 |
| Sales Region Western Europe | 6.5 | 6.5 |
| Sales Region Nordic | 130.4 | 129.3 |
| | 144.1 | 143.0 |

The allocation of goodwill is in accordance with the legal entities, and for this reason it was not necessary to base the allocation on estimates.

The increase in goodwill in Sales Region Nordic is owing to exchange rate fluctuations.

**Calculation of recoverable amount and assumptions**

The recoverable amount is based on the value in use, which has been determined by applying the expected cash flows for the years 2012-2016. The expected cash flow for 2012 has been calculated on the basis of the budget for the year as approved by management. For the years 2013-2016 the expected cash flows have been determined by means of a mathematical projection of the budget for 2012 based on the assumption of stable growth rates in the cash generating units.

The terminal value after 2016 has been determined as 2016 with growth at the rate of 1% p.a.

Key parameters in the calculation of cash flows are turnover trends, EBIT, interest rates, changes in working capital and capital expenditure.

Global Sourcing activities and costs in respect of the group's shared functions are evenly distributed between the other cash generating units within sales.

The present value of future cash flows exceeds the carrying amount for all cash generating units.

The impairment test is subject to considerable uncertainty, particularly in respect of the estimated turnover and contribution margin. The realisation of these parameters will to a large extent depend on developments in the group's key sales markets, especially within the building and construction industry.

Details of the assumptions for the business unit to which goodwill is attached are outlined below.

**Sales Region Nordic**

The EBIT margin is expected to rise from 3.0% in 2011 to 3.6% in 2012. For the years up to 2016, a slight rise in the EBIT margin to 4.0% is expected.

The expected cash flows have been discounted at a pre-tax discount rate of 8.3% (2010: 9.8%). The tax rate applied is 26.2% (2010: 27.1%) and the discount rate after tax is 6.6% p.a. (2010: 7.5%).

The present value of future cash flows exceeds the carrying amount, for which reason it has not been written down for impairment.

# Notes

| (DKK million) | 2011 | 2010 |
|---|---|---|

## Note 14 Investments in group enterprises

| Parent company | | |
|---|---|---|
| Cost at 1 January | 781.6 | 1,282.2 |
| Reclassification | 4.0 | - |
| Additions | - | 177.4 |
| Disposals | (2.0) | (22.9) |
| Transferred to assets held for sale | - | (655.1) |
| Cost at 31 December | 783.6 | 781.6 |
| | | |
| Impairment losses at 1 January | 267.7 | 847.3 |
| Reclassification | 4.0 | - |
| Reversed | (19.3) | (116.1) |
| Additions | 36.1 | 35.9 |
| Disposals | (2.0) | (22.9) |
| Transferred to assets held for sale | - | (476.5) |
| Impairment losses at 31 December | 286.5 | 267.7 |
| | | |
| **Carrying amount at 31 December** | **497.1** | **513.9** |

Investments in subsidiaries at 31 December 2011 include the companies listed on page 104 under "Legal Structure".
Please refer to Note 8 regarding additions to and disposals of impairment losses.

| | Non-current | | Current | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| Receivables from group enterprises: | | | | |
| Cost at 1 January | 343.9 | 284.1 | 272.5 | 511.8 |
| Foreign currency translation adjustment | (8.7) | 7.6 | 0.2 | - |
| Additions | 23.6 | 52.2 | 89.7 | - |
| Disposals | (61.8) | - | (86.8) | (239.3) |
| Reclassification | (196.3) | - | 196.3 | - |
| Cost at 31 December | 100.7 | 343.9 | 471.9 | 272.5 |
| | | | | |
| Impairment losses 1 January | 69.1 | - | 15.1 | 76.3 |
| Reversed | (3.4) | - | (1.6) | (70.6) |
| Additions | 4.5 | 69.1 | 38.1 | 9.4 |
| Reclassification | 0.5 | - | (0.5) | - |
| Impairment losses at 31 December | 70.7 | 69.1 | 51.1 | 15.1 |
| | | | | |
| **Carrying amount at 31 December** | **30.0** | **274.8** | **420.8** | **257.4** |

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |

## Note 15 Other investments and securities

| | | | | |
|---|---|---|---|---|
| Carrying amount 1 January | 3.7 | 3.7 | 3.7 | 3.7 |
| **Carrying amount 31 December** | **3.7** | **3.7** | **3.7** | **3.7** |

Investments include a 5.6% ownership share in a Brazilian company, which runs a teak forest. Investments have been measured at cost as there is either no well-functioning market palce for these or the negotiablibility of the under lying shares is otherwise limited.

Carrying value of the group's forest project Pataua in Brazil is DKK 0 million (2010: DKK 0 million).

# Notes

## Note 16 Tax in the balance sheet

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| **Tax in the balance sheet** | | | | |
| Tax receivable (income taxes due) at 1 January | 3.1 | 21.8 | - | 0.3 |
| Foreign currency translation adjustment | (1.0) | 1.7 | - | - |
| Current tax for the year | (21.3) | (17.0) | - | - |
| Adjustment of tax for previous years | 2.0 | (0.9) | (0.2) | (0.3) |
| Transferred to liabilities relating to assets held for sale | (1.2) | (3.7) | - | - |
| Paid (refund of) income taxes for the year | 19.0 | 1.2 | 0.2 | - |
| Income tax receivable (income taxes due) at 31 December | 0.6 | 3.1 | - | - |
| | | | | |
| Consists of: | | | | |
| Income tax receivable | 13.4 | 13.5 | - | - |
| Income taxes due | (12.8) | (10.4) | - | - |
| | 0.6 | 3.1 | - | - |
| | | | | |
| Deferred tax, net asset/(net liability): | | | | |
| Deferred tax 1 January | 10.8 | 1.9 | 15.1 | - |
| Foreign currency translation adjustment | (1.4) | - | - | - |
| Deferred tax for the year recognised in the profit for the year | 19.3 | 12.4 | 18.3 | 15.1 |
| Deferred tax for the year recognised in other comprehensive income | (0.5) | - | - | - |
| Transferred to liabilities relating to assets held for sale | - | (3.5) | - | - |
| Deferred tax 31 December | 29.2 | 10.8 | 33.4 | 15.1 |
| | | | | |
| Consists of: | | | | |
| Deferred tax (asset) | 49.7 | 42.1 | 33.4 | 15.1 |
| Deferred tax (liability) | (20.5) | (31.3) | - | - |
| | 29.2 | 10.8 | 33.4 | 15.1 |
| | | | | |
| Deferred tax relates to: | | | | |
| Intangible assets | (10.0) | (18.4) | (0.6) | - |
| Property, plant and equipment | 18.5 | 9.3 | 15.0 | 12.8 |
| Current assets | 9.1 | 3.9 | 3.1 | 2.3 |
| Provisions | 1.1 | (3.8) | 4.9 | - |
| Other liabilities | 9.9 | 3.7 | 9.0 | - |
| Tax losses carried forward (capitalised) | 0.6 | 16.1 | 2.0 | - |
| | 29.2 | 10.8 | 33.4 | 15.1 |
| | | | | |
| Deferred tax assets not recognized in the balance sheet relate to: | | | | |
| Temporary differences | 1.0 | 13.0 | - | 13.0 |
| Tax losses | 124.8 | 90.9 | 111.0 | 85.5 |
| | 125.8 | 103.9 | 111.0 | 98.5 |

No provision is made for contingent tax relating to the retaxation liability in respect of the Brazilian subsidiary, please refer to not 24 on Contingent liabilities.

Deferred tax has been calculated at the rates applicable in the countries in which the tax relates to.

Tax losses eligible to be carried forward have been recognised to the extent that they are expected to be capable of being off-set against future earnings.

# Notes

## Note 16 Tax in the balance sheet (continued)

Movement in temporary differences during the year:

| (DKK million) | Balance sheet 1 January 2010 | Foreign currency translation adjustment | in the income statement | Recognised nised to liabilities in net equity | Recog- Transferred to assets held for sale | Balance sheet 31 December 2010 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Intangible assets | (19.2) | 0.4 | 1.3 | - | (0.9) | (18.4) |
| Property, plant and equipment | 35.1 | - | (24.3) | - | (1.5) | 9.3 |
| Current assets | 25.7 | (0.1) | (20.6) | - | (1.1) | 3.9 |
| Provisions | (13.4) | - | 9.6 | - | - | (3.8) |
| Other liabilities | (33.4) | - | 37.1 | - | - | 3.7 |
| Tax losses carried forward | 7.1 | - | 9.0 | - | - | 16.1 |
| | 1.9 | 0.3 | 12.1 | - | (3.5) | 10.8 |

Movement in temporary differences during the year:

| (DKK million) | Balance sheet 1 January 2011 | Foreign currency translation adjustment | in the income statement | Recognised nised to liabilities in net equity | Recog- Transferred to assets held for sale | Balance sheet 31 December 2011 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Intangible assets | (18.4) | - | 8.4 | - | - | (10.0) |
| Property, plant and equipment | 9.3 | (0.5) | 9.7 | - | - | 18.5 |
| Current assets | 3.9 | - | 5.2 | - | - | 9.1 |
| Provisions | (3.8) | - | 4.4 | 0.5 | - | 1.1 |
| Other liabilities | 3.7 | - | 6.2 | - | - | 9.9 |
| Tax losses carried forward | 16.1 | (0.9) | (14.6) | - | - | 0.6 |
| | 10.8 | (1.4) | 19.3 | - | - | 29.2 |

# Notes

## Note 17 Receivables

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| Trade receivables | 352.9 | 356.9 | 160.1 | 124.4 |
| Transferred to assets held for sale | (3.2) | (27.6) | - | - |
| | 349.7 | 329.3 | 160.1 | 124.4 |
| Write-down included in the above receivables have developed as follows: | | | | |
| Write-down at 1 January | 15.5 | 38.8 | 8.9 | 14.7 |
| Write-down at 1 January, discontinued activities | - | (4.2) | - | - |
| Write-down at 1 January, continuing activities | 15.5 | 34.6 | 8.9 | 14.7 |
| Write-down for the year | 3.0 | 4.9 | 0.9 | 2.8 |
| Realised during the year | (3.7) | (2.8) | - | (1.9) |
| Reversed | (4.7) | (21.5) | (3.1) | (6.7) |
| Foreign currency translation adjustment | 0.2 | 0.3 | - | - |
| Write-down at 31 December | 10.3 | 15.5 | 6.7 | 8.9 |

## Note 18 Equity

**Share capital in the group and in the parent company:**

| | **Number of shares** | **Nominal value** | **Nominal value per share** |
|---|---|---|---|
| Class A shares at 1 January 2011 | 1,875,000 | 18,750,000 | 10 |
| Change of size of denomination on write-down of share capital | 1,875,000 | 9,375,000 | 5 |
| Cancellation of Class A shares | (1,875,000) | (9,375,000) | 5 |
| Class A shares of 31 December 2011 | 0 | 0 | |
| Class B shares at 1 January 2011 | 15,980,499 | 159,804,990 | 10 |
| Change of size of denomination on write-down of share capital | 15,980,499 | 79,902,495 | 5 |
| Cancellation of Class B shares | (15,980,499) | (79,902,495) | 5 |
| Class B shares at 31 December 2011 | 0 | 0 | |
| Shares at 1 January 2011 | 0 | 0 | |
| Discontinued Class A shares | 1,875,000 | 9,375,000 | 5 |
| Discontinued Class B shares | 15,980,499 | 79,902,495 | 5 |
| Shares before capital increase | 17,855,499 | 89,277,495 | 5 |
| Capital increase by issuing new shares in the ratio 1:2 | 35,710,998 | 178,554,990 | 5 |
| **Shares at 31 December 2011** | **53,566,497** | **267,832,485** | **5** |

At an extraordinary general meeting of Dalhoff Larsen & Horneman A/S on 8 March, 2011 it was decided to reduce the share capital by DKK 89.3 million to DKK 89.3 million by reducing the nominal amount per share from DKK 10 to DKK 5. At the same time, it was decided to cancel the share classes so that all shares have the same rights, including the same number of votes per share.

DLH-Fonden should also be assigned a statutory right to appoint one member of the Supervisory Board providing that DLH-Fonden holds at least 10% of the company's share capital and the Chairman and Vice-Chairman of the company's Supervisory Board are to be directly elected by the Annual General Meeting in future.

These above-mentioned decisions were conditional upon the implementation of the planned capital increase in April 2011.

In April 2011, DLH implemented the capital increase as planned. The share capital was increased by 35,710,998 new shares at a nominal value of DKK 5 to a total of 53,566,497 shares and with a nominal share capital of DKK 178,554,990 to a total share capital of DKK 267.8 million. As a result of the implementation of the capital increase, the class A shares were cancelled and the articles of association were adapted to the resolutions of 8 March 2011.

# Notes

## Note 18 Equity (continued)

**Share capital in the group and the parent company:**

| | Shares issued | | |
|---|---|---|---|
| | **Number of shares (of nom. DKK 10)** | **Nominal value (DKK million)** | **Nominal value (per share)** |
| Class A shares 1 January and 31 December 2010 | 1,875,000 | 18,750,000 | 10 |
| Class B shares 1 January and 31 December 2010 | 15,980,499 | 159,804,990 | 10 |
| Class A and B shares 31 December 2010 | 17,855,499 | 178,554,990 | 10 |

| | **Number of shares** | | **Nominal value (tDKK)** | | **Percentage of share capital** | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| Treasury shares: | | | | | | |
| Balance 1 January | 182,188 | 182,188 | 1,822 | 1,822 | 1.0% | 1.0% |
| Δ following the capital increase in 2011 | - | - | (911) | - | | |
| Treasury shares at 31 December | 182,188 | 182,188 | 911 | 1,822 | 0.3% | 1.0% |

By authority granted by the General Meeting, a maximum of 10% of the share capital may be acquired. The authority was not exercised in 2011. The authority is used to acquire treasury shares with a view to covering the company's obligations under the incentive scheme set up for the Group Management.

The company did not acquire treasury shares in 2011. This was because in 2010, based on DLH's profit trend, it was decided to suspend the allocation of options to the Executive Board and other members of the Group's management for the period 01.04.2009 - 31.03.2010 with no compensation. In 2011 the Supervisory Board decided that the current option programme should be discontinued as at 31.03.2011 with no allotment for 2010. The non-exercised options can continue to be exercised , but no further options will be allotted within this programme.

The Supervisory Board expects to present proposals for new guidelines for remuneration to the management at the Annual General Meeting.

## Note 19 Pensions and similar liabilities

In respect of defined contributions plans DLH as the employer is obliged to make a certain contribution (for instance a fixed amount or a fixed percentage of the salary). In respect of a defined contribution plan the group does not have the risk of future developments in interest rates, inflation, mortality and disability.

In respect of defined benefit plans DLH as the employer is obliged to pay for a certain benefit (for instance a retirement pension as a fixed amount or a fixed percentage of the final salary). In respect of a defined benefit plan the group have the risk of future developments in rates of interest, inflation, mortality and disability.

The pension liability of the parent company and the other Danish entities are insured. The majority of the foreign entities' pension liabilities are also insured. In a few foreign entities in which the liabilities are not insured or only insured in part, the liability is recognised at the present value at the balance sheet date, based on an actuarial calculation. In the consolidated financial statements DKK 13,1 million (2010: DKK 11,6 million) have been recognised under liabilities relating to the group's commitments to existing and former employees after making a deduction for the corresponding pension plan assets.

Defined benefit plans and similar liabilities relate to continuing operations only.

The following items are recognised in the group's consolidated income statement:

| **(DKK million)** | **2011** | **2010** |
|---|---|---|
| Defined contribution plans | 11.0 | 13.3 |
| Defined benefit plans | 0.5 | 3.5 |
| | 11.5 | 16.8 |
| Present value of defined benefit plans | (18.4) | (16.9) |
| Fair value of pension assets | 5.3 | 5.3 |
| **Net liability recognised in the balance sheet** | **(13.1)** | **(11.6)** |

# Notes

## Note 19 Pensions and similar liabilities (continued)

| (DKK million) | 2011 | 2010 |
|---|---|---|
| **Development in present value of defined benefit liability:** | | |
| Liability at 1 January | 16.9 | 72.1 |
| Foreign currency translation adjustment | 0.2 | 1.6 |
| Pension costs relating to the current financial year | - | 0.7 |
| Calculated interest relating to liability | 0.5 | 1.0 |
| Actuarial (gains) / losses | 4.3 | (0.4) |
| Pensions paid out | (3.5) | (1.7) |
| Transferred to liabilities relating to assets held for sale | - | (54.9) |
| Other adjustments | - | (1.5) |
| **Liability at 31 December** | **18.4** | **16.9** |
| | | |
| **Development in fair value of pension assets:** | | |
| Pension assets at 1 January | 5.3 | 51.2 |
| Expected return on pension assets | - | 0.2 |
| Actuarial gains / (losses) | - | (0.2) |
| Paid in by the DLH Group | - | 0.6 |
| Transferred to liabilities relating to assets held for sale | - | (46.5) |
| **Pension assets at 31 December** | **5.3** | **5.3** |
| | | |
| **Pension cost recognised in the income statement:** | | |
| Pension cost relating to the current financial year | - | 0.7 |
| Calculated interest relating to liability | 0.5 | 1.0 |
| Expected return on pension assets | - | (0.2) |
| Other costs | - | 2.0 |
| Total recognised for the defined benefit plans | 0.5 | 3.5 |
| Total recognised for the defined contribution plans | 11.0 | 13.3 |
| Hereof defined contribution plans regarding discontinued operations | (1.7) | (1.1) |
| Total recognised in the income statement | 9.8 | 15.7 |
| | | |
| Pensions costs recognised in the income statement: | | |
| Pension costs incidental to cost of sales | - | 0.1 |
| Staff costs | 9.8 | 15.6 |
| | 9.8 | 15.7 |

# Notes

## Note 19 Pensions and similar liabilities (continued)

| (DKK million) | 2011 | 2010 |
|---|---|---|
| In the statement of comprehensive income the following accumulated actuarial gains/(losses) have been recognised: | | |
| Accumulated actuarial gains/(losses) 1 January | (2.1) | (1.9) |
| Foreign currency translations adjustments | - | 0.4 |
| Actuarial gains/(losses) for the year | (4.3) | (0.6) |
| Accumulated actuarial gains/(losses) 31 December | (6.4) | (2.1) |
| Pension assets can be divided as follows: | | |
| Securities | - | - |
| Cash and cash equivalents | - | - |
| Assets belonging to the DLH Group | - | - |
| Other assets | 5.3 | 5.3 |
| Total pension assets | 5.3 | 5.3 |
| Return on pension assets: | | |
| Actual return on pension assets | - | (0.4) |
| Expected return on pension assets | - | 0.2 |
| Actuarial gains/(losses) on pension assets | - | (0.2) |

Pension assets do not include shares in Dalhoff Larsen & Horneman A/S.

The group expects to pay DKK 0.0 million on defined benefit plans in 2012.

The individual companies have made actuarial calculations at the balance sheet date. The underlaying assumptions are:

| | Sweden | | Belgium | | Norway | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Discount rate | 4.0% | 4.0% | 4.5% | 4.5% | 4.0% | 4.0% |
| Expected rate of return on pension plan assets | - | - | 4.0% | 4.0% | 5.4% | 5.4% |
| Future rate of increase in salaries and wages | 2.0% | 2.0% | 3.0% | 3.0% | 4.0% | 4.0% |

The expected return on pension plan assets has been fixed on the basis of the composition of the assets and general forecasts of economic trends.

The defined benefit severance schemes in Switzerland and in the African companies have in 2010 been transferred to liabilities re assets held for sale with a net amount of DKK 8.4 million.

| (DKK million) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Pension liabilities based on actuarial calculation | (18.4) | (16.9) | (72.1) | (80.1) | (82.0) |
| Pension plan assets | 5.3 | 5.3 | 51.2 | 53.1 | 55.8 |
| Funding surplus / (funding deficit) | (13.1) | (11.6) | (20.9) | (27.0) | (26.2) |
| Expectation adjustments relating to pension liabilities | - | - | - | 3.6 | (0.5) |
| Expectation adjustments relating to pension assets | - | - | 0.7 | (4.8) | (0.7) |

# Notes

## Note 20 Provisions

In 2006 the group vacated the parent company's property in Gadstrup. In 2010 the provision was DKK 1.1 million. In 2011, the matter regarding claims from the acquirer of the property was resolved with a settlement of DKK 0.2 million, which has been classified as liabilities. The settlement has resulted in a reversal of DKK 0,9 mio.

The group's Russian company is the subject of a tax audit in respect of the years 2007-2011. Due to uncertainties surrounding previous tax payments in Russia, the group has decided to make provisions of DKK 2.9 million (2010: DKK 2.5 million) for potential additional tax payments.

In 2010 the group made provisions totalling DKK 21,7 million to cover the costs of the restructuring measures implementet by the group at that time. Of this amount, DKK 19.7 million was spent in 2011. In addition, an amount of DKK 1.1 milion was transferred to discontinued operations. Additional restructuring measures were implemented in 2011. The group has provided an amount of DKK 7.6 milion to cover the costs incidental to these restructuring measures.

The group has made provisions for DKK 1.4 million (2010: 1.9 million) to cover other minor cases in Norway and the Ivory Coast.

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| **Provisions:** | | | | |
| Provisions at 1 January | 46.6 | 73.3 | 29.6 | 38.8 |
| Provisions at 1 January, discontinued operations | (0.1) | (21.9) | - | - |
| Provisions at 1 January, continuing operations | 46.5 | 51.4 | 29.6 | 38.8 |
| Provisions made for the year | 10.5 | 21.7 | 3.4 | 8.9 |
| Paid costs | (26.5) | (25.4) | (10.4) | (18.1) |
| Reversed | (3.6) | (1.1) | (2.9) | - |
| **Provisions at 31 December** | **26.9** | **46.6** | **19.7** | **29.6** |
| | | | | |
| **The provisions are expected to fall due as:** | | | | |
| Current liabilities | 9.5 | 32.8 | 5.6 | 15.8 |
| Non-current liabilities | 17.4 | 13.8 | 14.1 | 13.8 |
| **Provisions at 31 December** | **26.9** | **46.6** | **19.7** | **29.6** |

# Notes

| (DKK million) | Group 2011 | Group 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|
| **Note 21 Long-term loans** | | | | |
| **Loans to credit institutions:** | | | | |
| Subordinated loan | 55.8 | 161.8 | 55.8 | 161.8 |
| Credit institutions | 534.5 | 822.8 | 447.2 | 717.3 |
| Leasing commitments | 0.9 | 1.4 | 0.9 | 1.4 |
| Total | 591.2 | 986.0 | 503.9 | 880.5 |
| **Long-term loans:** | | | | |
| Subordinated loan | 37.2 | 55.9 | 37.2 | 55.9 |
| Credit institutions | 534.5 | - | 447.2 | - |
| Leasing commitments | 0.7 | 0.9 | 0.7 | 0.9 |
| Total | 572.4 | 56.8 | 485.1 | 56.8 |
| **Portfolio falling due within one year:** | | | | |
| Subordinated loan | 18.6 | 105.9 | 18.6 | 105.9 |
| Credit institutions | - | 822.8 | - | 717.3 |
| Leasing commitments | 0.2 | 0.5 | 0.2 | 0.5 |
| Total | 18.8 | 929.2 | 18.8 | 823.7 |

In connection with the acquisition of tt Timber Group in 2006 the vendor provided DKK 112 milion (EUR 15 million) of the purchase price as a subordinated loan in Dalhoff Larsen & Horneman A/S. The loan term was 10 years. In connection with the capital increase in April 2011, half of the loan was repaid partly by conversion into equity and partly by cash refund. At the same time it was agreed that the outstanding debt of DKK 56 million (EUR 7.5 million) would be repaid in three equal instalments of EUR 2.5 million in March, 2012, 2013 and 2014. The loan carries interest at the rate of the DLH Group's annual return on equity after tax, but not lower than 5% p.a. and not higher than 8% p.a.

In connection with the refinancing in March 2010 it was agreed that the company's majority shareholders, DLH Fonden, and Ellen & Knud Dalhoff Larsens Fond, were to provide subordinated loans of DKK 40 million and DKK 10 million respectively to consolidate the company's capital base. The loans were repaid in connection with the new subscription for shares in April 2011.

In order to hedge the interest risk the group has entered a number og interest swap contracts, please refer to note 22

**Leasing commitments:**

The present value of leasing commitments, broken down by item, is as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments | Interest element | Present value | Minimum lease payments | Interest element | Present value |
| 0-1 year | 0.2 | - | 0.2 | 0.5 | - | 0.5 |
| 1-5 years | 0.7 | - | 0.7 | 0.9 | (0.1) | 0.8 |
| > 5 years | - | - | - | - | - | - |
| | 0.9 | - | 0.9 | 1.4 | (0.1) | 1.3 |

The group's finance leases primarily relate to forklift trucks. The carrying amount of leased assets is DKK 0.5 milion.

# Notes

## Note 22 Financial risk and financial instruments

### The group's risk management policy

Due to the nature of the DLH Group's activities, investments and financing, it is exposed to a number of financial risks, especially foreign exchange, interest rate and liquidity risk as well as the risk involved in granting credit to customers.

The DLH Group's financial risk management is partly decentralized. The general framework for the group's financial risk management is laid down in the group's foreign exchange, investment, financing and credit policies, which contain descriptions of approved financial instruments and risk framework.

The foreign currency risk related to euro-denominated transactions is not hedged in the Danish parent company because the Danish Krone is pegged to the Euro.

A clear majority of DLH's financial risk management is handled by DLH's Finance Department. Financial risk is mainly hedged through forward exchange contracts and interest rate swaps. The Finance Department operates according to firm policies determined by the Supervisory Board.

It is the DLH Group's policy not to actively speculate in financial risk. Financial risk management is thus only concerned with the management and reduction of financial risk that is directly related to the DLH Group's operations, investments and financing. DLH's net investments in subsidiaries abroad are not hedged. This policy was changed mid 2011. Before then, investments in subsidiaries in foreign exchange rates, except from Euro, were hedged, unless the costs incurred were deemed to considerably exceed the risk of losses.

For a description of the accounting policies and methods applied, including recognition criteria and basis of measurement, please refer to the section on accounting policies applied in note 1.

There have been no significant changes in the group's risk exposure or risk management since last year. DLH does not hedge the euro against Danish kroner. If changes in the Eurozone were to occur DLH may be exposed to increased risk.

### Financial assets and liabilities

The carrying amount of financial assets and liabilities at year-end 2011 corresponded to the fair value at the balance sheet date.

Forward exchange contracts and interest rate swaps are measured according to generally accepted valuation methods based on relevant observable swap curves and foreign exchange rates. All derivative financial instruments are included at level 2 of the fair value hierarchy.

### Foreign currency risk

The DLH Group is exposed to foreign exchange rate fluctuations since individual intra-group entities make purchasing and sales transactions and have outstanding receivables and debt denominated in currencies other than their own functional currency.

The group's foreign currency risk is hedged by matching income and expenses, receivables and commitments denominated in foreign currencies by means of derivative financial instruments in the individual entities. Future cash flows are only hedged when binding contracts have been concluded for the sale or purchase of goods.

For the parent company hedge of purchase and sales contracts are based on data from the order systems in the central ERP system, while it is up to group entities using local systems to contact the Finance Department with a view to hedging the foreign currency risk related to purchasing and selling in currencies other than the company's functional currency. Goods purchased to keep in stock are for the most part hedged/translated into the functional currency on receipt of the goods. With respect to goods sold, these are hedged once the customer has accepted the sales contract. Direct supplies are hedged when the purchasing or selling price respectively has been fixed and orders are confirmed.

The group's foreign exchange exposure is divided into financial instruments related to the financing activity and receivables and debt related to the group's agreements to purchase and sell goods settled in currencies other than the respective intra-group companies' functional currencies. The sum total of these represents the DLH Group's transactions denominated in foreign currencies. At the balance sheet date, the DLH Group's principal foreign currency exposure related primarily to USD. An isolated calculation of USD in the event of a 10% rise in the dollar rate would have a total negative impact on operations to the tune of DKK 2.2 million, and on equity in the amount of DKK 8.9 million (2010: negative in the amount of DKK 1.1 million and DKK 1.1 million respectively). A decline in foreign exchange rates would have a corresponding converse effect in the opposite direction.

# Notes

## Note 22 Financial risk and financial instruments (continued)

The DLH Group's net exposure and the hypothetical impact on the profit(loss) for the year and on equity due to changes in foreign exchange rates that are likely to occur is shown below:

**Group** — **2011**

| | Nominal position | | | | | Sensitivity | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **Cash, cash equivalents and receivables** | **Financial liabilities (not derivatives)** | **Hedged purchasing and sales contracts** | **Derivative financial instruments for hedging future cash flows** | **Total** | **Probable change in foreign exchange rate** | **Hypothetical impact on profit(loss)** | **Hypothetical impact on equity** |
| EUR/DKK | 211.6 | (368.3) | - | 74.3 | (82.4) | 1% | (0.8) | (0.8) |
| USD/DKK | 244.6 | (142.0) | 66.4 | (191.2) | (22.2) | 10% | (2.2) | (8.9) |
| NOK/DKK | 48.0 | (3.8) | - | (43.9) | 0.3 | 5% | - | - |
| SEK/DKK | 49.0 | (2.9) | - | (45.9) | 0.2 | 5% | - | - |
| Other currencies | 145.3 | (47.4) | - | 1.7 | 99.6 | 10% | 10.0 | 10.0 |
| Total | 698.5 | (564.4) | 66.4 | (205.0) | (4.5) | | | |

**Group** — **2010**

| | Nominal position | | | | | Sensitivity | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **Cash, cash equivalents and receivables** | **Financial liabilities (not derivatives)** | **Hedged purchasing and sales contracts** | **Derivative financial instruments for hedging future cash flows** | **Total** | **Probable change in foreign exchange rate** | **Hypothetical impact on profit(loss)** | **Hypothetical impact on equity** |
| EUR/DKK | 278.7 | (449.0) | (21.1) | 162.7 | (28.7) | 1% | (0.3) | (0.3) |
| USD/DKK | 161.2 | (111.9) | 52.1 | (112.3) | (10.9) | 10% | (1.1) | (1.1) |
| GBP/DKK | 28.3 | (17.3) | - | - | 11.0 | 10% | 1.1 | 1.1 |
| NOK/DKK | 45.2 | (9.1) | 0.3 | (36.2) | 0.2 | 5% | - | - |
| PLN/DKK | - | (5.0) | - | - | (5.0) | 10% | (0.5) | (0.5) |
| SEK/DKK | 36.8 | (5.5) | 0.2 | (33.1) | (1.6) | 5% | (0.1) | (0.1) |
| Other currencies | 163.6 | (52.3) | - | 2.4 | 113.7 | 10% | 11.4 | 11.4 |
| Total | 713.8 | (650.1) | 31.5 | (16.5) | 78.7 | | | |

# Notes

## Note 22 Financial risk and financial instruments (continued)

The parent company's net exposure and the hypothetical impact on the profit(loss) for the year and on equity due to changes in foreign exchange rates that are likely to occur is shown below:

**Parent company** — **2011**

| | Nominal position | | | | | Sensitivity | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **Cash, cash equivalents and receivables** | **Financial liabilities (not derivatives)** | **Hedged purchasing and sales contracts** | **Derivative financial instruments for hedging future cash flows** | **Total** | **Probable change in foreign exchange rate** | **Hypothetical impact on profit(loss)** | **Hypothetical impact on equity** |
| EUR/DKK | 205.7 | (362.0) | - | 74.3 | (82.0) | 1% | (0.8) | (0.8) |
| USD/DKK | 244.1 | (119.8) | 66.4 | (193.6) | (2.9) | 10% | (0.3) | (6.9) |
| NOK/DKK | 48.0 | (3.8) | - | (43.9) | 0.3 | 5% | - | - |
| SEK/DKK | 49.0 | (2.9) | - | (45.9) | 0.2 | 5% | - | - |
| Other currencies | 145.3 | (46.2) | - | 1.7 | 100.8 | 10% | 10.1 | 10.1 |
| Total | 692.1 | (534.7) | 66.4 | (207.4) | 16.4 | | | |

**Parent company** — **2010**

| | Nominal position | | | | | Sensitivity | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **Cash, cash equivalents and receivables** | **Financial liabilities (not derivatives)** | **Hedged purchasing and sales contracts** | **Derivative financial instruments for hedging future cash flows** | **Total** | **Probable change in foreign exchange rate** | **Hypothetical impact on profit(loss)** | **Hypothetical impact on equity** |
| EUR/DKK | 276.0 | (440.6) | (21.1) | 162.7 | (23.0) | 1% | (0.2) | (0.2) |
| USD/DKK | 173.7 | (110.8) | 50.5 | (113.9) | (0.5) | 10% | (0.1) | (0.1) |
| GBP/DKK | 28.3 | (17.3) | 1.2 | 1.3 | 13.5 | 10% | 1.4 | 1.4 |
| NOK/DKK | 45.2 | (9.1) | 0.3 | (36.2) | 0.2 | 5% | - | - |
| PLN/DKK | - | (4.8) | - | - | (4.8) | 10% | (0.5) | (0.5) |
| SEK/DKK | 38.9 | (5.5) | 0.2 | (33.1) | 0.5 | 5% | - | - |
| Other currencies | 166.3 | (52.3) | 2.7 | 2.7 | 119.4 | 10% | 11.9 | 11.9 |
| Total | 728.4 | (640.4) | 33.8 | (16.5) | 105.3 | | | |

# Notes

## Note 22 Financial risk and financial instruments (continued)

### Assumptions for the sensitivity analysis

- The sensitivities shown have been calculated on the premise of unchanged market conditions.
- Sensitivities related to financial instruments have been calculated on the basis of the financial instruments recognised at 31 December.
- The calculated expected fluctuations are based on the average annual volatility of the underlying risk.
- The derivative financial instruments to hedge future cash flows include instruments that have a direct impact on equity.

### Interest rate risk

Due to its financing activities the DLH Group is exposed to risk arising from fluctuations in the interest rate level in Denmark and abroad. The primary interest rate exposure is related to fluctuations in short-term money market rates in the group's functional currencies. It is the DLH Group's policy to hedge the interest rate risk on loans when the group deems that interest payments may be fixed at a satisfactory level. Hedging normally takes the form of concluding interest rate swaps where loans carrying variable rates of interest are converted to fixed interest rate loans. Please refer to the section below on hedge accounting.

At year-end 2011 DLH's interest-bearing debt net amounted to approximately DKK 546 million. The debt is primarily denominated in Euro, Danish Kroner and US dollar. Loans denominated in foreign currencies are included in the overall hedging policy of the DLH Group and is therefore not an expression of the group's foreign currency exposure. Of the interest-bearing debt approximately DKK 535 million is variable interest rate debt. To reduce the interest rate risk, the group has outstanding interest rate swaps corresponding to DKK 302 million at the balance sheet date, at an average rate of interest of 2.2% and a weighted time to maturity of three months.

On an annual basis, a simultaneous change in the interest rate of 1 percentage point on all loans in foreign currencies on the whole interest-bearing debt would reduce the group's pre-tax profit(loss) by approximately DKK 2.3 million and equity would be reduced equally at the current level of activity and with the existing capital structure.

Since the balance sheet date, interest swaps in Euro and US dollars has been entered into for a total countervalue of DKK 150 million. The weighted maturity is 2.7 years and DLH pays a fixed average rate of 0.9% and receives a floating 3 month interest rate.

| **Group** | | | | **2011** | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Re-assessment or maturity, if earlier** | | | | **Broken down by interest rate intervals** | | | | |
| **(DKK million)** | **0-1 year** | **1-5 years** | **>5 years** | **Total** | **0-2%** | **2-4%** | **4-6%** | **6-8%** | **>8%** |
| Subordinated loan capital | 18.6 | 37.2 | - | 55.8 | - | - | 55.8 | - | - |
| Long-term debt to credit institutions | - | 534.5 | - | 534.5 | - | - | 534.5 | - | - |
| Short-term debt to credit institutions | - | - | - | - | - | - | - | - | - |
| Interest rate swaps | - | - | - | - | (302.1) | 302.1 | - | - | - |
| Leasing commitments | 0.2 | 0.7 | - | 0.9 | - | - | 0.9 | - | - |
| Cash | (45.5) | - | - | (45.5) | (45.5) | - | - | - | - |
| | (26.7) | 572.4 | - | 545.7 | (347.6) | 302.1 | 591.2 | - | - |

| **Group** | | | | **2010** | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Re-assessment or maturity. if earlier** | | | | **Broken down by interest rate intervals** | | | | |
| **(DKK million)** | **0-1 year** | **1-5 years** | **>5 years** | **Total** | **0-2%** | **2-4%** | **4-6%** | **6-8%** | **>8%** |
| Subordinated loan capital | 105.9 | 55.9 | - | 161.8 | - | - | - | 111.8 | 50.0 |
| Long-term debt to credit institutions | - | - | - | - | - | - | - | - | - |
| Short-term debt to credit institutions | 822.8 | - | - | 822.8 | - | 822.8 | - | - | - |
| Interest rate swaps | - | - | - | - | - | (752.8) | 752.8 | - | - |
| Leasing commitments | 0.5 | 0.9 | - | 1.4 | - | - | 1.4 | - | - |
| Cash | (38.2) | - | - | (38.2) | (38.2) | - | - | - | - |
| | 891.0 | 56.8 | - | 947.8 | (38.2) | 70.0 | 754.2 | 111.8 | 50.0 |

# Notes

## Note 22 Financial risk and financial instruments (continued)

| Parent company | | | | 2011 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Re-assessment or maturity, if earlier | | | | Broken down by interest rate intervals | | | | |
| (DKK million) | 0-1 year | 1-5 years | >5 years | Total | 0-2% | 2-4% | 4-6% | 6-8% | >8% |
| Subordinated loan capital | 18.6 | 37.2 | - | 55.8 | - | - | 55.8 | - | - |
| Long-term debt to credit institutions | - | 447.2 | - | 447.2 | - | - | 447.2 | - | - |
| Short-term debt to credit institutions | - | - | - | - | - | - | - | - | - |
| Interest rate swaps | - | - | - | - | (302.1) | 302.1 | - | - | - |
| Leasing commitments | 0.2 | 0.7 | - | 0.9 | - | - | 0.9 | - | - |
| Cash | (24.0) | - | - | (24.0) | (24.0) | - | - | - | - |
| | (5.2) | 485.1 | - | 479.9 | (326.1) | 302.1 | 503.9 | - | - |

| Parent company | | | | 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Re-assessment or maturity. if earlier | | | | Broken down by interest rate intervals | | | | |
| (DKK million) | 0-1 year | 1-5 years | >5 years | Total | 0-2% | 2-4% | 4-6% | 6-8% | >8% |
| Subordinated loan capital | 105.9 | 55.9 | - | 161.8 | - | - | - | 111.8 | 50.0 |
| Long-term debt to credit institutions | - | - | - | - | - | - | - | - | - |
| Short-term debt to credit institutions | 717.3 | - | - | 717.3 | - | 717.3 | - | - | - |
| Interest rate swaps | - | - | - | - | - | (752.8) | 752.8 | - | - |
| Leasing commitments | 0.5 | 0.9 | - | 1.4 | - | - | 1.4 | - | - |
| Cash | (21.7) | - | - | (21.7) | (21.7) | - | - | - | - |
| | 802.0 | 56.8 | - | 858.8 | (21.7) | (35.5) | 754.2 | 111.8 | 50.0 |

The carrying amount of interest-bearing debt in 2011 is equal to fair value.

### Raw materials risk

As a result of the group's business model the DLH Group is exposed to the risk of price changes on goods held in stock with a view to the current sale and distribution to customers. Periods with dramatic price changes may have either a positive or a negative effect on gross profit. No effective market exists to hedge this risk.

# Notes

## Note 22 Financial risk and financial instruments (continued)

### Liquidity risk
The liquidity risk reflects the risk that loans, including re-financing, are raised on less favourable terms and/or at higher than usual cost or, in a worst case scenario, that the group is unable to obtain sufficient cash resources for the company's operating and investment activities.

DLH's cash resources primarily consist of unused credit facilities with the group's bankers. The group aims to have sufficient cash resources to make suitable dispositions in case of unforeseen fluctuations in its cash resources.

### Capital base
In its 'Go to Market' strategy of December 2010 one of DLH's targets is to reduce the company's interest-bearing debt.

As planned, DLH implemented a rights issue in April 2011 resulting in proceeds of DKK 249 million. Immediately after the issue the company's A and B shares were amalgamated so that all shares have the same rights.

With the implementation of the issue DLH's credit limit with the bank consortium was, as agreed, reduced to DKK 600 million while the term of the loan agreement until 31 March 2014 was confirmed. At the same time, Nykredit Bank A/S and ABN Amro Bank N.V. withdrew from the bank consortium. Moreover, subordinated loans of DKK 106 million were paid off, in part by share subscription and in part in cash.

**Bank agreement**
On 7 February 2011 DLH entered into an agreement about the future financing of the group with a bank consortium consisting of the group's two principal bankers: Nordea Bank Danmark A/S and Danske Bank A/S, and FIH Kapitalbank A/S, Nykredit Bank A/S and ABN Amro Bank N.V. Nykredit Bank A/S and ABN Amro Bank N.V. withdrew from the consortium in connection with the share issue.

In addition to the financing package with the bank consortium, the group's activities are financed by subordinated loan capital and smaller credit facilities in individual subsidiaries provided by other credit institutions.

The bank agreement contained terms which, to a significant extent, were dependent on whether DLH implemented a rights issue before 30 June 2011 with total proceeds of at least DKK 245 million.

With the implementation of the rights issue on the agreed terms, the bank agreement became a continuation of the existing agreement with confirmation of the extension of the term to 31 March 2014, a reduction of the credit limit to DKK 600 million and some minor adjustments to the financial covenants.

The reduction in the credit facility was based on the company's operating and liquidity budget as well as the strategic plans for the term of the agreement, adjusted for proceeds received from the capital injection and proceeds from the expected sale of properties. It has, however, not proved possible to carry out the sale of the properties to the extent and within the timeframe upon which the reduction to the credit facility was based. At the beginning of March 2012, therefore, the bank consortium entered into an agreement to adjust the covenants and for further credit facility for the group up to the end of July 2012. The facility shall be reduced in line with any proceeds being received by the company from the sale of assets. At the same time, the delayed reduction of the interest-bearing debt has resulted in an adjustment to the financial covenants.

The finance agreement with the bank consortium continues to be linked to a number of financial and non-financial conditions (covenants). The covenants are calculated on the basis of EBITDA, NIBD, net financial income and expenses, investments and solvency ratio. The performance of the group's operating and liquidity budget as well as strategic plans are, therefore, an important prerequisite for fulfilling the bank agreement in that breaches of the covenants mean that the bank consortium can terminate the agreement.

The headroom, agreed with the bank consortium, between the financial covenants and the group's operating and liquidity budgets, allows for minor deviations. The management believes that the agreed headroom are sufficient to absorb probable deviations in expected turnover, contribution margin, cash flow and other significant parameters.

**Subordinated loans**
At 31 December 2011 the group had a subordinated loan of DKK 56 million from Fragaria GmbH.

With the implementation of the rights issue the subordinated loans of DKK 40 million from DLH-Fonden and DKK 10 million from Ellen & Knud Dalhoff Larsens Fond were repaid by share subscription.

In addition, a subordinated loan of DKK 56 million was repaid to Fragaria GmbH, in part by share subscription and in part in cash. The remaining subordinated loans will be amortised equally over three years with the first payment due in March 2012.

# Notes

## Note 22 Financial risk and financial instruments (continued)

### General information about the financing package

The loans provided under the financing package described above are accompanied by a collateral package under which the group pledges shares in one of its major subsidiaries and a registered security in inventories and debtors etc. in a number of companies. For the parent company, security has also been provided in intra-group balances of group enterprises.

Under the financing package, DLH cannot distribute dividend until the spring of 2013 at the earliest, depending on the annual report for the financial year 2012. In principle, the interest margin in the financing package is fixed, but it may be reduced on a quarterly basis in accordance with a fixed price grid, based on the trend in the company's key figures NIBD/EBITDA.

In the light of the agreed credit limits and covenants, and the budgets and plans, it is the opinion of the Supervisory and Executive Boards that the company's cash resources are sufficient for the company's operations until the expiry of the financing package.

# Notes

## Note 22 Financial risk and financial instruments (continued)

| Group | 2011 | | | | | |
|---|---|---|---|---|---|---|
| (DKK million) | Carrying amount | Contractual cash flows | Within one year | 1-3 years | 3-5 years | After 5 years |
| **Non-derivative financial instruments:** | | | | | | |
| Credit institutions and subordinated loan capital | 590.3 | 665.3 | 55.4 | 609.9 | - | - |
| Finance leases | 0.9 | 0.9 | 0.2 | 0.7 | - | - |
| Trade payables | 143.3 | 143.3 | 143.3 | - | - | - |
| **Derivative financial instruments:** | | | | | | |
| Forward exchange contracts used as hedges (net settlement) | (14.2) | (14.2) | (14.2) | - | - | - |
| Interest rate swaps | (0.6) | (0.6) | (0.6) | - | - | - |
| **Total** | 719.7 | 794.7 | 184.1 | 610.6 | - | - |

| Group | 2010 | | | | | |
|---|---|---|---|---|---|---|
| (DKK million) | Carrying amount | Contractual cash flows | Within one year | 1-3 years | 3-5 years | After 5 years |
| **Non-derivative financial instruments:** | | | | | | |
| Credit institutions and subordinated loan capital | 964.6 | 1,007.6 | 941.7 | 65.9 | - | - |
| Finance leases | 1.4 | 1.4 | 0.5 | 0.9 | - | - |
| Trade payables | 186.1 | 186.1 | 186.1 | - | - | - |
| **Derivative financial instruments:** | | | | | | |
| Forward exchange contracts used as hedges (net settlement) | (12.6) | (12.6) | (12.6) | - | - | - |
| Interest rate swaps | (3.2) | (3.2) | (3.2) | - | - | - |
| **Total** | 1,136.3 | 1,179.3 | 1,112.5 | 66.8 | - | - |

# Notes

## Note 22 Financial risk and financial instruments (continued)

| Parent company | 2011 | | | | | |
|---|---|---|---|---|---|---|
| (DKK million) | Carrying amount | Contractual cash flows | Within one year | 1-3 years | 3-5 years | After 5 years |
| **Non-derivative financial instruments:** | | | | | | |
| Credit institutions and subordinated loan capital | 503.0 | 566.3 | 49.7 | 516.6 | - | - |
| Finance leases | 0.9 | 0.9 | 0.2 | 0.7 | - | - |
| Trade payables | 47.3 | 47.3 | 47.3 | - | - | - |
| **Derivative financial instruments:** | | | | | | |
| Forward exchange contracts used as hedges (net settlement) | (14.2) | (14.2) | (14.2) | - | - | - |
| Interest rate swaps | (0.6) | (0.6) | (0.6) | - | - | - |
| **Total** | 536.4 | 599.7 | 82.4 | 517.3 | - | - |

| Parent company | 2010 | | | | | |
|---|---|---|---|---|---|---|
| (DKK million) | Carrying amount | Contractual cash flows | Within one year | 1-3 years | 3-5 years | After 5 years |
| **Non-derivative financial instruments:** | | | | | | |
| Credit institutions and subordinated loan capital | 859.1 | 899.1 | 833.2 | 65.9 | - | - |
| Finance leases | 1.4 | 1.4 | 0.5 | 0.9 | - | - |
| Trade payables | 92.1 | 92.1 | 92.1 | - | - | - |
| **Derivative financial instruments:** | | | | | | |
| Forward exchange contracts used as hedges (net settlement) | (12.6) | (12.6) | (12.6) | - | - | - |
| Interest rate swaps | (3.2) | (3.2) | (3.2) | - | - | - |
| **Total** | 936.8 | 976.8 | 910.0 | 66.8 | - | - |

# Notes

## Note 22 Financial risk and financial instruments (continued)

### Credit risk
Due to the nature of its operations and certain financing activities the DLH Group is exposed to credit risk. The group's credit risk is primarily related to trade receivables, prepayments for goods and receivables from derivative financial instruments (forward exchange contracts and interest rate swaps) and, to a lesser extent, from bank deposits.

### Trade receivables
Trade receivables represent the second-largest asset item in the balance sheet, amounting to DKK 349.7 million (2010: DKK 329.3 million). Credit is granted according to an active credit policy, to a wide extent being covered by credit insurance.

The economic situation in a number of countries is holding the DLH Group's credit risk at a relatively high level. The risk induces credit insurers to reduce the insurance limits imposed on the company's customers, and in a worst case scenario, terminate these. DLH's own risk in relation to uninsured customers is increased. Sales on credit granted to customers who cannot be insured or in respect of whom no other security is obtainable, will be judged on a case by case basis.

Realised losses on debtors including costs of credit insurance amounted to DKK 9.1 million (2010: DKK 16.2 million) or 0.3% of turnover (2010: 0.5%). In 2011 was made net impairment write-downs of DKK 2.7 million (2010: DKK 16.4 million).

At the balance sheet date, just under 72% (2010: 57%) of the DLH Group's trade receivables were covered by credit insurance or secured in other ways, for instance by letters of credit or payment against documents. The group's maximum risk on trade receivables was DKK 97.0 million excluding value added tax at year-end 2011 (2010: DKK 140.1 million). The maximum risk before hedging and provisions is DKK 360.0 million (2010: DKK 344.8 million).

### Prepayments to suppliers
Prepayment to suppliers is an important parameter in securing supplies from Africa, South America and Eastern Europe. This carries an inherent risk of losses and calls for tight control. Some of the prepayments do, however, represent financing of already existing inventories built up by suppliers. At year-end 2011 the group's prepayments to suppliers was DKK 27.7 million (2010: DKK 37.4 million), an amount for which security has only been provided in part by pledges or other ways.

# Notes

## Note 22 Financial risk and financial instruments (continued)

At the balance sheet date the risk profile was as shown below:

**Group**

| | Trade receivables | | Prepayments | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| **Credit risk:** | | | | |
| Nominal value | 360.0 | 344.8 | 30.5 | 43.6 |
| Write-down | (10.3) | (15.5) | (2.8) | (6.2) |
| Carrying amount | 349.7 | 329.3 | 27.7 | 37.4 |
| Less credit insurance. net | (149.4) | (115.2) | - | - |
| Less other security | (103.3) | (74.0) | - | (0.2) |
| Masimum credit risk | 97.0 | 140.1 | 27.7 | 37.2 |

Prepayments are to some extent secured by collateral in the production plant and moveable property.

| **Breakdown of trade receivables in terms of creditworthiness (million DKK):** | **2011** | **2010** |
|---|---|---|
| Denmark | 38.1 | 26.1 |
| Remainder of Scandinavia | 67.1 | 69.3 |
| Western Europe | 80.5 | 105.4 |
| Eastern Europe | 39.0 | 43.2 |
| North America | 16.4 | 19.8 |
| Africa | 14.8 | 13.2 |
| Asia | 75.8 | 40.7 |
| Other regions | 18.0 | 11.6 |
| Total | 349.7 | 329.3 |

| **Trade receivables that were overdue at the balance sheet date, but had not been written down are recognised as follows (DKK million):** | **2011** | **2010** |
|---|---|---|
| Maturity: | | |
| Up to 6 months | 90.4 | 105.3 |
| Between 6 and 9 months | 2.7 | 1.1 |
| Between 9 and 12 months | 0.8 | 0.6 |
| In excess of 12 months | 0.7 | 2.1 |
| Total | 94.6 | 109.1 |

Of the trade receivables that were overdue at the balance sheet date. DKK 69.9 million (2010: DKK 73.1 million) was covered by credit insurance or hedged in other ways, for instance by letters of credit or similar trade financing.

# Notes

## Note 22 Financial risk and financial instruments (continued)

At the balance sheet date the risk profile was as shown below:

**Parent company**

| | Trade receivable | | Prepayments | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| **Credit risk:** | | | | |
| Nominal value | 166.8 | 133.3 | 22.2 | 22.5 |
| Write-down | (6.7) | (8.9) | (2.3) | (3.0) |
| Carrying amount | 160.1 | 124.4 | 19.9 | 19.5 |
| Less credit insurance, net | (45.7) | (38.6) | - | - |
| Less other security | (97.9) | (50.9) | - | - |
| Maximum credit risk | 16.5 | 34.9 | 19.9 | 19.5 |

Prepayments are to some extent secured by collateral in the production plant and moveable property.

| **Breakdown of trade receivables in terms of creditworthiness (DKK million):** | **2011** | **2010** |
|---|---|---|
| Denmark | 38.1 | 26.1 |
| Remainder of Scandinavia | - | 1.6 |
| Western Europe | 18.7 | 29.1 |
| Eastern Europe | 0.2 | 4.5 |
| North America | - | 6.5 |
| Africa | 10.3 | 6.5 |
| Asia | 75.5 | 38.9 |
| Other regions | 17.3 | 11.2 |
| Total | 160.1 | 124.4 |

| **Trade receivables that were overdue at the balance sheet date, but had not been written down are recognised as follows (DKK million):** | **2011** | **2010** |
|---|---|---|
| Maturity: | | |
| Up to 6 months | 50.0 | 60.3 |
| Between 6 and 9 months | 2.3 | 0.4 |
| Betwee 9 and 12 months | 0.2 | 0.4 |
| In excess of 12 months | 0.1 | 1.3 |
| Total | 52.6 | 62.4 |

Of the trade receivables that were overdue at the balance sheet date, DKK 47.6 million (2010: DKK 44.9 million) was covered by credit insurance or hedged in other ways, for instance by letters of credit or similar trade financing.

### Hedge accounting

The DLH Group applies a number of derivative financial instruments to hedge financial risk related to financial instruments and the group's operations. The group does not actively speculate in financial risk. The group's financial risk management is thus only concerned with managing and reducing financial risk directly related to the group's operations, investments and financing. For additional information about the DLH Group's risk management, please see above.

As mentioned in the section on accounting policies applied (Note 1), hedging is used for foreign exchange rate fluctuations related to financial instruments and to non-financial assets to hedge cash flows.

# Notes

## Note 22 Financial risk and financial instruments (continued)

### Cash flow hedge

The DLH Group applies interest rate and foreign exchange rate swaps as well as forward exchange contracts to hedge the group's risk related to fluctuations in cash flow as a result of fluctuating interest rates and foreign exchange rates. As in 2010, the Group has only employed derivatives to hedge foreign exchange risks.

The effective part of the fair values of outstanding forward exchange contracts and interest rate swaps at 31 December that qualify and are used as hedging instruments for future transactions are recognised directly in equity until the hedged transactions are recognised in the income statement.

| | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **Notional amount** | **Value adjustment recognised directly in equity** | **Fair value** | **Weighted time to maturity (months)** | **Notional amount** | **Value adjustment recognised directly in equity** | **Fair value** | **Weighted time to maturity (months)** |
| **Foreign currency risk:** | | | | | | | | |
| USD | 66.6 | (4.0) | (4.0) | 2 | - | - | - | - |
| **Interest rate risk:** | | | | | | | | |
| Interest rate swaps | 302.1 | (0.6) | (0.6) | 3 | 752.8 | (3.2) | (4.4) | 7 |

The 2011 income statement was affected by ineffectiveness relating to foreign currency hedging in respect of goods sold and purchased in the amount of DKK 0.0 million (2010: DKK 1.7 million).

**Capital management**

At the end of 2011 the company realised an equity ratio of 45.9% (49.2% including the subordinated loan) compared with 26.2% (34.3% including the subordinated loan) in 2010. No target has been set for DLH's equity ratio, but the the company aims to optimise the group's capital structure and thereby bring debt relative to earnings and the group's equity ratio to a level better reflecting DLH's risk profile and more comparable with other companies.

# Notes

## Note 23 Assets charged and collateral

**Collateral**

The following assets are collateral for the group's debt to credit institutions:

| Legal entity | Collateral | Registered amount (DKK million) |
|---|---|---|
| Dalhoff Larsen & Horneman A/S, Høje Taastrup, Denmark | Company charge | 315 |
| DLH Nordisk Inc., Greensboro, USA | Company charge | - |
| DLH Belgium N.V., Antwerp, Belgium | Company charge | 86 |
| DLH France S.A.S., Nantes, France | Shares charged | - |
| DLH Poland Sp. z o.o., Warsaw, Poland | Company charge | - |
| DLH Sverige AB, Hässleholm, Sweden | Company charge | 165 |
| DLH Norge AS, Oslo, Norway | Company charge | 63 |
| DLH Finland OY, Turku (Åbo), Finland | Company charge | 112 |

The assets have been charged as collateral for debt to the bank corsortium. Debt to the bank consortium amounted 31 December 2011 to DKK 502 million (2010: DKK 813 milion). Collateral for debt to credit institutions was registered in an amount totalling DKK 741 million (2010: DKK 741 milion).

## Note 24 Contingent liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| (DKK million) | 2011 | 2010 | 2011 | 2010 |
| Deferred tax provision is not made in the balance sheet in respect of contingent tax relating to the re-taxation liability arising in respect of the "shadow-taxed" Brazilian subsidiary as the group has taken precautions that prevent the deferred tax from crystallising. | 89.0 | 89.0 | 89.0 | 89.0 |
| Guarantee commitments in favour of group enterprises in addition to the bank loans stated in the balance sheet, maximum | - | - | 102.0 | 429.8 |
| Guarantee commitments in favour of others, maximum | 26.9 | 19.7 | 26.9 | 19.7 |

**Breakdown of non-terminabel rental income:**

| (DKK million) | 2011 | 2010 |
|---|---|---|
| 0-1 year | - | 0.2 |
| 1-5 years | - | - |
| > 5 years | - | - |

# Notes

## Note 24 Contingent liabilities (continued)

**Leasing commitments:**

| | Time to maturity (years) | Nominal value of leasing commitments (DKK million) |
|---|---|---|
| **The parent company and the group enterprises have concluded operating leases of real estate:** | | |
| Warehousing facilities and administration, Kolding, Denmark [1] | 6 | 13.9 |
| Head office, Taastrup, Denmark [2] | 16 | 68.2 |
| Warehousing facilities and administration, Oslo, NorwayKolding, Denmark | 6 | 26.9 |
| Warehousing facilities and administration, Nantes, France | 3 | 9.8 |
| Warehousing facilities and administration, eight locations in Russia | 4 | 12.7 |
| Warehousing facilities and administration, Vantaa, Finland | 2 | 5.5 |
| Warehousing facilities and administration, Prague, Czech Republic | 3 | 3.9 |
| Warehousing facilities and administration, two locations in USA | 3 | 2.3 |
| Warehousing facilities and administration, Antwerp Belgium | 2 | 0.7 |
| Warehousing facilities and administration, Baarn, the Netherlands | 2 | 0.7 |
| Sale and administration, Hong Kong, China | 3 | 2.2 |
| Sale and administration, Ho Chi Minh, Vietnam | 1 | 0.8 |
| Warehousing facilities and administration, seven locations in Poland | 2 | 1.2 |
| Other small-scale facilities | - | 1.2 |

[1] Since the balance sheet date, an agreement concerning a one-year extension of the lease period has been signed for part of the lease. The nominal value of the increased leasing commitment is DKK 2.1 million.
[2] Purchase option may be exercised in 2014.

In addition, frame agreements have been concluded for operating leases in respect of passenger cars, vans and forklift trucks in the parent company as well as in group enterprises in Denmark. The agreements were concluded on ordinary market terms.

The present value of all leasing commitments amount to DKK 94,0 million (2010: DKK 184,5 million).

| **2011** | **Group** | | | | **Parent company** | | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **0-1 year** | **1-5 years** | **>5 years** | **Total** | **0-1 year** | **1-5 years** | **>5 years** | **Total** |
| **Commitment under operating lease, nominal value falling due:** | | | | | | | | |
| Properties | 39.5 | 71.1 | 57.6 | 168.2 | 13.4 | 36.3 | 50.6 | 100.3 |
| Passenger cars and vans | 3.2 | 3.6 | - | 6.8 | 1.6 | 1.9 | - | 3.5 |
| Other commitments | 0.4 | 0.6 | - | 1.0 | 0.3 | 0.5 | 1.0 | 1.8 |
| Total | 43.1 | 75.3 | 57.6 | 176.0 | 15.3 | 38.7 | 51.6 | 105.6 |

| **2010** | **Group** | | | | **Parent company** | | | |
|---|---|---|---|---|---|---|---|---|
| **(DKK million)** | **0-1 year** | **1-5 years** | **>5 years** | **Total** | **0-1 year** | **1-5 years** | **>5 years** | **Total** |
| **Commitment under operating lease, nominal value falling due:** | | | | | | | | |
| Properties | 45.4 | 95.9 | 81.0 | 222.3 | 12.9 | 52.1 | 69.9 | 134.9 |
| Passenger cars and vans | 3.7 | 3.7 | - | 7.4 | 1.9 | 1.4 | - | 3.3 |
| Other commitments | 0.8 | 0.9 | - | 1.7 | - | - | - | - |
| Total | 49.9 | 100.5 | 81.0 | 231.4 | 14.8 | 53.5 | 69.9 | 138.2 |

An amount of DKK 27.6 million (2010: DKK 26.4 milion) relating to operating leases was recognised under the item "other external expenses" in the income statement.

# Notes

## Note 25 Related parties

**Related parties with controlling influence:**
DLH-Fonden, Philip Heymans Allé 7, Postboks 171, 2900 Hellerup, Denmark, until the implementation of the capital increase and the combination of A and B shares on 14 April 2011.

In March 2010, DLH-Fonden granted the company a subordinated loan of DKK 40 million. With the implementation of the rights issue in April 2011, this loan was redeemed through the subscription of shares.

Please also refer to the section of Shareholder information on pages 31-33.

**Related parties with significant influence:**
Comprises the company's Supervisory Board, Executive Board and group enterprises as outlined in the Group chart on page 104.

**Transactions with related parties:**

**The Group:**
With the exception of intra-group transactions, which are eliminated in the Consolidated Accounts, and the customary management remuneration, no transactions were carried out during the year with the Supervisory Board, the Executive Board, major shareholders or group enterprises apart from the fees paid to Horten Law Firm, in which the Chairman of the DLH-Fonden is a partner. The fee amounted to DKK 1.2 million in 2011 (2010: DKK 3.4 million).

Please refer to pages 25-26, where the positions of trust held by members of the Supervisory Board and Executive Board are detailed.

**Parent company:**
The parent company has made long-term loans to, has receivables from and payables to, group enterprises.

| (DKK million) | 2011 | 2010 |
|---|---|---|
| Long-term loans | 30.0 | 274.8 |
| Receivables | 420.8 | 257.4 |
| Liabilities | 103.2 | 62.2 |

As at the balance sheet date, interest-bearing receivables carry interest at rates between 4.8% and 10.0%, and interest-bearing liabilities carry interest between 4.0% and 4.9% per annum depending on the currency. Interest rates are fixed on the basis of the company's own interest rate arrangements with the bank.

Interest rates relating to group enterprises are stated in Notes 9 and 10.

The parent company received DKK 1.8 million in dividend from the subsidiaries in 2011 (2010: DKK 9.2 million).

The parent company has provided guarantees for group enterprises' bank loans, cf. Note 24.

No transactions were carried out during the year with members of the Supervisory Board, the Executive Board, Senior Executives, major shareholders or other related parties, apart from the fee paid to Horten Law Firm in which the Chairman of the DLH-Fonden is a partner. The fee amounted to DKK 1.2 million in 2011 (2010: DKK 3.4 million).

# Notes

## Note 26 Acquisitions

DLH Group has not acquired any enterprises during 2011. Enterprises acquired in 2010 are shown below.

| Name of acquired enterprises | Principal activity | Acquisition date | Acquired shares |
|---|---|---|---|
| Indochina Wood Limited | Distribution of wood products in Vietnam | 20. May 2010 | 50% |

| (DKK million) | 2010 | |
|---|---|---|
| | Carrying amount prior to acquisition | Fair value upon takeover |
| Inventories | 1.8 | 1.8 |
| Receivables | 0.9 | 0.9 |
| Cash | 0.8 | 0.8 |
| Trade payables | (2.3) | (2.3) |
| Net assets | 1.2 | 1.2 |
| | | |
| Cash funds taken over | | (0.8) |
| Cash purchase price for the remaining 50% of the shares | | 0.2 |

On 20 May 2010 DLH acquired the remaining 50% of the shares in the company Indochina Wood Limited, a distributor of wood and wood-based products in Vietnam. Following the acquisition, the company has become a fully integrated subsidiary.

No accounting items with differing fair values and carrying amounts have been identified upon takeover. Indochina Wood Limited generated turnover of DKK 9.9 million with an EBIT of DKK 0.9 million in 2010.

# Notes

## Note 27 Events occurring after the end of the financial year

On 8 March 2012, it was decided to restructure the American business. As a result, the warehouse-based sales unit in the US was put up for sale.

In the first quarter of 2012 sales agreements were signed for two properties in Poland and Sweden with total proceeds of DKK 18 million.

In the first quarter, the Group adjusted its bank agreement, c.f. Note 22.

Apart from this, no significant events have occurred since 31 December 2011.

## Note 28 New accounting standards

A number of new standards and contributions to interpretations which are not obligatory for Dalhoff Larsen & Hornemann A/S in relation to the preparation of the Annual Report for 2011 have been issued. None of are expected to impact significantly on the presentation of accounts of Dalhoff Larsen & Hornemann.

## Note 29 Discontinuing operations and assets held for sale

In 2010, the Group decided to dispose of its entire forestry and production operations. As a result, these were recognised as discontinued operations in the 2010 financial statements. They mainly comprised forestry and production operations in Africa and Malaysia but also production operations in other countries, including Brazil, Sweden, Poland, the Netherlands and the US. A number of sales companies, including those in Germany, the UK and the Baltic countries, which handled sales of timber from own production, as well as functions at the head office, were, therefore, disposed of or discontinued and consequently recognised under discontinued operations.

The sale of operations in Malaysia, the Netherlands and the US was completed in 2010. Early January 2011 saw the completion of the sale of operations in Africa and later in the first half year, operations in the UK and Germany. Attempts to complete the sale of a number of properties linked to former production operations, however, failed to materialise. In 2011 discontinued operations within forestry and production comprise adjustment of provisions for guarantee commitments, operations in the UK and Germany in the period up to sale in the first half year of 2011 and costs relating to unsold production premises in Sweden, Poland and Brazil as well as costs relating to share of the head office previously attached to the forestry and production segment.

In 2011, DLH decided to discontinue its operations within sales to the distribution segment in Norway and within sales in Finland to the distribution and industry segment. As these operations constituted reporting entities in specific geographical areas, these are recognised as discontinued operations, which, in 2011, comprise normal operations up to the date of discontinuation and provisions for severance and other specific costs inherent in the winding up.

Overall, therefore, discontinued operations in 2011 comprise the remaining operations from forestry and production, including Germany, the UK and the unsold production premises and operations relating to sales in Norway and Finland.

In total, discontinued operations contributed with a loss of DKK 9.2 million against a profit of DKK 24.4 million in 2010. The loss in 2011 is primarily owing to the decision to wind up sales operations in Norway and Finland.

# Notes

## Note 29 Discontinued operations and assets held for sale (continued)

**Profit for the year for the discontinued operations:**

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| Turnover | 149.9 | 656.0 | - | - |
| Cost of sales | (138.3) | (548.4) | - | - |
| Gross profit | 11.6 | 107.7 | - | - |
| Other external expenses | (27.6) | (58.7) | (3.5) | (5.3) |
| Staff costs | (9.4) | (76.3) | 1.1 | (7.7) |
| Other operating income, net | 2.3 | 16.7 | 0.1 | - |
| **Operating profit before depreciation and amortisation (EBITDA)** | **(23.1)** | **(10.6)** | **(2.3)** | **(13.0)** |
| Depreciation and amortisation | (1.1) | (54.0) | (0.4) | - |
| Impairment losses | - | 91.7 | - | 26.8 |
| **Operating profit / (loss) (EBIT)** | **(24.2)** | **27.1** | **(2.7)** | **13.8** |
| **Financial items:** | | | | |
| Financial expenses | (2.0) | (14.6) | - | - |
| **Profit / (loss) before tax (EBT)** | **(26.2)** | **12.5** | **(2.7)** | **13.8** |
| Tax on profit for the year | 0.3 | (11.1) | - | - |
| **Profit for the year** | **(25.9)** | **1.4** | **(2.7)** | **13.8** |
| Profit on sale of discontinued operations | 16.7 | 23.0 | 13.3 | (10.3) |
| **Profit for the year on discontinued operations** | **(9.2)** | **24.4** | **10.6** | **3.5** |
| **Earnings per share for discontinued operations:** | | | | |
| Earnings per share (EPS) | (0.19) | 0.69 | | |
| Earnings per share diluted (EPS-D) | (0.19) | 0.69 | | |
| **Cash flow from discontinued operations, net:** | | | | |
| Cash flow from operating activities | (12.9) | 174.7 | (13.8) | 1.3 |
| Cash flow form investment activities | 258.3 | 58.5 | 183.7 | - |
| Cash flow from financing activities | (54.7) | (154.1) | (34.3) | (0.8) |
| **Total** | **190.8** | **79.1** | **135.6** | **0.5** |

# Notes

## Note 29 Discontinued operations and assets held for sale (continued)

| | Group | | Parent company | |
|---|---|---|---|---|
| **(DKK million)** | **2011** | **2010** | **2011** | **2010** |
| Intangible assets | 1.1 | 1.2 | - | - |
| Tangible assets | 73.6 | 168.3 | 0.9 | 0.7 |
| Other non-current assets | 0.4 | 0.3 | - | 178.6 |
| Inventories | 13.7 | 150.6 | - | - |
| Trade receivables | 3.2 | 27.6 | - | - |
| Other receivables | 21.4 | 36.0 | 8.1 | (5.9) |
| Cash | 5.9 | 30.1 | | 0.1 |
| **Assets held for sale** | **119.3** | **414.1** | **9.0** | **173.5** |
| | | | | |
| Credit institutions | 3.8 | 56.5 | - | 34.3 |
| Trade payables | 2.6 | 30.2 | - | - |
| Other payables | 19.0 | 90.3 | 5.3 | 11.1 |
| **Payables relating to assets held for sale** | **25.4** | **177.0** | **5.3** | **45.4** |

# Notes

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| **Note** | **(DKK million)** | **2011** | **2010** | **2011** | **2010** |

## Note 30 Non-cash operating items etc.

| Note | (DKK million) | Group 2011 | Group 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|---|
| 8 | Depreciation, amortisation and impairment losses | 25.3 | 26.5 | 61.9 | (34.8) |
| | Inventory write-downs, (incl. prepayments) | (66.0) | (39.9) | (8.0) | (21.2) |
| | Provisions / (reversals) for trade receivables | (5.4) | (18.2) | (2.2) | (5.8) |
| | Other non-cash operating items, net | (12.4) | (35.8) | (37.6) | 4.4 |
| | Provisions / (reversals) | (22.4) | (6.5) | (9.9) | (9.2) |
| 9 | Financial income | (4.4) | (5.1) | (25.8) | (48.6) |
| 10 | Financial expenses | 55.0 | 69.8 | 55.4 | 106.4 |
| | **Non-cash operating items etc. total** | **(30.3)** | **(9.2)** | **33.8** | **(8.8)** |

## Note 31 Change in working capital

| Note | (DKK million) | Group 2011 | Group 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|---|
| | Inventories and prepayments | 35.4 | 40.1 | 30.5 | 19.3 |
| | Trade receivables | (26.1) | (7.2) | (4.7) | (41.7) |
| | Trade and other payables | 11.5 | 20.9 | (21.1) | 12.0 |
| | Other operating debt, net | 16.6 | (0.9) | 20.3 | (46.6) |
| | **Change in working capital total** | **37.4** | **52.9** | **25.0** | **(57.0)** |

## Note 32 Cash

| Note | (DKK million) | Group 2011 | Group 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|---|
| | Cash | 45.5 | 38.2 | 24.0 | 21.7 |
| 29 | Cash classified as assets held for sale | 5.9 | 30.1 | - | 0.1 |
| | **Cash total** | **51.4** | **68.3** | **24.0** | **21.8** |

The balance of the funds deposited in an escrow account until February 2013 as collateral for any claims that may arise in connection with the disposal of the Building Material Division in 2008, amounting to DKK 20 million, has been included in cash. The funds may be released at the request of DLH in return for a bank guarantee with corresponding cover and term.

# Group enterprises

## As at 1 March 2012

**Dalhoff Larsen & Horneman A/S** · Skagensgade 66 · 2630 Taastrup · Denmark

### Global Sourcing

Dalhoff Larsen & Horneman A/S,
representative office
Zamkovaja Str., office 302, 230023 Grodno,
**Belarus**

Nordisk Timber Ltda.
Tv. Dr Moraes, 565, Edificio Dr. Moraes Center,
5th floor - Batista Campos, CEP: 66.035-080
Belém, Pará, **Brazil**

Nordisk Timber Ltda.
Av. Sete de Setembro, 5011, Edificio Tokyo,
14th Floor, Batel, CEP 80240-000 Curitiba, Paraná, **Brazil**

Pataua Forest Project
Rodovia PA - 150 km 31, Estrada do centrão,
CEP 68500-000 Maraba, **Brazil**

DLH Procurement Cameroun S.A.R.L.
BP 4385, Douala, **Cameroon**

Dalhoff Larsen & Horneman A/S
Skagensgade 66, 2630 Taastrup, **Denmark**

DLH Procurement Gabon
Quartier La Sablière, BP 3997, Libreville, **Gabon**

DLH Indonesia
Graha Aktiva – Suite 603, Jl. HR. Rasuna Said
Blok X-1 Kav. 03, Jakarta 12950, **Indonesia**

DLH Côte d'Ivoire S.A.
Rue Saint Jean - Cocody,
01 B.P. 2648 Abidjan 01, **Ivory Coast**

### Global Sales

Dalhoff Larsen & Horneman A/S – Shanghai
Rm A5316, No. 808 Hongqiao Road,
Shanghai, **China**

DLH Hong Kong Limited
Unit 1903-04, 19/F, Car Po Commercial
Building, 18-20 Lyndhurst Terrace, Central,
Hong Kong, **China**

Indochina Wood Limited
Unit 1903-04, 19/F, Car Po Commercial
Building, 18-20 Lyndhurst Terrace, Central,
Hong Kong, **China**

Dalhoff Larsen & Horneman A/S
Skagensgade 66, 2630 Taastrup, **Denmark**

Dalhoff Larsen & Horneman A/S, India
#105-125 DLF City Court, M G Road, Gurgaon,
122022 Haryana, **India**

Dalhoff Larsen & Horneman A/S
(Middle East Branch)
Office # 1201, Tiffany Tower, JLT, Dubai,
**United Arab Emirates**

DLH Nordisk A/S
9th Floor, Melody Tower, #422-424 Ung Van Khiem Street, Ward 25, Binh Thanh District,
Ho Chi Minh City, **Vietnam**

### Sales Region Russia

OOO Bohmans
74 km MKAD, Building 3, 141400 Khimki,
Moscow Region, **Russia**

Bohmans St Petersburg (South)
Syzranskaya Street 23A, 196105
St. Petersburg, **Russia**

Bohmans St Petersburg (North)
Kolomiazhskiy pr. 13, Sklad 15, 194348
St Petersburg, **Russia**

Bohmans Moscow - Central Warehouse
Oktyabr'skaya Street 32, Skhodnya, 141400
Khimki, Moscow Region, **Russia**

Bohmans Chelyabinsk
Traktovaya Street, 26-B, 454087, Chelyabinsk,
**Russia**

Bohmans Kazan
1st Vol'skaya Street 32, 420053, Kazan,
**Russia**

Bohmans Novosibirsk
Bol'skaya Street 256-B, 630032, Novosibirsk,
**Russia**

Bohmans Nizhniy Novgorod
Novikova-Priboya Street 4, 603058,
Nizhniy Novgorod, **Russia**

### Sales Region USA

DLH Nordisk, Inc.
2307 W. Cone Blvd., Suite 200, Greensboro,
NC 27408, **USA**

DLH Nordisk, Inc.
Norwalk Industrial Park, 15619 S. Blackburn
Avenue, Norwalk, CA 90650, **USA**

DLH Nordisk, Inc.
639 Upper Dummerston Rd., Brattleboro,
VT 05301, **USA**

Inter-Continental Hardwoods Inc.
P.O. Box 119, 6841 Malpass Corner Road,
Currie, NC 28435, **USA**

### Sales Region Central & Eastern Europe

DLH Czech, s.r.o.
Na Hurce 1091/8, 161 00 Prague 6,
**the Czech Republic**

DLH Poland Sp. z.o.o.
ul. Chlapowskiego 45, 63-400 Ostrów
Wielkopolski, **Poland**

DLH Poland Sp. z.o.o.
ul. Sosnkowskiego 1D, 02-495 Warsaw,
**Poland**

DLH Poland Sp. z.o.o.
ul. Kopijników 77, 03-274 Warsaw, **Poland**

DLH Poland Sp. z.o.o.
ul. Piskorskiego 1, 70-809 Szczecin, **Poland**

DLH Poland Sp. z.o.o.
ul. Siemianowicka 98, 41-902 Bytom, **Poland**

DLH Poland Sp. z.o.o.
ul. Grudziadzka 122A, 87-100 Torun, **Poland**

DLH Poland Sp. z.o.o.
ul. Bukowska 12, 62-081 Wysogotowo, **Poland**

DLH Poland Sp. z.o.o.
ul. Starogardzka 4, 83-010 Straszyn, **Poland**

DLH Poland Sp. z.o.o.
ul. Wyscigowa 58, 53-012 Wroclaw, **Poland**

DLH Poland Sp. z.o.o.
Al. Krakowska 8, Janki 05-090 Raszyn, **Poland**

DLH Slovakia s.r.o.
Logistické centrum, 900 21 Svätý Jur, **Slovakia**

DP II Bohmans-Ku
Promyshlenaja 3, 01013 Kiev, **Ukraine**

### Sales Region Western Europe

DLH Belgium n.v.
Noorderlaan 125, 2030 Antwerp, **Belgium**

DLH Nederland BV
C/o Noorderlaan 125, 2030 Antwerp, **Belgium**

DLH France
Rue de l'Ile Botty, Zone Industrielle de Cheviré,
B.P. 70105, 44101 Nantes Cedex 4, **France**

DLH France
1, Z.A.C. de l'Ancien Pont, La Peyrade, 34110
Frontignan, **France**

### Sales Region Nordic

DLH Danmark A/S
Nordkajen 21, 6000 Kolding, **Denmark**

DLH Finland OY
Heidehofintie 4, FIN-01300 Vantaa, **Finland**

DLH Finland OY
Latokarinkatu 4, FIN-20200 Turku, **Finland**

DLH Norge AS
Farexveien 7, 2016 Frogner, **Norway**

DLH Sverige AB
Box 2014, Industrigatan, 281 02 Hässleholm,
**Sweden**

DLH Sverige AB
Nacksta Nya Industriområde, Box 866, 851 24
Sundsvall, **Sweden**

# Legal structure at 1 march 2012

**THE DLH GROUP**

| Company name | Country | Currency | Share capital | Share of ownership |
|---|---|---|---|---|
| **Dalhoff Larsen & Horneman A/S, Høje Taastrup** | **Denmark** | **DKK** | **267.8 million** | |
| **Nordic Region** | | | | |
| DLH Sverige AB, Hässleholm | Sweden | SEK | 5.0 million | 100% |
| DLH Norge AS, Frogner | Norway | NOK | 0.56 million | 100% |
| DLH Finland OY, Vantaa | Finland | EUR | 0.003 million | 100% |
| DLH Lietuva, UAB, Vilnius* | Lithuania | LTL | 0.2 million | 100% |
| **Central & Eastern Europe** | | | | |
| DLH Poland Sp. z o.o., Warsaw | Poland | PLN | 2.385 million | 100% |
| DLH Nordisk Sp. Z o.o., Karlino | Poland | PLN | 16 million | 100% |
| DLH Czech, s.r.o., Prague | Czech Republic | CZK | 50.2 million | 100% |
| DLH Slovakia s.r.o., Bratislava | Slovakia | EUR | 0.007 million | 100% |
| DLH Hungary Kft., Budapest* | Hungary | HUF | 360 million | 100% |
| DP II Bohmans-KU, Kiev, Ukraine | Ukraine | USD | 0.206 million | 100% |
| **Western Europe** | | | | |
| DLH France SAS, Frontignan | France | EUR | 0.75 million | 100% |
| Indufor N.V. Antwerp | Belgium | EUR | 2.5 million | 100% |
| DLH Nederland B.V., Baarn | Holland | EUR | 2.0 million | 100% |
| DLH Germany GmbH* | Germany | EUR | 1.023 million | 100% |
| **USA** | | | | |
| DLH Nordisk, Inc., Greensboro | USA | USD | 0.05 million | 100% |
| Toft LLC, Pensylvania* | USA | USD | 1.0 million | 100% |
| **Russia** | | | | |
| OOO Bohmans, Khimki | Russia | RUB | 80.05 million | 100% |
| **Global Sales and Global Sourcing** | | | | |
| DLH Hong Kong Limited, Hong Kong | China | HKD | 0.01 million | 100% |
| DLH Côte d'Ivoire S.A., Abidjan | Ivory Coast | XOF | 150 million | 100% |
| DLH Procurement Cameroun S.A.R.L, Douala | Cameroon | XAF | 5.0 million | 100% |
| DLH-Kinshasa sprl, Congo-Kinshasa* | Congo-Kinshasa (DRC) | CDF | 60 million | 100% |
| Nordisk Timber Ltda., Belém | Brazil | BRL | 33.1 million | 100% |
| Indochina Wood Limited, Tortola | Virgin Islands | USD | 0.05 million | 100% |
| DLH Guyana, Inc., Georgetown - E.C.D.* | Guyana | GYD | 0.5 million | 100% |

*) Discontinued operations, expected to be closed down in 2012.