ANNUAL REPORT 2006

DALHOFF LARSEN & HORNEMAN A/S

CONTENTS

VAT reg. No.: 34 41 19 13

MANAGEMENT STATEMENT:

The supervisory and executive boards have today considered and adopted the annual report for 2006 for Dalhoff Larsen & Horneman A/S.

The annual report has been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies. In our opinion, the accounting policies applied are appropriate, thus that the annual report gives a true and fair view of the group's and parent company's assets, liabilities and equity and financial position at 31 December 2006 as well as of the result of the group's and the parent company's operations and cash flows for the financial year 1 January to 31 December 2006.

The annual report is hereby submitted to the general meeting for adoption.

Høje Taastrup, 21 March 2007

Executive Board:

Jørgen Møller-Rasmussen

Supervisory Board:

Asbjørn Børsting (Chairman)			Arne Vierø (Deputy Chairman)
Morten Bergsten	Jesper Birkefeldt	Stig Christensen	Niels Oluf Kyed
Uffe Steen Mathiesen	Kim Berg Pedersen	Wilhelm Schnyder	Erik Søndergaard

INDEPENDENT AUDITORS' REPORT:

To the shareholders of Dalhoff Larsen & Horneman A/S
We have audited the annual report of Dalhoff Larsen & Horneman A/S for the financial year 1 January - 31 December 2006, which comprises the statements by the group's and the parent company's executive and supervisory boards on the annual report, management's review, income statement, balance sheet, statement of recognised income and expenses, cash flow statement and notes. The annual report has been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Management's responsibility for the annual report
The executive and supervisory boards are responsible for the preparation and fair presentation of this annual report in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor consider internal controls relevant to the enterprise's preparation and fair presentation of the annual report 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 enterprise's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive and supervisory boards, as well as evaluating the overall presentation of the annual report.

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 annual report gives a true and fair view of the group's and the parent company's assets, liabilities and equity and financial position at 31 December 2006 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2006 in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Copenhagen, 21 March 2007

KPMG C.JESPERSEN
Statsautoriseret Revisionsinteressentskab

Kurt Gimsing State Authorised Public Accountant	Per Ejsing Olsen State Authorised Public Accountant

SUMMARISED OPERATING REVIEW FOR THE DLH GROUP 2006

Business development
The generally favourable market trends, both in Denmark and world-wide, have resulted in increasing demand and rising product prices in 2006. However, sales have occasionally been hampered by a shortage of raw materials and finished goods.

DLH acquired the Swiss timber merchant company, the tt Timber Group, in January 2006. With this acquisition, which was financed in part by a 7% capital increase of the share capital, DLH became actively involved in sustainable tropical forestry in Africa and thereby expanded its position in the first link of the supply chain – harvesting, cutting and processing. The acquisition has greatly improved opportunities for the sourcing of certified tropical hardwood.

In September 2006 the group acquired the Swedish sheet materials distributor Ljungbergs with operations in Sweden and Norway.

Financial development
With revenue of just under DKK 7.2 billion in 2006 DLH realised an increase of 34% and reached record revenues in 2006. The increase is attributable to an organic growth of 5% and 29% growth from acquisitions. All three divisions increased their revenues compared to last year.

Compared to the most recent forecast of DKK 7.0 billion this represents a growth of DKK 0.2 billion. The increase is primarily due to the continued high activity on the domestic market in the last months of the year.

All of DLH's three divisions also improved their operating results, which were, however, affected by a number of non-recurring items related to the integration of acquired businesses.

DLH's consolidated EBIT margin was 4.2%, the same as last year. In other words, there is still some way to go before achieving the group's long term EBIT-target of 5.0%.

Pre-tax profit was DKK 211 million (up 21% on last year) compared to the most recent forecast of approximately DKK 200 million.

The profit after tax was DKK 152 million, (up 28%), whereas the tax rate fell to 28% from 32% the year before.

The group's balance sheet total was DKK 3.7 billion, (up 40%) at year-end. The increase may primarily be attributed to acquisitions.

Cash flow from operations after investments was a cash outflow of DKK (153) million compared to a cash outflow of DKK (317) million the year before.

Dividend
At the general meeting on 18 April the supervisory board will recommend to the company in general meeting that dividend amounting to DKK 37.2 million is distributed, corresponding to DKK 2.00 per issued share compared to last year's DKK 1.50.

ACCOUNTING POLICIES APPLIED

The 2006 annual report of the DLH Group has been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

The accounting policies remain unchanged as compared to previous years.

Events occurring after the end of the financial year
At the general meeting in 2006 DLH submitted plans to investigate the opportunities for implementing the Good Supplier Program (GSP) in Burma (Myanmar). GSP is DLH's program for the evaluation of suppliers in accordance with a number of environmental and human rights critera.

In the autumn of 2006 a consultancy firm investigated the possibility of implementing GSP in Burma, and they have come to the conclusion that, while the environmental aspects pose no great problems, it is impossible to shed sufficient light on whether or not human rights are being violated.

DLH therefore finds it unrealistic to implement GSP in Burma. For this reason the group has decided to discontinue the purchase of Burmese tropical teak. The upper limit for purchases will be reduced on a straight line basis over 5 years so that DLH will have completely phased out its purchases of Burmese teak in 2011 at the latest unless prior to that it has become possible to implement GSP in Burma.

Revenue from the sale of Burmese teak accounted for just under 1% of group revenue in 2006. The impact on the result of the decision has been recognised in the forecast for 2007 below.

Forecast for 2007
In 2007 DLH expects revenue in the region of DKK 7.5 billion (up 4%) prior to any acquisitions.

Operating profit (EBIT) is expected to be approximately DKK 330 million (up 9%).

Pre-tax profit is expected to be approximately DKK 230 million (up 9%).

It is the strategy of DLH to develop its business activities through controlled profitable growth, be it via organic growth or acquisitions, thereby ensuring wider or deeper business commitment in the value chain. At the same time, the group intends to take advantage of the opportunities for enhancing operations and improving the utilisation of capital, for instance through intensive use of IT.

Hardwood Division
The division intends to consolidate its global market position through profitable growth in the sales countries, supported by the continued expansion of its position in the supply regions. Such consolidation includes strategic investments in forest concessions, sawmills and other processing plants as well as committed co-operation with local suppliers with a view to increasing the raw materials supplies and strengthen the environmental safety.

The division aims to become a market leader in FSC certified tropical hardwood.

Timber & Board Division
For the past few years the Timber & Board Division has been enhancing the efficiency of its operations and improving its use of capital considerably. This improvement must be sustained and accelerated.

Based on the improved business base in Scandinavia following the acquisition of Karl Ljungberg AB in 2006 the division intends to focus on continued profitable growth in both Northern Europe and the USA. This will take place by means of increased sales through distributors and direct sales to the industry.

In addition, the Timber & Board Division will focus on expanding the supply sources in Asia and South America.

Building Materials Division
The Building Materials Division is set to consolidate its position among the leading building materials and timber merchant chains in Denmark. This will take place through mergers and acquisitions. By means of additional operational efficiency enhancements, such as the ongoing streamlining of the product range and number of suppliers, the division will ensure improved earnings and deployment of capital.

Financial objectives
Through profitable growth, organic as well as by acquisition, and the effective exploitation of the capital invested, DLH aims to create financial results that will secure shareholders a satisfactory return on their investments.

In the light of the improvement in the results in recent years and the result potential inherent in the latest acquisitions, the group has set itself new and higher financial targets for 2006, please see the table below.

Financial objectives	Realised 2006	Group	Hardwood Division	Timber & Board Division	Building Materials Division
Creation of value*)	2.7	> 0	0.25% of revenue	0.25% of revenue	0.25% of revenue
Annual revenue growth	34%	10%	10%	10%	10%
Operating margin	4.2%	5%	6%	5%	4.5%
Equity ratio including subordinated loan	32.2%	≥ 30%			

*) The creation of shareholder value, i.e. a return on the capital invested which exceeds the cost of the capital employed (Weighted Average Cost of Capital, WACC, currently just below 8% with variations for the three divisions).

The targets should be perceived as an average of the earnings and growth attained during one trade cycle. DLH aims to attain the said financial targets over the next couple of years.

GLOBALISATION CREATES POTENTIAL

High rate growth continued throughout 2006, driven by a powerful Danish market and a number of acquisitions in particular. Revenue passed the DKK 7 billion mark, up 34%, and we improved our operating result for the fifth year running. An “all-time high” across the board.

However, even though 2006 turned out to be the best year ever in the history of the group, we consider the annual result a ”stake in the ground” result - on our way upwards to higher goals. The fact is that DLH still has great profit potential. One reason for this is that the cost of integrating the acquired businesses was charged against income in 2006, and the acquisitions made tied up management and financial resources. Against this background, we expect improved profits already in 2007.

DLH has great potential in the long term, too. In line with many other raw materials, the supply of timber is subject to temporary shortage of supply, and there is no doubt that DLH will increase its focus on the sourcing of raw materials. In this light the largest acquisition of the year, that of the Swiss tt Timber Group with its extensive forest and sawmill activities in Africa, was of particular strategic importance.

On that occasion our workforce was expanded by more than 2,000, many of whom are employed in the tropical forests of the Republic of the Congo. This places very special demands on us as a responsible enterprise. We wish to accept that responsibility. As a listed company we are particularly visible and therefore have an obligation to take the lead. The acquisition of the tt Timber Group is therefore an obvious occasion on which to strengthen our corporate social responsibility, and we are pleased to note that part of our African activities became FSC certified in 2006, the highest stamp of approval that our activities are handled in a sustainable manner.

Via the stock exchange we can raise capital for the financing of major expansions in our business as we did in 2006, for instance. Due to its size and position DLH is therefore a natural driver for the consolidation of the fragmented industries in which we operate.

The fact is that consolidation is necessary, and only by continuing to take an active part in the globalisation of the world trade do we ensure that we add value to our shareholders in the short and the long term.

Jørgen Møller-Rasmussen
President & CEO

DLH’s supply chain
As an international timber wholesaler DLH is the interface between manufacturers and consumers. The supply chain of DLH ranges from tropical and temperate forests to customers in regions such as Europe, the Far and the Middle East and North America. One of the core competences of DLH is the efficient handling of forestry, processing, storage, transportation and distribution of timber products.

Forest ▶ Sawmill ▶ Processing ▶ Exportation ▶ Shipping ▶ Importation ▶ Distribution ▶ End customer

CORPORATE INFORMATION

Dalhoff Larsen & Horneman A/S
Skagensgade 66
DK-2630 Taastrup

Tel.:	+45 43 50 01 00
Fax.:	+45 43 50 01 99
Website:	www.dlh-group.com
E-mail:	dlh@dlh-group.com

VAT reg. No.:	34 41 19 13
Domicile:	Høje Taastrup

Supervisory Board:
Asbjørn Børsting (Chairman)
Arne Vierø (Deputy Chairman)
Stig Christensen
Niels Oluf Kyed
Uffe Steen Mathiesen
Wilhelm Schnyder
Erik Søndergaard
Morten Bergsten (elected by the employees of the group)
Jesper Birkefeldt (elected by the employees of the group)
Kim Berg Pedersen (elected by the employees of the group)

Executive Board:
Jørgen Møller-Rasmussen, President & CEO

Auditors:
KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab
Borups Allé 177
DK-2000 Frederiksberg

Annual general meeting:
The annual general meeting will be held on Wednesday, 18 April 2007 at 3 p.m. at the Quality Hotel, Høje Taastrup A/S, Carl Gustavsgade 1, DK-2630 Taastrup.

FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS FOR THE DLH GROUP

Group

(DKK million)	**2006**	**2005**	**2004**	**2003[1)]**	**2002[1)]**
Income statement					
Revenue	7,187	5,363	5,036	4,451	4,549
Gross profit	1,288	903	825	724	730
Costs excluding depreciation and amortisation, including other operating income	883	639	590	544	556
Earnings before interest, tax, depreciation and amortisation (EBITDA)	405	264	235	180	174
Earnings before interest, taxes and goodwill amortisation (EBITA)	301	225	183	135	126
Operating profit (EBIT)	301	225	183	127	117
Financial items	(90)	(50)	(43)	(53)	(58)
Profit before tax (EBT)	211	175	140	74	59
Profit for the year	152	119	90	45	33
Balance sheet details					
Total assets	3,661	2,620	1,998	1,934	2,026
Equity	1,068	827	719	636	612
Average invested capital including goodwill	2,823	1,990	1,707	1,677	1,756
Average interest-bearing debt	1,824	1,203	1,043	1,087	1,180
Investments					
Gross investments (excluding acquisitions)	103	69	55	50	61
Investments in property, plant and equipment	101	67	52	50	61
Gross investments (including acquisitions)	431	144	55	56	91
Net investments (excluding acquisitions)	64	50	9	30	54
Cash flows					
Cash flow from operating activities (CFFO)	126	(107)	51	197	118
Cash flow from oprations after investments (excluding acquisitions)	75	(133)	53	171	78
Cash flow from oprations after investments (including acquisitions)	(153)	(317)	53	150	(29)
Performance ratios					
Gross margin	17.9%	16.8%	16.4%	16.3%	16.0%
Operating margin (EBIT-margin)	4.2%	4.2%	3.6%	2.8%	2.6%
Net operating profit less adjusted taxes (NOPLAT) [2)]	214	161	131	94	88
Return on equity (ROE)	15.5%	15.3%	13.3%	7.2%	5.4%
Equity ratio	29.2%	31.6%	36.0%	32.9%	30.2%
Equity ratio including subordinated loan	32.2%	31.6%	36.0%	32.9%	30.2%
Retun on invested capital including goodwill (ROIC including goodwill)	10.8%	11.5%	10.9%	8.0%	7.2%
Average number of employees	4,310	1,782	1,695	1,414	1,402
Stock market ratios					
Book value per share of DKK 10 (BVPS)	58	48	42	37	36
Share price 31 December (P)	DKK 106.89	DKK 85.60	DKK 39.30	DKK 26.18	DKK 15.65
Share price / book value (P/BV)	1.86	1.78	0.94	0.71	0.44
EPS Basic (per share of DKK 10)	8.38	7.00	5.35	2.66	1.93
Average number of shares in issue (1,000 shares) [3)]	18,312	17,162	17,162	17,162	17,162
Cash flow per share of DKK 10 (CFPS)	6.85	(6.24)	2.97	11.48	6.88
Dividend per share of DKK 10 (DPS)	2.00	1.50	1.00	0.60	0.60
Price Earnings Basic (P/E Basic)	12.8	12.2	7.4	9.8	8.1

1) Financial highlights and financial ratios for 2004 to 2006 have been prepared in accordance with IFRS. Comparative figures for 2002 and 2003 have not been restated to the changed accounting policies, but are presented in accordance with the previous accounting policies based on the requirements of the Danish Financial Statements Act and Danish Accounting Standards.

2) Calculated on the basis of a company tax rate of 30% with addition of net financial income on invested capital (receivables etc.) of DKK 4.8 million. For 2006 the tax rate paid was 23.5% (2005: 32.9%) corresponding to a NOPLAT of DKK 234 million.

3) As part payment of the acquisition of the tt Timber Group in February 2006, 120,000 shares of DKK 100 have been issued.

FINANCIAL REPORTING

The 2006 annual report of the DLH Group has been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Dalhoff Larsen & Horneman A/S has availed itself of the option to prepare the annual report of the parent company in accordance with the International Financial Reporting Standards.

The accounting policies remain unchanged as compared to previous years.

BUSINESS ACTIVITIES

International trade in timber

The Group's international trading activities have been organised under two divisions: the Hardwood Division and the Timber & Board Division.

The *Hardwood Division* is a provider of tropical and temperate hardwood in the form of logs, sawn timber, components and finished products, part of which are manufactured by the group's own sawmills and processing facilities in the countries of origin. The products are sold partly through stockholding sales units in a vast number of countries in Europe and in the USA, and partly through sales offices in Europe and in the Far East.

The *Timber & Board Division* distributes timber-based sheet materials and softwood, such as planks and boards. The division has its primary market in Europe and exports considerable quantities of sheet materials to the USA.

Building materials

The *Building Materials Division* consists of 19 timber merchant companies in Denmark, just over half of which have an adjacent do-it-yourself store under the XL-BYG Horneman concept. The division distributes softwood, sheet materials, building materials and a vast number of related products.

Shared functions

The Finance & IT, Logistics, Personnel and Forestry & Environment functions are shared by all three divisions. Legally, the shared functions belong under Dalhoff Larsen & Horneman A/S, which is the parent company of the DLH Group. The parent company also performs general management duties.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Following the transition to the International Financial Reporting Standards and thereby the abolition of the equity method, the result of the parent company does not coincide with that of the group since only dividend from subsidiaries is recognised in the income statement as opposed to the full result.

The parent company's investments in subsidiaries are recognised at cost, and this implies that the equity of the parent company differs from that of the group.

The pre-tax profit of the parent company was DKK 13.9 million compared to DKK 1.9 million in 2005.

At the end of 2006 the balance sheet total of the parent company was DKK 1,803 million compared to DKK 1,280 million at the end of 2005.

The equity of the parent company was DKK 584 million compared to DKK 454 million at the end of 2005.

DEVELOPMENT IN THE FINANCIAL YEAR FOR THE DLH GROUP

Market development

Generally, 2006 was characterised by great demand in more or less all the markets, which resulted in rising prices for most product groups. However, the great demand also led to a shortage of goods in some areas, and together with outside interruptions in operations in the supply countries this hampered revenue developments.

Of the total revenue increase 29% is attributable to acquisitions. 62% of group revenue was generated outside Denmark in 2006. Here Western Europe accounts for 37% while 10% of the revenue was generated in the USA. The emerging markets, which include the Far and the Middle East, South Africa and Eastern Europe, produced a share of the group's total revenue of 15%.

The group is today represented in 33 countries by subsidiaries or offices.

Throughout the year the Danish market has experienced increased activity compared to last year. However, the domestic market's share of group revenue declined from 44% to 38% due to the considerable acquisitions made at the end of 2005 and in early 2006.

Revenue

With revenue of just under DKK 7.2 billion in 2006 DLH realised an increase of 34% and reached record revenues in 2006. The increase is attributable to an organic growth of 5% and 29% growth from acquisitions. All three divisions increased their revenues compared to last year.

Compared to the most recent forecast of DKK 7.0 billion this represents a growth of DKK 0.2 billion. The increase is primarily due to the continued high activity on the domestic market in the last months of the year.

Hardwood Division

The division produced revenues of DKK 4,076 million, up 52%, which is primarily attributable to acquisitions. 67% of the annual revenue was produced by stockholding sales units in the USA and Europe, including the rapidly increasing Russian market to which DLH gained access through the acquisition of Bohmans in the autumn of 2005. Sales through stockholding sales units ensure relatively stable earnings.

The remaining 33% of the division's revenue is produced by trading. Trading refers to the sale of large quantities of goods with direct delivery to the customer without involving the warehousing facilities of DLH. DLH's trading business is characterised by a low level of costs and low capital requirements, but also by fluctuating revenues, which in good years contribute considerably to the result of the group.

With the acquisition of the tt Timber Group in January 2006 DLH considerably consolidated its position in the central African countries through the operation of its own forest concessions and own sawmills. The acquisition is of great strategic importance because it has consolidated DLH's reliability of supply and ensured control with the only major source of supply for certified products from African natural forests so far. The acquisition of activities in the first links of the value chain strengthens the group's earnings while only making a modest contribution to the division's total revenue.

Timber & Board Division
Following an exceptionally strong market in 2005, the sheet materials market returned to a normal, albeit still satisfactory, level during the first three quarters of 2006. During the fourth quarter demand and prices were again on the increase. This development in the sheet materials market has continued into early 2007.

The softwood market has been enjoying a satisfactory increase throughout the year, and this has also been reflected in the prices.

In 2006 the division achieved revenue of DKK 1,408 million, which corresponds to an increase of DKK 267 million, or 23%, on 2005. Of the increase, the acquisition of Ljungbergs as at 1 September 2006 accounts for DKK 115 million.

Building Materials Division
The division also continued its positive business trend in all areas throughout 2006. As in previous years, progress is due in particular to the low level of interest rates and the strong Danish economy, which has really boosted both residential development and refurbishment. In some fields the market was overheated, and this led to quotas and actual shortages for some product groups.

In 2006 the division achieved revenue of DKK 1,836 million, up just over 10% on 2005. A minor part of the said revenue boost is attributable to acquisitions.

The division closed down a small branch in Asnæs in 2006, which did not satisfy the group's demands for added value.

Gross margin
DLH improved the gross margin by 1.1 percentage points to 17.9% in 2006. This combined with the revenue increase ensured an improvement in the gross margin of DKK 385 million, up 43% on 2005. The improvement in the gross margin is attributable to the Hardwood Division which has increased the margin by 3.0 percentage points. The Building Materials Division has increased the margin by 0.1 percentage points. Conversely, the gross margin fell in the Timber & Board Division (1.3 percentage points).

Other operating income
The item includes excess values of DKK 33 million relative to the cost of the tt Timber Group (negative goodwill). Furthermore, the result includes proceeds from the sale of properties etc. of DKK 17 million, which coincides with last year.

Costs
Costs (other external and staff costs) were DKK 944 million. This represents an increase of DKK 279 million on 2005. The increase includes acquisitions in the amount of DKK 204 million while the benefit element in connection with the employee share issue amounts to a computed cost of DKK 21 million. On a comparable basis the increase amounts to DKK 54 million, or 8%.

Depreciation and amortisation
Depreciation and amortisation have increased by DKK 65 million to DKK 104 million. Depreciation and amortisation relating to acquisitions account for DKK 61 million of this amount.

Operating profit (EBIT)
The increased revenue together with the improvement in the gross margin produced earnings before interest and tax, EBIT, of DKK 301 million, a 34% improvement. All three group divisions contributed to this improvement in the result. The group's operating margin (EBIT margin) was 4.2%, which is on a par with last year.

EBIT contributions of the divisions

DKK million	2006	2005
Hardwood Divisionn	206.7	114.1
Timber & Board Division	78.1	68.0
Building Materials Division	77.3	62.1
Corporate centre	(60.6)	(19.4)
Total	301.5	224.8

Hardwood Division
The massive growth in business activities in 2006 has resulted in costs for integration and co-ordination of the activities. Nevertheless, the division achieved an operating profit, or EBIT, of DKK 207 million, up 81% on last year. The improvement in the result is attributable to general market trends, but was also helped along by the contribution made by the acquired businesses and added values compared to the purchasing price of the tt Timber Group (negative goodwill) determined in connection with the inclusion of the company in DLH's financial statements in accordance with the IFRS accounting standards.

Timber & Board Division
The operating profit of the year, or EBIT, was DKK 78 million, representing a DKK 10 million increase on 2005.

Building Materials Division
Throughout the year the division carried out a series of efficiency enhancements in the administrative, purchasing and logistics functions, and these have been instrumental in improving the result. Operating profit, or EBIT, for the year was DKK 77 million, up DKK 15 million, or 24%, on 2005.

The corporate centre
The corporate centre, which covers the departments Finance & IT, Logistics, Personnel, Forestry & Environment and the executive board, accrued an operating result, or EBIT, of DKK (61) mil-

lion, down DKK 42 million on last year. Last years' figure included proceeds from the sale of properties in the amount of DKK 16 million compared to DKK 6 million in 2006. This year's figure includes DKK 21 million relating to the computed costs regarding the benefit element of the employee shares issued in July 2006. When leaving the said two items out of the equation, the real increase in costs is DKK 10 million, which relates to IT costs and increased costs of key staff as a result of the acquisitions in recent years.

Profit before tax
The pre-tax profit for the group was DKK 211 million, up 21 %.

Profit after tax
The group result after tax was an all time high of DKK 152 million compared to DKK 119 million last year. The group realised a tax rate of 28.1% compared to 32.3% in 2005. The improvement in the tax rate is primarily due to adjustments for negative goodwill having no effect on the tax and a change in the assessment of a tax asset.

Balance sheet total and invested capital
The group's balance sheet total was DKK 3,661 million at year-end, a 40% increase on year-end 2005, mainly attributable to acquired businesses.

Equity was DKK 1,068 million at year-end, representing a DKK 241 million increase.

Average invested capital was DKK 2,823 million in 2006 compared to DKK 1,990 million the year before.

Development in average invested capital:

DKK million	2006	2005
Hardwood Division	2,055	1,312
Timber & Board Division	228	197
Building Materials Division	535	499
Corporate centre	5	(18)
Total	2,823	1,990

Hardwood Division
Average invested capital was DKK 2,055 million, which represents an increase of DKK 743 million on 2005, primarily due to acquisitions. Return on average invested capital was 10.1% compared to 8.7% in 2005.

Timber & Board Division
The division tied up average invested capital of DKK 228 million in 2006 compared to DKK 197 million the year before. One reason for the increase is the acquisition of Ljungbergs. Return on average invested capital was 34.2% compared to 34.5% in 2005.

Building Materials Division
In 2006 the Building Materials Division's average invested capital was DKK 535 million. The DKK 36 million increase on 2005 is partly attributable to the high level of activity and partly to the acquisition of MLT A/S in the autumn of 2005. Return on average invested capital was 14.4% compared to 12.5% in 2005.

Cash flow
Cash flow from operations after investments was DKK (153) million compared to DKK (317) million the year before. The improvement is due to a reduction in the funds tied up in working capital in the comparative period as well as a considerably improved result, adjusted for non-cash items, such as depreciation and amortisation.

RISKS

The activities of DLH are subject to a number of commercial, financial and insurable risks that are all assigned high priorities in the group's risk management.

COMMERCIAL RISKS

The risk profile is characterised by DLH operating in a vast number of countries and markets subject to considerable competition.

Sensitivity to market fluctuations
DLH is affected by the trade conditions in the sales markets and supply regions in which the group operates. Developments in the building and renovation industries are of particular importance. Approximately 80% of group revenues are generated through the company's own stockholding distribution centres, whilst the remaining approximately 20% of revenues are generated through trading. Trading is far more sensitive to market fluctuations than distribution.

Market and customer risks
The Danish market is the group's largest and accounts for one third of total revenues. Revenues outside Denmark are spread across a number of markets, for instance, in other European countries (41%), North America (10%), Africa (3%) and the Far and the Middle East (8%). Excluding Denmark, the country-specific fluctuations in market conditions have limited effect, whereas market fluctuations regionally may seriously affect both revenues and profit.

The customer portfolio is not vulnerable to the loss of individual customers. The group's largest single customer accounts for less than 3% of the revenue.

Political risks and other supply risks
Many of the group's supply areas are located in countries in which political conditions and trading practices, logistics and legislation may differ considerably from those of the western world. For this reason purchases from such areas are subject to various supply risks. In addition, certain supply countries are subject to political instability and unrest, which may interfere with business operations. Yet another factor is the climate of the supply countries, which at certain times of the year results in reduced supplies, such as during the rainy season in the tropics or the winter months in Russia.

The group has generally succeeded in putting well-functioning systems in place to control quality and delivery subject to the conditions prevailing in the supply areas. These systems are supported by the physical presence of procurement offices in most of these areas.

DLH has a good spread of suppliers, thereby facilitating the substitution of a product from one supply region with products from other supply regions. This fact combined with the fact that DLH is active in all vital supply regions sets the group apart from almost all its competitors and provides great flexibility and strength.

The suppliers of DLH are generally small. However, the Timber & Board Division primarily purchases softwoods from a few large suppliers in Scandinavia while a single supplier of sheet materials in Russia accounts for a relatively large proportion of the division's supplies of plywood to the European and American markets. The DLH Group has been trading with these suppliers for many years. No single supplier handles more than 18% of the goods purchased by the Timber & Board Division. No single external supplier handles more than 2% of the goods purchased by the Hardwood Division, however, approximately 10% is sourced from own concessions in the Congo. The Building Materials Division makes many of its purchases (approximately 50%) from the purchasing organisation Ditas.

DIRECT INVESTMENTS IN HIGH-RISK COUNTRIES

With a view to supporting the group's tropical hardwood supplies, such as VLO and FSC certified timber, considerable direct investments have been made in a number of high-risk countries. Valuation and depreciation and amortisation principles reflect the risk in the individual countries. The risk exposure related to the group's single largest investment in the Congo has been limited by a guarantee made by the vendor and by a loan to CIB raised with the Industrialisation Fund for Developing Countries. In addition, the group has made direct investments in Gabon, Brazil and Malaysia.

FINANCIAL RISKS

Due to the nature of the operations of the DLH group the group's result and equity may be affected by a number of financial risks.

By far the majority of DLH's financial risk management takes place through the intra-group bank, primarily by means of forward exchange contracts and interest rate swaps. The intra-group bank operates according to fixed policies, which imply, for instance, that no speculative positions are taken.

Foreign currencies
62% of group revenue is denominated in foreign currencies, primarily handled by the company's own local sales companies. The main currencies used are the euro, US dollars and Polish zloty. The major, and also the most complex, foreign currency risk is related to the US dollar and may be sub-divided into three elements:

Trading risk. Just under 25% of revenues and approximately 30% of goods purchased are denominated in US dollar or currencies pegged to the US dollar, for instance, the Malaysian ringgit and the Brazilian real, which are pegged to the US dollar to some extent. Normally, sales prices are adjusted to the trend in the US dollar. The degree of such adjustment is dependent on the economic development in the individual markets as well as the supply situation generally.

The net effect of a decline in the US dollar at group level depends on the scope of and rate at which sales prices are adjusted, and this is in turn closely related to a number of other factors, such as the size of inventories in the sales countries, the season, availability of substitutes etc.

Basically, a drop in the US dollar rate would have a detrimental effect on sales from the euro-based supply regions such as West Africa and Europe, whereas it would boost the sales potential in the US-dollar based regions, such as South America, North America and South East Asia. The net effect of an exchange rate drop at group level will be positive in the short term in the case of the US dollar, but as the decline in the dollar rate is incorporated into prices, gross profit will fall, and if the decline in the dollar rate has its full effect on sales prices, the net effect will ultimately be negative.

The inventory risk is the risk that the group runs on inventories in connection with changes in the US dollar rate. Of the group's inventories approximately DKK 300 million are to some extent exposed to the US dollar. A decline in the US dollar rate would put pressure on prices, primarily on the US dollar-based goods and thus have a negative impact on the group. Again the effect would depend on the extent and the speed at which sales prices are adjusted.

The conversion effect is the effect on the group's earnings and equity that is the result of converting the US dollar-based foreign companies' operations and balance sheet totals to the consolidated financial statements due to a change in the US dollar rate. The effect is negative when there is a drop in the US dollar rate, albeit limited due to currency hedging, cf. below. The average US dollar rate was just under 1% lower in 2006 than in 2005 and has thus only had a negligible effect on revenue and profit before tax in the financial year compared to 2005.

Foreign exchange policy
The group's policy is to hedge receivables and liabilities denominated in foreign currencies. However, the foreign exchange risk related to euro-denominated transactions is not hedged due to the fact that the Danish krone is kept within a narrow fluctuation band against the euro. DLH's net investments in subsidiaries abroad are hedged unless the costs incurred are deemed to considerably exceed the risk of losses. With the exception of the euro and investments in tt Timber International AG and Inter-Continental Hardwood Inc., which were hedged in January 2007, all investments in foreign currencies were hedged in 2006. During the financial year the Brazilian real has been hedged by US dollars. With this in mind, and because the value for tax purposes of the foreign exchange hedging is not usually recognised in the actual hedging contract, our foreign exchange policy may result in adjustments in the equity.

Interest rates and financing
At the end of 2006 DLH's interest-bearing debt net amounted to

approximately DKK 1.9 billion. The debt is primarily denominated in the group's principal currencies: Danish kroner (DKK 500 million), euro (DKK 875 million) and US dollar (DKK 460 million). Exposures on loans denominated in foreign currencies are included in the overall hedging policy of the DLH Group, and the above amount is therefore not an expression of the group's foreign exchange exposure.

Of the total loan portfolio at year-end 2006 DKK 882 million represent long-term commitments, DKK 54 million of which are mortgage loans. The majority of the mortgage loans have been issued as 4% bonds. The remaining long term loans have primarily been issued at fixed rates of interest or hedged by means of interest rate swaps. The interest rate swaps have a weighted term to maturity of just over three months and a counter value of DKK 149 million denominated in euro and DKK 40 million denominated in US dollars. On an annual basis, a simultaneous rise in the interest rate of 1 percentage point on all interest-bearing debt denominated in foreign currencies would reduce the group's pre-tax profit by approximately DKK 14 million at the current level of activity and with the existing capital structure.

BALANCE SHEET RISKS

Inventories
Funds tied up in inventories represent DLH's largest asset item in the amount of DKK 1,617 million, to which must be added inventories of spare parts for DKK 43 million, primarily in the Congo. Binding sales contracts have been concluded for quite a substantial part of the inventories. Risks on inventories are primarily related to losses due to a decline in prices and foreign exchange rates. Inventories are monitored closely. The risk of losses on inventories in the case of a sudden, permanent fall in prices of 5% is estimated at DKK 5-10 million for all the group's inventories combined.

Trade receivables
Trade receivables represent the second-largest asset item in the balance sheet, amounting to DKK 886 million. Credit is granted according to an active credit policy. Losses on debtors mainly occur in periods of recession. Losses including costs incidental to credit insurance amount to 0.3% on revenue in 2006 and do not normally exceed 0.4% of the revenue.

In the Hardwood Division credit is to a large extent granted on the basis of letters of credit or other payment against documents. Otherwise credit is primarily granted on the basis of credit insurance with part coverage of potential losses. To this must be added trade receivables from individual customers where credit is granted on the basis of trust and therefore naturally is more risky.

In the Timber & Board Division credit granted to industrial customers and customers outside Denmark is primarily based on credit insurance with part coverage of potential losses. Conversely, credit granted to timber merchant companies in Denmark is not insured and is granted on the basis of the division's own credit ratings and a relationship of trust established with the individual customer.

In the Building Materials Division credit is primarily granted on the basis of credit insurance supplemented by the division's own credit ratings.

Approximately 60% of the trade receivables of the DLH Group are covered by credit insurance or hedged in other ways, for instance by letters of credit or other payment against documents. The group's maximum risk on trade receivables was DKK 358 million excluding value added tax as at 31 December 2006, please see note 22.

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 advance financing of already existing inventories built up by the suppliers. At the end of 2006 the prepayments to suppliers was DKK 109 million.

INSURABLE RISKS

The insurance policy of DLH determines the framework for the insurance of persons, property and interests affiliated with the group. Insurable risks are regularly assessed and assets and serious financial losses are insured against according to the following principles:

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

As a general rule, no insurance is taken out to insure losses that are insignificant from the group's point of view or where the costs of insurance are deemed to exceed the risk. The insurance portfolio of DLH consists of global group schemes (extended property insurance, professional and product liability, transportation and business trips) as well as regional/local policies (vehicles, industrial accident, accidents etc.). DLH has joined forces with an international insurance broker with regard to non-life insurance.

INTELLECTUAL CAPITAL

DLH's overall objective is to attract, retain and develop the best employees in the industry. By means of its training policy DLH aims to create the optimal framework for developing and retaining such skills as are vital in the face of the toughened competition.

The Danish group entities run trainee programmes regularly as part of the DLH Group's general recruitment and training policy. The trainees are mostly business trainees or retail business trainees. The business trainees in the Hardwood Division and the Timber & Board Division are offered a stay abroad of six months or more of their 2-year training period.

The annual performance and development reviews form the basis of education, training and development of the skills of the other members of staff in the DLH Group. There are ongoing efforts to develop both internal and external training programmes in order to ensure that the knowledge of the staff is up to date.

The DLH Group's intranet is used for written information to the staff. The system is set up in such a way that information may be custom-made according to organisational position, geographic location, job function etc., ensuring that the individual member of staff has access to the very information that he or she needs for the job.

The more formal co-operation between the staff and the management takes place through local consultation committees or communication groups, and at group level in the group communications groups.

DLH adheres to the basic social values adopted by its founders, values such as credibility, integrity and empathy. In practice DLH makes great allowances for employees who in some way or other suddenly or for prolonged periods of time need their employer's empathy in the case of serious illness, injuries or similar problems. In addition, DLH also has a number of employees who have various flexible working arrangements.

DLH is in regular contact with insurance brokers and insurers to ensure that the group's pension schemes and other personal insurances keep up with developments in this field, and the group also offers individual staff members private advice on insurance and pension schemes.

The team spirit of the staff is promoted through participation in social and sports events in the staff associations of the entities. These activities receive financial support from the group.

ENVIRONMENTAL MATTERS

Following the takeover of the tt Timber Group in 2006, considerable resources were used to strengthen the environmental activities of DLH. As a result, the Environmental Department now has solid regional competences in the three major tropical supply regions, Asia, Africa and South America. At the same time, DLH has reinforced its efforts in the human rights area by adding extra expertise.

The acquisition of the tt Timber Group and the direct involvement in forestry and production in the Republic of the Congo have added a new dimension to the corporate social responsibility (CSR) activities of DLH – especially with regard to the process of FSC certification.

Moreover, DLH has increased its commitment to processing in Malaysia and Brazil significantly. As a result, the CSR activities of DLH increasingly encompass DLH's own companies in addition to the activities already targeted at our suppliers, such as the Good Supplier Program (GSP).

The target is sustainable products

Sustainability is one of DLH's key objectives, which is why the group focuses on certified products. The general aim of the DLH Group is to become the world's largest distributor of FSC certified tropical timber within the next three to five years. The FSC certification of one of the forest concessions of DLH's subsidiary, Congolaise Industrielle des Bois (CIB), in the Congo is an important step in this direction.

Verification of legal origin

In some countries the control exercised by the local authorities is not always sufficient to ensure even a minimum level of legal compliance. With this in mind DLH in 2004 adopted the target of known origin of all timber, purchased by DLH, before the end of 2007 from those countries defined by DLH as high risk countries.

However, experience has shown that for some countries, it is very difficult to know the exact origin of the timber. Consequently, more time is needed to meet the target in these countries. For other countries the target of known origin is within reach. Here DLH continues its efforts towards obtaining third party **v**erification of **l**egal **o**rigin (VLO). VLO projects involve regular verifications by an independent body of the legal origin of the timber purchased by DLH.

With the aim of creating more visible results of the environmental activities, DLH assigned higher priorities to activities related to the verification of legal origin in 2006. In Malaysia (Sabah) several VLO projects, involving a number of suppliers, are successfully being implemented, and DLH can today supply considerable quantities of timber with a VLO certificate from Malaysia.

In the Congo, CIB's four concessions, which are not yet FSC certified, have obtained VLO certification in accordance with the SGS's TLTV- standard.

Additionally, DLH contributed to a VLO project in Russia managed by the WWF. New VLO projects are expected to be launched in 2007 in Indonesia, Brazil and the Ivory Coast.

The Good Supplier Program

DLH cannot ensure sustainable forestry on its own, and DLH's own forest concessions can only partly satisfy DLH's demand for timber. Therefore DLH depends on co-operation with its suppliers to ensure sustainably managed forests.

DLH's Good Supplier Program (GSP), an ambitious scheme involving approximately 700 suppliers in 18 countries, is the practical tool used to evaluate suppliers with regards to DLH's environmental policy and their compliance with human rights in countries susceptible to problems. This is the situation in tropical countries as well as in Russia, the Ukraine and China. In the remaining supply countries DLH primarily focuses on certified timber due to the fact that in these countries the legal origin of the timber is assured. The process of implementing GSP is making progress in some countries, while the process is more complicated in others. Part of the reason is that the implementation of the GSP is especially difficult in countries with complex supply chains, such as Indonesia. Another part is that we have experienced a certain degree of reluctance towards implementing GSP among some suppliers.

Nevertheless, GSP is an important tool to collect information of the group's suppliers as well as in the selection of suppliers eligible for VLO verification or certification projects.

Dialogue and co-operation
To ensure the sustainability of forests worldwide, joint efforts are required. The many stakeholders, especially the forest owners, the timber industries, the authorities, the local communities and the NGOs must jointly assume their responsibilities to solve the problems. DLH is participating in a number of forums which endeavour to bring about improvements in the environmental field. This includes the FLEGT-process (EU), G-8, Chatham House, the ITTO and the FAO. In addition, DLH operates through the trade organisations in a number of countries.

Furthermore, DLH is a member of Amnesty International Business Forum, FSC Denmark, FSC International, and engages in ongoing dialogue with the WWF. Additionally, DLH co-operates with NGOs such as the Tropical Forest Foundation, the Tropical Forest Trust and the World Conservation Society on specific projects.

Human rights
The protection of human rights is an essential part of DLH's CSR strategy. During 2006 additional manpower was added to the area, broadening our expertise in this field. The integration of human rights and social issues in DLH's environmental activities is, among other things, vital for the compliance with criteria for FSC certification.

As part of the Good Supplier Program, DLH engages in dialogue with its suppliers on its Basic Values, including working conditions for employees and protecting the rights of indigenous peoples.

Furthermore, CIB activities in the Congo have highlighted the need for access to education and health systems for the CIB staff as well as other inhabitants. Also the prevention and treatment of HIV/AIDS have become items on the agenda of DLH. In 2006, DLH launched an initiative to extend the efforts to combat HIV/AIDS in the Congo in co-operation with Danida.

IT

GTS, the Global Trade and Supply Chain System, has now been implemented in the Danish operations of the Timber & Board Division and the Hardwood Division as well as in the offices abroad. The implementation has not been without its problems, and this has affected the divisions involved. The system is still hampered by a number of systems errors, and the group has therefore decided that these must be rectified before the system is implemented in the subsidiaries abroad. Since the system must be implemented concurrently in another 15 companies due to the acquisition of Bohmans, Ljungbergs and the tt Timber Group, we expect the implementation to be completed in 2009.

INCENTIVE SCHEMES

Remuneration for group management includes a fixed salary and profit-related bonuses and an entitlement to share options. The DLH Group has been granting share options to the executive board and other members of group management in the period from 2002 to 2006. At 31 December 2006 the share option scheme comprised a total of 194,320 share options. Each share option entitles its holder to acquire one existing Class B share in the company at the nominal value of DKK 10. If all share options are exercised, the share option scheme grants holders the right to acquire up to 1.0% of the share capital. Please also refer to note 7.

POST-BALANCE-SHEET EVENTS

At the general meeting in 2006 DLH submitted plans to investigate the opportunities for implementing the Good Supplier Program (GSP) in Burma (Myanmar). GSP is DLH's program for the evaluation of suppliers in accordance with a number of environmental and human rights critera.

In the autumn of 2006 a consultancy firm investigated the possibility of implementing GSP in Burma, and they have come to the conclusion that, while the environmental aspects pose no great problems, it is impossible to shed sufficient light on whether or not human rights are being violated.

DLH therefore finds it unrealistic to implement GSP in Burma. For this reason the group has decided to discontinue the purchase of Burmese tropical teak. The upper limit for purchases will be reduced on a straight line basis over 5 years so that DLH will have completely phased out its purchases of Burmese teak in 2011 at the latest unless prior to that it has become possible to implement GSP in Burma.

Revenue from the sale of Burmese teak accounted for just under 1% of group revenue in 2006. The impact on the result of the decision has been recognised in the forecast for 2007 below.

No other major events have occurred after the balance sheet date.

FORECAST 2007

Group:
DKK million

Revenue	Approx.	7,500
Earnings before interest, taxes and depreciation and amortisation, EBITDA	Approx.	430
Earnings before interest and taxes, EBIT	Approx,	330
Earnings before taxes, EBT	Approx.	230

Following the considerable 34% revenue increase in 2006 the level of activity is expected to increase by approximately 4% from DKK 7.2 billion to approximately DKK 7.5 billion in 2007. The expected improvement applies to all three divisions. The Timber & Board Division accounts for the highest growth because it finalised an acquisition during the autumn of 2006.

The group expects increased earnings for the sixth year running in 2007. EBIT is expected to grow from DKK 301 million in 2006 to approximately DKK 330 million in 2007. This corresponds to an increase in the operating margin of 0.2 percentage points to 4.4%. The group has a long term target of 5.0% for the operating margin. Pre-tax profit is expected to grow from DKK 211 million to approximately DKK 230 million in 2007.

The forecast result for 2007 does not include non-recurring items. In 2006 DLH produced non-recurring income of just under DKK 20 million.

DLH's revenue and result forecast for 2007 is subject to the usual commercial uncertainties (such as market trends and changes in sourcing options) as well as to financial uncertainties (such as variations in interest rates and foreign exchange rates).

For average capital invested at group level a modest increase from approximately DKK 2.8 billion to approximately DKK 2.9 billion is expected.

Forecast EBIT contribution of the divisions:

DKK million	2007	2006
Hardwood Division	215	207
Timber & Board Division	80	78
Building Materials Division	80	77
Corporate centre	(45)	(61)
Total	330	301

Hardwood Division
The Hardwood Division expects a moderate 2% revenue increase to approximately DKK 4,150 million. This modest growth is due to the continued uncertainty as to the volume of goods that might be sourced in 2007. The seasonal shortage of goods resulting in higher prices is expected to continue to characterise the market in 2007. The division will therefore make a special effort to strengthen its sourcing base in the countries in which the division already operates as well as in new countries.

In 2007 the division will focus on the integration of the acquired businesses, Bohmans and the tt Timber Group, and on potential synergies.

The division expects improved earnings as the integration is completed. Operating profit is expected to grow by approximately 4% to approximately DKK 215 million.

The division's total invested capital is expected to remain at the 2006 level, at approximately DKK 2,060 million.

Timber & Board Division
The Timber & Board Division expects a revenue increase from DKK 1,408 million to approximately DKK 1,600 million in 2007. Much of the 14% revenue improvement mentioned above is due to the full-year effect of the acquisition of the sheet materials distributor Ljungbergs, which is only included in the financial statements for 2006 with four months.

Following a period with rising prices and strong earnings in both the softwood and sheet materials market in 2006, the division's operating profit is expected to remain in the region of DKK 80 million. Due to the acquisition, invested capital is expected to grow from DKK 228 million to approximately DKK 315 million.

The division expects to be able to finalise the implementation of GTS, the group's new IT-system, in 2007. At the same time the division will focus on developing its worldwide sourcing base.

Building Materials Division
The division expects moderate progress in a market that remains favourable. Revenue is expected to rise by just over 3% to DKK 1,900 million, and the operating profit, or EBIT, is expected to remain at approximately DKK 80 million. Investments are anticipated to slightly fall to approximately DKK 525 million.

In 2007 the division will continue to pursue efficiency enhancements with special emphasis on inventory management, logistics and purchasing. Another task will be to continue to pursue the possibility of acquiring timber merchant companies in Denmark as a geographical supplement to the division's existing timber merchant companies.

SHAREHOLDER INFORMATION

Share capital

In connection with the acquisition of the tt Timber Group new Class B shares without pre-emption rights for shareholders were issued with a total nominal value of DKK 12,000,000 in early 2006. In the summer 2006 additional Class B shares with a total nominal value of DKK 2,162,760 were issued to employees. DLH's share capital subsequently amounts to a total nominal value of DKK 185,784,760, of which amount the Class B shares have a total nominal value of DKK 167,034,760, and the Class A shares have a total nominal value of DKK 18,750,000. The Class B shares are listed by the Copenhagen Stock Exchange and included in the MidCap+ Index. The Class A shares are owned by the DLH-Fonden and unlisted.

Share split

In April 2006 the annual general meeting of DLH adopted a resolution to effect a share split in the ratio of 1:10 for both Class A and Class B shares. 3 May 2006 was the first trading day for the new denomination. Following the split, each share has a nominal value of DKK 10. All shares retain their voting rights following the split. A Class A share with a nominal value of DKK 10 thus carries 10 votes, while a Class B share with a nominal value of DKK 10 carries 1 vote.

Listing of the DLH share

The price of DLH's Class B share rose by 25% in 2006 and stood at DKK 106.89 at year-end (per share of DKK 10). In comparison the MidCap+ Index rose by 49% while the SmallCap+ Index rose by 32%. As at 2 October the DLH share changed from the SmallCap+ Index to the MidCap+ Index in connection with the launch of the new OMX listing at the Copenhagen Stock Exchange. On average DLH shares were traded for DKK 5.2 million a day in 2006 compared to DKK 3.0 million the year before.

At the beginning of 2007 the group had more than 3,000 registered shareholders, twice the number in early 2006.

Employee shares

In April 2006 the annual general meeting of DLH adopted a resolution to grant the company's employees the right to subscribe for shares at a favourable price. Subsequently 634 employees subscribed for 216,276 Class B shares (nominal value DKK 2,162,760) at DKK 10.50 per share, corresponding to 1.2% of the share capital before the subscription. The new Class B shares carry full dividend and moreover carry the same rights as the existing Class B shares and are listed by the Copenhagen Stock Exchange.

As at 19.03.2007 the supervisory board and the executive board possess 83,183 shares in DLH, equivalent to 0.4% of the share capital, please see below:

Shareholder	Number of shares
Morten Bergsten	520
Jesper Birkefeldt	463
Asbjørn Børsting	8,200
Stig Christensen	10,000
Niels Oluf Kyed	1,000
Uffe Mathiesen	5,500
Kim Berg Pedersen	500
Wilhelm Schnyder	500
Erik Søndergaard	4,000
Arne Vierø	32,000
Supervisory board, total	**62,683**
Jørgen Møller-Rasmussen	20,500
Supervisory and executive boards, total	**83,183**
Other insiders	279,077

Stock brokers monitoring DLH

Capinordic Bank A/S	Kristian Marthedal	+45 88 16 31 34
Danske Equities	Stig Frederiksen	+45 33 44 05 24
Nordea	Carsten Warren Petersen	+45 33 33 39 45

Investor relations

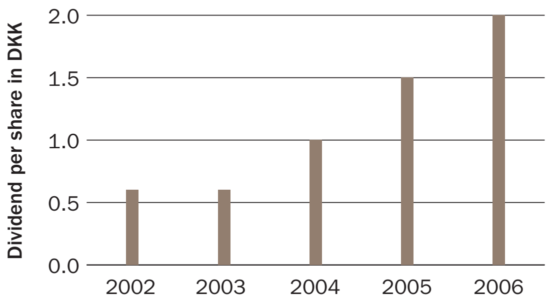
DLH encourages an open and active dialogue with existing and potential investors, financial analysts and other stakeholders concerning the company's business development and financial position. Our aim is to provide the participants in the share market with the best possible information and thus enable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

Corporate governance

DLH has adopted by far the majority of the recommendations on good corporate governance made by the committee appointed by the Copenhagen Stock Exchange. Please refer to the company's website for a total overview. In note 28 DLH gives an explanation to the recommendations with which the group has chosen not to comply.

Dividend

The supervisory board recommends to the general meeting that a dividend amounting to DKK 37.2 million, corresponding to DKK 2.00 per issued share, is distributed for 2006, which represents an increase of DKK 0.50 per share relative to 2005. The dividend for the year corresponds to approximately 24% of the profit after tax.



The supervisory board intends for dividend to be paid to shareholders annually at the rate of approx. 25% of the profit for the year after tax with due regard to the development plans of the group and its need for consolidation.

Investor inquiries

Queries concerning the DLH Group, the business divisions and the annual report should be directed to Jørgen Møller-Rasmussen, President & CEO. Queries concerning shareholder issues should be directed to Claus Mejlby Nielsen, IR Manager.

Key stock exchange announcements in 2006

Announcement	Date
DLH merges international hardwood business	23.01.2007
Increase in share capital	07.02.2007
Annual Report 2005	23.03.2007
Interim report as at 31 March 2006	23.05.2007
FSC certification of African forest concession	26.05.2007
DLH acquires sheet materials distributor in Sweden and Norway	18.07.2007
Subscription for employee shares completed	26.07.2007
Interim report as at 30 June 2006	24.08.2007
Acquisition of Karl Ljungberg AB completed	01.09.2007
Interim report as at 30 September 2006	20.11.2007

Financial calendar 2007

As previously mentioned, the supervisory board has adopted the following plan for the publication of the announcement of financial results and other announcements in 2007:

Announcement of Annual Report for 2006	21.03.2007
Annual general meeting	18.04.2007
Report for the three months ended 31 March 2007	23.05.2007
Report for the three months ended 30 June 2007	23.08.2007
Report for the three months ended 30 September 2007	21.11.2007

Shareholder and domicile at 19 March 2007:

	Shareholding	Share of votes*)
DLH-Fonden, Ved Stranden 18, Postboks 2034, DK-1012 Copenhagen K	25.83%	66.72%
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, DK-3400 Hillerød	6.84%	3.91%
BankInvest, Sundkrogsgade 7, Postboks 2672, DK-2100 Copenhagen Ø.	6.82%	3.90%
Lignum Unternehmensbeteiligungs GmbH, Hohenlohestrasse 40, DE-28209 Bremen	6.46%	3.69%

*) Calculated on the basis of registered holders of voting shares.

Arne Vierø

Joined the supervisory board in 1993
Born: 1938
Positions of trust:
CEO and member of the supervisory board of AV-Byggeentreprise A/S. Chairman of the supervisory board of Micro Clean A/S, Skimmel Rens ApS and KTN A/S. Member of the management of Statistics of Denmark. Member of the supervisory board of DLH-Fonden.

Stig Christensen

Joined the supervisory board in 1997
Born: 1945
Positions of trust:
Chariman of the supervisory board of Kraks Forlag AS, Repro Holding Vejle A/S, Repro Centret Vejle A/S, R.C. Media A/S and Metaphor Reklamebureau A/S. Member of the supervisory board of Martin Gruppen A/S and Cabinplant A/S.

Niels Oluf Kyed

Joined the supervisory board in 1999
Born: 1937
Positions of trust:
Chairman of the supervisory board of Compact A/S, Dansk Spil A/S, Dissing + Weitling arkitektfi rma a/s, E. Michaelis & Co. A/ S, Advis Advokater A/S and Advokataktieselskabet Kyed & Jybæk A/S. Deputy chairman of the supervisory board of Danske Invest Administration A/S. Member of the supervisory board of Stenhoved & Søgaard A/S.

Uffe Steen Mathiesen

Joined the supervisory board in 2000
Born: 1947
Positions of trust:
Manager of Nordplan A/S and CEO of Pertima Holding ApS. Member of the supervisory board of Borg & Bigum A/S, Lind Larsen A/S, Nissenpack A/S, SMEF Group A/S and Baresso Coffee A/S.

Wilhelm Schnyder

Joined the supervisory board in 2006
Born: 1943
Positions of trust:
Member of the supervisory board of Rhein Treuhand & Consulting AG, Titradeco AG, CBA Commerce des Bois Africains SA and Vasto Legno SpA.

Asbjørn Børsting

Joined the supervisory board in 2002
Born: 1955
Positions of trust:
CEO of DLG a.m.b.a.
Chairman of the supervisory board of Innovations- og Driftsselskabet for Forskerpark Foulum A/S and of the supervisory board of Danish Research Institute of Food Economics. Chairman and member of the supervisory board of subsidiaries and associated companies of the DLG Group. Member of the supervisory board of Debitel Danmark A/S and DLF-Trifolium A/S. Member of the advisory board of Danske Bank A/S.

Erik Søndergaard

Joined the supervisory board in 2004
Born: 1945
Positions of trust:
Chairman of the supervisory board of FORCE Technology. Member of the supervisory board of Dansk Erhvervsinvestering A/S.

Morten Bergsten

Joined the supervisory board in 2002
Born: 1966
Elected by the employees of the group.

Jesper Birkefeldt

Joined the supervisory board in 2006
Born: 1965
Elected by the employees of the group.

Kim Berg Pedersen

Joined the supervisory board in 2006
Born: 1966
Elected by the employees of the group.

Jørgen Møller-Rasmussen, President & CEO

Joined the executive board in October 1998
Born: 1947
Positions of trust:
Member of the supervisory boards of Dantherm A/S and Glenco A/S.

INCOME STATEMENT

		Group		Parent company	
Note	(DKK million)	**2006**	**2005**	**2006**	**2005**
3	Revenue	7,186.5	5,362.5	-	-
4	Cost of sales	(5,774.8)	(4,441.8)	-	-
7	Staff costs related to production	(123.4)	(17.3)	-	-
	Gross profit	**1,288.3**	**903.4**	**-**	**-**
5	Other operating income, net	60.7	26.0	47.6	50.7
6	Other external expenses	(389.3)	(257.1)	(38.8)	(28.8)
7	Other staff costs	(554.5)	(408.3)	(46.2)	(35.9)
	Operating profit before depreciation and amortisation (EBITDA)	**405.2**	**264.0**	**(37.4)**	**(14.0)**
8	Depreciation and amortisation	(103.7)	(39.2)	(6.3)	(5.8)
	Operating profit (EBIT)	**301.5**	**224.8**	**(43.7)**	**(19.8)**
	Financial items:				
9	Share of result after tax and investments in joint ventures	(0.1)	-	-	-
10	Financial income	20.7	11.7	111.1	50.1
11	Financial expenses	(110.6)	(61.5)	(53.5)	(28.4)
	Profit before tax (EBT)	**211.5**	**175.0**	**13.9**	**1.9**
12	Tax on profit for the year	(59.5)	(56.5)	15.1	11.6
	Profit for the year	**152.0**	**118.5**	**29.0**	**13.5**
13	**Earnings per share:**				
	Earnings per share (EPS)	8.38	7.00		
	Earnings per share diluted (EPS Diluted)	8.35	6.95		
	Recommended appropriation of profits:				
	Dividend proposed 20% (2005: 15%)			37.2	27.5
	Retained earnings			(8.2)	(14.0)
				29.0	13.5

BALANCE SHEET AS AT 31 DECEMBER

Note	Assets	Group		Parent company	
Note	(DKK million)	2006	2005	2006	2005
	Non-current assets:				
14	**Intangible assets:**				
	Goodwill	133.3	99.6	-	-
	IT projects	8.9	11.6	8.9	11.6
	Other intangible assets	9.5	-	-	-
		151.7	**111.2**	**8.9**	**11.6**
14	**Property, plant and equipment:**				
	Land and buildings	354.7	240.8	0.7	0.7
	Plant and machinery	115.6	50.2	-	-
	Other fixtures and fittings, tools and equipment	81.4	43.0	4.4	3.0
	Property, plant and equipment in progress	25.9	1.7	-	-
		577.6	**335.7**	**5.1**	**3.7**
	Other non-current assets:				
15	Investments in subsidiaries	-	-	844.0	453.3
	Receivables from group enterprises	-	-	395.7	385.9
9	Investments in joint ventures	1.7	-	-	-
16	Other investments and securities	7.3	6.5	-	-
17	Deferred tax	22.2	21.6	8.9	10.9
		31.2	**28.1**	**1,248.6**	**850.1**
	Total non-current assets	**760.5**	**475.0**	**1,262.6**	**865.4**
	Current assets:				
	Inventories:				
4	Manufactured goods and goods for resale	1,659.4	1,221.7	-	-
	Prepayment for goods	109.2	82.4	-	-
		1,768.6	**1,304.1**	**-**	**-**
	Receivables:				
	Trade receivables	886.0	673.3	-	-
	Receivables from group enterprises	-	-	502.9	359.7
17	Income taxes receivable	5.3	10.7	26.7	17.5
	Other receivables	94.7	56.4	8.3	4.9
	Interest-bearing receivables	-	46.6	-	27.4
	Prepaid expenses	21.7	11.8	2.4	5.3
		1,007.7	**798.8**	**540.3**	**414.8**
	Cash	124.2	41.8	0.0	0.2
	Total current assets	**2,900.5**	**2,144.7**	**540.3**	**415.0**
	Total assets	**3,661.0**	**2,619.7**	**1,802.9**	**1,280.4**

BALANCE SHEET AS AT 31 DECEMBER

	Liabilities and equity	**Group**		**Parent company**	
Note	(DKK million)	**2006**	**2005**	**2006**	**2005**
	Equity:				
	Share capital	185.8	171.6	185.8	171.6
	Hedging reserve	11.4	6.9	9.8	7.6
	Foreign currency translation adjustment reserve	(10.9)	2.4	-	-
	Retained earnings	844.8	618.5	351.0	247.7
	Dividend proposed	37.2	27.5	37.2	27.5
18	**Total equity**	**1,068.3**	**826.9**	**583.8**	**454.4**
	Non-current liabilities:				
19	Pensions and similar liabilities	11.2	-	-	-
17	Deferred tax	23.0	18.9	-	-
20	Provisions	14.5	11.2	-	-
21	Subordinated loan	111.8	-	111.8	-
21	Mortgage credit institutions	49.6	56.2	-	-
21	Banks	715.2	298.6	648.5	297.6
21	Leasing commitments	4.9	0.2	-	-
		930.2	**385.1**	**760.3**	**297.6**
	Current liabilities:				
	Banks	1,084.6	1,006.9	201.0	373.7
	Trade payables and other debts	531.5	341.2	20.8	30.2
21	Current portion of long-term debts	12.4	33.4	1.9	27.6
	Payables to group enterprises	-	-	215.0	93.5
17	Income taxes	26.3	16.4	-	-
	Provisions	3.7	6.2	1.9	3.4
	Deferred income	4.0	3.6	18.2	-
		1,662.5	**1,407.7**	**458.8**	**528.4**
	Total liabilities	**2,592.7**	**1,792.8**	**1,219.1**	**826.0**
	Total liabilities and equity	**3,661.0**	**2,619.7**	**1,802.9**	**1,280.4**

22 **Financial risks**
23 **Assets charged**
24 **Contingent liabilities**
25 **Related parties**
26 **Acquisition of businesses**
27 **Post-balance-sheet events**
28 **Corporate governance**
29 **New accounting regulations**

STATEMENT OF RECOGNISED INCOME AND EXPENSES

Note	(DKK million)	2006	2005
	Group:		
	Foreign exchange adjustments on conversion of foreign entities	(16.4)	20.9
	Foreign exchange gains on hedging instruments concluded to hedge investments in subsidiaries abroad	5.2	(23.7)
	Value adjustment of hedging instruments:		
	Value adjustment during the year	2.6	(3.5)
	Value adjustments transferred to the income statement	3.6	5.8
	Actuarial gains or losses on defined benefit plans	0.0	0.0
	Tax on items recognised directly in equity	(3.8)	5.9
	Net income recognised directly in equity	**(8.8)**	**5.4**
	Profit for the year	152.0	118.5
18	**Income and expenses recognised for the year**	**143.2**	**123.9**
	Parent company:		
	Value adjustment of hedging instruments:		
	Value adjustment during the year	1.2	(1.9)
	Value adjustments transferred to the income statement	1.9	7.5
	Tax on items recognised directly in equity	(0.9)	(1.7)
	Net income recognised directly in equity	**2.2**	**3.9**
	Profit for the year	29.0	13.4
18	**Income and expenses recognised for the year**	**31.2**	**17.3**

CASH FLOW STATEMENT

Note	(DKK million)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
	Profit before tax	211.5	175.0	13.9	1.9
	Adjustment for non-cash operating items etc.:				
	Depreciation and amortisation	103.7	39.2	6.3	5.8
	Other non-cash operating items, net	(28.0)	(26.0)	22.0	(16.6)
	Provisions	1.0	(5.0)	(1.5)	(4.6)
	Share of profit after tax in joint ventures	0.1	-	-	-
	Financial income	(20.7)	(11.7)	(111.1)	(50.1)
	Financial expenses	110.6	61.5	53.5	28.4
	Cash flow from operations before change in working capital	**378.2**	**233.0**	**16.9**	**(35.2)**
	Change in working capital:				
	Inventories and prepayments	(92.5)	(154.9)	-	-
	Trade receivables	(14.2)	(93.3)	-	-
	Trade payables and other debts	8.2	50.7	6.3	2.4
	Other operating debt, net	(25.0)	(36.0)	21.5	(28.4)
	Cash flow from operations	**254.7**	**(0.5)**	**10.9**	**(61.2)**
	Financial income, paid	20.8	11.7	111.2	50.0
	Financial expenses, paid	(100.2)	(60.7)	(43.3)	(27.5)
	Cash flow from ordinary activities	**175.3**	**(49.5)**	**78.8**	**(38.7)**
	Income taxes, paid	(49.8)	(57.6)	6.9	(9.3)
	Cash flow from operations	**125.5**	**(107.1)**	**85.7**	**(48.0)**
	Acquisition of intangible assets	(2.2)	(1.7)	(2.2)	(1.5)
	Acquisition of property, plant and equipment	(101.2)	(67.1)	(2.9)	(0.4)
	Divestment of intangible and property, plant and equipment	55.0	43.2	-	27.4
26	Acquisition of enterprises	(227.5)	(183.4)	(214.6)	-
15	Divestment of investments in subsidiaries	-	-	37.7	-
9	Investments in joint ventures	(1.8)	-	-	-
	Acquisition of securities	(0.7)	(0.5)	-	-
	Cash flow to investment activity	**(278.4)**	**(209.5)**	**(182.0)**	**25.5**
	Cash flow from operations and after investments	**(152.9)**	**(316.6)**	**(96.3)**	**(22.5)**
	Repayment of debt to mortgage credit institutions and servicing of leasing commitment	(14.5)	(0.8)	(13.0)	(1.4)
	Raising/repayment of bank debt	274.8	357.3	103.3	329.7
	Intra-group accounts, net	-	-	30.7	(289.5)
	Proceeds from capital increase	1.5	-	1.5	-
18	Acquisition of treasury shares	1.1	1.0	1.1	1.0
	Dividend distibuted	(27.5)	(17.2)	(27.5)	(17.2)
	Cash flow from financing activities	**235.4**	**340.3**	**96.1**	**22.6**
	Change in cash	**82.5**	**23.7**	**(0.2)**	**0.1**
	Cash as at 1 January	41.8	17.9	0.2	0.1
	Translation adjustment of cash funds	(0.1)	0.2	-	-
	Cash as at 31 December	**124.2**	**41.8**	**0.0**	**0.2**

OVERVIEW OF NOTES

1 Accounting policies:

Dalhoff Larsen & Horneman A/S is a limited liability company domiciled in Denmark. This annual report for the period 1 January – 31 December 2006 consists of the annual report of the parent company and the consolidated annual report of Dalhoff Larsen & Horneman A/S and its subsidiaries. The 2006 annual report of Dalhoff Larsen & Horneman A/S has been prepared in accordance with International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies in accordance with the Copenhagen Stock Exchange disclosure requirements for annual reports of listed companies and the IFRS order issued in pursuance of the Danish Financial Statements Act.

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

Basis of preparation

The annual report is presented in DKK rounded to DKK millions with 1 decimal point.

The annual report has been prepared under the historical cost convention, except for assets and liabilities relating to derivative and financial instruments that are measured at fair value.

The accounting policies applied, as described below, have been used consistently during the financial year and for the comparative figures.

The accounting policies applied remain unchanged from last year.

Consolidated financial statements

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

Entities in which the DLH Group through ownership and contract entered has joint control but no separate control are treated as joint ventures.

When determining if the parent company has control or joint control over an entity, potential voting rights that can be exercised on the balance sheet date are taken into consideration.

Please refer to page 61 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 group 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 enterprises. Unrealised gains on transactions with joint ventures are eliminated in proportion to the group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

Investments in subsidiaries are set off against the proportional share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities at the acquisition date.

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

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions.

For acquisitions of new enterprises in which the parent company obtains control over the acquired enterprise, the purchase method is used. The acquired enterprises' 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, and the fair value can be reliably measured. Deferred tax on the revaluations is recognised.

The acquisition date is the date on which the parent company obtains actual control of the acquired entity.

For business combinations made on 1 January 2004 or later, any excess (goodwill) of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under intangible assets. Goodwill is not amortised, but is impaired annually. The first impairment is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign unit 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 unit and translated into the foreign unit'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.

For business combinations made prior to 1 January 2004 the accounting classification of business combinations follows the previously applied policy. The accounting treatment of business combinations prior to 1 January 2004 has not been changed in connection with the opening balance at 1 January 2004. However, goodwill at 1 January 2004 is recognised on the basis of the cost recognised in accordance with the previously applied accounting policies (Danish Financial Statements Act and the Danish Accounting Standards) less amortisation and impairment losses up to and including 31 December 2003. Goodwill is not amortised after 1 January 2004.

The cost of an entity consists of the fair value of the agreed consideration for the acquisition with the addition of costs directly attributable to the acquisition. If parts of the consideration for the acquisition are tied to future events, these parts are included in the cost to the extent that the events are probable and the consideration can be made up reliably.

If uncertainties regarding the measurement of identifiable assets, liabilities and contingent liabilities acquired exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair values at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error. However, subsequent realisation of the acquired enterprise's deferred tax assets not recognised at the acquisition date will require recognition of the tax benefit in the income statement and simultaneous write-down of the carrying amount of the goodwill to the amount which would have been recognised had the deferred tax asset been recognised as an identifiable asset at the acquisition date.

Gains or losses on disposal or closing of subsidiaries and joint ventures are stated as the difference between the sales price or closing costs and the carrying amount of net assets including goodwill at the date of disposal plus anticipated disposal or closing costs.

Foreign currency translation
The group fixes a functional currency for each of the reporting enterprises. The functional currency is the currency which is applied in the primary economic environment in which the individual reporting unit 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 exchange 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 and 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 at which the receivable or payable item arose, or was recognised in the latest annual report, is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of enterprises with a functional currency other than Danish kroner the income statements of such enterprises are translated to the rate prevailing at the transaction date, and the 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 to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises 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 directly in equity under a separate foreign currency translation reserve.

Foreign exchange adjustments of balances which are considered part of the overall net investment in enterprises with a functional currency other than DKK are recognised in the consolidated financial statements directly in equity under a separate foreign currency translation reserve. Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in such enterprises and efficiently hedge against corresponding foreign exchange gains and losses on the investment in the subsidiary are also recognised in the consolidated financial statements directly in equity under a separate foreign currency translation reserve.

When accounting for joint ventures with a functional currency other than DKK in the consolidated financial statements the share of the profit for the year is translated at average exchange rates and the share of equity including goodwill is translated to the rate prevailing at the balance sheet date. Foreign exchange differences arising on translation of the opening balance of equity of such joint ventures at the exchange rates prevailing at the balance sheet date and on translation of the share of the profit for the year from the exchange rates prevailing at the transaction date to the exchange rates prevailing at the balance sheet date are recognised directly in equity under a separate foreign currency translation reserve.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at fair value on the transaction date. Subsequent changes in positive or negative fair values of derivative financial instruments are included in other receivables, trade payables and other debts, respectively, and a set-off of positive and negative values is only made when the company has the right and the intention to settle more financial instruments net. Fair values of derivative financial instruments are determined on the basis of current market data and generally accepted methods of measurement.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition 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), apart from foreign currency hedges, is treated as a fair value hedge of a recognised asset or liability.

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 the hedged item are recognised in equity under a separate hedging reserve, until the hedged transaction has been realised. Once the hedged transaction is realised, gains or losses incidental to such hedging transactions are transferred from the equity and recognised in the same line item as the hedged item. However, on hedging proceeds from future loans, gains or losses incidental to the hedging transaction will be transferred from the equity over the term of the loan.

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

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries and joint ventures that are effective hedges of currency fluctuations in these enterprises are recognised in the consolidated financial statements directly in a separate foreign currency translation reserve in equity.

INCOME STATEMENT:

Revenue
Revenue 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.

Revenue 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 revenue.

Cost of sales
Cost of sales comprises costs which are incurred in order to generate the revenue for the year. Trading entities recognise costs of goods sold and production entities recognise production costs corresponding to the revenue for the year. Production costs include direct and indirect costs of raw materials, auxiliary materials, wages and salaries.

Other operating income and expenses
Other operating income and expenses comprise items secondary to the principal activities of the enterprises, including gains and losses on disposal and replacement of intangible assets and property, plant and equipment. Gains and losses on the disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date.

Other external expenses
Other external expenses comprise expenses, excluding staff costs, incurred in distributing goods sold during the year and costs, excluding staff costs, incurred in conducting sales activities during the year as well as expenses for management and administration.

Share of profit in joint ventures in the consolidated financial statements
In the consolidated income statement, the proportional share of the profit in joint ventures after tax and after the elimination of the proportional share of internal gains/losses, is recognised.

Dividends from investments in subsidiaries in the financial statements of the parent company
Dividends from investments in subsidiaries are recognised as income in the income statement of the parent company in the financial year in which the dividends are declared. However, to the extent that the dividend distributed exceeds the accumulated earnings after the acquisition date dividends are recognised as a write-down of the cost of the investment.

Financial items
Financial income and expenses comprise interest income and expenses, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including leasing commitments, as well as surcharges and refunds under the on-account tax scheme, etc. Furthermore, realised and unrealised gains and losses relating to derivative financial instruments which do not qualify as hedging contracts are also recognised.

Tax on profit for the year
The parent company is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income. Companies that use tax losses from other companies pay joint tax contribution to the parent company at an amount corresponding to the tax base of the used tax losses while companies whose tax losses are used by other companies receive joint tax contributions from the parent company corresponding to the tax base of the used losses (full allocation). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year, which comprises current tax and changes in deferred tax, is recognised in the income statement at the amount relating to the profit for the year and directly in equity as regards the portion relating to items recognised directly in equity.

If the group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment schemes, the tax effect of the schemes is recognised in tax on the profit/loss for the year. However, if the total tax deduction exceeds the total accounting cost expense, the tax benefit for the excess deduction is recognised directly in equity.

BALANCE SHEET:

Intangible assets

Goodwill
Goodwill is initially recognised in the balance sheet at cost as described under "Business combinations". Subsequently goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the management structure and internal financial reporting. Based on the integration of acquired enterprises into the existing group the management estimates that the smallest cash-generating units to which the carrying amount of goodwill can be allocated are the commercial divisions.

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

IT projects that are clearly defined and identifiable and whose utilisation in the company is evidenced, are recognised as intangible assets provided that the cost can be measured reliably.

Recognised IT projects are measured at cost less accumulated amortisation and impairment losses.

On completion of the development of the IT projects, development costs are amortised on a straight line basis over the estimated useful life. The amortisation period is usually 1-5 years. The basis of amortisation is calculated less any impairment losses.

Other intangible assets
Other intangible assets, including intangible assets acquired in connection with business combinations, covering certification costs and forest concessions, are measured at cost less accumulated depreciation and impairment losses. Other intangible assets are amortised on a straight line basis over the expected useful life of the asset.

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

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment
Land and buildings, plant and machinery and fixtures and fittings, other 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. If the expected useful lives on different parts of a combined asset are not the same, the cost is split into separate parts which are then depreciated separately using different estimated lives.

The cost of assets held under finance leases is stated at the lower of the fair value of the assets or the present value of the future minimum lease payments. For the calculation of the present value, the interest rate implicit in the lease or an approximation thereof is used 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 group. The replaced components are removed from the balance sheet and recognised in the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is charged on a straight-line basis over the expected useful lives of the assets/components which 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 made up considering the residual value of the asset and reduced by 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 line item in the income statement.

Other non-current assets

Investment in joint ventures
In the consolidated financial statements investments in joint ventures are measured under the equity method measuring the investment in the balance sheet at the proportional share of the entity's equity determined in accordance with the group's accounting policies.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company's financial statements. Where the recoverable amount is lower than cost, investments are written down to this lower value.

Cost is reduced by dividend distributed that exceeds the accumulated earnings after the acquisition date.

Other investments and securities
Other investments and securities not included in the group's trading portfolio (available for sale) are recognised under non-current assets at cost at the transaction date and are measured at the estimated fair value measured on the basis of current market data and generally accepted valuation methods for unlisted securities. Unrealised value adjustments are recognised directly in equity. On realisation, the accumulated value adjustment recognised in equity is transferred to financial income or financial expenses in the income statement.

Impairment of non-current assets
Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, initially before the end of the acquisition year. Similarly, development projects in progress are subject to an annual impairment test.

The carrying amount of goodwill is impairment tested together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally determined as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which goodwill is allocated. Impairment losses on goodwill are recognised in a separate line item in the income statement.

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 tested 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 higher of an asset's fair value less expected costs to sell or its present value.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under depreciation and amortisation. However, impairment losses on goodwill are recognised in a separate line item in the income statement.

Impairment losses on goodwill is not reversed. Impairment losses on other assets are only reversed in connection with changes in the assumptions and estimates underlying the impairment calculation. Impairment is 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.

Inventories
Inventories are measured at cost according to the FIFO method or net realisable value if this is lower.

The cost of goods for resale, 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. Production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of the plant and machinery, buildings and equipment applied in the production process as well as costs of administration and management.

The net realisable value of inventories is determined as the sales price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost. Bad debt losses are written off.

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

EQUITY

Dividends
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 shares
Costs of acquisition, sales proceeds and dividends received from treasury shares are recognised directly over retained earnings in equity.

Proceeds from the sale of treasury shares or issue of shares in the parent company in connection with the exercise of share options or employee shares are recognised directly in equity.

Foreign currency translation reserve
Foreign currency translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign enterprises from their functional currencies into Danish kroner.

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

Employee benefits

Defined benefit plans and similar long-term liabilities
The group has entered into pension and similar agreements with a majority of the group's employees.

Liabilities regarding defined contribution plans, where the group pays in agreed pension contributions to independent pension funds are recognised in the income statement in the period when earned, and any payable amounts on the balance sheet date are included in the balance sheet under other payables.

For defined benefit plans an actuarial calculation is made up annually (Projected Unit Credit Method) for the present value of the future payments which have to be paid in accordance with the plan. The present value is determined on the basis of assumptions concerning future developments in factors such as salary development, interest rates, inflation and mortality rates. The present value is calculated only on benefits which employees have earned during their employment with the group till the present time. The actuarial calculation of the present value of the obligation less the fair value of any assets relating to the pension plan is recognised under pension liabilities.

In the income statement, pension costs are included based on actuarial estimates and financial expectations at the beginning of the year. Differences between the expected developments in assets and liabilities under the pension plan and the actual values at the end of the year are labelled as actuarial gains or losses and are recognised directly in equity.

Changes in benefits relating to earnings by the employees till the present time will result in changes in the actuarial calculation of the present value 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 options
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 where rights are earned (the vesting period). The counter item is recognised directly in equity.

On initial recognition of the share options the company estimates the number of options the 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 to be 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 discount rate lower than 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 the subscription as the difference between the market price and the subscription price of the shares.

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 on account.

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 is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes where temporary differences, apart from business combinations, arise at the acquisition date without affecting either profit/loss for the year or taxable income.

Deferred tax assets, including the tax base of tax loss 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 unit and jurisdiction.

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 income statement.

Provisions
Provisions are recognised when, as a result of events arising before or at the balance sheet date, the group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying 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, the costs required to settle the liability are discounted if the effect is material to the measurement of the provision. A pre-tax discount factor that reflects the current market interest rate level plus risks specific to the liability is used. Changes in present values during the year are recognised as financial expenses.

Provisions for restructuring costs are recognised when a detailed restructuring plan has been communicated on the balance sheet date to the persons affected by the plan. In connection with business combinations, provisions for restructuring costs in the acquired business are only included in goodwill when a constructive obligation for the acquired entity exists at the date of acquisition.

Financial liabilities
Amounts owed to credit institutions etc. are recognised at the date of borrowing at the net proceeds received less transaction costs. In subsequent periods the financial liabilities are measured at amortised cost using the "effective rate of interest method" and 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.

Other 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 operational leases.

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

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

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

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 and at the end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the acquisition date. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities are determined according to the indirect method as profit/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 investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, intangible assets and of property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size 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 and cash equivalents include cash.

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

Segment information
Information is provided on business segments (divisions) which represent the group's primary segmenting format, with geographical markets as the secondary format.

Segment information follows the group's risks as well as management and internal financial monitoring. Segment information is provided in accordance with the group's accounting policies.

Segment revenue and costs as well as segment assets and liabilities comprise items which are directly attributable to the individual segment and items which can be allocated to the individual segment on a reliable basis. Unallocated items primarily comprise assets and liabilities and income and expenses related to the group's administrative functions.

Segment allocation of revenue on geographical markets follow the location of the customers. Assets are allocated based on their physical placement.

Invested capital is defined as the sum of non-current and current assets less non-interest-bearing liabilities. Invested capital is calculated as a weighted average.

Return on invested capital is calculated as operating profit from continuing activities as a percentage of the average invested capital.

Financial ratios
The financial ratios have been calculated in accordance with the Recommendations & Financial Ratios 2005 issued by the Danish Society of Financial Analysts.

Profit for ratio analysis = Profit on ordinary activities after tax

$$\text{Operating margin} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Return on equity} = \frac{\text{Profit for ratio analysis} \times 100}{\text{Average equity}}$$

$$\text{Equity ratio} = \frac{\text{Equity at year-end} \times 100}{\text{Consolidated balance sheet total at year-end}}$$

$$\text{Book value} = \frac{\text{Equity at year-end}}{\text{Number of shares in issue at year-end}}$$

$$\text{Earnings per share (EPS)} = \frac{\text{Profit for ratio analysis}}{\text{Average number of shares in issue}}$$

$$\text{Cash flow per share} = \frac{\text{Cash flow from operations}}{\text{Average number of shares in issue}}$$

$$\text{Price earnings ratio(P/E)} = \frac{\text{Market price per share}}{\text{Earnings per share}}$$

2 **Accounting estimates and assessments:**
DLH's consolidated annual report for 2006 has been prepared in accordance with the International Financial Reporting Standards (IFRS). In its preparation of the annual report management makes a number of accounting estimates that form the basis of the recognition and measurement of the group's assets and liabilities. The key accounting estimates and assessments are outlined below. Please refer to note 1 for a detailed description of the group's accounting policies.

Estimation uncertainty:
Determining the carrying amounts of certain assets and liabilities requires assessments, estimation and assumptions of future events.

The estimates and assumptions applied are based on past experience and other factors that are deemed sound by management, but which by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the company is subject to risks and uncertainties that may result in actual results deviating from the estimates made. Risks to which Dalhoff Larsen & Horneman A/S is particularly vulnerable are discussed in note 22 in the annual report.

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

It may prove necessary to change previous estimates due to changes in underlying circumstances or on account of new information or subsequent events.

Inventories:
The estimation uncertainty surrounding inventories relates to the write-down to the net realisable value. The need for writing 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 in addition, inventories are subject to an individual assessment with a view to ascertaining additional potential losses, poor quality and market trends.

Part 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 the suppliers.

Trade receivables:
The estimated uncertainty surrounding trade receivables relates to the write-down to provide for losses. The write-down is assessed on the basis of incapacity to pay. The need for a write-down is determined after deducting the portion of the receivables that is covered by credit insurance. In the assessment, customers' past history of payment as well as political, national and economic conditions in the customers' home country also play an important part. If customers' capacity to pay is impaired, it may be necessary to make additional write-downs in future financial years.

Property, plant and equipment:
The estimated uncertainty surrounding 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 for the group. The assessment of residual values depends on the expected state of repair and age of the assets as well as the existence of a market for the said used assets.

Intangible assets:
For the DLH Group the measurement of intangible assets, including goodwill, may be significantly affected by major changes in the estimates and underlying assumptions of the values. For a description of an impairment test in respect of intangible assets please refer to note no 14.

Deferred tax assets:
The DLH Group recognises the tax base of tax loss carry-forwards where management estimates that the tax assets may be offset against future positive income within the foreseeable future.

No deferred tax provision is recognised in the balance sheet for contingent tax relating to the joint tax liability arising in respect of the "shadow-taxed" subsidiary in Brazil as the group has taken precautions that prevent the deferred tax from materialising.

3 Segment information:
Activities – primary segment

(million DKK)	Hardwood Division 2006	Hardwood Division 2005	Timber & Board Division 2006	Timber & Board Division 2005	Building Materials Division 2006	Building Materials Division 2005	Not allocated incl. parent company 2006	Not allocated incl. parent company 2005	Group elimination 2006	Group elimination 2005	Group 2006	Group 2005
Revenue	4,075.6	2,678.2	1,408.4	1,141.5	1,836.3	1,662.6					7,320,3	5,482,3
Intra-group revenue	(6.5)	(7.2)	(126.5)	(112.1)	0.8	(0.5)					(133.8)	(119.8)
Revenue to external customers	4,069.1	2,671.0	1,281.9	1,029.4	1,835.5	1,662.1					7,186.5	5,362.5
Gross profit	700.7	379.7	194.8	171.9	391.9	351.8			0.9	-	1,288.3	903.4
Costs	(415.2)	(249.4)	(114.4)	(102.3)	(298.0)	(273.7)	(55.5)	(14.0)	-	-	(883.1)	(639.4)
Operating profit before depreciation and amortisation (EBITDA)	285.5	130.3	80.4	69.6	93.9	78.1	(55.5)	(14.0)	0.9	-	405.2	264.0
Depreciation and amortisation	(78.8)	(16.2)	(2.3)	(1.6)	(16.6)	(16.0)	(6.4)	(5.8)	0.4	0.4	(103.7)	(39.2)
Operating profit (EBIT)	206.7	114.1	78.1	68.0	77.3	62.1	(61.9)	(19.8)	1.3	0.4	301.5	224.8
Share of result in joint ventures	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)	-
Other net financials	(69.9)	(37.6)	(8.9)	(4.8)	(9.4)	(9.1)	(1.7)	21.7	-	(20.0)	(89.9)	(49.8)
Profit before tax (EBT)	136.7	76.5	69.2	63.2	67.9	53.0	(63.7)	1.9	1.3	(19.6)	211.4	175.0
Non-current assets	493.5	264.0	73.6	8.5	179.9	187.0	1.262.6	865.4	(1,249.1)	(849.9)	760.5	475.0
Current assets	2,082.0	1,440.9	364.3	259.3	449.4	421.2	534.2	415.0	(529.4)	(391.7)	2,900.5	2,144.7
Segment assets	2,575.5	1,704.0	437.9	267.8	629.3	608.2	1,796.8	1,280.4	(1,778.5)	(1,241.6)	3,661.0	2,619.7
Interest-bearing liabilities	(1,415.1)	(1,062.0)	(195.9)	0.0	(267.6)	(283.0)	(963.2)	(698.9)	863.3	648.6	(1,978.5)	(1,395.3)
Non interest-bearing liabilities	(255.8)	(205.5)	(57.9)	(83.8)	(110.6)	(112.2)	(240.8)	(127.1)	50.9	131.1	(614.2)	(397.5)
Capital expenditure	341.2	109.0	65.3	1.2	19.3	31.5	5.1	2.0			430.9	143.7
Investments in joint ventures	1.7	-	-	-	-	-	-	-	-	-	1.7	-

Geography – secondary segment

(million DKK)	Revenue 2006	Revenue 2005	Assets 2006	Assets 2005	Liabilities 2006	Liabilities 2005	Capital expenditure 2006	Capital expenditure 2005
Denmark	2,706.1	2,333.6	1,179.8	967.2	1,051.5	586.7	98.7	85.7
Western Europe	2,638.2	1,475.0	1,571.6	820.1	1,067.7	610.6	25.5	24.1
USA	721.4	587.6	267.3	199.1	136.0	134.6	27.4	7.2
Emerging markets *)	1,120.8	966.3	642.3	633.3	337.5	460.9	279.3	26.7
Total	7,186.5	5,362.5	3,661.0	2,619.7	2,592.7	1,792.8	430.9	143.7

*) The emerging markets include the Far and the Middle East, South Africa, and Eastern Europe.

	(million DKK)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
4	**Cost of sales:**				
	Inventories at 1 January	1,221.7	932.0		
	Purchased supplies	5,747.4	4,462.1		
	Freight, customs, etc.	465.1	269.4		
	Inventories at 31 December, net	(1,659.4)	(1,221.7)		
	Cost of sales	5,774.8	4,441.8		
	Total write-downs of inventories at 1 January	15.0	11.1		
	Recognised in the income statement for the year	6.3	3.9		
	Total write-downs of inventories at 31 December	21.3	15.0		
	Inventories mainly consist of goods for resale.				
5	**Other operating income:**				
	Proceeds from the sale of property, plant and equipment	16.3	24.5	-	16.0
	Negative goodwill (please refer to note 26)	32.7	-	-	-
	Invoicing of intra-group services	-	-	39.5	34.1
	Other operating income	25.0	4.5	8.1	0.6
		74.0	29.0	47.6	50.7
	Other operating expenses:				
	Losses on the sale of property, plant and equipment	1.0	0.6	-	-
	Other operating expenses	12.3	2.4	-	-
		13.3	3.0	-	-
	Other operating income, net, in total	60.7	26.0	47.6	50.7
6	**Net other external expenses:**				
	Write-down to market value				
	of trade receivables recognised in the income statement	5.8	5.4		
	Ascertained losses on trade receivables	7.1	5.4		
	Credit insurance and similar costs	8.1	6.6		
	Total credit costs	21.0	17.4		
	Other sales costs	45.8	36.8		
	Total sales costs	66.8	54.2		
	Distribution costs	105.1	55.7		
	Administrative expenses	217.4	147.2	38.8	28.8
		389.3	257.1	38.8	28.8
	Fees to auditors appointed at the annual general meeting:				
	Auditors:				
	KPMG	4.1	3.4	0.7	0.8
	Others	2.3	0.8	-	-
		6.4	4.2	0.7	0.8
	Other services:				
	KPMG	0.3	0.3	-	0.1
	Others	0.3	0.1	-	-
		0.6	0.4	-	0.1
		7.0	4.6	0.7	0.9

(million DKK)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
7 Staff costs:				
Remuneration for parent company's supervisory board	1.6	1.5	1.6	1.5
Wages and salaries	572.7	375.0	134.4	106.9
Benefit element of employee share issue	22.1	-	3.0	-
Defined contribution plans, cf. note 19	25.6	21.4	8.1	7.2
Defined benefit plans, cf. note 19	2.1	-	-	-
Other social security costs, net of refunds	54.4	27.3	0.3	(0.4)
Share-based payment	0.5	0.4	0.5	0.4
	677.9	425.6	147.9	115.6
Reimbursement for employees of the parent company who are working in the group enterprises of DLH Nordisk A/S, DLH A/S and DLH Træ & Byg A/S			(101.7)	(79.7)
			46.2	35.9
Staff costs have been recognised under the following headings in the financial statements:				
Staff costs related to production	123.4	17.3	-	-
Other costs incidental to staff costs	554.5	408.3	46.2	35.9
	677.9	425.6	46.2	35.9
Number of employees on average for the year	4,310	1,782	244	239
Number of these employed in group enterprises			(173)	(168)
Employed in Dalhoff Larsen & Horneman A/S			71	71

Remuneration of the supervisory board, the executive board and executives:

(million DKK)	2006 Supervisory board of the parent company	2006 Executive board of parent company	2006 Other executives	2005 Supervisory board of the parent company	2005 Executive board of parent company	2005 Other executives
	Group and parent company					
Salaries	1.6	3.5	8.8	1.5	2.9	5.8
Bonus schemes	-	0.3	1.9	-	0.5	0.7
Pensions	-	-	0.1	-	-	0.1
Share-based payment	-	0.3	0.2	-	0.2	0.2
	1.6	4.1	11.0	1.5	3.6	6.8

Other executives comprise group management, excluding the executive board, made up of five Executive Vice Presidents in total, four of whom are heads of their division. Costs related to the heads of division are disbursed by the divisions. Three of these are, however, employed by the parent company.

Share option schemes

The DLH Group has been granting share options to the executive board and other members of group management since 2002. At 31 December 2006 the share option scheme comprised a total of 194,320 share options. Each share option entitles its holder to acquire one existing Class B share at the nominal value of DKK 10 in the company. If all share options allotted are exercised, the share option scheme grants holders the right to acquire up to 1.1% of the share capital.

Share options allotted in 2005 and 2006 may be exercised for a period of three to six years after the grant. There are no conditions attached to the exercise of the options within the usual trading windows, apart from the period from the annuncement of the annual financial statements in March until 1 April and naturally subject to the insider trading provisions applicable. The exercise price corresponds to the allotment price indexed to an increase of 3% p.a. Members of group management acquire their entitlement to share options over a 12-months-period from 1 April to 31 March. Special provisions apply to changes in the company's capital structure. It is a condition for the allotment of share options that the potential holder is employed by the company and has not been given notice of termination. Share options which have been allotted between 2002 and 2004 may be exercised between 2 to 5 years after the allotment, subject to the same conditions as apply to options allotted in 2006.

7 Staff costs (continued):

The fair value of issued, but not exercised, share options amounted to DKK 10.3 million for the executive board and DKK 1.9 million for the other members of group management at 31 December 2006.

The options have been issued at an exercise price, which has been determined on the basis of the market price for the company's Class B shares at the time of the allotment.

The options can only be settled in shares. The company's holding of treasury shares has been set aside for the exercise of options allotted.

Share options	**Supervisory board**	**Other executives**	**Total share options**	**Average exercise price per option**	**Fair value per option [1)]**	**Total fair value [1)]**
	number	number	number	DKK	DKK	DKK('000)
Number of options allotted in early 2005	153,760	123,000	276,760	18.9	-	-
Exercised	0	(84,020)	(84,020)	18.2	-	-
Allotted concerning 2005 (issued 1 April 2005)	36,590	29,280	65,870	48.8	6.8	450
Outstanding at year-end 2005	**190,350**	**68,260**	**258,610**	**28.3**	**-**	**-**
Exercised	(53,190)	(38,980)	(92,170)	22.4	-	-
Allotted concerning 2006 (issued 1 April 2006)	13,930	13,950	27,880	112.2	17.9	500
Outstanding at year-end 2006	**151,090**	**43,230**	**194,320**	**34.2**	**-**	**-**
Number of options that may be exercised at year-end 2006	100,570	0	100,570	20.7	-	-

1) At the time of allotment.

As regards options exercised in 2006 the average price per share amounts to DKK 22.4 per share at the time of the exercise. In 2006 the recognised fair value of the share options for the group amounted to DKK 0.5 million.

The fair values determined on allotment are based on the Black Scholes model for the valuation of options, which does not take into account any early exercise of the option.

The fair values of the outstanding share options at the time of allotment have been determined on the basis of the following assumptions:

	2006	**2005**
Average share price (DKK)	112.2	488
Exercise price (DKK) indexed at 3% p.a.	134.1	533
Expected volatility	20.0%	20.0%
Dividend rate	1.6%	2.3%
Risk free interest rate (based on Danish interest rate swaps and/or Danish government bonds)	3.1-3.4%	2.8-3.2%

The expected volatility is determined as a weighted average of the annual volatility during the financial year and the two preceding years weighted with the number of observations in the individual years.

(million DKK)		Group 2006	Group 2005	Parent company 2006	Parent company 2005
8	**Depreciation and amortisation:**				
	IT projects	4.4	3.2	4.4	3.2
	Other intangible assets	0.7	-	-	-
	Total intangible assets	5.1	3.2	4.4	3.2
	Land and buildings	26.3	11.9	-	-
	Plant and machinery	29.2	7.7	-	-
	Other fixtures and fittings, tools and equipment	43.1	16.4	1.9	2.6
	Total property, plant and equipment	98.6	36.0	1.9	2.6
	Total	103.7	39.2	6.3	5.8
9	**Share of result and investments in joint ventures:**				
	Carrying amount at 1 January	-	-	-	-
	Additions during the year	1.8	-	-	-
	Value adjustment during the year	(0.1)	-	-	-
	Carrying amount at 31 December	1.7	-	-	-

Investments in joint ventures only include a 50% ownership share in Indochina Wood Limited, a company incorporated in the British Virgin Islands having as its sole objects the control of the Vietnamese company, Indochina Wood Co. Ltd., which distributes timber and timber-based products in Vietnam. The investment has been measured according to the equity method.

	Indochina Wood Limited	DLH Group's share
Non-current assets	1.9	-
Current assets	3.3	-
Equity	3.3	1.7
Non-current liabilities	0.6	-
Current liabilities	1.3	-
Revenue	3.0	-
Costs	3.2	-
Profit	(0.2)	(0.1)

(million DKK)		Group 2006	Group 2005	Parent company 2006	Parent company 2005
10	**Financial income:**				
	Interest income from group enterprises, long-term loans	-	-	23.3	20.7
	Interest income from group enterprises	-	-	13.3	7.3
	Foreign exchange gains	12.6	4.8	0.7	0.8
	Other financing income	8.1	6.9	3.8	1.3
	Dividend from subsidiaries	-	-	70.0	20.0
		20.7	11.7	111.1	50.1
11	**Financial expenses:**				
	Interest paid to group enterprises	-		(2.0)	(4.0)
	Foreign exchange losses	(16.4)	(5.3)	(1.2)	-
	Other financing expenses	(94.2)	(56.2)	(50.3)	(24.4)
		(110.6)	(61.5)	(53.5)	(28.4)

(million DKK)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
12 Tax on the profit for the year:				
Current tax	65.7	57.1	(16.1)	(8.3)
Adjustment in deferred tax due to a reduction in the income tax rate from 30% to 28%	-	1.2	-	(0.1)
Adjustment of deferred tax	(6.2)	(1.8)	1.0	(3.2)
	59.5	56.5	(15.1)	(11.6)
Adjustment of effective tax rate:				
Tax rate in Denmark	28.0%	28.0%	28.0%	28.0%
Non-taxable income / expenses, Danish companies	2.6%	(2.3%)	70.6%	(638.0%)
Negative goodwill adjustments with no tax effect	(5.0%)	-	-	-
Changed measurement of tax asset	(2.2%)	-	10.0%	-
Higher tax rates etc. abroad	4.7%	6.6%	-	-
	28.1%	32.3%	108.6%	(610.0%)
13 Earnings per share:				
Profit for the year	152.0	118.5		
Average number of shares in issue	18,312	17,162		
Average number of treasury shares	(167)	(228)		
Average number of shares in issue	18,145	16,934		
Average dilution effect of outstanding share options	65	125		
Diluted number of shares in issue	18,210	17,059		
Earnings per share (EPS) of DKK 10	8.38	7.00		
Earnings per share diluted (EPS diluted) of DKK 10	8.35	6.95		

14 Intangible assets and property, plant and equipment:

Group

	Goodwill	IT-projects	Other intangible assets	Land and buildings	Plant and machinery	Other fixtures and fittings	Property, plant and equipment in progress	Total property, plant and equipment
Cost at 1 January 2005	42.5	19.8	-	345.6	95.8	150.5	3.5	595.4
Foreign currency translation adjustment	0.6	-	-	6.1	5.5	2.5	0.2	14.3
Reclassifications	-	-	-	6.6	(0.1)	(3.3)	(3.2)	-
Additions on the acquisition of subsidiary	56.5	-	-	3.4	5.8	6.5	-	15.7
Additions during the year	-	0.7	-	39.7	12.7	17.2	1.2	70.8
Disposals during the year	-	-	-	(40.6)	(3.2)	(18.3)	-	(62.1)
Cost at 31 December 2005	99.6	20.5	-	360.8	116.5	155.1	1.7	634.1
Depreciation and amortisation at 1 January 2005	-	5.7	-	130.8	57.5	110.7	-	299.0
Foreign currency translation adjustment	-	-	-	1.3	3.1	1.8	-	6.2
Reclassifications	-	-	-	2.0	0.2	(2.2)	-	-
Depreciation and amortisation for the year	-	3.2	-	11.9	7.7	16.4	-	36.0
Reversal of depreciation and amortisation on assets sold	-	-	-	(26.0)	(2.2)	(14.6)	-	(42.8)
Depreciation and amortisation at 31 December 2005	-	8.9	-	120.0	66.3	112.1	-	298.4
Carrying amount at 31 December 2005	99.6	11.6	-	240.8	50.2	43.0	1.7	335.7

14 Intangible assets and property, plant and equipment (continued):

	Goodwill	IT-projects	Other intangible assets	Land and buildings	Plant and machinery	Other fixtures and fittings	Property, plant and equipment in progress	Total property, plant and equipment
Cost at 1 January 2006	99.6	20.5	-	360.8	116.5	155.1	1.7	634.1
Foreign currency translation adjustment	(0.3)	-	-	(2.5)	(4.7)	(1.1)	(0.6)	(8.9)
Reclassifications	-	-	-	7.2	-	-	-	7.2
Additions on the acquisition of subsidiary	37.2	-	10.2	137.0	78.0	45.4	19.7	280.1
Additions during the year	0.5	1.7	-	32.0	21.0	43.1	5.1	101.2
Disposals during the year	(3.7)	-	-	(28.8)	(6.2)	(22.5)	-	(57.5)
Cost at 31 December 2006	133.3	22.2	10.2	505.7	204.6	220.0	25.9	956.2
Depreciation and amortisation at 1 January 2006	-	8.9	-	120.0	66.3	112.1	-	298.4
Foreign currency translation adjustment	-	-	-	(0.7)	(2.4)	(1.1)	-	(4.2)
Reclassifications	-	-	-	7.2	-	-	-	7.2
Depreciation and amortisation for the year	-	4.4	0.7	26.3	29.2	43.1	-	98.6
Reversal of depreciation and amortisation on assets sold	-	-	-	(1.8)	(4.1)	(15.5)	-	(21.4)
Depreciation and amortisation at 31 December 2006	-	13.3	0.7	151.0	89.0	138.6	-	378.6
Carrying amount at 31 December 2006	133.3	8.9	9.5	354.7	115.6	81.4	25.9	577.6

The carrying amount of assets under finance leases amounted to DKK 5.9 million at 31 December 2006 (2005: DKK 1.3 million).

According to the most recent official assessment, properties in Denmark are valued at DKK 236.4 million (2005: DKK 189.1 million). Carrying amount of assets at 31 December 2006: DKK 128.7 million. (2005: DKK 131.8 million).

Goodwill

The carrying amount of goodwill is specified below:

(million DKK)	2006	2005
Hardwood Division	77.7	81.2
Timber & Board Division	37.2	-
Building Materials Division	18.4	18.4
Group	133.3	99.6

Disposals for the year in respect of goodwill relate to the earn-out scheme in connection with the agreement on the acquisition of the shares in the Bohmans Group in 2005.

The addition for the year relates to the acquisition of Ljungberg Group in the Timber & Board Division. The acquisition was made in the autumn of 2006. No detailed impairment test has been made in respect of the acquisition since the actual cost is deemed to correspond to the fair value, and the fair value is deemed to exceed the carrying amount at 31 December 2006.

The management has carried out an impairment test of the carrying amount of goodwill excluding the above acquisitions at 31 December 2006.

With this in mind, the carrying amount of goodwill at 31 December 2006 has been allocated to the entities producing the cash flow, the Hardwood Division and the Building Materials Division, where goodwill has been recognised.

The recoverable value is based on the value in use which has been fixed by applying the expected cash flows for the years 2007-2011. The expected cash flows for the years 2007-2009 have been determined on the basis of the budgets for the years in question, approved by the management. Key parameters in the calculation of cash flows are EBIT, including revenue development, interest rates, changes in working capital and capital expenditure.

14 Intangible assets and property, plant and equipment (continued):

For the years 2010-2011 the expected cash flows have been determined by means of a mathematical projection of the budget for 2009 based on the assumption that growth rates will remain stable.

The average gross profit applied in the budget period from 2007 to 2009 has been maintained for the years 2010-2011. In addition, both investments and depreciation and amortisation have been maintained at the 2010-2011 level for the years 2007-2009.

The terminal value after 2011 has been determined as 2011 with growth at the rate of 3%.

Hardwood Division
Revenue is expected to rise by just over 2% in 2007, excluding acquisitions. The EBIT margin is expected to increase from 5.2% in 2007 to an average level of 6.0%, over one trading cycle.

For the years 2010-2011 the mathematical projection has been made applying an annual increase in the activity of 5.0%. Inflation is expected to account for 3% of this figure. The average gross profit of 19.0% applied for the years 2007-2009 is considered realistic for the years 2010-2011.

The expected cash flows have been discounted at a pre-tax discount rate of 9%.

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

Building Materials Division
Revenue is expected to rise by just over 3% in 2007, excluding acquisitions. The EBIT margin is expected to increase from 4.2% in 2007 to an average level of 4.5%, over one trading cycle.

For the years 2010-2011 the mathematical projection has been made applying an annual increase in the activity of 3.4%. Inflation is expected to account for 3% of this figure. The average gross profit of 20.0% applied for the years 2007-2009 is considered realistic for the years 2010-2011.

The expected cash flows have been discounted at a pre-tax discount rate of 7.5%.

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

Parent company	**IT-projects**	**Land and buildings**	**Other fixtures and fittings**
Cost at 1 January 2005	19.8	34.4	48.0
Additions during the year	0.7	-	1.3
Disposals during the year	-	(33.7)	(0.2)
Cost at 31 December 2005	20.5	0.7	49.1
Depreciation and amortisation at 1 January 2005	5.7	22.3	43.7
Depreciation and amortisation for the year	3.2	-	2.6
Reversal of depreciation and amortisation on assets sold	-	(22.3)	(0.2)
Depreciation and amortisation at 31 December 2005	8.9	-	46.1
Carrying amount at 31 December 2005	**11.6**	**0.7**	**3.0**
Cost at 1 January 2006	20.5	0.7	49.1
Additions during the year	1.7	-	3.3
Cost at 31 December 2006	22.2	0.7	52.4
Depreciation and amortisation at 1 January 2006	8.9	-	46.1
Depreciation and amortisation for the year	4.4	-	1.9
Depreciation and amortisation at 31 December 2006	13.3	-	48.0
Carrying amount at 31 December 2006	**8.9**	**0.7**	**4.4**

The carrying amount of assets under finance leases amounted to DKK 0.0 million at 31 December 2006 (2005: DKK 0.0 million). The properties, which are all situated in Denmark, were valued at DKK 0.9 million at the most recent official property assessment (2005: DKK 0.6 million). Carrying amount of assets at 31 December 2006: DKK 0.7 million (2005: DKK 0.7 million).

Parent company

(million DKK)		2006	2005
15	**Investments in group enterprises:**		
	Carrying amount at 1 January	453.3	453.3
	Additions	428.4	-
	Disposals	(37.7)	-
	Carrying amount at 31 December	844.0	453.3

Additions relate to the acquisition of the tt Timber Group on 23 January 2006 and include all the shares in tt Timber International AG in Switzerland and Tropical Timber SASU in France. The shares in Tropical Timber SASU have subsequently been transferred within the DLH Group.

Investments in group enterprises include:

(All companies are wholly owned)	Domicile	Share capital
tt Timber International AG	Basle, Switzerland	CHF 4.6 million
DLH Nordisk A/S	Høje Taastrup	DKK 50.0 million
DLH A/S	Høje Taastrup	DKK 25.5 million
DLH Træ & Byg A/S	Høje Taastrup	DKK 40.0 million

Please refer to page 62 for an overview of the DLH Group enterprises.

Group

(million DKK)		2006	2005
16	**Other investments and securities:**		
	Carrying amount at 1 January	6.5	5.6
	Additions during the year	0.8	0.9
	Carrying amount at 31 December	7.3	6.5

Investments include a 5.6% ownership share in a forestry project in Brazil held by the Hardwood Division and investments and shares in purchasing and sales organisations held by the Building Materials Division. Investments have been measured at cost as there is no well-functioning market in place for these and their negotiability is otherwise limited.

(million DKK)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
17 Tax in the balance sheet:				
Income taxes due				
Beginning of year	5.7	12.7	(17.5)	(10.3)
Taken over in connection with acquired companies	(0.6)	0.2	-	-
Financial instruments, equity	-	(6.7)	-	-
Transferred to deferred tax assets	-	-	-	10.4
Charge for the year	65.7	57.1	(16.1)	(8.3)
Tax paid	(49.8)	(57.6)	6.9	(9.3)
Year-end	21.0	5.7	(26.7)	(17.5)
Consists of:				
Tax receivable	(5.3)	(10.7)	(26.7)	(17.5)
Income taxes	26.3	16.4	-	-
	21.0	5.7	(26.7)	(17.5)
Deferred tax, net asset (net liability):				
Beginning of year	2.7	11.4	10.9	(1.1)
Adjustment to the beginning of the year	(0.7)	-	-	-
Taken over in connection with acquired company	(5.2)	(8.5)	-	-
Transferred to current tax	-	-	-	10.4
Financial instruments etc., equity	(3.8)	(0.8)	(1.0)	(1.7)
Reduction in Danish income tax rate from 30% to 28%	-	(1.2)	-	0.1
Adjustment for the year. income statement	6.2	1.8	(1.0)	3.2
Year-end	(0.8)	2.7	8.9	10.9
Consists of:				
Deferred tax (asset)	22.2	21.6	8.9	10.9
Deferred tax (liability)	(23.0)	(18.9)	-	-
	(0.8)	2.7	8.9	10.9
Deferred tax relates to:				
Intangible assets	(1.5)	(0.9)	-	-
Property, plant and equipment	(9.7)	0.3	4.7	5.6
Current assets	7.9	4.7	4.6	4.1
Provisions	0.8	1.0	-	1.0
Other liabilities	(5.4)	(5.7)	(0.4)	0.2
Tax losses carried forward	7.1	3.3	-	-
	(0.8)	2.7	8.9	10.9

No provision is made for contingent tax relating to the retaxation liability arising in respect of the Brazilian subsidiary, please refer to coverage in note 24, “contingent liabilities”.

Movements in temporary differences during the year:

(million DKK)	Balance sheet at 1 January 2006	Foreign currency translation adjustment	Adjustment to the beginning of the year	Additions on the acqui-sition of enterprises	Recognised in the income statement	Recongnised in net equity	Balance sheet at 31 December 2006
Intangible assets	(0.9)	-	-	0.9	(1.9)	0.4	(1.5)
Property, plant and equipment	0.3	-	(0.6)	(11.6)	3.2	(1.0)	(9.7)
Current assets	4.7	(0.1)	-	(1.0)	4.3	-	7.9
Provisions	1.0	-	-	1.7	(1.9)	-	0.8
Other liabilities	(5.7)	-	-	3.0	0.5	(3.2)	(5.4)
Tax losses carried forward	3.3	-	-	1.8	2.0	-	7.1
	2.7	(0.1)	(0.6)	(5.2)	6.2	(3.8)	(0.8)

18 Equity:

Share capital in the group and the parent company

	Shares issued			
	Number of shares (nominal value DKK 10)		Nominal value (DKK million)	
	2006	**2005**	**2006**	**2005**
Class A shares at 1 January and 31 December	1,875,000	1,875,000	18.8	18.8
Class B shares at 1 January	15,287,200	15,287,200	152.8	152.8
Capital increase at 13 February 2006	1,200,000	-	12.0	-
Capital increase at 27 July 2006	216,276	-	2.2	-
Class B shares at 31 December	16,703,476	15,287,200	167.0	152.8
Total Class A and Class B shares	18,578,476	17,162,200	185.8	171.6

The capital increase at 13 February 2006 was effected as part payment for the acquisition of the tt Timber Group (please refer to note 26). The proceeds were DKK 102 million and are based on a share price of DKK 84.6 per share. The price has been fixed on the basis of an average of the OMX Copenhagen Stock Exchange "average price, all trades" in the Class B share (DK001020587-1) for the period from 2 January 2006 to 20 January 2006, both days included.

The capital increase at 27 July 2006 was effected as an employee share issue, subscribed at the price of DKK 10.5 per share. The computed benefit element in connection with the issue has been recognised under costs relating to other staff costs in the income statement (please refer to note 7) and has been recognised as an adjustment of total equity (please refer to the table below).

Apart from the capital increases in 2006 no capital increases have been effected during the previous four years.

In accordance with the articles of association each Class A share carries 10 votes, while Class B shares carry one vote each.

Group

(million DKK)	**Share capital**	**Share premium account**	**Hedging reserve**	**Translation reserve**	**Earnings retained**	**Dividend proposed**	**Total**
Equity at 1 January 2005	171.6	102.9	5.3	(1.4)	423.6	17.2	719.2
Changes in equity in 2005:							
Income and expenses recognised for the year	-	-	1.6	3.8	91.0	27.5	123.9
Transfer	-	(102.9)	-	-	102.9	-	-
Dividend distributed to shareholders	-	-	-	-	-	(17.2)	(17.2)
Acquisition/sale of treasury shares	-	-	-	-	0.6	-	0.6
Share-based payments/options	-	-	-	-	0.4	-	0.4
Total changes in equity	**-**	**(102.9)**	**1.6**	**3.8**	**194.9**	**10.3**	**107.7**
Equity at 31 December 2005	171.6	-	6.9	2.4	618.5	27.5	826.9
Changes in equity in 2006:							
Income and expenses recognised for the year	-	-	4.5	(13.3)	114.8	37.2	143.2
Capital increase at 13 February 2006	12.0	-	-	-	89.3	-	101.3
Capital increase at 27 July 2006	2.2	-	-	-	-	-	2.2
Benefit element of employee share issue	-	-	-	-	21.1	-	21.1
Dividend distributed to shareholders	-	-	-	-		(27.5)	(27.5)
Dividend on treasury shares	-	-	-	-	0.2	-	0.2
Acquisition/sale of treasury shares	-	-	-	-	0.4	-	0.4
Share-based payments/options	-	-	-	-	0.5	-	0.5
Total changes in equity	**14.2**	**-**	**4.5**	**(13.3)**	**226.3**	**9.7**	**241.4**
Equity at 31 December 2006	185.8	-	11.4	(10.9)	844.8	37.2	1,068.3

18 Equity (continued):

Parent compny

(million DKK)	Share capital	Share premium account	Hedging reserve	Translation reserve	Earnings retained	Dividend proposed	Total
Equity at 1 January 2005	171.6	102.9	3.7	-	157.9	17.2	453.3
Changes in equity in 2005:							
Income and expenses recognised for the year	-	-	3.9	-	(14.1)	27.5	17.3
Transfer	-	(102.9)	-	-	102.9	-	-
Dividend distributed to shareholders	-	-	-	-	-	(17.2)	(17.2)
Dividend on treasury shares	-	-	-	-	0.2	-	0.2
Acquisition/sale of treasury shares	-	-	-	-	0.4	-	0.4
Share-based payments/options	-	-	-	-	0.4	-	0.4
Total changes in equity	**-**	**(102.9)**	**3.9**	**-**	**89.8**	**10.3**	**1.1**
Equity at 31 December 2005	171.6	-	7.6	-	247.7	27.5	454.4
Changes in equity in 2006:							
Income and expenses recognised for the year	-	-	2.2	-	(8.2)	37.2	31.2
Capital increase at 13 February 2006	12.0	-	-	-	89.3	-	101.3
Capital increase at 27 July 2006	2.2	-	-	-	-	-	2.2
Benefit element of employee share issue	-	-	-	-	21.1	-	21.1
Dividend distributed to shareholders	-	-	-	-	-	(27.5)	(27.5)
Dividend on treasury shares	-	-	-	-	0.2	-	0.2
Acquisition/sale of treasury shares	-	-	-	-	0.4	-	0.4
Share-based payments/options	-	-	-	-	0.5	-	0.5
Total changes in equity	**14.2**	**-**	**2.2**	**-**	**103.3**	**9.7**	**129.4**
Equity at 31 December 2006	185.8	-	9.8	-	351.0	37.2	583.8

Dividend

The supervisory board proposes a dividend payment of DKK 37.2 million (2005: DKK 27.5 million) corresponding to a dividend per share of DKK 2.00 (2005: DKK 1.50).

Distribution of dividend to the company's shareholders has no tax consequences for the company.

	Number shares		Nominal value ('000)		% of company's share capital	
	2006	2005	2006	2005	2006	2005
Portfolio of treasury shares:						
Balance at 1 January	222,020	245,150	2,221	2,452	1.3%	1.4%
Acquisition	10,000	-	100	-	-	-
Applied in connection with the exercise of share options	(65,360)	(23,130)	(654)	(231)	(0.4%)	(0.1%)
Treasury shares at 31 December	166,660	222,020	1,667	2,221	0.9%	1.3%

By authority granted by the general meeting, a maximum of 10% of the share capital may be acquired.

Treasury shares are acquired with a view to meeting the company's commitments under the incentive scheme set up for group management only.

During 2006 the acquisition amounted to 10,000 shares at the price of DKK 118.3, corresponding to a purchase price of DKK 1,183,000. The value has been recognised directly in equity.

Hedging reserve

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

Translation reserve

The reserve for foreign currency translation adjustments contains all foreign currency translation adjustments arising on translation of the financial statements of entities with a different functional currency than Danish kroner, foreign currency translation adjustments relating to assets and liabilities that are part of the group's net investments in such entities and foreign currency translation adjustments relating to hedging transactions that hedge the group's net foreign currency investments in such entities.

19 Pensions and similar liabilities:

The group's pension liabilities arise out of the acquisitions made in 2006.

In respect of defined contribution 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 rates of interest, 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 career-end salary). In respect of a defined benefit the group does not have the risk of future developments in rates of interest, inflation, mortality and disability.

The pension liabilities of the parent company and the other Danish entities are insured. The majority of the foreign entities' pension liabilities are also insured. In the 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 11.2 million have been recognised under liabilities (2005: DKK 0 million) relating to the group's commitments to existing and former employees after making a deduction for the underlying assets.

DKK 25.6 million (2005: 21.4 million) have been recognised in the consolidated income statement as costs related to insured plans (defined contribution plans). DKK 2.1 million (2005: 0.0 million) have been recognised in the consolidated income statement as costs related to uninsured plans (defined benefit plans).

(million DKK)	2006	2005
Present value of defined benefit plans	(64.8)	-
Fair value of pension assets	53.6	-
Net liability recognised in the balance sheet	**(11.2)**	**-**
Development in present value of defined benefit liability:		
Liability at 1 January	-	-
Foreign currency translation adjustment	-	-
Pension costs relating to the current financial year	2.3	-
Determined interest relating to liability	1.5	-
Actuarial gains (losses)	(0.0)	-
Gains upon staff cuts and redemptions	1.8	-
Pension costs relating to previous financial years	(0.7)	-
Pensions paid out	-	-
Addition on acquisitions	60.3	-
Other	(0.4)	-
Liability at 31 December	**64.8**	**-**
Development in fair value of pension assets:		
Pension assets at 1 January	-	-
Foreign currency translation adjustments	-	-
Expected return on pension assets	2.4	-
Actuarial gains (losses)	-	-
Paid in by the DLH Group	1.2	-
Pensions paid out	-	-
Addition on acquisitions	49.8	-
Other	0.2	-
Pension assets at 31 December	**53.6**	**-**

(million DKK)	2006	2005
19 Pensions and similar liabilities (continued):		
Pension cost recognised in the income statement:		
Pension costs relating to the current financial year	2.3	-
Determined interest relating to liability	1.5	-
Expected return on pension assets	(2.4)	-
Pension costs relating to previous financial years	(0.7)	-
Gains upon staff cuts and redemptions	1.8	-
Other costs	(0.4)	-
Total recognised for defined benefit plans	2.1	-
Total recognised for defined contribution plans	25.6	21.4
Total recognised in the income statement	**27.7**	**21.4**
In the statement of the recognised income and expenses the following accumulated actuarial gains/losses have been recognised:		
Accumulated actuarial gains/(losses)	(0.0)	-
Pension assets:		
Securities and other assets	53.6	-
Total pension assets	**53.6**	**-**
Return on pension assets:		
Actual return on pension assets	0.1	-
Expected return on pension assets	(0.1)	-
Actuarial losses on pension assets	**0,0**	**-**

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

(million DKK)

The individual companies have made actuarial valuations at the balance sheet date.
The underlying assumptions may be recognised as follows:

	Sweden	Belgium	Switzerland
Discount rate	4.0%	4.0 %	3.3%
Expected rate of return on pension assets	-	1.5 %	5.0%
Future rate of increase in salaries and wages	3.5%	3.0 %	1.0%

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

As the pension liabilities have arisen out of business acquisitions made during 2006, only information relating to 2006 has been included in the 5-year summary.

(million DKK)	2006
Pension liabilities based on actuarial valuations	(64.8)
Pension assets	53.6
Funding surplus /(funding deficit)	(11.2)
Expectation adjustments as regards the pension liabilities	(0.1)
Expectation adjustments as regards the pension assets	0.0

20 Provisions:

Provisions of DKK 2.8 million were made in 2005 for losses on inventories taken over from the Bohmans factory in the Czech Republic, which the group did not take over in connection with the acquisition of the Bohmans Group. In 2006 the company realised this loss and consequently reversed the provision for the liability from 2005.

During 2006 the group vacated the parent company's property in Gadstrup. The parent company had made provisions of DKK 3.4 million in 2005 for clearing the premises and other commitments incidental to vacating the premises. DKK 1.5 million was spent during 2006. The group expects costs incidental to surrendering the premises to the vendor of DKK 1.9 million.

Part of the purchase price of the Bohmans Group is a profit-related earn-out. This has been determined on the basis of expected average invested capital and EBITA in the Bohmans companies. The balance of the earn-out amount has been determined at DKK 8.9 million.

Part of the purchase price of the Ljungberg Group is a profit-related earn-out. This has been determined on the basis of expected average invested capital and EBITA in the Ljungberg companies. The earn-out amount has been determined at DKK 5.6 million.

The group has a dormant company on the Ivory Coast, for which liquidation plans are in place. It is uncertain whether the group will have control of the company's assets in connection with a potential liquidation. Provisions of DKK 1.0 million are made for potential losses in this connection.

In Cameroon one of the group enterprises is party to pending legal proceedings relating to the payment of value added tax. DKK 0.8 million have been set aside for expected losses.

None of the provisions earn interest or contain interest elements.

(million DKK)	2006	2005
Provisions:		
Provisions at 1 January	17.4	3.8
Provisions made for the year	7.4	17.4
Paid	(6.6)	(3.8)
Provisions at 31 December	**18.2**	**17.4**
The provisions are expected to fall due as:		
Current liabilities	3.7	6.2
Non-current liabilities	14.5	11.2
Provisions at 31 December	**18.2**	**17.4**

(million DKK)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
21 Non-current debt:				
Debt falling due after one year:				
Subordinated loan capital	111.8	-	111.8	-
Mortgage credit institutions	49.6	56.2	-	-
Credit institutions	715.2	298.6	648.5	297.6
Leases	4.9	0.2	-	-
Total	881.5	355.0	760.3	297.6
Debt falling due within one year:				
Mortgage credit institutions	4.2	17.2	-	12.6
Credit institutions	7.2	15.6	1.9	14.6
Leases	1.0	0.6	-	0.4
Total	12.4	33.4	1.9	27.6

Upon concluding the agreement for the acquisition of the tt Timber Group (please refer to note 26) the vendor deposited DKK 112 million (EUR 15 million) of the purchase price as a subordinated loan in Dalhoff Larsen & Horneman A/S. The loan term is ten years, instalment-free for the first three years. The loan carries interest at the rate of 50% of the DLH Group's annual return on equity after tax, but not lower than 4% p.a. and not higher than 8% p.a.

The vendor has provided a DKK 112 million guarantee for losses due to political matters or unrest in the Republic of the Congo. The guarantee sum, which will drop to half after three years and expire after five years, is secured on the subordinated loan.

The present value of the leasing commitment, broken down by term is as follows:

	2006			2005		
	Minimum lease payments	Interest element	Present value	Minimum lease payments	Interest element	Present value
0-1 years	1.0	-	1.0	0.5	-	0.5
1-5 years	4.4	(0.6)	3.8	0.1	-	0.1
> 5 years	0.5	(0.1)	0.4	0.2	(0.1)	0.1
	5.9	(0.7)	5.2	0.8	(0.1)	0.7

The group's finance leases primarily relate to IT equipment (hardware). The carrying amount stated more or less corresponds to the present value of the leasing commitments.

22 Financial risks

The groups risk management policy
Due to the nature of the operations of the DLH Group the group's result and equity may be affected by a number of financial risks.

By far the majority of DLH's financial risk management takes place through the intra-group bank, primarily by means of forward exchange contracts and interest rate swaps. The intra-group bank operates according to fixed policies, which imply, for instance, that no speculative positions are taken.

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, note 1.

Interest risk
At the end of 2006 DLH's interest-bearing debt net amounted to approximately DKK 1.9 billion. The debt is primarily denominated in the group's principal currencies: Danish kroner (DKK 500 million), euro (DKK 875 million) and US dollar (DKK 460 million). Exposures on loans denominated in foreign currencies are included in the overall hedging policy of the DLH Group, and the above amount is therefore not an expression of the group's foreign exchange exposure.

Of the total loan portfolio at year-end 2006 DKK 882 million represent long-term loans, DKK 54 million of which are mortgage loans. The majority of the mortgage loans have been issued as 4 % bonds. The remaining long term loans have primarily been issued at fixed rates of interest or hedged by means of interest rate swaps. The interest rate swaps have a weighted term to maturity of just over three months and a counter value of DKK 149 million denominated in euro and DKK 40 million denominated in US dollars. On an annual basis, a simultaneous rise in the interest rate of 1 percentage point on all interest-bearing debt denominated in foreign currencies would reduce the group's pre-tax profit by approximately DKK 14 million at the current level of activity and with the existing capital structure.

22 Financial risks (continued):

The group's interest rate risk is related to the following items (consolidated from loans in various currencies):

Group 2006 (DKK million)	0-1 years	Re-assessment or maturity, if earlier 1-5 years	>5 years	Total	Broken down by interest rate intervals 0-2%	2-4%	4-6%	6-8%	>8%
Subordinated loan capital	-	55.9	55.9	111.8	-	-	-	111.8	-
Mortgage credit institutions	4.2	17.3	32.3	53.8	-	42.8	10.0	1.0	-
Long term bank debt	7.2	633.9	81.3	722.4	-	18.6	606.1	97.7	-
Short-term bank debt	1,084.6	-	-	1,084.6	-	739.8	263.3	76.8	4.7
Leasing commitment	1.0	4.4	0.5	5.9	-	5.2	0.7	-	-
Interest rate swap, USD (fixed long-term interest rate)	-	-	-	-	-	39.6	(39.6)	-	-
Interest rate swap, EUR (fixed long-term interest rate)	-	-	-	-	-	(149.1)	149.1	-	-
	1,097.0	711.5	170.0	1,978.5	-	696.9	989.6	287.3	4.7

Parent company 2006 (DKK million)	0-1 years	Re-assessment or maturity, if earlier 1-5 years	>5 years	Total	Broken down by interest rate intervals 0-2%	2-4%	4-6%	6-8%	>8%
Subordinated loan capital	-	55.9	55.9	111.8	-	-	-	111.8	-
Long term bank debt	1.9	598.5	50.0	650.4	-	-	602.3	48.1	-
Short-term bank debt	201.0	-	-	201.0	-	201.0	-	-	-
Interest rate swap, USD (fixed long-term interest rate)	-	-	-	-	-	39.6	(39.6)	-	-
Interest rate swap, EUR (fixed long-term interest rate)	-	-	-	-	-	(149.1)	149.1	-	-
	202.9	654.4	105.9	963.2	-	91.5	711.8	159.9	-

The fair value of the interest rate swaps outstanding at the balance sheet date, which have been concluded to hedge the interest rate risk of loans with a variable rate of interest, is DKK (0.2) million (2005: DKK (2.2) million).

The maturity of the variable as well as of the fixed leg of both interest rate swaps is 0-1 year, and the values are therefore zero.

Group 2005 (DKK million)	0-1 years	Re-assessment or maturity, if earlier 1-5 years	>5 years	Total	Broken down by interest rate intervals 0-2%	2-4%	4-6%	6-8%	>8%
Mortgage credit institutions	17.2	17.6	38.6	73.4	-	4.5	64.3	4.6	-
Long-term bank debt	15.6	298.6	-	314.2	-	175.1	134.8	4.3	-
Short-term bank debt	1,006.9	-	-	1,006.9	-	-	1,006.9	-	-
Leasing commitment	0.6	0.2	-	0.8	-	-	0.8	-	-
Interest rate swap, USD (fixed long-term interest rate)	(44.3)	44.3	-	-	-	44.3	(44.3)	-	-
Interest rate swap, EUR (fixed long-term interest rate)	(149.2)	149.2	-	-	-	(149.2)	149.2	-	-
	846.8	509.9	38.6	1,395.3	-	74.7	1,311.7	8.9	-

Parent company 2005 (DKK million)	0-1 years	Re-assessment or maturity, if earlier 1-5 years	>5 years	Total	Broken down by interest rate intervals 0-2%	2-4%	4-6%	6-8%	>8%
Mortgage credit institutions	12.6	-	-	12.6	-	-	12.6	-	-
Long-term bank debt	14.6	297.6	-	312.2	-	175.1	132.8	4.3	-
Short-term bank debt	373.7	-	-	373.7	-	-	373.7	-	-
Leasing commitment	0.4	-	-	0.4	-	-	0.4	-	-
Interest rate swap, USD (fixed long-term interest rate)	(44.3)	44.3	-	-	-	44.3	(44.3)	-	-
Interest rate swap, EUR (fixed long-term interest rate)	(149.2)	149.2	-	-	-	(149.2)	149.2	-	-
	207.8	491.1	-	698.9	-	70.2	624.4	4.3	-

22 Financial risks (continued):

Foreign exchange risks
62% of group revenue is denominated in foreign currencies, primarily handled by the company's own local sales companies. The main currencies used are the euro, US dollars and Polish zloty. The major, and also the most complex, foreign currency risk is related to the US dollar and may be sub-divided into three elements:

Trading risk. Just under 25 % of revenues and approximately 30% of goods purchased are denominated in US dollar or currencies pegged to the US dollar, for instance the Malaysian ringgit and the Brazilian real. Normally, sales prices are adjusted to the trend in the US dollar. The degree of such adjustment is dependent on the economic development in the individual markets as well as the supply situation generally.

The net effect of a decline in the US dollar at group level depends on the scope of and rate at which sales prices are adjusted, and this is in turn closely related to a number of other factors, such as the size of inventories in the sales countries, the season, availability of substitutes etc.

Basically, a drop in the US dollar rate would have a detrimental effect on sales from the euro-based supply regions such as West Africa and Europe, whereas it would boost the sales potential in the US-dollar based regions, such as South America, North America and South East Asia. The net effect of an exchange rate drop at group level will be positive in the short term in the case of the US dollar, but as the decline in the dollar rate is incorporated into prices, gross profit will fall, and if the decline in the dollar rate has its full effect on sales prices, the net effect will ultimately be negative.

The inventory risk is the risk the group runs on inventories in connection with changes in the US dollar rate. Of the group's inventories approximately DKK 300 million are to some extent exposed to the US dollar. A decline in the US dollar rate would put pressure on prices, primarily on the US dollar-based goods and thus have a negative impact on the group. Again the effect would depend on the extent and the rate at which sales prices are adjusted.

The conversion effect is the effect on the group's earnings and equity that is the result of converting the US dollar-based foreign companies' operations and balance sheet totals to the group's financial statements due to a change in the US dollar rate. The effect is negative when there is a drop in the US dollar rate. The average US dollar rate was just under 1 % lower in 2006 than in 2005 and has thus only had a negligible effect on revenue and profit before tax in the financial year compared to 2005.

The group's currency risks are related to the following items (carrying amounts):

	Group		**Parent company**	
(million DKK)	**2006**	**2005**	**2006**	**2005**
Currency risks in the balance sheet at 31 December:				
EUR	(202.8)	75.3	3.9	16.7
USD	(16.2)	7.0	0.2	0.4
GBP	1.7	(2.0)	0.5	(1.8)
PLN	(13.4)	(13.3)	0.8	1.9
SEK	(81.8)	59.4	(11.3)	7.6
CHF	141.9	-	-	-
Other	(46.6)	48.2	6.2	22.7

For your information, the group's currency risks are hedged by matching income and expenses in the same currency and also by means of derivatives. Future cash flows are only hedged when binding contracts have been concluded for the sale or purchase of goods.

Foreign exchange policy
The group's policy is to hedge receivables and liabilities denominated in foreign currencies. DLH's net investments in subsidiaries abroad are hedged unless the costs incurred are deemed to considerably exceed the risk of losses. However, the foreign exchange risk related to euro-denominated transactions is not hedged due to the fact that the Danish krone is kept within a narrow fluctuation band against the euro. With the exception of the euro and investments in tt Timber International AG and Inter-Continental Hardwood Inc., which were hedged in January 2007, all investments in foreign currencies were hedged in 2006. During the financial year the Brazilian real has been hedged by US dollars. With this in mind, and because the value for tax purposes of the foreign exchange hedging is not usually recognised in the actual hedging contract, the foreign exchange policy may result in adjustments in the equity.

22 Financial risks (continued):

Credit risks

Trade receivables
Trade receivables represent the second-largest asset item in the balance sheet, amounting to DKK 886 million. Credit is granted according to an active credit policy. Losses on debtors mainly occur in periods of recession. Losses including costs incidental to credit insurance amount to 0.3% on revenue in 2006 and do not normally exceed 0.4% of the revenue.

In the Hardwood Division credit is to a large extent granted on the basis of letters of credit or other payment against documents. Otherwise credit is primarily granted on the basis of credit insurance with part coverage of potential losses. To this must be added trade receivables from individual customers where credit is granted on the basis of trust and therefore naturally is more risky.

In the Timber & Board Division credit granted to industrial customers and customers outside Denmark is primarily based on credit insurance with part coverage of potential losses. Conversely, no insurance is taken out in respect of credit to timber merchant companies in Denmark, as such credit is granted on the basis of own credit ratings and a relationship of trust established with the individual customer.

In the Building Materials Division credit is primarily granted on the basis of credit insurance supplemented by the division's own credit ratings.

Approximately 60% of the trade receivables of the DLH Group are covered by credit insurance or hedged in other ways, for instance by letters of credit or other payment against documents. The group's maximum risk on trade receivables was DKK 358 million excluding value added tax at 31 December 2006.

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 advance financing of already existing inventories built up by the suppliers. At the end of 2006 the group's prepayments to suppliers was DKK 109 million, an amount for which security had been provided in part.

At the balance sheet date the risk profile is as follows:

	Trade receivables		Prepayment for goods	
(million DKK)	**2006**	**2005**	**2006**	**2005**
Credit risk:				
Nominal value	921.2	702.6	129.5	106.7
Of this the following amount has been recognised in the balance sheet	886.0	673.3	109.2	82.4
- Credit insurance, net	(485.4)	(369.4)	-	-
- Hedged in other ways	(42.7)	(96.4)	-	-
Maximum credit risk	357.9	207.5	109.2	82.4

The maximum credit risk expresses the carrying amount of receivables less receivables secured by credit insurance or otherwise. Some of the advance payments are secured by collateral in the production plant and movable property.

Fair values:
As regards the financial liabilities below the fair value differs from the value recognised in the group's balance sheet at 31 December 2006.

	Carrying amount	Commercial value	Carrying amount	Commercial value
(million DKK)	**2006**		**2005**	
Mortgage credit institutions	53.8	54.5	56.2	57.1

The portfolio of loans is regularly assessed with a view to possible conversion.

	(million DKK)	Group 2006	Group 2005	Parent company 2006	Parent company 2005
23	**Assets charged:**				
	Properties:				
	In addition to the bank debt in the group and parent company, mortgages have been secured against properties for:	1.0	6.3	-	4.3
	Letters of indemnity registered on properties, free of any charges	-	10.0	-	-
	The carrying amount of mortgaged properties is DKK 38.4 million (2005: DKK 39.9 million.) Debt in mortgaged properties is DKK 21.4 million (2005: DKK 23.7 million.)				
	Outstanding bills of exchange				
	Discounted with foreign credit institutions	67.4	59.1	-	-
24	**Contingent liabilities:**				
	No provision is made for deferred tax relating to the retaxation liability arising in respect of the "shadow-taxed" Brazilian subsidiary as the group has taken precautions that prevent the deferred tax from materialising.	89.0	89.0	-	-
	Guarantee commitments in favour of group enterprises in addition to the bank loans stated in the balance sheet, maximum	-	-	646.1	462.3
	Guarantee commitments in favour of others, maximum	26.4	14.6	19.8	9.0

Leasing commitments:

	Lease agreement concluded	Call option may be exercised	Term	Nominal value of leasing commitment
The parent company and group enterprises have concluded operating leases in respect of real properties:				
Office building, Skagensgade 66, 2630 Taastrup	2000	2007	20 years	DKK 55.6 million
Office building/warehouse, Tulipvej 2, 7100 Vejle	2004	2013	15 years	DKK 11.4 million
DIY-store, Ørnumvej 10, 4220 Korsør	2003	2011	8 years	DKK 7.4 million
DIY-store, Frederikshavnsvej 224, 9800 Hjørring	2005	No option	9 years	DKK 21.4 million
Office building/warehouse, Nordkajen, 6000 Kolding	2004	No option	6 years	DKK 9.0 million
Office building/warehouse, Østre Kajgade 2-4, 4600 Køge	2006	No option	6 years	DKK 20.6 million
Office building/warehouse, Industriområdet 15, 8732 Hovedgård	2006	No option	10 years	DKK 27.4 million
Office building/warehouse, Nydamsvej 22, 8362 Hørning	2006	No option	7 years	DKK 4.9 million

The lease expires upon the exercise of the call option. As regards the property in Korsør DLH has a pre-emptive right, but no obligation, to acquire the property at the market price once the lease has expired. The properties in Hjørring, Kolding, Køge, Hovedgård and Hørning are subject to the usual leases, and no such pre-emptive right exists. The other properties may be acquired at firm prices via call options. None of the options were favourable at the time of the conclusion of the leases.

In addition, framework agreements have been concluded for operating leases in respect of passenger cars, vans and lorries and trucks in the parent company and group enterprises in Denmark. The agreements have been concluded subject to the usual market terms. The present value of the leasing obligation amounts to DKK 142.5 million (2005: DKK 94.1 million).

24 Contingent liabilities (continued):

2005	Group 0-1 years	1-5 years	> 5 years	Total	Parent company 0-1 years	1-5 years	>5 years	Total
Commitment under operating lease, nominal value falling due:								
Properties	9.5	40.7	79.7	129.9	3.3	14.2	41.4	58.9
Passenger cars and vans	4.8	5.7	-	10.5	0.2	0.2	-	0.4
Lorries	2.1	5.1	0.6	7.8	-	-	-	-
Fork lift trucks	2.9	3.9	0.8	7.6	-	-	-	-
Other commitments	-	-	-	-	-	-	-	-
Total	19.3	55.4	81.1	155.8	3.5	14.4	41.4	59.3

2006	Group 0-1 years	1-5 years	> 5 years	Total	Parent company 0-1 years	1-5 years	>5 years	Total
Commitment under operating lease, nominal value falling due:								
Properties	17.6	68.9	71.2	157.7	3.4	14.7	37.6	55.7
Passenger cars and vans	6.4	5.2	-	11.6	0.3	0.2	-	0.5
Lorries	1.2	2.2	-	3.4	-	-	-	-
Fork lift trucks	2.2	6.1	1.2	9.5	-	-	-	-
Other commitments	0.2	0.1	-	0.3	-	-	-	-
Total	27.6	82.5	72.4	182.5	3.7	14.9	37.6	56.2

DKK 19.3 million (2005: 12.1 million) relating to operating leases have been recognised in the income statement under other external expenses.

25 Related parties:

Related parties with a controlling influence:
DLH-Fonden, Ved Stranden 18, P.O. Box 2034, 1012 Copenhagen K.

No transactions have been conducted with DLH-Fonden in 2006 apart from the payment of dividend.
For further particulars reference is made to pages 17-18 under the section on shareholders.

Related parties with a significant influence:
Comprises the company's supervisory and executive boards and group enterprises as outlined in the group chart on page 61.

Related party transactions:

Group:
Apart from intra-group transactions, which have been eliminated in the consolidated financial statements, and the customary remuneration of the supervisory board and the executive board, no transactions have been conducted during the year with the supervisory board, executive board, major shareholders or group enterprises.

For further particulars about the shares held in the parent company by the said persons, please refer to page 17 under the description of shareholders.

Please also refer to page 19, outlining positions of trust held by members of the supervisory and executive boards.

The group's Swiss subsidiary has borrowed CHF 3 million (DKK 14.3 million) from the company's pension fund. The loan carries interest at the rate of 5% p.a.

25 Related parties (continued):

Parent company:
The parent company has made loans to, has outstanding receivables from and debt to group enterprises.

(million DKK)	2006	2005
Long-term loans	395.7	385.9
Interest-bearing receivables	490.4	377.3
Liabilities	215.0	93.5

At the balance sheet date long-term loans granted carry interest at rates between 3.3% and 5.9%, and interest-bearing receivables carry interest at rates between 1.5% and 4.8%. Liabilities carry interest at rates between 2.8% and 5.6% p.a. depending on the currency. Interest rates are fixed on the basis of the company's own interest arrangements with the bank.

Interest rates relating to group enterprises are stated in notes 10 and 11.

The parent company has received DKK 70 million in dividend from subsidiaries in 2006. (2005: DKK 20 million).

The parent company defrays most of the IT expenses for all the DLH Group enterprises, expenses incidental to running certain properties in Denmark and corporate functions at the head office in Taastrup. The individual group enterprises have been invoiced as follows for their share of the use of these services and facilities:

(million DKK)	2006	2005
IT expenses	25.1	22.8
Shared functions	14.4	14.0
Rent etc.	7.1	6.1
	46.6	42.9

Re-invoicing for secondment of staff to Danish enterprises is stated in note 7.

The parent company has provided guarantees for group enterprises' bank loans, please see note 24.

No other transactions have been carried out involving members of the supervisory or executive boards, other executives, major shareholders or other related parties.

26 Acquisition of businesses:

Names of acquired enterprises	Principal activity	Acquisition date	Acquired investments
The tt Group	Harvesting, production and sale of hardwood	23. Jan. 2006	100%
The Ljungberg Group	Sheet materials distribution	1. Sep. 2006	100%

(million DKK)	The tt Group		The Ljungberg Group		Total		2005	
	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date
Intangible assets	1.7	10.2	0.0	0.0	1.7	10.2	1.6	1.6
Property, plant and equipment	213.1	253.8	19.1	26.3	232.2	280.1	13.2	18.4
Financial assets	-	-	-	-	-	-	0.3	0.3
Inventories	334.5	334.5	37.4	37.4	371.9	371.9	159.5	152.2
Receivables	171.6	171.6	75.0	75.0	246.6	246.6	61.4	60.9
Cash	51.5	51.5	0.6	0.6	52.1	52.1	24.3	24.3
Loans	(168.5)	(168.5)	(42.6)	(42.6)	(211.1)	(211.1)	(34.9)	(34.9)
Deferred tax	(0.9)	(0.1)	(1.9)	(1.8)	(2.8)	(1.9)	(9.3)	(9.3)
Trade payables	(66.0)	(66.0)	(22.3)	(22.3)	(88.3)	(88.3)	(16.9)	(16.9)
Pension liability	-	-	(9.9)	(11.0)	(9.9)	(11.0)	-	-
Other payables	(121.8)	(125.9)	(33.8)	(33.8)	(155.6)	(159.7)	(29.9)	(29.8)
Net assets	415.2	461.1	21.6	27.8	436.8	488.9	169.3	166.8
Goodwill		0		37.2		37.2		54.9
Negative goodwill		(32.7)		-		(32.7)		-
Cash funds taken over		(51.5)		(0.6)		(52.1)		(24.3)
Provisions		-		-		-		(14.0)
Subordinated loan		(111.8)		-		(111.8)		-
Share capital increase		(102.0)		-		(102.0)		(0.0)
Acquisition cost in cash including costs		163.1		64.4		227.5		183.4

As regards the subordinated loan, reference is made to note 21 and as regards the increase in the share capital reference is made to note 18.

The tt Group:
The Hardwood Division took over full ownership of 15 companies and the operations of another company in the Swiss group of Tropical Timber (tt) at 23 January 2006. Until now, the activities of the tt Group comprised harvesting from own forest concessions in Africa, production, distribution and sale of hardwood.

The essential fair value adjustments relate to intangible non-current assets, properties and buildings, machinery and equipment, inventories and receivables.

The adjustment by DKK 8.5 million of intangible non-current assets relates to the FSC certification in the Republic of the Congo as well as the forest concession in the Gabon.

The adjustment of properties and buildings in the amount of DKK 15.1 million relates to properties and buildings in Denmark, France and the USA, which have been revalued by external valuers.

The adjustment of machinery and equipment in the amount of DKK 25.6 million relates to a revaluation of the written off replacement cost for harvesting equipment in the Republic of the Congo resulting in revaluation to the tune of DKK 27.2 million as well as a write-down of DKK 1.7 million for impairment losses on plant and machinery in Hungary.

The resulting negative goodwill of DKK 32.7 million is recognised in the income statement under the item "other operating income".

Prior to the takeover, the tt Group generated annual revenue of DKK 1,300 million with an EBIT of approximately DKK 75 million. In the ownership period from 23 January 2006 the tt group has generated revenue of DKK 1,160 million with EBIT before tax of DKK 58.3 million including negative goodwill of DKK 32.7 million.

26 Acquisitions (continued):

The Ljungberg Group
On 31 August 2006 the Timber & Board Division acquired full ownership of two companies in the Swedish group Ljungbergs. Previously, the Ljungberg Group has been distributing sheet materials in Scandinavia.

The fair value adjustment relates to revaluation of properties in Sweden, primarily the head office and warehouse at Hässleholm in the amount of DKK 7.2 million, and an increase in pension liabilities of DKK 1.1 million. The group has not identified and recognised intangible assets in connection with the acquisition, and the entire difference between the purchase price and the net assets, determined at fair value, has therefore been recognised as goodwill. The goodwill recognised relates only to the purchase of market shares in existing business entities and expected procurement synergies in connection with the co-ordination of the supplier network.

The Ljungberg Group generates annual revenue of DKK 300 million with an EBIT of approximately DKK 14 million. Since DLH took over ownership on 1 September the Ljungberg Group has generated revenue of DKK 115.0 million with EBIT of DKK 5.6 million.

In 2005 the DLH Group took over the Bohmans Group, MLT A/S and the operations of Risør Træ & Finer.

The Bohmans Group:
The Hardwood Division took over full ownership of 11 companies and the operations of another company in the Swedish group Bohmans at 1 November 2005. Until now the activities of the Bohmans group have consisted of the production and sale of veneer and wholesale distribution of hardwood, and the group has mainly been operating in Scandinavia and Eastern Europe.

The fair value adjustment relates to the DKK 3.4 million revaluation of a property in Oskarshamn in Sweden and write-downs of inventories in Germany and the Czech Republic by a total of DKK 6.8 million. The group has not identified and recognised intangible assets in connection with the acquisition, and the entire difference between the purchase price and the net assets, determined at fair value, has therefore been recognised as goodwill. The goodwill recognised relates only to the purchase of market shares in existing business entities and expected synergies from the launch of the product range of the Hardwood Division.

The Bohmans Group generates annual revenue of DKK 250 million with an EBIT of approximately DKK 25 million. Since 1 November when DLH took over the ownership, the Bohmans Group has generated revenue of DKK 50.6 million with a pre-tax profit of DKK 1.5 million.

MLT A/S:
The Building Materials Division acquired all the shares in MLT A/S in Hjørring at 1 September 2005.

The fair value adjustment relates to the revaluation of a property and write-downs of inventories. The group has not identified and recognised intangible assets in connection with the acquisition, and the entire difference between the purchase price and the net assets, determined at fair value, has therefore been recognised as goodwill. The goodwill recognised relates only to the consolidated market position in Northern Jutland.

MLT A/S generates annual revenue of approximately DKK 85 million. Since 1 September last year, when DLH took over the ownership, MLT A/S has generated revenue of DKK 28.2 million with a pre-tax profit of DKK 1.4 million.

Risør Træ & Finer:
The Building Materials Division acquired the operations of Risør Træ & Finer A/S in Rødovre at 1 October 2005. The acquisition included non-current assets and inventories only.

27 Events occurring after the end of the financial year
At the general meeting in 2006 DLH submitted plans to investigate the opportunities for implementing the Good Supplier Program (GSP) in Burma (Myanmar). GSP is DLH's program for the evaluation of suppliers in accordance with a number of environmental and human rights critera.

In the autumn of 2006 a consultancy firm investigated the possibility of implementing GSP in Burma, and they have come to the conclusion that, while the environmental aspects pose no great problems, it is impossible to shed sufficient light on whether or not human rights are being violated.

DLH therefore finds it unrealistic to implement GSP in Burma. For this reason the group has decided to discontinue the purchase of Burmese tropical teak. The upper limit for purchases will be reduced on a straight line basis over 5 years so that DLH will have completely phased out its purchases of Burmese teak in 2011 at the latest unless prior to that it has become possible to implement GSP in Burma.

Revenue from the sale of Burmese teak accounted for just under 1% of group revenue in 2006. The impact on the result of the decision has been recognised in the forecast for 2007 below.

28 Corporate governance

The supervisory board and group management of the DLH Group follow developments in corporate governance and are committed to improving the DLH Group's relationship with its shareholders and other stakeholders.

Management has actively addressed the recommendations for good corporate governance issued by the committee appointed by the Copenhagen Stock Exchange. To a large extent, these recommendations, which the supervisory board reviews on an ongoing basis, have already been implemented.

However, the management has decided not to comply with the recommendations outlined below:

Good Corporate Governance Revised Recommendations of the Stock Exchange Committee of August 2005	DLH practice

V. Composition of the supervisory board

1. Recruitment and election of supervisory board members	Complied with in part.
It is recommended that the supervisory board ensure a formal, thorough and transparent process for selection and nomination of candidates with a view to ensuring a board composition that provides the competence needed to enable the supervisory board to perform its tasks in the best possible manner. As a way to achieve this, it is recommended that: • the supervisory board include a description of the nominated candidates' background in the notice convening the general meeting when the election of the members to the supervisory board is on the agenda, and that such description include information about other managerial positions and directorships held by the candidates in both Danish and foreign companies as well as demanding organisational tasks performed by the individual persons. • the recruitment criteria established by the supervisory board be stated, including the requirements for professional qualifications, international experience, etc., which, in the opinion of the supervisory board, represent essential qualities with regard to the supervisory board, and that the owners of the company are given an opportunity to discuss these criteria.	DLH-Fonden and the group of family shareholders both expect to nominate one or more candidates to the supervisory board. The supervisory board, including the chairman, is obliged to ensure that the composition and competences of the board meet the company's needs. The supervisory board highlights the qualifications of nominees to the board and any executive positions they may hold in other companies and important organisations in the notice convening the general meeting.
• every year, the supervisory board publishes a profile of its composition and provide information about any special competence possessed by the individual members that is important for the performance of their duties.	The supervisory board regards the informal internal evaluation as being sufficient to ensure the presence of the necessary competences. The executive functions published reflect the competences of the individual board members.
2. Training and introduction for members of the supervisory board	Complied with in part.
It is recommended that new members joining the supervisory board be given an introduction to the company and that the chairman, in collaboration with each individual supervisory board member, decide whether it is necessary to offer the member in question relevant supplementary training.	Board members receive an introduction to their duties through a meeting with the chairman and the president & CEO. In addition, they may participate in relevant courses as the need arises.
It is recommended that every year, the supervisory board assess whether the competence and expertise of the members need to be updated in some respect.	The supervisory board regards it as sufficient that the individual members in consultation with the chairman assess the need for any development of competences.
7. Time allocated to supervisory board work and the number of directorships	Complied with in part.
It is recommended that a supervisory board member who is also a member of the executive board of an active company hold not more than three ordinary directorships or one chairmanship and one ordinary directorship in companies not forming part of the group unless in exceptional circumstances.	See page 19. Directorships in affiliated companies are not regarded as independent directorships.

VI. Remuneration of the supervisory board and executive board

2. Remuneration policy It is recommended that the supervisory board adopt a remuneration policy and that the company disclose the contents of such policy in its annual report. It is recommended that the remuneration policy reflects the interests of the shareholders and the company, match the specific conditions of the company and be reasonable in relation to the tasks and responsibilities of the members of the executive board and the supervisory board and that it promotes long-term behaviour and is transparent and easy to understand.	Complied with in part. It is the aim to ensure that the total remuneration of the supervisory and executive boards conforms to that of the market. The total remuneration of the supervisory board appears from page 36 and page 37 (note 7). The chairman and the deputy chairman each receive a fee of 200 % and 150 %, respectively, of the fee of an ordinary board member.
It is recommended that the remuneration policy include a statement explaining basic pay, the basis on which bonus is calculated, price-related incentive schemes, pension schemes and other benefits as well as the relationship between basic pay and such benefits.	It is the view of the supervisory board that such a statement would have no material impact on the assessment by stakeholders of the company and its management.
It is recommended that the company's remuneration policy reporting include a statement explaining how such policy was implemented in the past financial year, how such policy is implemented in the current financial year and how the company plans to implement it in the next financial year.	It is the view of the supervisory board that such a statement would have no material impact on the assessment by stakeholders of the company and its management.
It is recommended that the company's remuneration policy be mentioned in the statement given by the chairman at the company's general meeting and that the remuneration of the supervisory board for the current financial year be presented for adoption at the general meeting when the annual report for the previous year is submitted for adoption.	It is deemed relevant only to state the total gross remuneration.
6. Severance schemes It is recommended that information about the most important aspects of severance schemes be disclosed in the company's annual report.	Not complied with. In the event of payment of severance pay to the executive board, the amount will be published in the annual report. The scheme is regarded as conforming to those of the market.

VII. Risk management

2. Plan for risk management It is recommended that the executive board prepare a plan for the company's risk management on the basis of the risks identified and submit this plan to the supervisory board for approval, and that the executive board regularly report to the supervisory board to allow the latter to systematically follow the trends in significant risk areas.	Complied with in part. Managing and reporting on financial and insurable risks have been fully implemented. The management of strategic and other operational risks will in future be expanded through more systematic processing.
3. Tranparency of risk management It is recommended that the company's annual report include information about the company's risk management activities.	Complied with in part. On page 11 the risk profile of the risk management measures already in place is explained in detail.

VIII. Auditors

3. Non-audit services It is recommended that once a year, the supervisory board lay down the overall, general scope of the auditor's provision of non-audit services with a view to ensuring the auditor's independence, etc.	Complied with in part. The supervisory board is briefed on an ongoing basis about non-audit services such as ad hoc tasks including tax, accounting standards, advice in connection with acquisitions.

29 New accounting regulations

The IASB has released the following new IFRSs, which it is not compulsory for the DLH Group to apply in the preparation of the annual report for 2006. Unless otherwise stated, the standards have also been adopted by the EU:

- IFRS 7 Financial Instruments, which should be applied for financial years beginning on 1 January 2007 or later. Implementation of the standard will have no impact on the recognition and measurement of financial instruments.

- IFRS 8 Operating segments should be applied for financial years beginning on 1 January 2009 or later. The standard will have no impact on recognition and measurement in the annual report. IFRS 8 has not been adopted by the EU.

The IASB has released a number of interpretations (IFRICs 7-9, which have also been adopted by the EU, and IFRICs 10-12, which have not yet been adopted by the EU) that it is not compulsory for the DLH Group to apply in the preparation of the annual report for 2006. None of the IFRICs released are expected to have an impact on the financial reporting of the DLH Group.

The DLH Group expects to implement these IFRSs and IFRICs as from the compulsory effective date.

GROUP ENTERPRISES

as at 1 March 2007

Dalhoff Larsen & Horneman A/S
Skagensgade 66
2630 Taastrup

DLH Forestry & Environment Department
Skagensgade 66
2630 Taastrup

HARDWOOD DIVISION

DLH Nordisk A/S
Skagensgade 66, 2630 Taastrup

tt Timber International AG
Elisabethenanlage 11, P.O. Box 631, 4010 Basle, **Switzerland**

Indufor n.v.
Noorderlaan 125, 2030 Antwerp, **Belgium**

Nordisk Timber Ltda.
Rodovia Augusto Montenegro, km 11 – Icoaracy, CEP 66.820.000 Belém, Pará, **Brazil**

Alameda Frei Romon no 1010
Bairro : Centro
CEP 68.800-000, Breves, Pará, **Brazil**

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

Rua Governador Manoel Ribas 1400, Bairro Industrial CEP 83221-560
Paranagua, Paraná, **Brazil**

SAT - Société d'Approvisionnement et de Transit
B.P. 4409, Douala – Bonanjo, **the Cameroons**

DLH Nordisk s.r.o.
U Prioru 1, 161 01 Prague 6, **the Czech Republic**

DLH Nordisk A/S
Unit A, 16/S, World Trust Tower,
50 Stanley Street, Central, Hong Kong, **China**

DLH Nordisk A/S
Suite 1202, Building K, 343 Huaihai West Road, 200030 Shanghai, **China**

CIB - Congolaise Industrielle des Bois
B.P. 41, Ouesso, **the Republic of the Congo**

DLH Nordisk A/S
Industriområdet 15, 8732 Hovedgård, **Denmark**

Väärispuu & Spooni A/S
Vana-Narva mnt. 26, 74114 Tallinn, **Estonia**

Viilukeskus OY
Latokarinkatu 4, FIN-20200 Turku, **Finland**

CIB - Congolaise Industrielle des Bois
127, Avenue d'Italie, 75013 Paris, **France**

Nordisk Bois S.A.R.L.
Rue de l'île Botty, Zone Industrielle de Cheviré – B.P. 70105
44101 Nantes Cedex 4, **France**

Indubois S.A.S. (Sète)
1, Zone d'Activités de l'Ancien Pont, La Peyrade, 34110 Frontignan, **France**

Rue de l'île Botty, Zone Industrielle de Cheviré – B.P. 70105
44101 Nantes Cedex 4, **France**

SN DLH Nordisk S.A.R.L.
Zone Portuaire D'Owendo
Immeuble Armement Secam
B.P. 935 Libreville, **the Gabon**

CIB - Commerce et Industrie du Bois
B.P. 51, Port-Gentil, **the Gabon**

GIB - Gabonaise Industrielle des Bois
B.P. 51, Port-Gentil, **the Gabon**

Indufor GmbH
Asbestosstrasse 1, 26954 Nordenham, **Germany**

DLH Germany GmbH
Asbestosstrasse 1, 26954 Nordenham, **Germany**

Bohmans Furnier GmbH
c/o Mainfränkische Treuhand GmbH, Kirchplatz 2, D-97753 Karlstadt, **Germany**

DLH Guyana, Inc.
Lot 6 – Bel Air Springs, Georgetown, **Guyana**

Nordisk Kft.
Rádió u. 1/b, 2310 Szigetszentmiklós-Lakihegy, **Hungary**

IH Timber Kft.
Paphegy 3, 2624 Szokolya, **Hungary**

DLH Nordisk Indonesia
Graha Aktiva – Suite 603,
Jl. HR. Rasuna Said Blok X-1 Kav. 03
Jakarta 12950, **Indonesia**

DLH Nordisk S.A.R.L.
Rue Saint Jean - Cocody, 01 B.P. 2648 Abidjan 01, **the Ivory Coast**

01 B.P. 391, San Pedro, **the Ivory Coast**

Bohmans Finieri Sia
Biekernieku iela 121, LV-1021 Riga, **Latvia**

Bohmans Ltd
Meistru g. 8A, LT-02189 Vilnius, **Lithuania**

Carl Ronnow (Malaysia) Sdn. Bhd.
1st Floor, Bangunan Tam Kan, Lorong Burung Keleto, Off Mile 5 1/2, Jalan Tuaran, Inanam, 88100 Kota Kinabalu, Sabah, **Malaysia**

Carl Ronnow (M) SDN BHD
310, Level 3, Block A, Kelana Business Centre, 97 Jalan SS7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, **Malaysia**

DLH Timber Industries SDN BHD
Lot 35, 35, 69 & 74, Kampung Melawa, Mile 14.5 KM, Jalan Sepangar Bay, Menggatal, Kota Kinabalu, Sabah, **Malaysia**

DLH Nederland
Denemarkenweg 1, 4389 PE Ritthem, **the Netherlands**

DLH Nederland
Eemweg 6a, 3742 LB Baarn, **the Netherlands**

DLH Nordisk Sp. z o.o.
ul. Kolobrzeska 3, 78-203 Karlino, **Poland**

DLH Poland Sp. z.o.o.
ul. Chlapowskiego 45, 63-400 Ostrów Wielkopolski, **Poland**

ul. Sosnkowskiego 1D, 02-495 Warszaw, **Poland**

ul. Modlinska 231, 03-120 Warszaw, **Poland**

ul. Kopijników 77, 03-274 Warszaw, **Poland**

ul. A. Struga 42, 70-784 Szczecin, **Poland**

ul. Rozdzienskiego 95, 40-203 Katowice, **Poland**

ul. Grudziadzka 122A, 87-100 Torun, **Poland**

ul. Marcelinska 96, 87-324 Poznan, **Poland**

ul. Starogardzka 4, 83-010 Straszyn, **Poland**

ul. Fordonska 135, 85-739 Bydgoszcz, **Poland**

ul. Wyscigowa 58, 53-012 Wroclaw, **Poland**

Bohmans St Petersburg
Syzranskaya Street 12A, 196084 St. Petersburg, **Russia**

Bohmans Moscow
Building 3, 74 km MKAD, 141400 Khimki, **Russia**

DLH Slovakia s.r.o.
Mlynské Nivy 56, 821 05 Bratislava, **Slovakia**

Nográdyho Street 561/14
96001 Zvolen, **Slovakia**

DLH Nordisk A/S
14th Floor, No. 1 Thibault Square
Cape Town 8001, **South Africa**

AB Bohmans Fanerfabrik
Norra Strandgatan 13, S-572 32 Oskarshamn, **Sweden**

AB Fanerkompagniet
Norra Hamnvägen 3, S-115 42 Stockholm, **Sweden**

DLH Nordisk Derevo Ltd.
Ukrainska st., 5, Potash station, Man'kivka area, Cherkassy Oblast, **the Ukraine**

Representative Office in Ukraine, Grabovskogo 11/316,
79000 Lviv, **the Ukraine**

DP II Bohmans-Ku
Promyshlenaja 3, 01013 Kiev, **the Ukraine**

DLH UK Limited
The Crown, London Road, Westerham,
Kent TN16 1DL, **the United Kingdom**

DLH UK Limited trading as Alan Thomas Craig
Unit 4, Century Building, Brunswick Business Park, Liverpool, Merseyside L3 4BJ, **the United Kingdom**

DLH Nordisk, Inc.
2307 W. Cone Blvd., Suite 200, Greensboro, NC 27408, **USA**

P.o. Box, 1201, Prospect, KY 40059, **USA**

PW Hardwood, LLC
411 Theodore Fremd Ave., Ste. 108, Rye
NY 10580-1410, **USA**

11424 Route 36, Brookville
PA 15825-0459, **USA**

36 Frost Street, Brattleboro,
VT 05301, **USA**

Inter Continental Hardwoods Inc.
P.O. Box 119, 6841 Malpass Corner Road, Currie, NC 28435, **USA**

Merani Trading LLC/DLH Nordisk A/S
Sheikh Zayed Road, City Tower 1, Office No. 310, P.O. Box 28049, Dubai, **United Arab Emirates**

DLH Nordisk A/S
Vietnam Representative Office
Unit 705, 7th Floor, Me Linh Point Tower
2 Ngo Duc Ke Street
District 1, Ho Chi Minh City, **Vietnam**

TIMBER & BOARD DIVISION

DLH A/S
Skagensgade 66, 2630 Taastrup

Sales Centre Hørning
Nydamsvej 2, 8362 Hørning, Denmark

Sales Centre Kolding
Nordkajen 21, 6000 Kolding, Denmark

Production: Nordkajen 5, 6000 Kolding, Denmark

Salgscenter Køge
Østre Kajgade 2-4, 4600 Køge

DLH A/S
4, Oktyabrskaya Str., 230023 Grodno, **Belarus**

DLH A/S
Suite 1202 Building K, 343 Huaihai West Road, 200030 Shanghai, **China**

DLH Poland Sp z.o.o.
Ul. Chlapowskiego 45, 63-400 Ostrów Wielkopolski, **Poland**

DLH Poland Sp z.o.o.
Ul. Sosnkowskiego 1 D, 00-425 Warszawa, **Poland**

DLH A/S Poland Sp z.o.o.
Ul. Kopijników, 03-274 Warszaw, **Poland**

DLH Poland Sp z.o.o.
Ciolka 16 /.229, 01-402 Warszaw, **Poland**

DLH A/S Arkhangelsk
Lomonosova ave. 135, 5-th Floor, 163000 Archangel, **Russia**

DLH Russia 000
Lomonosova ave. 135, 5-th Floor, 163000 Archangel, **Russia**

DLH A/S
Bolshevistskayja str. 64, Perm 614000, **Russia**

DLH A/S
Pyatnitskaya str., 39/1, Office No. 26, 156000 Kostroma, **Russia**

DLH A/S
Pirogova 6/21, Bratsk-9, 665709 **Russia**

Karl Ljungberg AB
Farexveien 7, Lindeberg, 2016 Frogner, **Norway**

Karl Ljungberg AB
Regementsgatan 2, 645 33 Strängnäs, **Sweden**

Nordic Wood & Board AB
Norra Industrig., Box 2014, 281 02 Hässleholm, **Sweden**

DLH A/S c/o DLH Nordisk, Inc.
2307 W. Cone Blvd., Suite 200, Greensboro, NC 27408, **USA**

Karl Ljungberg AB
Box 2014, Induistrigatan, 281 02 Hässleholm, **Sweden**

Karl Ljungberg AB
Magasinsgatan 15, 574 38 Vetlanda, **Sweden**

BUILDING MATERIAL DIVISION

DLH Træ & Byg A/S
Skagensgade 66, 2630 Taastrup

Region North

XL-BYG Horneman
Mineralvej 10-16, 9100 Aalborg

XL-BYG Horneman
Parallelvej 1, 7830 Vinderup

XL-BYG Horneman
Svensgaardsvej 9, 6980 Tim

XL-BYG Horneman
Frederikshavnsvej 224, Postboks 119, 9800 Hjørring

Region Jutland South and Funen

XL-BYG Horneman
Odinsvej 2, 7200 Grindsted

XL-BYG Horneman
Kløvermarken 17, 7190 Billund

XL-BYG Horneman
Industrivej 2, 6840 Oksbøl

XL-BYG Horneman
Vesterhavsvej 37, 6830 Nr. Nebel

XL-BYG Horneman
Gytjevej 10, 6960 Hvide Sande

XL-BYG Horneman
Bavnevej 32, 6580 Vamdrup

XL-BYG Horneman
Tulipvej 2, 7100 Vejle

XL-BYG Horneman
Energivej 17, 5260 Odense S

XL-BYG Horneman
Lendemark 42, 6372 Bylderup-Bov

ProTræ Skodborg
Røddingvej 8, Skodborg, 6630 Rødding

Region Sealand

XL-BYG Horneman
Sdr. Ringvej 27, 2605 Brøndby

XL-BYG Horneman
Motorgangen 1-5, 2690 Karlslunde

XL-BYG Horneman
Industrisvinget 1-5, Tune, 4000 Roskilde

XL-BYG Horneman
Mellem Broerne 10, 4100 Ringsted

XL-BYG Horneman
Ørnumvej 10, 4220 Korsør

LEGAL STRUCTURE

as at 1 March 2007

DLH Group	Currency	Share capital	Ownership
Dalhoff Larsen & Horneman A/S, Høje Taastrup	DKK	185,784,739	
tt Timber International AG, Basel, Switzerland	CHF	4.6 million	100%
CFA-Abeilles Holding S.A., Basel, Switzerland	CHF	1.6 million	100%
tt Timber Benelux BV., Baarn, the Netherlands	EUR	2.0 million	100%
Timber Trading (UK) Ltd., Hoddesdon Hertz, the United Kingdom	GBP	0.75 million	100%
Inter-Continental Hardwoods Inc., Currie, the USA	USD	0.035 mio	100%
Georgia Timber International Inc., Greenboro, the USA	USD	0.001 million	100%
Congolaise Industrielle des Bois SA., Quesso, the Republic of Congo	XAF	2,370 million	100%
Soc. d'Approvisionnements et de Transits SARL., Douala, the Cameroons	XAF	75 million	100%
Soc. Industrielle des Chutes de Lalitié SA., Libreville, Gabon	XAF	10 million	100%
Commerce et Industrie du Bois SA., Port-Gentil, Gabon	XAF	1,000 million	100%
Gabonaise Industrielle des Bois SA., Port-Gentil, Gabon	XAF	2,000 million	100%
Soc. Forestière Tropicale SA., Abidjan, the Ivory Coast	XAF	75 million	100%
DLH Nordisk A/S, Høje Taastrup	DKK	50 million	100%
DLH (UK) Ltd., Westerham, the United Kingdom	GBP	2.3 million	100%
DLH Nordisk Inc., Greensboro, the USA	USD	0.05 million	100%
PW Hardwood LLC, Greensboro, the USA	USD	1.0 million	100%
DLH Guyana Inc.; Georgetaown, Guyana	GYD	0.05 million	100%
Indufor N.V., Antwerpen, Belgium	EUR	2.5 million	100%
DLH Nordisk (Holland) B.V., Rittheim, the Netherlands	EUR	0.1 million	100%
Hout Opslag Maatschappij Vlissingen B.V., Rittheim, the Netherlands	EUR	2.3 million	100%
DLH Germany GmbH, Nordenham, Germany	EUR	1.0 million	100%
DLH France S.A.R.L., Nantes, France	EUR	0.8 million	100%
Indubois S.A.S., Sète, France	EUR	3.0 million	100%
DLH Poland Sp. z o.o., Warsaw, Poland	PLN	2.4 million	100%
DLH Nordisk Sp. z o.o., Karlino, Poland	PLN	2.0 million	100%
DLH Nordisk s.r.o., Prag, the Czech Republic	CZK	0.2 million	100%
DLH Nordisk s.r.o., Bratislava, Slovakia	SKK	0.2 million	100%
DLH Nordisk Derevo, Uman, the Ukraine	UAH	0.2 million	100%
DLH Nordisk Kft., Szigetszentmiklos-Lakihegy, Hungary	HUF	3.0 million	100%
IH Timber Kft., Szokalya, Hungary	HUF	300 million	100%
Nordisk Timber Ltda., Belem, Brazil	BRL	33.1 million	100%
DLH Nordisk S.A.R.L., Abidjan, the Ivory Coast	XOF	150 million	100%
Nordisk Gabon S.A., Libreville, Gabon	XAF	10 million	100%
Société Nouvelle DLH Nordisk S.A., Libreville, Gabon	XAF	2.0 million	100%
Carl Ronnow (Malaysia) Sdn. Bhd, Kota Kinabalu, Malaysia	MYR	2.5 million	100%
DLH Timber Industries Sdn. Bhd., Kota Kinabalu, Malaysia	MYR	0.5 million	100%
AB Bohmans Fanerfabrik, Oskarshamn, Sweden	SEK	0.5 million	100%
AB Fanerkompaniet, Stockholm, Sweden	SEK	0.5 million	100%
Viilukeskus OY, Turku (Åbo), Finland	EUR	0.003 million	100%
Vääripuu ja Spooni AS, Maardu, Estonia	EEK	0.4 million	100%
Bohmans Finieri SIA, Riga, Latvia	LVL	0.002 million	100%
Bohmans UAB., Vilnius, Lithuania	LTL	0.2 million	100%
Bohmans KU, Kiev, the Ukraine	UAH	0.01 million	100%
OOO Bohmans, Khimki, Russia	RUB	0.05 million	100%
Bohmans Furnier GmbH, Karlstadt, Germany	EUR	0.3 million	100%
Indochina Wood Limited, Tortola, British Virgin Islands	USD	0.05 million	50%
DLH A/S, Høje Taastrup	DKK	25.5 million	100%
Nordic Wood & Board AB, Bunkeflostrand, Sweden	SEK	0.1 million	100%
Karl Ljungberg AB, Hässleholm, Sweden	SEK	5.0 million	100%
Ljungberg AS, Frogner, Norway	NOK	3.0 million	100%
DLH Russia ooo, Archangle, Russia	RBL	0.06 million	100%
DLH Træ & Byg A/S, Høje Taastrup	DKK	40 million	100%
C & N Nuuk A/S in Liquidation, Nuuk, Greenland	DKK	1.0 million	100%
A/S Holten Langes Trælasthandel, Ringsted	DKK	1.0 million	100%