EXTRACT FROM ANNUAL REPORT 2006

Sanistål

CONTENTS

FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR THE GROUP

DKK millions	2002	2003	2004	2005	2006
Financial highlights:					
Income statement:					
Net revenue	2,860.3	2,983.1	3,548.4	3,919.3	4,819.6
Gross profit	695.2	736.6	917.0	916.5	1.155.8
Profit on ordinary activities	88.0	104.8	207.7	161.5	220.3
Earnings before interest, tax and amortisation (EBITA)	101.1	115.3	217.6	169.8	222.8
Operating profit (EBIT)	93.4	109.2	207.7	169.8	222.8
Net financial items	-13.9	-12.0	-7.5	-7.8	-8.2
Profit before tax	79.5	97.2	200.2	162.0	214.6
Profit for the year	**53.5**	**68.8**	**140.0**	**118.7**	**158.6**
Balance sheet:					
Non-current assets	466.9	455.2	432.8	455.2	541.9
Current assets	894.3	964.8	1,116.9	1,199.8	1,646.6
Total assets	**1,361.2**	**1,420.0**	**1,549.7**	**1,655.0**	**2,188.5**
Shareholders' equity	628.1	663.4	758.0	842.4	978.3
Interest-bearing debt	425.5	479.7	452.1	416.4	694.4
Non-interest-bearing debt	307.6	276.9	339.6	396.2	515.8
Total liabilities and shareholders' equity	**1,361.2**	**1,420.0**	**1,549.7**	**1,655.0**	**2,188.5**
Share capital	**208.6**	**200.4**	**200.5**	**192.4**	**192.4**
Cash flows:					
Cash flow from operating activities	136.7	18.2	120.6	160.1	-80.8
Cash flow from investment activities	-42.1	-39.2	-38.5	-82.6	-153.7
Free cash flows	**94.6**	**-21.0**	**82.1**	**77.5**	**-234.5**
Investment in tangible non-current assets	**50.1**	**45.6**	**44.0**	**94.5**	**164.2**
Key ratios:					
Profit margin (EBIT margin) %	3.3	3.7	5.9	4.3	4.6
Earnings per share after tax (EPS), DKK, basic	26.8	34.7	72.5	63.0	83.7
Earnings per share after tax (EPS), DKK, diluted	26.8	34.7	72.3	62.9	83.5
Cash flow per share (CFPS), DKK	68.3	9.2	62.3	84.8	-42.5
Return on invested capital (ROIC) %	9.2	10.3	18.1	13.5	15.1
Return on equity %	8.7	10.7	19.7	14.8	17.4
Payout ratio %	46.6	35.7	26.9	31.8	24.0
Dividend per share (DKK)	12.5	12.5	20.0	20.0	20.0
P/E ratio	8.0	9.4	6.3	11.8	10.2
Price/book value ratio	0.7	1.0	1.1	1.7	1.7
Market price per DKK 100 nominal share	215.0	326.2	459.6	746.2	854.8
Book value per DKK 100 nominal share	314.7	337.5	403.1	446.0	515.0
Equity ratio %	46.1	46.7	48.9	50.9	44.7
Number of full-time employees at year-end	**1,379**	**1,414**	**1,445**	**1,586**	**1,848**

Definitions according to "Recommendations & Financial ratios 2005" by The Danish Society of Financial Analysts, cf. page 5.

FINANCIAL HIGHLIGHTS

2006 – RESULTS FOR THE YEAR

- Profit before tax in 2006 of DKK 214.6 million (2005: DKK 162.0 million).
- Organic growth in revenue of 22.8% to DKK 4,819 million.
- "Steel price development"① of DKK 31.8 million relative to 2005.
- The ordinary earnings per share (EPS) were DKK 83.
- The Board of Directors is proposing a dividend of DKK 20.00 per share (2005: DKK 20.00 per share).

2007 – EXPECTATIONS

- Stable steel prices and continued high demand from construction and other industry.
- Growth in revenue at a level of 25% as a result of continued growth and the acquisition of Carl F A/S.
- A high level of investment (DKK 300-350 million), including the opening of a central warehouse in Billund and the building of a new central warehouse for steel in Taulov.
- For 2007 earnings per share (EPS) in the order of DKK 83 to 91 are expected, corresponding to a profit before tax in the order of DKK 220 to 240 million.

① The "Steel price development" is defined as the difference between earnings on steel in the current year and earnings on steel in the preceding year (the base year), with the calculation for both years being based on the quantity for the base year.

Definitions according to "Recommendations & Financial Ratios 2005" by The Danish Society of Financial Analysts:

Profit margin (EBIT margin)	(EBIT/net revenue) × 100
EPS (Earnings per share), base	Profit after tax/average number of shares, base
EPS (Earnings per share), diluted	Profit after tax/average number of shares, diluted (see Note 7 for a statement of the number of diluted shares)
CFPS (Cash flow per share)	Cash flow from operating activities/average number of shares, diluted
Return on invested capital (ROIC incl. goodwill)	(EBITA/average invested capital incl. goodwill) × 100 Invested capital includes intangible and tangible assets, inventories, accounts receivable minus non-interest-bearing liabilities.
Return on equity	(Profit after tax/average equity) × 100
Payout ratio	(Dividend/profit after tax) × 100
Direct return	(Dividend per share/market price) × 100
P/E ratio	Market price/profit for the year per share
Price/book value	Market price/book value
Book value	Equity/number of shares at year-end
Equity ratio	(Equity/total assets) × 100

MANAGEMENT REPORT – 2006, A GOOD YEAR

2006 was a good year for Sanistål, and as in the previous year expectations had to be adjusted during the course of the year. The price trend over the year was positive.

The year was characterised by growth for Sanistål. The healthy economy and the continued high level of activity in the construction sector and other industry had a positive effect on Sanistål's growth in 2006. Sanistål once more managed to gain market shares.
One significant part of the reason for Sanistål's continued growth, and the fact that the company once more gained market shares, may be found within the organisation. Work on a joint strategy, which started in 2001, was a success, and this strategy is now firmly accepted throughout the organisation. There is a strong corporate culture at Sanistål, as evidenced by such factors as a sense of continuity in the organisation and a low staff turnover rate. The annual employee survey conducted in June revealed that in 2006 there continued to be a very high level of employee satisfaction.

It was also a positive year for Sanistål's subsidiaries, with Sanistal Latvia in particular reporting impressive success.

As an element of Sanistål's growth strategy, it is expected that there will be further reinforcement of the Board, as an agreement has been entered into with Ole Steen Andersen, CEO of Danfoss, and Jens Jørgen Madsen, former Managing Director of Grundfos, to put themselves forward for election to the Board at the Annual General Meeting on 21 April 2007.

SANISTÅL'S VISION

In 2001 Sanistål formulated a strategy that has been, and continues to be, the basis of the company's development and continued growth. The most significant elements of Sanistål's vision are:

- Sanistål shall be the preferred supplier and
- Sanistål shall make our customers competitive.

In practice this strategy resulted in the four main customer values, which are the guiding principles in all of Sanistål's areas of activity:

COMPLETE
Complete product range
The customer does not need to go anywhere else
Knowledge and advice

QUALITY EXPERIENCE
Personal quality
Local, personal sales organisation
Product quality
Branded products

COMPETITIVE
Value for money
Concepts that make our customer more efficient and thereby more competitive

EASY AND EFFICIENT
High level of delivery reliability, better than our competitors
Proximity for collection
24-hour service
E-commerce
Supply Chain Management

NEW SANISTÅL SHOPS OPEN THEIR DOORS

There are now 41 Sanistål shops, and there will soon be more. This is because Sanistål is in full swing with a major offensive in the retail sector.

New Sanistål shops are opening in towns and cities where Sanistål has not previously been represented. Not just as a display window for Sanistål's extensive product range, but just as much as an extra service for Sanistål's customers in the local area. And our experience tells us that when a brand new Sanistål shop opens, new customers appear.

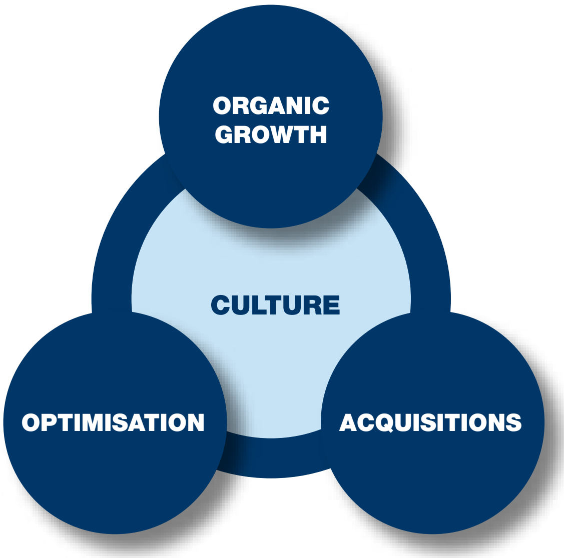
In 2006 Horsens and Roskilde saw their first Sanistål shop, and in January 2007 a new Sanistål shop opened in Køge. There are more on the way in the next few months, in Holbæk, Hillerød, Ringsted and Randers.

But existing Sanistål shops and Sanibad shops are also being refurbished at a rapid pace, being converted from traditional wholesale outlets into bright, modern, inviting concept shops, where the emphasis is on layout, an attractive presentation of the products and not least on Sanistål's excellent service.

And, at the beginning of 2007, a totally new kind of shop saw the light of day. "We opened a Sanistål Mega in Aalborg – the first one in the country. The idea behind the Mega concept is to give our customers a chance to view a wide range of products. You can go there for inspiration, and locally a Mega shop can also act as a "buffer" for the proposed central warehouse if a customer suddenly finds himself urgently needing a product," explains Chain Manager Dennis Vad Lauridsen.

The idea is that in the next few years Mega shops will be opened in a whole host of cities in all of the Sanistål regions.

SANISTÅL'S GROWTH STRATEGY

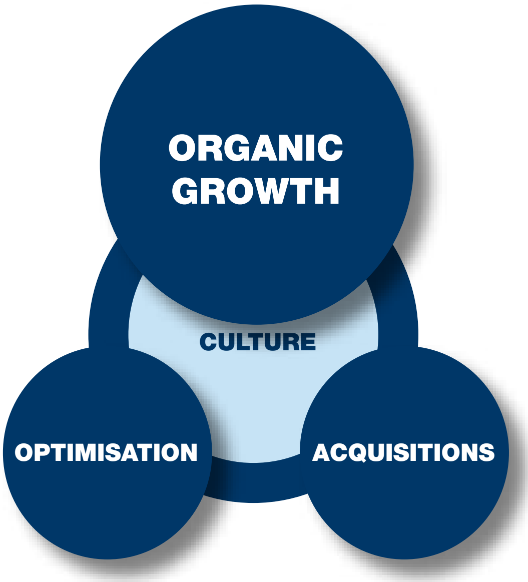


Sanistål's business policy and growth strategy are built around the three growth drivers depicted in the diagram above, and the foundation for growth is Sanistål's strong corporate culture.

Sanistål's corporate culture
As mentioned above, Sanistål now has a culture that is firmly accepted by our employees. Both motivation and morale at work are high, and this has been particularly evident in the logistics organisation, which was under pressure in 2006 because of both increased sales of goods and the implementation of new electrical products and the resulting shortage of space and pressure on distribution. Even in such situations there is a positive spirit and a clear determination to achieve a common objective.
As an element of internal branding, in 2001 Sanistål adopted a communication strategy based on the Brand Position Statement (BPS) "more than you think".
The aim of "more than you think" was, and is, to strengthen self-confidence, esprit de corps and corporate culture, while at the same time being a tool to implement the company's strategy. Externally, "more than you think" guarantees that there is a constant focus on giving customers a positive, "more than you think" experience.

"More than you think" is now firmly rooted in the corporate culture, and work continues on an ongoing basis to make sure that employees maintain their focus on the company's BPS. For example, the employee newsletter includes "more than you think" stories, and prizes are awarded to "more than you think" employees. In this case it is employees who put forward a colleague for the prize. The wide-ranging, ambitious training programme for Sanistål's employees that was launched in 2002 continued throughout 2006 and will also continue in 2007.

ORGANIC GROWTH



Doubling in organic growth
In 2006 Sanistål had organic growth in revenue of 22.8 per cent compared to 2005, even though competition became increasingly tough. This represents almost a doubling of organic growth compared to 2005.
All business segments have achieved growth, but it has been most noticeable in the steel market, where Sanistål has gained significant market shares. See also the individual business segments' sales trends, pages 40-43.
In 2006 cross sales to Sanistål's 20,000 or so customers were boosted, partly in connection with the implementation of the new Electrical Technology product range and the introduction of new business areas: Sanitation, Industrial HVAC and Roof & Facade. This has strengthened the focus on cross sales throughout the whole organisation.

MAJOR WAREHOUSE PLANS IN BILLUND AND TAULOV

In recent years each Sanistål region has had its own regional warehouse, in some cases with transit warehouses in other cities in the region.

From here the company could quickly service all customers in that region.
But as time passed, more customers, more orders and more article numbers meant that the decentralised warehouse structure was no longer the best solution. It wasn't efficient enough, and there was a need to be able to offer customers more flexible, individual solutions.

In April 2006 Sanistål announced that it had acquired a large piece of land in Taulov, close to the motorway. The plan was to build a large, new central warehouse, divided into two buildings, which would be ready for business at the end of 2008.

But 2006 was such a busy year that after six months or so Management decided to make another important decision: they could not wait for the construction work at Taulov if the high level of delivery service was to be maintained.

In Billund the LEGO Group was in the process of outsourcing large parts of its production processes.

This was creating spare warehouse capacity, and negotiations from Sanistål resulted in Sanistål renting large parts of LEGO's warehouse facilities on an 11-year contract. The company started to move in on 1 February 2007, and at the time of writing employees and tradesmen are working at full speed to fit out the warehouses.
In Taulov construction work on the new steel warehouse is proceeding as planned. The central warehouses will be extremely important in terms of service to customers: Sanistål will be able to maintain a high level of delivery performance, while at the same time we will be able to offer far more flexible, customised delivery solutions.

New sectors – but familiar markets

In 2006 Sanistål focused its efforts on a number of “new” sectors. The Sanitation area had been launched in 2005, and both marketing and sales in the Sanitation area were reinforced in 2006. Industrial HVAC and Roof & Facade are also product areas in which Sanistål has conducted a targeted sales and marketing initiative, including separate retail circulars to the target group.

Growth on Zealand

In recent years there has been a targeted initiative to raise Sanistål’s profile on Zealand, not least through the opening of new Sanistål shops. New salespeople and a large number of new employees have been engaged to support sales, and in 2006 alone this high level of activity generated growth of 37 per cent.

At the moment Sanistål is in the process of opening new office facilities, and the high level of activity will continue in 2007, when plans include the opening of four more new shops on Zealand.

Introduction of new range of high-quality tools

In 2006 Sanistål entered into an agreement with the German purchasing association E/D/E on exclusive rights to import quality tools under the Format brand. Sanistål has exclusive rights to the extensive range of products in Denmark and the Baltic States. The Format range comprises around 10,000 items covering general hand tools, an extremely wide range of cutting tools plus clamping tools and painting tools.

With Format, Sanistål has further reinforced its position as a tool supplier and expects that this will be reflected in sales of tools in 2007.

Own brands

In recent years Sanistål has been introducing more and more brands under its own name, and the company has also focused on exclusive supplier agreements with producers of various high-quality products. This has been done to guarantee optimal purchase prices while at the same time reinforcing our market position, thus generating increased revenue.

The traditional market, in which many wholesalers compete to sell identical products, and where price is the primary competitive factor, will undoubtedly change in the years ahead into a situation where wholesalers increasingly concentrate on individual products. In the next few years Sanistål will therefore reinforce the development of its own brands and focus increasingly on strategic alliances, primarily with suppliers that focus on value creation.

A focus on customers

Rather than being based on product groups, sales initiatives in 2006 focused increasingly on the customer types that Sanistål is targeting. The division into six customer types has put the spotlight on the individual customer type’s requirements and needs, which has made it possible to develop a far more targeted product range, more targeted service concepts, more targeted marketing and a more targeted sales initiative aimed at customers across Sanistål’s business segments.

In 2006 Sanistål’s key account teams working in the fields of Other industry and Construction also achieved success by such means as drawing up SCM agreements. These SCM agreements enable customers to hand over a large number of internal processes to Sanistål, not least in the field of stock management.

New shops

Sanistål’s shops are the company’s outward face to the local regions, and one of the most important interfaces with our customers. For this reason 2006 also saw a focus on renovating and modernising the existing Sanistål shops, and in particular on the building of new shops, thus reinforcing the local markets. In 2006 Sanistål opened new shops in Horsens and Roskilde, and in the first quarter of 2007 will also be opening shops in Køge, Ringsted and Holbæk.

At the same time, the renovation of older, outdated shops is proceeding apace. In 2006 newly-renovated, spacious concept shops were opened on Amager and in Odense, Haderslev and Viborg.

The Sanibad shops will also be changing their appearance in the next few years. The traditional HVAC wholesale display will disappear and be replaced by new, inviting Sanibad concept shops with a focus on servicing the shops’ primary customers – HVAC tradesmen. The shops have been made more “end user-friendly”, with features including exhibitions of modern bathroom settings with a focus on luxury and well-being.

Subsidiaries abroad expand

In Germany Max Schön reported a positive profit trend.

In the three Baltic States 2006 saw a strengthening of cross-border collaboration on logistics and also to some extent on administration, although it is too soon as yet to be able to see any benefits of scale. As already mentioned Sanistal Latvia, the oldest of the three Baltic subsidiaries, had a very positive year, with major revenue successes and growth in revenue and earnings of 51 per cent in 2006.

Electrical Technology ready for the market

2006 was the year when Sanistål's new business area, Electrical Technology, was launched in earnest within the organisation. A large number of new employees with high levels of expertise in these area were engaged, and space had to be found for a lot of new items in the warehouses. A relevant selection is now available in some Sanistål shops. In the first quarter of 2007 the Webshop will be fully updated with 50,000 electrotechnical products.

In the fourth quarter of 2006 the sales organisation was ready to introduce Electrical Technology to current and future customers. Electrical Technology has been generally well received by Sanistål's industrial and construction customers. There is now also a focus on introducing Sanistål to electrical contractors,, a new group of customers for the company.

OPTIMISATION

As a supplier of products and services, Sanistål must optimise first and foremost through rationalisation, by "working smarter", and at the same time choose solutions that make customers, suppliers and Sanistål itself more competitive.

New warehouse and distribution structure

Sanistål's logistics play a central role in servicing customers, and there is a constant focus on how the company can improve its delivery service.

The current warehouse structure is restricting Sanistål's continued growth and the potential to provide customers with more flexible delivery solutions.

For this reason, in April 2006 Sanistål acquired an industrial site covering 382,000 m^2 in Taulov, with a view to establishing a large central warehouse comprising two buildings. The aim is for the Central Warehouse to be taken into use at the end of 2008, at which point some of the regional warehouses will be converted into transit warehouses.

Pressure increased on the existing warehouses as a consequence of the high rate of growth in 2006. To guarantee the high level of delivery quality it was necessary to find alternative solutions. At the end of November 2006 contact with the LEGO Group in Billund resulted in Sanistål hiring warehouse premises covering approx. 55,000 m^2 at LEGO and extending these by a further 1,200 m^2 to create an automated warehouse. This makes it possible to bring forward the plans for central warehouses for all product groups except steel by one year, with the effect that the new central warehouse is expected to be operational from autumn 2007. As far as steel is concerned, work is continuing as planned to create a steel warehouse on Sanistål's land in Taulov.

With the creation of two central warehouses, Sanistål achieves a number of efficiency gains that will benefit customers, suppliers and Sanistål itself. This gives us even more opportunities to satisfy special customer preferences, for example with regard to delivery dates. In future suppliers will only have to make deliveries to one single destination, so the new structure strengthens the whole of Sanistål's supply chain.

E-commerce makes progress

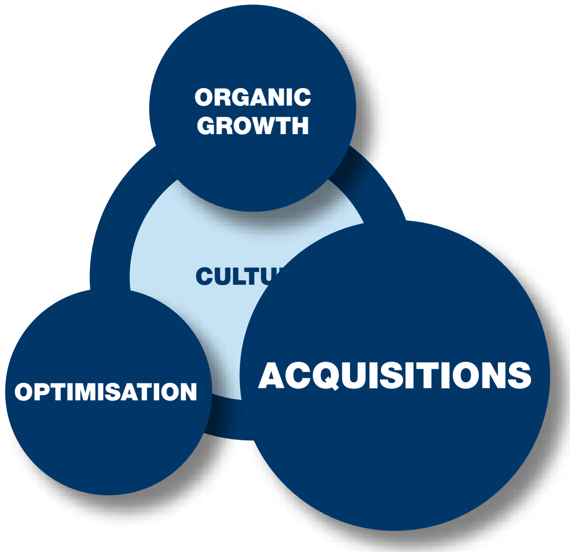
The Webshop, Sanistål's e-commerce solution, is being used by a steadily increasing number of customers. In 2006 revenue from the Webshop increased by 215 per cent. The latest customer satisfaction survey shows that once customers have started to use the Webshop they are extremely satisfied with it and use it a lot, also for reference purposes. At present there are around 150,000 items available from the Webshop, making it the biggest in the industry.

In 2006 the Webshop was given a new appearance and a simpler, more user-friendly interface. The Webshop has also been given new functions such as delivering price files and ordering catalogues, which improves service and makes it even more attractive for Sanistål's customers to serve themselves via the Webshop, whenever it suits them.
In 2006 Caddie, Sanistål's hourly case management system for service companies, was optimised and is now being introduced on an ongoing basis for more and more customers.
Sanistål Integration went well in 2006, with several new companies integrating their ERP with Sanistål.

Easy-supply makes life easy
In autumn 2006 Sanistål developed and tested Easy-supply with a number of selected customers. Easy-supply is a smart Kanban stock management system that optimises the customer's order and delivery process. The system, which is particularly suitable for consumer goods, uses signal cards to make sure that the customer receives continuous supplies of new products.
Depending on the customer's preferences, the customer can either reorder goods himself or receive regular visits from Sanistål's Merchandiser, who makes sure that the goods are ordered in plenty of time before the customer needs back orders.
Last autumn's tests of Easy-supply were a success, and Sanistål will now be launching this new service to its customers during the first half of 2007.

Purchasing
In 2006 Sanistål's product range continued to undergo continuous development to constantly optimise the product range in relation to customer types and thus generate higher revenue. Supplier agreements have reinforced Sanistål's purchasing power, and there have been ongoing commitments to suppliers who focus on value optimisation.

ACQUISITIONS



Sanistål's growth will also take place through the acquisition of sound businesses that can strengthen the company's market position, either through geographical coverage of areas where Sanistål is not yet the market leader, or through the introduction of new product areas that can strengthen Sanistål's vision of being the customer's preferred supplier. To this end we have acquired two companies.

UAB Hidruva
In November 2006 Sanistål strengthened its position in Lithuania with the acquisition of UAB Hidruva. Hidruva is a major HVAC distributor in Lithuania, and the company imports and distributes a wide range of well-known products in the fields of heating, ventilation, sanitation, tiles, etc. The company, which was established in 1997, has 65 employees and annual net revenue of DKK 73,9 million. The acquisition of Hidruva contributes towards the reinforcement of continued growth in the Baltic region.

Carl F A/S
In January 2007 Sanistål acquired all of the share capital in the 125-year-old Danish company Carl F A/S. The company, which is a market leader in Denmark in the field of door and window fittings, fasteners and tools for the carpentry and joinery industry, has 12 shops in Denmark and branches in the UK, India and Germany, with sales of architect-designed d-line products in approx. 50 countries. Carl F also has extensive experience in the Nordic region in the field of locking and security systems. When the takeover took place there were 564 employees in total at Carl F. The takeover of Carl F has given Sanistål a totally new product area, and thereby access to new customer areas. At the same time the company's branches on Zealand will reinforce Sanistål's geographical coverage.

CARL F IS NOW A MEMBER OF THE SANISTÅL FAMILY

It's no secret that Sanistål has for some time been keeping an eye open for an attractive, well-run company that could supply Sanistål's product range and at the same time bolster our geographical coverage

In the autumn of 2006 Management's attention was drawn to the 125-year-old metalworking company Carl F, and at the beginning of January 2007 the two companies were able to notify the Copenhagen Stock Exchange that Sanistål had now acquired all of the shares in Carl F. The total price: DKK 500 million.

"With this acquisition, Sanistål has not only taken over a well-run, effective company with a total revenue of DKK one billion, we have also extended our workforce by 564 skilled employees with extensive professional expertise," explains Christian B. Lund, CEO of Sanistål, continuing:

"The acquisition of Carl F will bring with it a large number of benefits. First and foremost, we have added a large, new business area with new products, new customer groups and a strong international position. Carl F also has 12 shops, which will bolster our geographical coverage, especially on Zealand. We will achieve a large number of purchasing synergies, and on the e-commerce side we can use our strong position to reinforce Carl F."

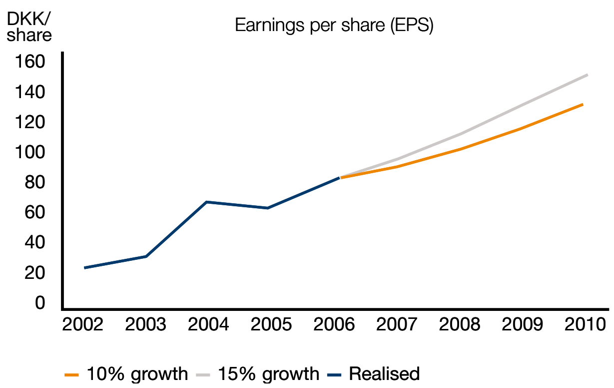
Carl F A/S is the market leader in Denmark within door and window fittings. Carl F's product range also includes locking and security systems, an internationally recognised design line (d line) with door handles, fittings, bathroom accessories, etc. designed by leading architects, as well as fittings for the wood processing industry.

In the next few months the management teams at Sanistål and Carl F will work together to draw up a joint strategy for the future.

FINANCIAL OBJECTIVE

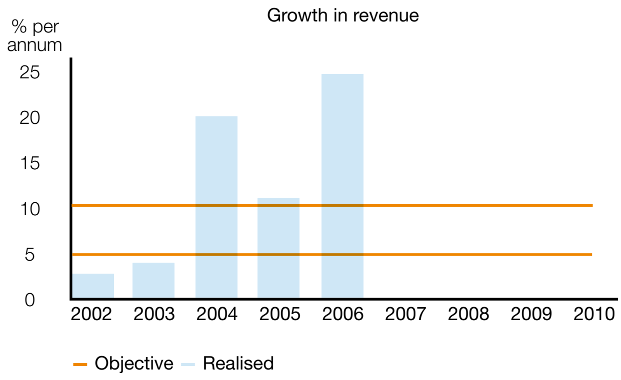
Sanistål's current financial objective was formulated by the Board of Directors and the Board of Management in 2003. Against the background of the results achieved in the last few years, the expected change in earnings from 2008 as a result of the opening of central warehouses and the Electrical Technology segment, as well as the acquisition of Carl F A/S, Management has decided to formulate a new financial objective for the period 2007 to 2010.

It is the Group's overall financial objective, through the continuous development of the business, to realise an average annual growth in earnings per share (EPS) of 10 to 15%, starting from the profit achieved in 2006. It must be emphasised that this is an average increase over a number of years. When evaluating growth for an individual year, consideration is given to the "Steel price development" and any unusual items. We operate on the basis of average profit targets only, because the Group's activities are so dependent on general economic developments and fluctuations in the economic climate that it is only meaningful to operate with a growth target which stretches over several years. It usually takes three or four years to assess growth, and it is to be expected that profits will fall in some years.



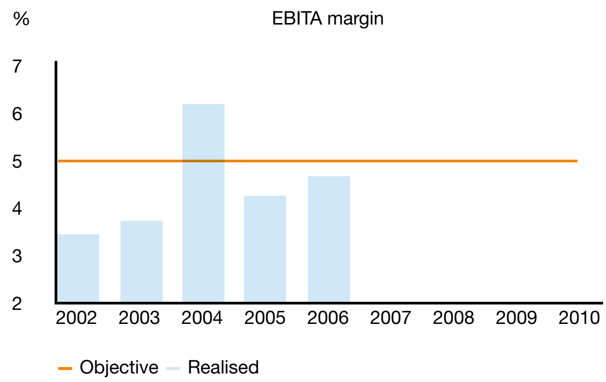
Growth in revenue

Sanistål's objective for the period from 2006 until 2010 is to realise an annual average organic increase in revenue of 5 to 10%. In evaluating the annual growth in revenue, it is noted that no growth in volume is expected within the Steel Industry segment, and that there may be significant fluctuations in individual years as a consequence of the fluctuation in steel prices.



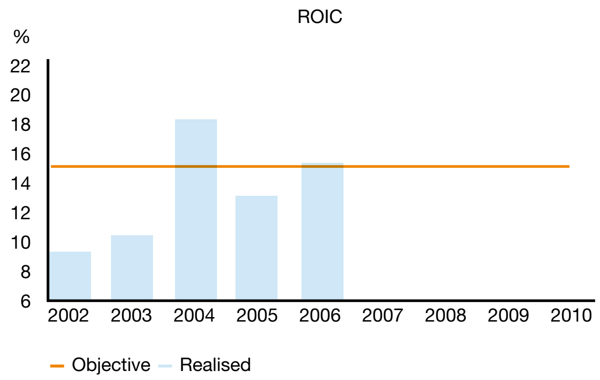
EBITA margin

Against the background of an expectation of significant reductions in the logistical costs' share of the gross profit from the creation of central warehouses, the expansion of the shop network, the creation of the Electrical Technology segment and the integration of Carl F, the objective for the period from 2006 until 2010 is to increase the EBITA margin to a level of more than 5%. This increase will be evident from 2008.



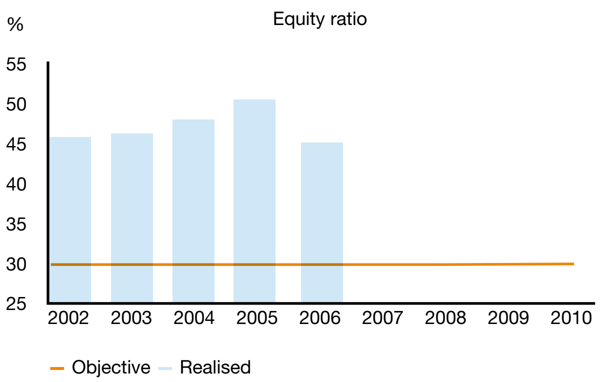
ROIC

The ROIC is expected to be reduced in 2007 because of the creation of the central warehouses and the acquisition of Carl F A/S. The objective for ROIC (average capital invested incl. goodwill) in the period from 2007 until 2010 is to raise the ROIC to a level of more than 15%. This is expected to take place from 2009, against the background of significant reductions in the logistical costs' share of the gross profit from the creation of central warehouses, the expansion of the shop network, the creation of the Electrical Technology segment and the integration of Carl F.



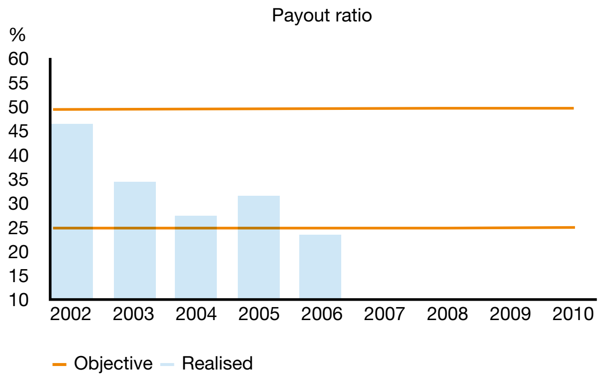
Equity ratio

The intention is that the equity ratio will be maintained at a level of more than 30%. However, it may fall to a lower level over shorter periods in connection with major acquisitions.



Payout ratio

The objective for the Payout ratio remains at 25 to 50% of the profit for the year after tax, with due reference to the company's expansion plans and its financial and liquidity position.



Accounting policies

The Annual Report for 2006, like 2005, has been prepared in accordance with IFRS (International Financial Reporting Standards).

Results for the Group 2006 (2005)

DKK millions	Net revenue	Gross profit	Other operating income	Costs	Profit before tax
Sanistål A/S, parent company	4,132.4	984.2	24.5	826.0	182.7
Sanistål A/S, parent company	3,403.2	777.6	8.8	645.1	141.3
Serman & Tipsmark A/S	93.6	30.2	-	25.1	5.1
Serman & Tipsmark A/S	73.8	24.8	-	20.4	4.4
Max Schön AG, Germany/Poland	339.6	83.4	4.1	74.0	13.5
Max Schön AG, Germany/Poland	266.6	69.4	4.0	63.9	9.5
The Baltic States	280.1	58.0	0.1	44.8	13.3
The Baltic States	188.5	44.7	0.7	38.6	6.8
Elimination of internal transactions	-26.1	-	-1.2	-1.2	0.0
Elimination of internal transactions	-12.8	-	-1.0	-1.0	0.0
Subsidiaries	687.2	171.6	3.0	142.7	31.9
Subsidiaries	516.1	138.9	3.7	121.9	20.7
Sanistål Group	4,819.6	1,155.8	27.5	968.7	214.6
Sanistål Group	3,919.3	916.5	12.5	767.0	162.0

THE GROUP

Income statement

Net revenue for the Group totalled DKK 4,819.6 million, an increase of 23.0% compared to the previous year.
The increase in revenue was essentially due to organic growth.
The operating profit (EBIT) was DKK 222.8 million, compared to DKK 169.8 million in 2005. The profit before tax was DKK 214.6 million, compared to DKK 162.0 million in 2005. The profit is as expected after the upward adjustment in Stock Exchange Announcement no. 11 dated 30 November 2006.

A comparison of the profit before tax and the special factors affecting profits in the Group shows the following:

DKK millions	2006	2005
Profit before tax	214.6	162.0
"Steel price development"	-31.8	-
Property gains	-23.3	-8.3
Write-down and employee commitments re change in logistical structure	20.7	-
Employee share scheme	6.1	-
Comparative profit	186.3	153.7

As may be seen in the table above, the profit in 2006 was affected positively by the "Steel price development" and property gains, while the allocation of employee shares, the write-down of non-current assets and a provision to the loyalty bonus for logistics employees in connection with the creation of the central warehouse in Billund and Taulov had a negative effect in the order of DKK 26.8 million. The trend in the consolidated profit before tax and after adjustment for special factors affecting profits reveals an increase from 2005 to 2006 of DKK 32.6 million or 21.2%.

Taxes for the year

Total taxes for 2006 amount to DKK 56.0 million, corresponding to an effective tax rate of 26.1%.
The company is "shadow joint taxed" with its subsidiaries in Germany, Poland and Estonia.

Profit for the year

The profit for the year after taxes amounts to DKK 158.6 million, compared to DKK 118.7 million in 2005.

Balance sheet

The balance sheet total amounted to DKK 2,188.5 million at the end of 2006, compared to DKK 1,655.0 million at the end of 2005. Non-current assets increased by DKK 86.7 million to DKK 541.9 million due to the fact that gross investments totalled DKK 198.2 million in 2006, while depreciation and write-downs in 2006 totalled DKK 64.1 million.

Current assets increased by DKK 446.8 million to DKK 1,646.6 million, of which the increases in trade accounts receivable and inventories accounted for DKK 144.1 million and DKK 293.8 million respectively. The increases were due to increased activity, the creation of a stock of electrical articles, new shop openings and increasing prices of steel stocks.

On the liability side, interest-bearing debt increased by DKK 278.0 million to DKK 694.4 million. Trade and other accounts payable rose by DKK 115.9 million as a result of a continued high level of activity at the end of 2006.

Investments in tangible non-current assets account for DKK 164.2 million. The most significant investments relate to the acquisition of land for the central warehouse in Taulov, the extension of the regional centre in Aalborg, the creation of automated warehouses in Aalborg and Silkeborg, and new shop openings primarily on Zealand. Shareholders' equity at the end of the year totalled DKK 978.3 million. The equity ratio was 44.7% at the end of 2006, compared to 50.9% at the end of 2005.

Free cash flows

Cash flows for 2005 and 2006, in terms of principal items, were as follows:

DKK millions	**2006**	**2005**
Cash flow from operating activities	-80.8	160.1
Cash flow from investment activities	-153.7	-82.6
Free cash flows	-234.5	77.5

The Group's cash flows from operating activities were reduced by DKK 240.9 million to DKK -80.8 million.
The cash flow from investment activities was DKK 153.7 million, compared to DKK 82.6 million in 2005. Free cash flows thus total DKK -234.5 million, compared to DKK 77.5 million in 2005.
The cash flow per share (CFPS) totalled DKK -43, compared to DKK 85 in 2005.

SANISTÅL A/S, PARENT COMPANY

The parent company achieved a profit before tax of DKK 182.7 million in 2006, compared to DKK 141.3 million in 2005.

Revenue in the parent company totalled DKK 4,132.4 million, an increase of 21.4% compared to the previous year.

It is considered that the company has strengthened its market position.

Sales from stock rose by DKK 595.8 million, or 22.2%. Drop shipment sales direct from the factory rose by DKK 133.4 million, or 18.6%.

In the parent company the gross profit rose by DKK 206.6 million, or 26.6%. The gross profit margin increased by 1.0 percentage point to 23.8%. This increase is due to factors including the "Steel price development", which on its own contributed an increase of 0.8 per cent.

Sanistål uses the term "Steel price development" as an explanation of fluctuations in the profit before tax.

The "Steel price development" is defined as the difference between earnings on steel in the current year and earnings on a corresponding quantity of steel in the preceding year (the base year).

The calculation for both years is based on the quantity for the base year.
The "Steel price development" had a positive effect in 2006 in the order of DKK 31.8 million. Profit from the sale of properties totalled DKK 23.3 million, which means that "Other operating income" totalled DKK 24.5 million, compared to DKK 8.8 million in 2005.

The items "Other external expenses" and "Staff costs" rose by DKK 172.5 million, or 28.9%. The most important reasons for this trend are:

- The level of activities, measured in terms of the development in gross profits on Stocks/Drop shipments adjusted for the "Steel price development", rose by 22.7%
- The opening of new shops and modernisation of existing shops.
- Renovation of existing premises.
- Creation of the Electrical Technology segment.
- Allocation of shares to employees.
- Provision for employee commitments re change in logistical structure.
- Capacity limitations in the logistical system in connection with rapid organic growth.

Logistical expenses accounted for an increased proportion of the gross profit in 2006. This increase is primarily attributable to additional expenses as a result of the high level of activity and limitations in the current warehouse structure. Sales of steel measured in tonnage also increased significantly in 2006, which generated a relative increase in logistical expenses, as steel articles are approx. 80% more expensive to distribute than other products in Sanistål's product range. Despite the limited warehouse facilities, the execution of warehouse operations and distribution has taken place in a way that is satisfactory for customers.

Logistics accounts for Sanistål A/S	**2006**	**2005**
Gross profit ①	100.0 %	100.0 %
Warehouse operations	22.7 %	19.9 %
Haulage	16.2 %	14.9 %
Internal interest on stocks	6.2 %	6.5 %
Central logistical expenses	1.1 %	1.3 %
Total logistical expenses	46.2 %	42.6 %

① Gross profit on Stocks/Drop shipments adjusted for the "Steel price development"

Losses on bad debts increased by DKK 4.7 million to DKK 7.2 million compared to 2005, when losses and provisions were at an historically low level.

"Depreciation and write-downs" increased by DKK 9.3 million, of which DKK 5.7 million is attributable to the depreciation and write-down of non-current assets in connection with the creation of central warehouses.
"Net financial items", excluding the effect on profits of shares in subsidiaries, fell by DKK 0.9 million to a net expense of DKK 4.3 million.

THE SUBSIDIARIES

Serman & Tipsmark A/S
Revenue of DKK 93.6 million was generated by Serman & Tipsmark at a growth rate of 26.8% compared to 2005, which exceeded expectations. The profit increased from DKK 4.4 million to DKK 5.1 million. In 2006 the subsidiary implemented planned measures to optimise and execute the production that contributed to this positive trend.

Max Schön, Germany and Poland
Max Schön is active in the area of Steel & Pipes in Germany and Tools, Machinery & Technical Products in Germany and Poland. In 2006 this subsidiary generated revenue of DKK 339.6 million, compared to DKK 266.6 million in 2005, corresponding to growth of 27.4%. Gross earnings rose by 20.2% to DKK 83.4 million.
Before tax Max Schön AG recorded a profit of DKK 13.5 million in 2006, compared to DKK 9.5 million in 2005.
Max Schön AG thus continues its positive trend and now reports a steadily rising level of earnings.

Sanistal OÜ, Estonia
Before tax the company recorded a deficit of DKK 0.4 million, compared to a deficit of DKK 3.6 million in 2005.
The restructuring of the company involved organisational changes and bringing together activities in Estonia in one location, which combined with the integration of the logistical function and other back-office functions with the fellow subsidiary in Latvia succeeded in rationalising operations in 2006.

Sanistal SIA, Latvia

Revenue in Latvia increased by 51.2%. The profit before tax was DKK 15.5 million, compared to DKK 11.2 million in 2005. The subsidiary thus continues its impressive trend from previous years. Sanistal SIA is the market leader in Latvia, and is continuously expanding its position through the adoption of new business areas. Most recently the Steel & Pipes area was strengthened by the opening of a new warehouse facility in Jelgava. In 2007 a new regional central warehouse was opened for HVAC and for Tools, Machinery and Technical Products in Riga.

UAB Sanistal, Lithuania

This company, which was established in 2003, opened a new regional warehouse in 2006, centrally located in Kaunas to form the basis of expansion throughout Lithuania. Before tax the company recorded a deficit of DKK 2.2 million, which was as expected, compared to a deficit of DKK 0.8 million in 2005.

UAB Hidruva, Lithuania

The acquisition of UAB Hidruva, which is a major HVAC wholesaler in Lithuania, significantly strengthens Sanistål's position in Lithuania. Hidruva, which supplies well-known products in the fields of heating, ventilation, sanitation, etc., is a well-established company with branches in the larger towns and cities in Lithuania. The company, which was founded in 1997, has 65 employees and in 2006 generated revenue of DKK 73.9 million, with a pre-tax profit of DKK 4.8 million. The company is included in the consolidated accounts for 2006 with revenue of DKK 6.2 million and a pre-tax profit of DKK 0.4 million.

The plan is that UAB Hidruva will merge with UAB Sanistal in 2007, with UAB Sanistal as the surviving company. The Managing Director of UAB Hidruva, Rolandas Malai_ka, will take over as Managing Director of the merged company.

FUTURE OUTLOOK

THE GROUP

For the Group as a whole it is expected that Sanistål will be able to continue to improve its market position.

Group investments are expected to total DKK 320 million in the financial year 2007.

Management expects to be able to achieve increased revenue and earnings per share after tax (EPS) in the order of DKK 83 to 91 in 2007, corresponding to a profit before tax in the order of DKK 220 to 240 million.

However, in this context it must be emphasised that Management's evaluation is based on there being no change in the high level of activity in construction and other industry, stable steel prices and a continuation of the rate of growth so far in the Baltic States.

Material assumptions underlying the profit expectations for 2007:

- Construction Industry: The company expects the level of activity in construction to remain high.
- Other Industry: The expectation of an increasing willingness to invest and relatively high demand from the manufacturing industry.
- Against the background of an increased market focus and the enhancement of customer-oriented concepts, the company expects sales to increase in the Construction Industry and Other Industry segments.
- Steel: Management expects stable steel prices. Against this background it is expected that the "Steel price development" from 2006 to 2007 will be neutral. Steel tonnage is expected to be maintained at the 2006 level through a continued rise in market shares, in spite of the continued trend towards the transfer abroad of iron-based industrial production.
- Electrical items: In 2006 Sanistål created a new business area in the field of Electrical items. As with the Construction Industry, Steel Industry and Other Industry business segments, the new business area will be run by a sales organisation based on Sanistål's existing regional structure. The product organisation was built up in 2006, and Sanistål now stands as a total supplier to industry, construction and the after-sales market. The creation of the Electrical Technology business area is expected to have a negative impact on Group profits in 2007.
- Shop organisation: In recent years Sanistål A/S has opened a number of shops and refurbished a number of existing premises. In 2007 efforts in this area will be sustained, as Sanistål plans to open/refurbish an additional 5 to 7 shops during the year. Experience shows that new shops have a positive impact on profits after 18 months. In 2007 the opening of new shops is expected to have a neutral impact on profits.
- Future logistical structure in Denmark: The opening of a central warehouse for HVAC, Tools, Machinery &

Technical Products and Electrical products in a rented property covering 55,000 m^2 at the LEGO Group's premises in Billund will be implemented gradually from February 2007 until February 2008. In 2008 it is expected that the creation of the central warehouse in Billund will support the continued growth in sales. There is also expected to be a rationalisation effect at a level of DKK 20 million in 2008, which will increase in the following years.

- Planning of the central warehouse for steel in Taulov has been completed and the project, which involves the building of 40,000 m^2 warehouse facilities, is expected to be taken into use in autumn 2008.
- Once both central warehouses are fully operational at the beginning of 2009, an annual rationalisation effect is expected at a level of DKK 75 million at forecast revenue levels.

The subsidiaries:

- Carl F A/S: Revenue is expected to reach a level of DKK 1 billion. The acquisition of Carl F will only have a limited effect on the profit before tax for 2007 because of initial expenses, while the effect on profits in 2008 is expected to total DKK 25 to 35 million, and in the following years DKK 40 to 50 million per annum.
- Serman & Tipsmark A/S: Against the background of a healthy order stock, the company expects higher revenue with increased profitability.
- Max Schön AG (Germany and Poland): The expectation is that Max Schön AG can continue its positive trend in revenue and earnings.
- The Baltic States: Revenue is expected to grow by around 20%, and the Baltic companies are expected to show a rising profit overall.

ANNUAL GENERAL MEETING

Sanistål A/S will hold its Annual General Meeting on Saturday 21 April 2007 at 14:30 at the Hotel Hvide Hus, Aalborg.
The printed Annual Report is expected to be available on 31 March 2007.

Allocation of the profit for the year

As described on page 54, it is Sanistål's dividend policy to distribute 25 to 50% of the profit for the year after tax to the shareholders, taking into account, however, the company's expansion plans and its financial and liquidity position. Following the significant growth in the balance sheet and the acquisition of Carl A/S, the Board wishes to rebuild the equity ratio as quickly as possible. In view of this, the Board of Directors is proposing payment of a dividend of DKK 20.00 per share (2005: DKK 20.00 per share), corresponding to 24.0% of the profit for the year after tax. The proposed dividend amounts to DKK 38.0 million.

ENERGISING THE BUSINESS

It is a year or so since Sanistål made the decision to supplement its product range with a totally new business area: electrotechnical products.

This was a natural consequence of the fact that many of our industrial customers were demanding electrotechnical products. There is also a degree of compound trading among our customers, such as HVAC installers, who were starting to install ventilation and air-conditioning systems. Sanistål would of course like to service these, and other customer groups, with the new products.

Integrating a totally new product area, while at the same time making preparations to introduce yourself to a totally new target group, i.e. electrical contractors, requires thorough preparation. The new Electrical Technology department therefore spent 2006 building up a skilled product organisation and negotiating with suppliers, finding suitable warehouse solutions for the large number of new products and preparing for the launch of Electrical Technology.

At the moment Sanistål is working flat out to set up a totally new central warehouse structure, and Electrical Technology decided to make a head start by renting premises in Taulov and setting up a central warehouse for electrotechnical products from the outset. And on 14 September the first Sanistål shop with an Electrical Technical product range opened in Taastrup. Since then the number of shops with Electrical Technical products on the shelves has been increasing steadily, and this will continue in 2007.

The sales organisation is also being put into place, and is already in full swing: "Both electrical contractors and industrial customers have been very positive about us, and are of course pleased about the increased competition among suppliers," explains Kim Engmark, Sales Manager for Electrical Technology.

Sanistål's Webshop now offers around 50,000 quality electrotechnical products, so Sanistål is well placed to gain new market shares in the years ahead.

STATEMENT BY THE BOARD

The Board of Directors and the Board of Management have on this date considered and approved the Annual Report of Sanistål A/S for 2006.

The Annual Report 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.

We consider the accounting policies applied appropriate and are of the opinion that the Annual Report gives a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company as at 31 December 2006 and of the results of operations and cash flows of the Group and the Parent Company for the financial year from 1 January to 31 December 2006.

We recommend that the Annual Report be adopted by the General Meeting.

Aalborg, 19 March 2007

Board of Management:

Christian B. Lund

Ole Graversen

Henning Vilslev

Board of Directors:

Knud Erik Borup
Chairman

Steen Gede
Deputy Chairman

Uffe B. Johansen

Ole Enø Jørgensen

Jens Ole Klitgaard

Else Linde Kristensen

Else L. Kristensen

Walther V. Paulsen

Matthias Max Schön

Peter Vagn-Jensen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sanistål A/S
We have audited the Annual Report of Sanistål A/S for the financial year from 1 January to 31 December 2006 comprising the statement by the Board of Directors and the Board of Management, the management report as well as the income statement, balance sheet, statement of shareholders' equity, cash flow statement and notes for both the Group and the parent company. The Annual Report has been produced in accordance with the International Financial Reporting Standards as approved by the EU and other Danish requirements on the presentation of annual reports of listed companies.

Management's responsibility for the Annual Report
The Board of Management is responsible for drawing up and submitting an annual report that provides a true and fair view in accordance with the International Financial Reporting Standards as approved by the EU and other Danish requirements on the presentation of annual reports of listed companies. This responsibility includes the structure, implementation and execution of internal checks that are relevant for the drawing up and submittal of an annual report that provides a true and fair view without any material misstatement, regardless of whether the material misstatement is due to breaches of trust or errors, and for the choice and use of appropriate accounting policies and the exercising of accounting estimates that are reasonable in the circumstances.

The auditor's responsibility and the audit conducted
It is our responsibility to express an opinion about the annual report on the basis of our audit. We conducted our audit in accordance with auditing standards in Denmark. These standards require that we comply with ethical requirements and that we plan and conduct the audit with a view to obtaining reasonable assurance that the annual report is free of material misstatement.

An audit includes measures to obtain audit evidence of the amounts and information entered in the annual report. The measures chosen depend on the auditor's evaluation, including an evaluation of the risk of material misstatement in the annual report, regardless of whether the material misstatement is due to breaches of trust or error. In assessing the risk, the auditor considers internal checks that are relevant for the company's drawing up and submittal of an annual report that provides a true and fair view, with a view to designing audit measures that are suitable in the circumstances, but not with the objective of expressing an opinion about the effectiveness of the company's internal checks. An audit also includes an assessment of whether the accounting policies applied by management are suitable, whether the accounting estimates produced by management are reasonable and an evaluation of the overall presentation of the annual report.

We believe that the audit evidence obtained is sufficient and provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion the Annual Report gives a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company as at 31 December 2006 and of the results of operations and cash flows of the Group and the parent company for the financial year from 1 January to 31 December 2006 in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Aalborg, 19 March 2007

KPMG C.JESPERSEN
State-authorised Auditors

Gert Jensen
State-authorised Public Accountant

Britta Bang Mikkelsen
State-authorised Public Accountant

CONSOLIDATED INCOME STATEMENT FOR THE YEAR 1 JANUARY – 31 DECEMBER

DKK thousands	Note	2006	2005
Net revenue	1	4,819,619	3,919,349
Cost of sales		-3,663,857	-3,002,804
Gross profit		**1,155,762**	**916,545**
Other operating income	2	27,540	12,463
Other external expenses	3	-310,683	-242,646
Staff costs	4	-587,837	-465,498
Operating profit before depreciation		**284,782**	**220,864**
Depreciation, amortisation and write-downs		-61,952	-51,055
Operating profit (EBIT)		**222,830**	**169,809**
Financial income		20,042	15,833
Financial expenses		-28,258	-23,605
Net financial items	5	**-8,216**	**-7,772**
Profit before tax		**214,614**	**162,037**
Tax on the profit for the year	6	-56,039	-43,316
Profit for the year		**158,575**	**118,721**
Proposed distribution of profits:			
Proposed dividend, DKK 20 (DKK 20) per share		37,992	37,780
Retained profit		120,583	80,941
		158,575	118,721
Earnings per share (EPS) DKK, basic	7	83.74	63.03
Earnings per share (EPS), DKK, diluted	7	83.49	62.90

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands	Note	2006	2005
Operating profit (EBIT)		222,830	169,809
Adjustment for non-liquid operating items, etc.			
Depreciation, amortisation and write-downs		61,952	51,055
Total provisions		15,000	0
Other operating items		7,193	563
Exchange rate adjustments, etc,		-54	264
Cash flow from operating activities before changes in working capital		306,921	221,691
Interest income, paid		20,042	15,833
Interest expenses, paid		-28,258	-23,605
Changes in accounts receivable		-124,806	-41,936
Changes in inventories		-284,759	-25,460
Changes in trade accounts payable and other debt commitments		102,364	54,392
Corporation tax paid		-72,280	-40,783
Cash flow from operating activities		**-80,776**	**160,132**
Acquisition of intangible assets		-1,355	-1,741
Acquisition of tangible assets		-164.238	-94,495
Sale of tangible assets		58.338	13,528
Acquisition of subsidiary	24	-42,404	0
Other non-current assets		-4,088	82
Cash flow from investment activities		**-153,747**	**-82,626**
Free cash flows		**-234,523**	**77,506**
Debt financing:			
Repayments to credit institutions		-47,484	-86,572
Proceeds from borrowing		249,547	113,405
Drawings on operating lines of credit		70,387	-62,475
Shareholders:			
Dividends paid		-37,780	-37,608
Sale of shares to employees		824	2,152
Cash flow from financing		**235,494**	**-71,098**
Cash flow for the year		**971**	**6,408**
Cash and cash equivalents as at 1 January		12,788	6,380
Cash and cash equivalents as at 31 December		**13,759**	**12,788**

The figures in the cash flow statement cannot be derived exclusively from the published accounting records.

GROUP BALANCE SHEET AS AT 31 DECEMBER – GROUP

DKK thousands	Note	2006	2005
ASSETS			
Non-current assets			
Intangible assets	8		
Goodwill		32,563	0
Software		3,804	6,854
		36,367	6,854
Tangible assets	8		
Land and buildings		386,120	329,596
Plant and machinery, fixtures and fittings		112,913	116,322
		499,033	445,918
Other non-current assets			
Property rental deposits		6,499	2,411
		6,499	2,411
Total non-current assets		**541,899**	**455,183**
Current assets			
Inventories	9	973,847	680,021
Accounts receivable	10	638,144	494,055
Prepayments and accrued income		6,391	3,748
Corporation tax	16	1,742	0
Cash and cash equivalents		13,759	12,788
Assets held for sale	11	12,675	9,234
Total current assets		**1,646,558**	**1,199,846**
TOTAL ASSETS		**2,188,457**	**1,655,029**

GROUP BALANCE SHEET AS AT 31 DECEMBER – GROUP

DKK thousands	Note	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		192,378	192,378
Reserve for hedging transactions		6,541	-583
Exchange rate adjustment reserve		-3,723	-3,669
Retained profit		745,130	616,530
Proposed dividend		37,992	37,780
Total shareholders' equity		**978,318**	**842,436**
Liabilities			
Long-term liabilities			
Deferred tax	12	24,528	34,370
Total provisions	13	8,340	0
Credit institutions	14	478,350	253,271
		511,218	287,641
Short-term liabilities			
Credit institutions	14	207,937	162,495
Trade accounts payable and other debt commitments	15	476,231	360,374
Corporation tax	16	0	1,449
Total provisions	13	6,660	0
Liabilities related to assets held for sale	11	8,093	634
		698,921	524,952
Total liabilities		**1,210,139**	**812,593**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,188,457**	**1,655,029**

Notes without references:

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STATEMENT OF SHAREHOLDERS' EQUITY – GROUP

	Share capital	Reserve for hedging trans-actions	Reserve for exhange rate adjustment	Retained profit	Proposed dividend	Total
Shareholders' equity as at 1 January 2005	200,509	-902	-3,933	524,743	37,608	758,025
Exchange rate adjustment, foreign subsidiaries			264			264
Value adjustment of hedging instruments		443				443
Tax on equity movements		-124				-124
Share-based remuneration				563		563
Net gains recognised directly in equity		319	264	563		1,146
Profit for the year				80,941	37,780	118,721
Total earnings		319	264	81,504	37,780	119,867
Distributed dividend					-37,608	-37,608
Sale of own shares in connection with incentives programme				2,152		2,152
Capital reduction in connection with cancellation of own shares	-8,131			8,131		0
Total equity movements	-8,131	319	264	91,787	172	84,411
Shareholders' equity as at 31 December 2005	**192,378**	**-583**	**-3,669**	**616,530**	**37,780**	**842,436**

STATEMENT OF SHAREHOLDERS' EQUITY – GROUP

	Share capital	Reserve for hedging trans-actions	Reserve for exhange rate adjustment	Retained profit	Proposed dividend	Total
Shareholders' equity as at 1 January 2006	192,378	-583	-3,669	616,530	37,780	842,436
Exchange rate adjustment, foreign subsidiaries			-54			-54
Value adjustment of hedging instruments		9,895				9,895
Tax on equity movements		-2,771				-2,771
Share-based remuneration				1,127		1,127
Net gains recognised directly in equity		7,124	-54	1,127		8,197
Profit for the year				120,583	37,992	158,575
Total earnings		**7,124**	**-54**	**121,710**	**37,992**	**166,772**
Distributed dividend					-37,780	-37,780
Sale of own shares in connection with incentives programme				824		824
Capital reduction in connection with cancellation of own shares				6,066		6,066
Total equity movements	0	7,124	-54	128,600	212	135,882
Shareholders' equity as at 31 December 2006	**192,378**	**6,541**	**-3,723**	**745,130**	**37,992**	**978,318**

NOTES – GROUP

DKK thousands	2006	2005
Note 1 – Net revenue		
Sales from stock	3,927,859	3,167,862
Drop shipment sales	891,760	751,487
	4,819,619	**3,919,349**
Note 2 – Other operating income		
Rental income, etc.	4,271	4,186
Gains on the sale of properties	23,269	8,277
	27,540	**12,463**
Note 3 – Other external expenses		
Administrative expenses	76,996	69,756
Marketing expenses	41,892	37,326
Storage expenses	24,815	16,357
Freight and haulage	117,570	80,402
Operating expenses, premises	41,913	32,886
Bad debts	7,497	5,919
	310,683	**242,646**
Bad debts:		
Realised losses	5,810	6,628
Change in provisions	3,036	750
Bad debts recovered	-1,349	-1,459
	7,497	**5,919**
Note 4 – Staff costs		
Remuneration to the Board of Directors, fixed fees	1,800	1,778
Remuneration to the Board of Directors, committee assignments	690	425
Remuneration to the Board of Management	9,333	8,222
Remuneration to other senior management	11,355	9,606
Wages and salaries, other employees	497,267	396,616
Pension expenses, other senior management	891	841
Pension expenses, other employees	28,095	22,671
Other expenses, including social insurance	32,340	25,339
Allocation of shares to employees	6,066	0
	587,837	**465,498**

On average the Group had 1,666 employees in 2006 (2005: 1,507 employees).
With regard to the bonus and incentives programme, please see note 18 and page 56.

The fixed fee for a Board member in 2006 was DKK 150,000, and the deputy chairman and chairman are paid DKK 225,000 and DKK 500,000 respectively. The Board of Directors has chosen not to work with standing committees. Instead, at intervals, the Board of Directors sets up ad hoc committees to consider specific issues in collaboration with the Board of Management. These are subsequently presented to the Board of Directors, if necessary with a recommendation for a decision.

Committee work in 2006 included: a decision to set up central warehouses, including processing of financial structure and the design of the central warehouses, acquisitions, a reassessment of Sanistål's approach to corporate governance, preparing and recommending the composition of the Board.
In 2006 the fees paid totalled DKK 690,000, divided between Knud Erik Borup (DKK 300,000), Steen Gede (DKK 120,000), Peter Vagn-Jensen (DKK 150,000), Walther Paulsen (DKK 50,000) and Matthias Max Schön (DKK 70,000).

NOTES – GROUP

DKK thousands	2006	2005
Note 5 – Net financial items		
Financial income		
Other financial income	17,925	15,519
Exchange rate gains	2,117	314
	20,042	15,833
Financial expenses		
Other financial expenses	28,051	23,344
Exchange rate losses	207	261
	28,258	23,605
	-8,216	-7,772
Note 6 – Tax		
The tax for the year can be broken down as follows:		
Tax on the profit for the year	56,039	43,316
Tax on equity movements	2,771	124
	58,810	**43,440**
The tax on the profit for the year is derived as follows:		
Current tax	65,494	41,853
Deferred tax	-9,613	3,670
Reduction in Danish corporation tax from 30% to 28%	0	-2,193
Adjustment of tax relating to previous years	158	-14
	56,039	**43,316**
Tax on the profit for the year can be explained thus:		
Calculated as 28% tax on the profit before tax	60,092	45,370
Adjustment of calculated tax in foreign subsidiaries relative to 28%	-981	-155
Reduction in Danish corporation tax	0	-2,193
Tax effect of:		
Non-taxable income	-5,419	-705
Non-deductible expenses	2,189	1,013
Adjustment of tax relating to previous years	158	-14
	56,039	**43,316**
Effective tax rate	26.1%	26.7%
Note 7 – Earnings per share		
Profit for the year	158,575	118,721
Average number of shares	1,923,784	1,923,784
Average number of own shares	30,048	40,296
Average number of shares, basic	1,893,736	1,883,488
Diluting effect of outstanding share options	5,655	3,926
Average number of shares, diluted	1,899,391	1,887,414
Earnings per share after tax (EPS), basic	83.74	63.03
Earnings per share after tax (EPS), diluted	83.49	62.90

DKK thousands

	Goodwill	Software	Land and buildings	Plant and machinery, fixtures and fittings
Note 8 – Intangible and tangible assets 2006 (2005)				
Cost price 01.01.06	-	14,694	514,916	377,917
Cost price 01.01.05	-	12,953	508,363	346,703
Exchange rate adjustments, beginning of year	-	-	-45	-34
Exchange rate adjustments, beginning of year	-	-	755	423
Addition from acquisition of subsidiary				
Addition from acquisition of subsidiary				
Additions for the year	32,563	1,355	108.710	55.528
Additions for the year	-	1,846	38,821	55,674
Disposals for the year	-	-112	-40,771	-57,262
Disposals for the year	-	-105	-14,519	-24,883
Transferred to assets held for sale	-	-	-19,632	-
Transferred to assets held for sale	-	-	-18,504	-
Cost price 31.12.06	32,563	15,937	570.760	379.190
Cost price 31.12.05	0	14.694	514.916	377.917
Depreciation, amortisation and write-downs 01.01.06	-	-7,840	-185,320	-261,595
Depreciation, amortisation and write-downs 01.01.05	-	-3,918	-185,600	-248,148
Exchange rate adjustments, beginning of year	-	-	38	25
Exchange rate adjustments, beginning of year	-	-	-242	-342
Addition from acquisition of subsidiary			-927	-1.413
Addition from acquisition of subsidiary				
Write-downs for the year	-	-	-3,420	-
Write-downs for the year	-	-	-	-
Depreciation and amortisation for the year	-	-4,405	-20,501	-35,805
Depreciation and amortisation for the year	-	-3,922	-14,994	-33,026
Disposals for the year	-	112	18,533	32,511
Disposals for the year	-	-	6,245	19,921
Transferred to assets held for sale	-	-	6,957	-
Transferred to assets held for sale	-	-	9,271	-
Depreciation, amortisation and write-downs 31.12.06	0	-12,133	-184.640	-266.277
Depreciation, amortisation and write-downs 31.12.05	0	-7,840	-185,320	-261,595
Book value 31.12.06	32,563	3,804	386,120	112,913
Book value 31.12.05	0	6,854	329,596	116,322
Of which leased assets				2,684
Of which leased assets				1,675

The book value of goodwill as at 31 December 2006 relates to the acquisition of UAB Hidruva in December 2006. There are no indications of impairment in the period after the acquisition.

Write-downs for the year of land and buildings are attributable to the change in Sanistål’s logistical structure.

DKK thousands	2006	2005
Note 9 – Inventories		
Goods for resale	973,847	680,021
	973,847	**680,021**
Book value of inventories recognised at net sales value	21,359	23,025
Note 10 – Accounts receivable		
Trade accounts receivable from sales and services	624,746	486,421
Other accounts receivable	13,398	7,634
	638,144	**494,055**
Write-downs contained in the above accounts receivable are recognised under other external expenses	23,894	20,784
Note 11 – Assets held for sale		
Tangible assets (properties)	12,675	9,234
Assets held for sale	12,675	9,234
Credit institutions	8,093	634
Liabilities related to assets held for sale	8,093	634
Note 12 – Deferred tax		
Deferred tax, beginning of year	34,370	32,707
Addition from acquisition of subsidiary	-110	0
Deferred tax for the year recognised in the profit for the year	-9,613	3,670
Reduction in Danish corporation tax from 30% to 28%	0	-2,193
Adjustments relating to previous years	-119	186
	24,528	**34,370**
Deferred tax relates to:		
Intangible assets	248	105
Tangible assets	31,954	36,559
Current assets	-2,259	-1,830
Short-term liabilities	-5,415	-464
	24,528	**34,370**
Note 13 – Total provisions		
Provision for employee commitments re change in logistical structure	15,000	0
	15,000	0
The due dates for provisions are expected to be:		
Short-term liabilities	6,660	0
Long-term liabilities	8,340	0
	15,000	0

Total provisions include employee commitments in connection with changes initiated in Sanistål's logistical structure.

DKK thousands	2006	2005
Note 14 – Credit institutions		
Debts to credit institutions are recognised as follows on the balance sheet:		
Long-term liabilities	478,350	253,271
Short-term liabilities	207,937	162,495
Liabilities related to assets held for sale	8,093	634
	694,380	416,400

As at 31 December the Group had the following loans and lines of credit:

			Effective rate of interest		Book value	
Type of loan	**Average weighted period to maturity (years)**	**Fixed/ variable**	**% 2006**	**% 2005**	**2006**	**2005**
Operating lines of credit	-	variable	daily basis	daily basis	187,933	116,545
Mortgage debt ①	17.8	variable	4.2	3.2	29,002	38,740
Mortgage debt ③	16.1	fixed	4.1	4.5	164,990	93,860
Bank loans1 ① ②	2.6	variable	4.3	3.1	43,283	56,691
Bank loans ④	6.5	fixed	4.0	4.3	267,112	110,199
Leasing debt	2.2	fixed	5.3	4.8	2,060	1,365
					694,380	416,400

① For debt shown as variable interest rate, the interest rate will be reassessed in 2007
② DKK 30,000,000 is hedged to maturity in 2008 through an interest rate swap with a range of 4.0 to 6.25%
③ DKK 75,000,000 is hedged to maturity in 2026 through an interest rate swap
④ DKK 125,000,000 is hedged to maturity in 2016 through an interest rate swap

Group credit facilities as at 31 December are composed as follows:

	2006	2005
Available operating lines of credit	757,445	548,168
Utilised operating lines of credit:		
Lines of credit in DKK	133,534	64,438
Lines of credit in foreign currency	54,399	52,107
Operating lines of credit	187,933	116,545
Credit facilities	**569,512**	**431,623**

The fair values do not differ significantly from the book values.
Interest rate and currency risks are described in more detail under “Risk management” on page 50.

DKK thousands	2006	2005
Note 15 – Trade accounts payable and other liabilities		
Trade accounts payable	335,200	244,399
Other debt	141,031	115,975
	476,231	360,374
Note 16 – Corporation tax		
Corporation tax payable, beginning of year	1,449	455
Addition from acquisition of subsidiary	547	0
Current tax for the year, including subsidiaries	68,542	41,777
Tax paid in the year	-72,280	-40,783
	-1,742	1,449

Note 17 – Own shares

	Number (units)	Nominal value (DKK thousands)	Cost price (DKK thousands)	Market value at year-end (DKK thousands)	Share of corporate capital (%)
Holding at beginning of year	34,785	3,479	9,672	25,956	1.8
Allocation to employees	-8,267	-827	-2,299		
Redemption of share options	-2,362	-236	-657		
Holding at year-end	24,156	2,416	6,716	20,648	1.3

In 2006 employees were allocated 8,267 shares at a value of DKK 6,066,000, corresponding to a day rate of DKK 733.75. The purpose of the holding of own shares is described in the section “Sanistål and its shareholders” on page 52.

Note 18 – Share options

Share options	Number of options	Exercise price	Market price at time of exercise	Fair value in total (DKK thousands)	Period tomaturity
Outstanding as at 31 December 2004	**23,018**	**366.8**		**2,896**	**3.8 years**
Adjustment a)	918	560.1		47	
Allotted	7,148	746.2		563	b)
Exercised	-8,580	256.2	327.0	-2,805	
Value adjustment				5,299	
Outstanding as at 31 December 2005	**22,504**	**532.1**		**6,000**	**4.5 years**
Adjustment a)	-29	748.8		-2	
Allotted	7,086	854.8		1,127	b)
Exercised	-2,362	349.0	860.0	-1,207	
Value adjustment				2,027	
Outstanding as at 31 December 2006	**27,199**	**632.6**		**7,945**	**4.4 years**

a) Adjustment in connection with the fixing of the final number of share options and final exercise price for allotted share options in 2003 and 2005 respectively (see footnote e))..

b) The fair price of the share options at the date of allotment is recognised as a staff cost over the earnings period. In 2006 DKK 1,127,000 was recognised, of which DKK 544,000 for the Board of Management.

Note 18 – Share options (continued)

Table of outstanding share option programmes

	Exercise options c)		**Number**				**Exercise price d)**		
Allotment year	**First year**	**Final year**	**31.12. 2005**	**Allotted**	**Exercsed**	**31.12. 2006**	**Exercise price**	**Exer-cised**	**Fair value DKK thous-ands.**
Board of Management									
2000	2005	2007	362	0	362	0		247.0	-
2001	2005	2008	3,000	0	2,000	1,000	420.0	367.5	428
2002	2007	2009	1,683	0	0	1,683	326.8		853
2003	2008	2010	2,944	0	0	2,944	560.1		918
2005	2009	2011	3,652	-14	0	3,638	748.8		747
2006	2010	2012	0	3,422	0	3,422	854.8	e)	585
			11,641	**3,408**	**2,362**	**12,687**			**3,531**
Other senior management									
2002	2007	2009	3,978	0	0	3,978	326.8		2,016
2003	2008	2010	3,389	0	0	3,389	560.1		1,056
2005	2009	2011	3,496	-15	0	3,481	748.8		715
2006	2010	2012		3,664	0	3,664	854.8	e)	627
			10,863	**3,649**	**0**	**14,512**			**4,414**
Total outstanding share options as at 31.12. 2006			**22,504**	**7,057**	**2,362**	**27,199**			**7,945**
Number of share options that may be exercised as at 31.12.2006						**0**	**-**		**-**

The fair value of outstanding share options is calculated on the basis of the Black-Scholes formula using the following parameters:

The share options are expected to be exercised at the latest possible date

Market price as at 31 December 2006	854.8
Dividend per share (DKK)	20.00
Risk-free interest rate, % (based on Danish government bonds)	3.91
Volatility of the share, % (based on historic volatility over five years)	19.84

c) The share options may be exercised up to four weeks after publication of quarterly and annual reports.

d) Exercise prices may be calculated as an average of several option programmes.

e) The number of share options is calculated on the basis of the market price at the year-end. The final number of share options and final exercise price will be established at the end of March/beginning of April. The exercise price will be established as the average price over ten days after the publication of the annual report.

All the share option programmes are equity-based programmes which will be honoured for Sanistål's part through the delivery of shares. The commitment is partly covered by the company's holding of own shares (see Note 17). The option programme is described on pages 56.

DKK thousands

Note 19 – Contingent liabilities and guarantees

Other commitments:

	2006		2005	
	Rental commitments	**Leasing commitments**	**Rental commitments**	**Leasing commitments**
0-1 years	45,516	12,727	10,015	1,307
1-5 years	139,546	13,191	15,025	1,744
> 5 years	146,950	0	7,841	0
	332,012	25,918	32,881	3,051

Guarantees:
As security for mortgage debt in the Parent Company, mortgage deeds for DKK 27.0 million have been registered to FIH Erhvervsbank A/S.
As security for mortgage debt in subsidiaries, mortgages have been arranged in tangible assets, inventories and bank balances to the order of DKK 11.4 million at Hansabank.
The book value of mortgaged property totals DKK 303.0 million. Mortgage debt of DKK 9.2 million in foreign subsidiaries is secured through mortgages on properties with a book value of DKK 27.6 million.

DKK thousands.	**2006**	**2005**
Note 20 – Remuneration of auditors appointed by the General Meeting		
Total remuneration:		
KPMG	1,486	2,291
Of which for services other than auditing:		
KPMG	115	963

Note 21 – Connected parties

Connected parties are discussed in the sections on “Sanistål and its shareholders” (page 52-54) and “Corporate Governance” (page 58). Apart from remuneration to the Board of Management and Board of Directors of the company, there have been no transactions with parties connected with the Group.

Note 22 – Accounting estimates and judgements

When calculating the book value of certain assets and liabilities, management makes estimates and judgements concerning how future events will affect the value of those assets and liabilities on the balance sheet date. Estimates that are significant for the preparation of the financial statements are made principally when calculating provisions for inventory obsolescence, provisions for bad debts, depreciation, amortisation and write-downs, provisions for liabilities and contingent liabilities/assets.

Note 23 – New accounting rules

IASB has issued the following new IFRS, which are not obligatory for the Sanistål Group in preparing the annual report 2006. Unless stated otherwise, they are also approved by the EU:

• IFRS 7 Financial Instruments, which enters into force for the financial year starting 1 January 2007 or thereafter. Implementation of the standard has no effect on the recognition and measurement of financial instruments.

• IFRS 8 Segments, relating to information about segments, is valid for financial years beginning on 1 January 2009 or thereafter. The standard is of no significance for recognition and measurement in the annual report. IFRS 8 is not approved by the EU.

IASB has issued a number of interpretations (IFRICs), which are not mandatory when preparing the annual report for 2006. None of the approved IFRICs are expected to have an effect on the Sanistål Group’s financial reporting.

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Note 24 – Acquisition of subsidiaries

In December 2006 Sanistål A/S acquired all of the shares in UAB Hidruva, Lithuania, which trades in HVAC parts, etc.

	Fair value, on the acquisition date	**Book value before the acquisition**
Tangible assets	8,203	7,823
Inventories	9,067	9,067
Accounts receivable	12,714	12,714
Cash and cash equivalents	885	885
Credit institutions	-5,530	-5,530
Deferred tax	110	110
Trade accounts payable	-11,752	-11,752
Other debt	-2,424	-2,424
Corporation tax	-547	-547
Net assets acquired	10,726	10,346
Goodwill	32,563	-
Purchase price	43,289	10,346
Of which cash and cash equivalents in UAB Hidruva	-885	-
Cash purchase price	42,404	10,346

UAB Hidruva:

The fair value adjustment relates to the revaluation of property. 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 calculated at the fair value is therefore recognised as goodwill. The goodwill recognised relates solely to the strengthened market position in Lithuania.

UAB Hidruva has an annual net revenue of approx. DKK 75 million. During the period of ownership, UAB Hidruva had revenue of DKK 6.2 million and a pre-tax profit of DKK 0.4 million.

Note 25 – Events after the balance sheet date

In January Sanistål A/S entered into an agreement to acquire the company Carl F A/S. Carl F A/S is a leading supplier of fittings, tools and fasteners to the construction industry and other industry in Denmark

Carl F is represented abroad in 50 markets with subsidiaries in the UK, Germany and India. Carl F is well known for its strong brands, including the development, production and marketing of d line, a range of of architect-designed, high-quality products in stainless steel designed by Knud Holscher.

Carl F employs 564 people in Denmark and abroad.

In 2006 Carl F generated net revenue of approx. DKK 900 million, with an operating profit before financial items and tax (EBIT), at a level of DKK 30 million.

The collection of specific information to evaluate the market value of acquired assets and liabilities has been initiated.

DKK thousands	Construction Industry	Steel Industry	Other Industry	Non-allocated	Group total
Note 26 – Segmental reporting					
Activities – primary segment – 2006 (2005)					
Net revenue	1,505,863	2,086,614	1,227,142	-	4,819,619
Net revenue	1,228,029	1,661,877	1,029,443	-	3,919,349
Gross profit	375,140	391,563	389,059	-	1,155,762
Gross profit	310,699	281,368	324,478	-	916,545
Other operating income	-	-	-	27,540	27,540
Other operating income	-	-	-	12,463	12,463
External expenses	51,616	49,575	64,541	153,167	318,899
External expenses	45,296	42,158	56,935	106,454	250,743
Staff costs	118,568	78,058	144,624	246,587	587,837
Staff costs	99,784	65,057	124,557	175,675	465,073
Depreciation/amortisation	2,845	3,097	6,651	49,359	61,952
Depreciation/amortisation	2,541	3,072	6,379	39,063	51,055
Segmental contribution	202,111	260,833	173,243	-421,573	214,614
Segmental contribution	163,078	171,081	136,607	-308,729	162,037
Non-current assets	11,308	1,247	18,150	511,194	541,899
Non-current assets	11,021	4,942	28,351	410,869	455,183
Current assets	420,419	593,581	374,884	257,674	1,646,558
Current assets	318,163	429,511	281,887	170,285	1,199,846
Segment assets	431,727	594,828	393,034	768,868	2,188,457
Segment assets	329,184	434,453	310,238	581,154	1,655,029
Non-current asset investments	2,445	758	5,905	156.485	165.593
Non-current asset investments	6,731	1,464	11,279	76,867	96,341
Segment liabilities	0	0	0	1,210,139	1.210.139
Segment liabilities	0	0	0	812,593	812,593

The activities are broken down on the basis of the identification of customers with the specified segments (for a detailed description of this, see pages 40-43). The allocation of expenses has been performed according to a contribution principle, in which expenses are allocated to the extent that they are immediately allocable. Non-allocated expenses particularly concern expenses relating to logistics, administration, properties and finance.

BUSINESS SEGMENTS

Since 2003, in addition to the usual reporting, Sanistål has implemented segmental reporting in order to enhance follow-up in relation to individual customers. The basic principle of the segmental reporting is that all Sanistål customers are identified with one of the three segments. This creates the basis needed to follow up each individual customer, each individual salesperson and each individual business segment. The three business segments are called Construction Industry, Steel Industry and Other Industry. The results of each individual segment in 2006 and their expectations for 2007 are described below.

CONSTRUCTION INDUSTRY

Customer/product structure

The Construction Industry segment primarily services companies in the area of HVAC and sanitation with materials and advice. In addition to HVAC and sanitation products, in 2006 Sanistål also supplied products to the roof & facade sector. The acquisition of Carl F at the beginning of 2007 is expected to produce a synergy effect in the construction sector, where recent years have seen a degree of compound trading for Construction Industry's customers.

The Construction Industry segment in 2006 and expectations for 2007

The total HVAC and sanitation market experienced growth of 14 per cent in 2006, corresponding to DKK 7.9 billion, of which 5 per cent constituted price rises resulting from increases in metal and plastic products, which were in turn caused by rising oil prices. Nevertheless, in 2006 Sanistål achieved a growth rate above the market average, enabling the company to gain market shares. Growth has been in line with Sanistål's strategy, with the highest rate on Zealand. However, Sanistål has increased its market shares on both sides of the Great Belt.
In recent years Sanistål has undertaken a targeted initiative in Greenland and on the Faroe Islands and Iceland. The level of activity here has developed fully in line with the strategy within the individual strategic target areas. In 2004 Sanistål opened its own sales office in Greenland, and it is now a market leader in the Construction Industry segment. Sanistål also has a strong position in the Construction Industry segment in the other two North Atlantic markets.

Financial highlights, (DKK millions)	**2006**	**2005**
Net revenue	1,505.9	1,228.0
Gross profit	375.1	310.7
Segmental contribution	202.1	163.1
Segment assets	431.7	329.2

Despite the high level of activity in the construction sector in Denmark in 2006, and the resulting shortage of labour, in general projects were completed and Sanistål was able to secure continuous deliveries to customers. There is a high degree of stability in Construction Industry's workforce, and in 2006 it continued to be relatively easy to find new, skilled employees.

Sanistål expects growth to continue in the construction sector in 2007, although the rate of growth will probably be lower than we saw in 2005 and 2006. The expectation is that residential construction will fall slightly, while there will be modest increases in commercial construction as well as in repairs and maintenance. Construction of public buildings will also see increases as a direct consequence of the municipal structural reform.

The number of homes on which construction will commence will drop from around 35,500 in 2006 to around 34,700 in 2007, while technical installations in new homes forms a steadily increasing proportion of the overall construction price, partly because consumers are investing more in automation and ventilation. This means that Sanistål expects the overall HVAC and sanitation market to continue its growth in 2007.

As mentioned in the Management Report, in 2006 the Sanistål shops, which supply a large proportion of Construction Industry's customers, experienced positive growth. Existing shops are being renovated and new ones are still being built. The boost to Sanistål's profile as a result of these new shops, not least on Zealand, will undoubtedly mean new market shares for Construction Industry in 2007.

STEEL INDUSTRY

Customer/product structure

The Steel Industry segment serves businesses in the iron and metal industry, metalworkers and other steel-consuming businesses. These customers are served by the whole of Sanistål's product range, and they demand a wide range of products in the area of consumables and supplies, etc.
The segment also serves the customer group covering drop shipment sales in the steel sector. This takes the form of products being delivered directly from producer to customer, without passing through Sanistål's warehouse.

SANISTÅL ON THE OFFENSIVE IN THE BALTIC REGION

2006 was a busy year for Sanistål's three subsidiaries in the Baltic States.

They changed their names at the beginning of the year, so that they are all called Sanistål, or Sanistal, as it is spelt in Estonian, Latvian and Lithuanian respectively, and within a few months management at the three countries' Sanistål companies were in the process of planning the creation of a large, joint central warehouse in Riga, while at the same time the steel warehouse in Jelgava, 25 km south of Riga, was to be extended. But this was just the first step along the road towards closer collaboration across national boundaries in areas such as IT, logistics, finance and purchasing.

While work on the new structure was well underway, in November Sanistål decided to acquire UAB Hidruva, a major HVAC supplier in Lithuania. Hidruva, which imports and distributes a large number of well-known products in the fields of heating, ventilation, sanitation, tiles. etc., is a well-established company with branches in all major towns and cities: Kaunas, Vilnius, Klaipeda, Panevezys and Siauliai. The company, which was established in 1997, has 65 employees and annual net revenue of approx. DKK 75 million.

"There's no doubt that the acquisition of Hidruva will significantly reinforce Sanistål's position in Lithuania. We've been in Lithuania since 2003, and it's an incredibly exciting market that is expanding by 30 per cent per annum. Sanistål's product range combined with Hidruva's role as a major distributor will create fantastic opportunities in the next few years," emphasises Christian B. Lund, CEO of Sanistål.

Financial highlights, (DKK millions)	2006	2005
Net revenue	2,086.6	1,661.9
Gross profit	391.6	281.4
Segmental contribution	260.8	171.1
Segmental assets	594.8	434.5

The Steel Industry segment in 2006 and expectations for 2007

In 2006 the global steel market was characterised by major consolidations. There have been several mergers and acquisitions, which have created a few very large, powerful, steel-producing companies.
The lower number of suppliers means that the steel producers, for better or worse, are in a much stronger position to control supply and demand. The positive effect of this increased level of control has been that steel prices have been far more stable in 2006 than in the previous two years, even though there was a slight increase in prices.
Demand for steel was high in 2006 as a consequence of the high level of activity in the fields of industry and construction, and this has also naturally contributed to maintaining steel prices at a high level.
At the same time, steel production in the global market has risen significantly, and in particular the trend in Asia is boosting demand and driving this increase.

In 2006 Sanistål experienced an increase in demand, and not only from existing customers:
Sanistål also won market shares in the steel sector. And even if the steel market was not characterised by shortages in supply, as was the case in the previous two years, demand was nevertheless so strong during the second half of 2006 that Sanistål experienced periods of low stock levels, while at the same time demand continued to rise. However, Sanistål's customers did not notice any problems in their supplies, as it was possible to obtain the necessary steel.
Against the background of experience from the previous two years, Sanistål expects demand to remain at its current high level. At the same timel there are expectations that steel prices will level out in 2007. But there is not expected to be a fall in steel prices, however, as the continued high demand will probably cause a stable, albeit high steel price.

OTHER INDUSTRY

Customer/product structure

Sanistål is the largest supplier of technical products and solutions to industry in Denmark. At the same time, Sanistål has the widest product range in the market.
Our customers are drawn from all areas of industry, i.e. both industrial production and industrial trades and services.

Financial highlights, (DKK millions)	2006	2005
Net revenue	1,227.1	1,029.4
Gross profit	389.1	324.5
Segmental contribution	173.2	136.6
Segmental assets	393.0	310.2

The Other Industry segment in 2006 and expectations for 2007

The upswing that we experienced in the industry in the last few years was maintained in 2006. This now seems to have taken hold, and Sanistål expects it to continue relatively unchanged in 2007. There are two factors that might be able to slow down this upswing: the shortage of labour and possibly also a drop in demand in the private sector.

The positive development in industry in 2006 created a high level of investment, which benefited Sanistål. Sanistål saw increasing sales in 2006 in the fields of technical products, maintenance and machines.

In 2007 Sanistål expects a continued increase in sales to industry, not only because of the high level of activity in industry, but just as much as a consequence of the initiatives that Sanistål has implemented internally to strengthen the company's position in relation to industrial customers. Against the background of the defined strategy for the Other Industry segment, Sanistål therefore expects to win further market shares in 2007 and beyond.

In recent years Other Industry has increasingly focused on the optimisation of purchasing processes, including reducing the number of suppliers and entering into partnership agreements with a small number of selected one-stop suppliers. Sanistål has dealt with this effectively with the company's One-Stop-Shopping concept, which has been undergoing constant development. This continued in 2006, when Sanistål completed a new Kanban system, Easy-Supply, which is aimed at a large number of Sanistål's industrial customer segments. It will be introduced in earnest in 2007 and will certainly strengthen Sanistål's position as a One-Stop-Shopping supplier.

At the same time, Sanistål's extensive product range will continue to represent a strong competitive parameter, combined with the company's ability to offer individual, value-adding services and solutions. In 2007 Sanistål's Supply Chain Management concept will also be further strengthened with a view to maintaining a leading position among the industry's largest companies.

Service vehicle interiors is a product range that has grown strongly in recent years, and Sanistål expects to win further market shares in 2007.

The machinery product area has also been expanding, and the product range of processing machines was expanded further in 2006, not least via exclusive dealer agreements with suppliers of quality machines and tools. 2006 also saw the introduction of Format, a high-quality range of hand tools and cutting tools.

There continues to be a high level of demand for customer-specific one-stop solutions in such areas as hydraulic hoses, and together with Sanistål's other products and services in the Other Industry segment this will contribute towards a further strengthening of Sanistål's position in industry in the years ahead.

ACCOUNTING POLICIES APPLIED

Sanistål A/S is a limited liability company domiciled in Denmark. The Annual Report for the period 1 January – 31 December 2006 includes the consolidated accounts for Sanistål A/S and its subsidiaries (the Group).

The extract of the annual report does not comprise the parent company's annual accounts, which form an integral part of the annual report.

The Annual Report of Sanistål A/S for 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for financial reporting by listed companies (cf. the disclosure requirements of the Copenhagen Stock Exchange for annual reports of listed companies and the IFRS Executive Order issued pursuant to the Danish Financial Statements Act).

The Annual Report also satisfies the International Financial Reporting Standards (IFRS) issued by IASB.

The Annual Report has been prepared in DKK.

The Annual Report has been prepared using the same accounting policies as last year.

Consolidated financial statements

The consolidated financial statements cover the parent company Sanistål A/S and its subsidiaries, which are all 100% owned (cf. the Group organisation chart).

The consolidated financial statements are a summary of the financial statements of the parent company and the individual subsidiaries prepared in accordance with the accounting policies of the Group, whereby intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on transactions between the consolidated businesses have been eliminated.

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

Business combinations

Newly acquired or newly formed businesses are recognised in the consolidated financial statements from the date of acquisition. Businesses that are sold or wound up are recognised in the consolidated income statement until the date of disposal. Comparative figures are not adjusted for acquisitions or disposals of businesses.

The purchase method is used for acquisitions of businesses. The identifiable assets, liabilities and contingent liabilities of the acquired businesses are measured at their fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be differentiated or arise from a contractual right and the fair value can be calculated in a reliable way. The tax effect of the restatement of assets and liabilities is taken into account.

The acquisition date is the date on which Sanistål A/S actually assumes control of the acquired company.

Positive differences (goodwill) between the cost price and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under intangible non-current assets. Goodwill is not amortised, but is tested annually for impairment. The first impairment test is carried out before the end of the acquisition year. Upon acquisition, goodwill is attributed to the cash flow-generating units that subsequently form the basis of the impairment test.

Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

If there is any uncertainty at the acquisition date on the measurement of acquired identifiable assets, liabilities and contingent liabilities, recognition initially takes place on the basis of provisionally calculated fair values. If it subsequently becomes evident that identifiable assets, liabilities and contingent liabilities had a different fair value at the acquisition date than that initially adopted, goodwill is adjusted until 12 months after the acquisition. The effect of the adjustments is included in the opening shareholders' equity and comparative figures are adjusted. Goodwill is subsequently adjusted solely as a consequence of changes in estimates of conditional purchase prices, unless a significant error is involved. However, a subsequent realisation of the acquired company's deferred tax assets not recognised at the acquisition date will cause the tax benefit to be recognised in the income statement, and at the same time the book value of the goodwill will be amortised by the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the acquisition date.

Translation of foreign currency

Transactions in foreign currency are translated at the exchange rate prevailing at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement under financial income or expenses.

Accounts receivable, debt and other monetary items denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date of occurrence or recognition of the account receivable or debt in the latest financial statements is recognised in the income statement under financial income or expenses.

Upon consolidation, the income statements of foreign subsidiaries with a different functional currency than DKK are translated at the exchange rate at the transaction date or at an average exchange rate for the month, provided this does not give a significantly different picture, and balance sheet items are translated at the exchange rate at the balance sheet date. Exchange rate differences arising from the translation of the shareholders' equity of foreign subsidiaries at the beginning of the year to the exchange rates prevailing at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates prevailing at the balance sheet date are recognised directly in equity under a special reserve for exchange rate adjustments.

Exchange rate adjustments of intra-group balances which are regarded as part of the overall investment in the subsidiary are recognised directly in equity under a special reserve for exchange rate adjustments.

Derivative financial instruments
Derivative financial instruments are recognised from the transaction date and are measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other debt respectively.

Changes in the fair value of derivative financial instruments which are classified as, and meet the requirements for, hedging of future payment flows are recognised directly in equity in a special reserve.

When the hedged transaction is realised, the gain or loss relating to the hedging transaction is transferred from equity and recognised in the same account item as the hedged transaction. When hedging future borrowing, however, the gain or loss relating to the hedging transaction is transferred from equity over the term of the loan.

For derivative financial instruments that do not meet the requirements for treatment as hedging instruments, changes in fair value are recognised in the income statement under financial items as they occur.

INCOME STATEMENT

Net revenue
Net revenue from goods for resale and finished goods are recognised in the income statement, provided that delivery and the transfer of risk to the buyer have taken place before the end of the year and provided that the income can be reliably calculated and is expected to be received. Net revenue is measured exclusive of VAT and discounts given in connection with the sale. Net revenue includes both sales from stock and drop shipment sales direct from the factory.

Other income
Other income relates to income from IT services for third parties, consultancy income, rental income and gains on the sale of properties.

Financial income and expenses
Financial income and expenses include interest, exchange rate gains and losses related to debt and transactions in foreign currencies, amortisation of financial liabilities and additions and allowances under the on-account tax scheme.

Dividends from investments in subsidiaries are recognised as income in the parent company's income statement in the financial year in which the dividend is declared. However, if the distributed dividend exceeds the accumulated earnings since the date of acquisition, the dividend is recognised as a reduction in the cost price of the investment.

Tax on the profit for the year
Sanistål A/S is taxed jointly with all its Danish subsidiaries, but has opted out of international joint taxation. The Company is "shadow joint taxed" with its previously jointly taxed subsidiaries in Germany, Poland and Estonia.

The tax for the year, which includes the current tax for the year and changes in deferred tax, is recognised in the income statement for the amount which relates to the profit for the year and directly in equity for the amount which relates to items directly in equity.

BALANCE SHEET

Intangible assets
Goodwill is recognised in the balance sheet at cost price upon initial recognition as described under "Business combinations". Subsequently goodwill is measured at cost price less accumulated write-downs. There is no amortisation of goodwill.

Software comprises externally acquired and in-house developed software.

In-house developed software that is of significant scale and is clearly defined and identifiable is recognised as intangible non-current assets, provided there is reasonable assurance that the future earnings derived from it will be sufficient to cover the development costs. Other costs of in-house developed software are recognised in the income statement as the costs are incurred.
Capitalised software is measured at cost price less accumulated amortisation and write-downs.

After completion of the development work, software at cost price less any write-downs is amortised on a straight-line basis over its expected useful life. The amortisation period is usually three to five years.

Tangible assets
Land and buildings, plant and machinery and fixtures and fittings are measured at cost price less accumulated depreciation.

The cost price of a composite asset is broken down into separate parts that are depreciated individually if the useful lives of the individual parts are different.

For financially leased assets, the cost price is calculated at the lower value of the assets' fair value and the current value of future minimum lease instalments. When calculating the current value, the lease agreement's internal rate of interest is used as the discount factor or an approximate value of it.

Depreciation is on a straight-line basis over the expected useful life based on the following assessment of the expected useful lives of the asset:

Buildings	10-50 years
Buildings on leased land	a period not exceeding the lease
Plant and machinery, fixtures and fittings	4-10 years

The depreciation base takes into account the asset's scrap value and is reduced by any write-downs. The scrap value is determined at the date of acquisition and is revised annually. If the scrap value exceeds book value, the depreciation ceases.

Gains or losses on plant and machinery and fixtures and fittings are recognised in the income statement together with the depreciation. Gains or losses on property are recognised in the income statement under other operating income or other operating expenses.

Impairment of non-current assets
The book value of intangible, tangible and financial non-current assets is assessed regularly, at least once a year, to determine whether there are any indications of impairment. When such an indication is present, the recoverable value of the asset is assessed. The recoverable value is the higher of the asset's fair value minus expected costs of disposal and the capital value. The capital value is calculated as the current value of expected future cash flows from the asset or the cash flow-generating unit of which the asset is a part.
A loss from impairment is recognised when the book value of an asset or a cash flow-generating unit exceeds the recoverable value of the asset or the cash flow-generating unit. A loss from impairment is recognised in the income statement.
Write-downs of goodwill are not reversed. Write-downs of other assets are reversed to the extent that changes have taken place in the circumstances and estimates that led to the write-down. Write-downs are only reversed to the extent that an asset's new book value does not exceed the book value that the asset would have had after depreciation, if the asset had not been written down.

Investments in subsidiaries in the financial statements of the parent company
Investments in subsidiaries are measured at cost price.
Where the cost price exceeds the recoverable value, it is written down to the lower value.

The cost price is reduced by any dividends received in excess of accumulated earnings after the date of acquisition.

Inventories
Inventories are measured at cost price based on weighted average prices. If the net realisable value is lower than the cost price, inventories are written down to the lower value.

Accounts receivable
Accounts receivable are measured at their amortised cost price. Provisions are made for bad debts.
Where debtors are in bankruptcy, have ceased payments or have been referred to debt collection, the accounts receivable are written off in full.

Prepayments and accrued income

Prepayments and accrued income comprise defrayed costs relating to subsequent financial years.

Assets held for sale

Assets held for sale comprise properties. Liabilities related to assets held for sale are liabilities directly related to these assets. Assets are classified as “held for sale” when a sale is expected within 12 months in accordance with a formal plan rather than continued use.

Assets that are held for sale are measured at the lower of the book value at the date on which they were classified as “held for sale” and the fair value less sales costs. Assets are not depreciated or amortised from the date that they are classified as “held for sale”.

Dividends

Proposed dividends are recognised as a liability at the date of approval at the Annual General Meeting. The dividend that is expected to be paid for the year is shown as a separate item under shareholders’ equity.

Own shares

Acquisition and disposal amounts and dividends on own shares are recognised directly in shareholders’ equity under retained profits. This means that gains and losses on sales are not recognised in the income statement. Capital reductions through the cancellation of own shares reduces the corporate capital by an amount corresponding to the nominal value of the shares.

Exchange rate adjustment reserve

The reserve for exchange rate adjustment in the consolidated financial statements includes exchange rate differences that arose when translating financial statements for foreign companies from their functional currency into the Sanistål Group’s presentation currency (Danish kroner).
In the event of a full or partial redemption of net investments, the exchange rate adjustments are recognised in the income statement.

Employee share scheme

When employees are allocated free shares, the complementary element is recognised as an expense under staff costs. The counter item to this is recognised directly under equity. The complementary element is calculated at the fair value on the allocation date.

Corporation tax and deferred tax

Current tax is recognised on the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

Deferred tax is provided for according to the balance sheet liability method on all temporary differences between the book and tax values of assets and liabilities. However, deferred tax is not recognised on temporary differences related to goodwill that cannot be amortised for tax purposes where the temporary differences arose at the time of acquisition without having an impact on profits or taxable income.

Deferred tax is calculated taking into account the fact that the parent company is “shadow joint taxed” with its subsidiaries in Germany, Poland and Estonia.

Deferred tax assets are recognised at the value at which they are expected to be utilised, whether in offsetting tax on future earnings or in offsetting deferred tax liabilities within the same taxable entity.

Deferred tax is provided for on the basis of the tax rules and tax rates applicable at the balance sheet date.

Total provisions

Provisions are included where the Group has a legal or actual liability as a result of an event that occurred before or on the balance sheet date and it is likely that financial assets will have to be surrendered in order to meet the liability.

Provisions are measures at the Management’s best estimate of the amount at which the liability is expected to be redeemed.

Restructuring costs are recognised as liabilities when a detailed, formal plan for restructuring has been published no later than on the balance sheet date to people who are affected by the plan.

Financial debt commitments

Debts to credit institutions are recognised at the time of borrowing at the amount of the proceeds received after deduction of transaction costs. In subsequent periods the financial liabilities are recognised at their amortised cost price, such that the difference between the proceeds and the

nominal value is recognised in the income statement over the term of the loan.
Financial liabilities also include the capitalised residual lease liability for financial lease agreements, measured at the amortised cost price.

Other debt commitments, which comprise trade accounts payable and other debt, are stated at nominal value.

Lease costs
Leasing commitments are divided in accounting terms into financial and operational leasing commitments.

A lease agreement is classified as financial when it essentially transfers risks and benefits in connection with ownership of the leased asset. Other lease agreements are classified as operational.

The treatment for accounting purposes of financially leased assets and the associated liability is described in the sections on Tangible assets and Financial liabilities respectively.

Lease instalments relating to operational lease agreements are recognised on a straight-line basis over the term of the lease.

Share-based remuneration
The Board of Management and a number of senior managers are covered by a share option scheme.

The value of options allotted to the management in connection with the incentive scheme is measured at fair value. The fair value is measured at the date of allotment and is recognised in the income statement under staff costs over the period in which the final entitlement to the options is earned. The counter item to this is recognised directly in equity.

The fair value of the allotted options is calculated using the Black-Scholes model.

Cash flow statement
The cash flow statement shows the Group's cash flow for the year broken down into operating, investment and financing activities, the change in the cash position and the Group's liquid funds at the beginning and end of the year.

The liquidity effect of the acquisition and divestment of businesses is shown separately under cash flows from investment activities. Cash flows from acquired/divested businesses are recognised in the cash flow statement at the date of acquisition/divestment.
Cash flows from operating activities are calculated as the Group operating profit (EBIT) adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investment activities comprise payments in connection with the acquisition and divestment of businesses and activities and the acquisition and disposal of intangible, tangible and financial non-current assets.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as borrowings, servicing of interest-bearing debt, acquisitions and disposals of own shares and payments of dividends to shareholders.

Segmental reporting
Segmental reporting is based on the Group's primary segments. Segmental reporting is in line with the Group's accounting policies, risk management and managerial and internal financial controls.

Segment income and expenses and segment assets and liabilities comprise items which are directly attributable to the individual segment and items that can reasonably be allocated to the segment. Non-allocated items primarily comprise assets and liabilities and income and expenses relating to common Group functions, investment activities, income taxes, etc.

Non-current assets in the segment comprise the non-current assets used directly in the segment's operations.

Current assets in the segment comprise the current assets used directly in the operations of the segment, including inventories, trade accounts receivable, other accounts receivable, prepayments and accrued income and cash and cash equivalents. Liabilities cannot meaningfully be broken down by segment.

The Group only has one geographical segment, as there are uniform economic and political conditions, uniformity in activities and risks, and uniformity in terms of currency risks within the EU, which is the primary market region.

RISK MANAGEMENT

Sanistål has identified the most important business risks which may affect the company's growth, earnings and future financial position. And even though it is the opinion of Management that the total commercial and financial risks are limited, Management will of course systematically report and cover operational and strategic risks.

A: SEGMENT RISKS

In general the Group's three business segments, Construction Industry, Steel Industry and Other Industry, are fortunate in having limited dependence on individual customers or suppliers. This is due to a wide spread of 4,000 suppliers, while Sanistål has around 20,000 customers. No single major customer or supplier is so large on its own that the Group's total revenue or earnings would be affected significantly if the cooperation were to cease.

Segment risk: Construction Industry

The market conditions for the Construction Industry segment are characterised by a division into a construction sector and a maintenance sector, and Sanistål's greatest exposure is to the maintenance sector. The Group is also not exposed to massive fluctuations due to the level of construction activity because our customers are spread over a number of fields, from construction trades in the HVAC sector to large installation companies and building contractors.

This means that Sanistål tends to have smaller fluctuations in its segment performance than its direct competitors in this area. However, competition may be described as intense as a result of the fact that the market is served by five large groups.

Segment risk: Steel Industry

The market conditions in the Steel Industry segment are affected by the fact that the total market in Denmark is in gradual decline. This is causing intense competition with the market's other major player.

The segment supplies its steel industry customers both with steel and other metals and with consumables and maintenance materials.

The trend towards outsourcing production to countries with lower wage costs and acquisitions of Danish businesses, where production is switched to more hi-tech products, is contributing to the market's limited growth. Sanistål is reacting to this trend by supplying Danish and foreign businesses operating in the Baltic States.

There are several factors which may cause significant fluctuations in the performance of the segment and thus of the Group. But one factor is stronger and more persistent than the rest: developments in steel prices. Steel prices are subject to constant, cyclical fluctuations which impact on Sanistål's earnings potential. Generally speaking, when steel prices are rising, inventories and market conditions make increased earnings possible. The opposite is true when they are falling. Therefore it is important to measure the effect of the fluctuation in steel prices when assessing Sanistål's performance. This is why we introduced the concept of the "Steel price development":

The "Steel price development" is defined as the difference between earnings on steel in the current year and earnings on a corresponding quantity of steel in the preceding year (the base year). The calculation for both years is based on the quantity for the base year. The "Steel price development" had a positive impact of 31.8 million on earnings in 2006 relative to 2005.

Segment risk: Other Industry

The market conditions for the Other Industry segment are characterised by a multitude of small and medium-sized competitors with Sanistål as the market leader.

The diversity of customers, combined with unique opportunities for cross sales, means that the main commercial risks are the levels of activity in maintenance and investment in the manufacturing industry.

B. INVENTORY RISK

For stock items the company continuously monitors the rate of turnover of individual products and writes down the value of goods if the inventories are too large or if sales are stagnating. The Group is also exposed to fluctuations in earnings, cf. the concept of the "Steel price development".

C. DEBTOR RISK

Payment behaviour and financial capacity are continuously monitored. It is the policy of the Group to insure all claims above a certain size wholly or partly against loss. An exception is made for public sector enterprises and particularly creditworthy debtors. As at 31 December 2006 the debtor balance of DKK 420.8 million was insured for DKK 322.2 million, on which there is a deductible of 10 per cent in the event of a loss.

Bad debt provisions are made on the basis of a loss risk assessment and statistical criteria. Twice a year the Board of Directors assesses the risk on debtors with balances over DKK 1 million.

D. PRODUCT LIABILITY

The company almost exclusively supplies the local market and our product risks are covered partly by the company's terms of delivery and insurance and partly by the company's normal commercial rights to make counterclaims against suppliers.

E. DAMAGE RISK

Insurance of buildings, movable property and consequential loss. The company's risks in the area of insurance against loss or damage are covered party through insurance policies and partly through own risk. The properties in Denmark are fully insured to their replacement value. The total risks are evaluated each year by the Board of Directors.

F. IT RISK

Like most Danish companies, Sanistål is dependent on a fully functional IT system and exposed to considerable consequential losses if it breaks down. Sanistål has countered this risk through a number of procedures which have historically resulted in an "up-time" of more than 99.9%. The procedures include, among other things:

- All business applications are run on a central IBM iSeries server.
- All data are stored on mirrored disks, and there is also real-time transfer of data to a backup server.
- All data are safeguarded through a daily backup which is stored in a fire-proof container in a different fire cell to the server.
- UPS systems ensure the operation of the central server for 60 minutes in the event of a power failure.
- Fire protection through smoke detectors and a location less than five minutes from the fire brigade.
- A disaster recovery agreement with the hardware supplier which ensures the delivery of a replacement server to the site, usually within six hours and within a maximum of 24 hours. Maximum down-time: 48 hours.
- Data communications via satellite dish with the eight largest branches ensure independence in the event of cable failure.

G. FINANCIAL RISKS

Through its operations, investments and financing, the Group is exposed to changes in exchange rates and interest rates. It is the policy of the Group not to engage in active speculation in financial risks. The Group's financial management is therefore aimed solely at managing current financial risks associated with the company's operations.

• Currency

The transaction risk on foreign currency in connection with the purchase and sale of goods is limited. This is because transactions are primarily in DKK and secondarily in EUR. Significant exposures in other currencies are hedged systematically.

The company is also exposed to exchange rate losses/gains, primarily in connection with the subsidiaries in the Baltic States. The exposure is due to the fact that the subsidiaries are financed in DKK or EUR in order to minimise the interest burden.

• Interest

As can be seen from Note 14, the Group's interest-bearing debt at the end of 2006 was DKK 694.4 million. Based on the net debt and financial contracts entered into at the end of 2006, an increase of one percentage point in the general level of interest would lead to a DKK 2.3 million increase in Sanistål's total interest expenses before tax.

STAKEHOLDERS

SANISTÅL AND ITS CUSTOMERS

It is part of Sanistål's vision to be our customers' preferred partner and to be a one-stop supplier of products and services so that our customers need only shop at one place. In order to achieve this, our range of products and services and our personal service must be "more than you think".

To guarantee that Sanistål constantly lives up to this vision, every year a customer satisfaction survey is conducted by an external research agency. This takes the form of the research agency phoning 550 randomly selected Sanistål customers. The analysis in 2006 reported progress in all of the main areas. For example, 98 per cent of the customers were satisfied with the product range compared to 96 per cent in 2005, and satisfaction with delivery rose from 91 to 93 per cent. It was particularly satisfying to note that the survey revealed that 95 per cent of respondents were satisfied with employees' knowledge of the products.

SANISTÅL AND ITS EMPLOYEES

Sanistål has just under 1,600 employees, 2,300 including employees at Carl F, and their knowledge and resources are the very backbone of the company. Sanistål therefore conducts extensive staff surveys every year to find out the attitude of our employees to their workplace.

The analysis in 2006 revealed that employees are happy at work and are proud of being Sanistål employees. Two thirds of the workforce responded to the questionnaires, which were processed by an external research agency, and there was general progress in employee satisfaction relative to 2005, when employee satisfaction was also high.

The results of the survey will be used as a basis to optimise those places where the results can be improved, and this will be followed up by a similar survey in 2007.

In order to achieve the ambitious strategic targets described in the Management Report, it is important that all employees understand and demonstrate ownership of Sanistål's strategy and action plans. This is achieved with the aid of a number of internal communications activities, including nationwide "more than you think" tours in which all our employees are brought together and informed about the strategy, targets and action plans, the internal staff magazine Saniinfo, which is published quarterly, and fairly extensive internal training programmes.

SANISTÅL AND ITS SUPPLIERS

In 2006, as in 2005, Sanistål maintained a powerful focus on the company's suppliers and supplier agreements. This year too, supplier agreements will be reviewed carefully with a view to further reducing the number. Sanistål will concentrate on market-leading suppliers of high-quality products who are willing to enter into close cooperation in the areas of knowledge, marketing and services and optimisation of the complete supply chain.

SANISTÅL AND THE COMMUNITY

The values on which Sanistål bases its business are a high level of reliability and quality in our products and services. In everything we do, whether in relation to customers, suppliers, shareholders or other stakeholders, we aim to be a totally trustworthy company which always tries to act in a way which instils respect and confidence. This basic approach is reflected in, among other things, contracts and agreements with our partners, where the objective is first and foremost to create the overall framework of a trusting and stimulating working relationship, rather than merely to be strict and sharply defined sets of legal rules.

Social responsibility and awareness are a natural progression of Sanistål's principal values. We endeavour in all areas not only to comply with the law but also, not least in relation to our employees, to behave in a way which shows that we are aware of, among other things, the responsibilities we have in relation to educating young people and to ensuring that older employees do not become lost or superfluous in our business through redeployments or changes in working hours or routines.

Environmental awareness is also a natural part of Sanistål. As a trading company we cannot be described as an environmentally intensive business, but we nonetheless try to be conscientious in connection with our choice of products. Recycling, disposal of packaging and defective materials and cleanliness around our plants, including paying attention to the need for aesthetic design, are a natural part of Sanistål's operational considerations.

Sanistål's values and ethics are described in the company's Code of Conduct, of which all of Sanistål's partners are made aware. Sanistål recognises that suppliers and other partners are independent businesses, but their activities can impact on Sanistål's goodwill and reputation in the market, and a violation of Sanistål's Code of Conduct may therefore be sufficient grounds to end the cooperation.

SANISTÅL AND ITS SHAREHOLDERS

Sanistål's B-shares are listed on the Copenhagen Stock Exchange. The share capital comprises 1,923,784 shares of DKK 100 nominal, corresponding to a share capital of DKK 192,378,400. The share capital is divided into 203,784 A-shares and 1,720,000 B-shares.

The A-shares are registered shares which have to be entered in the company's register of shareholders. The A-shares are not negotiable securities.

The B-shares are negotiable securities issued to the bearer, but can be registered by name in the company's books. The B-shares are freely negotiable.

Shareholders are encouraged to have their shares registered by name so that Sanistål can provide the best possible service to its shareholders.

Voting rights

Each DKK 100 nominal A-share carries ten votes at the General Meeting, and each DKK 100 nominal B-share carries one vote at the General Meeting.

Shareholders

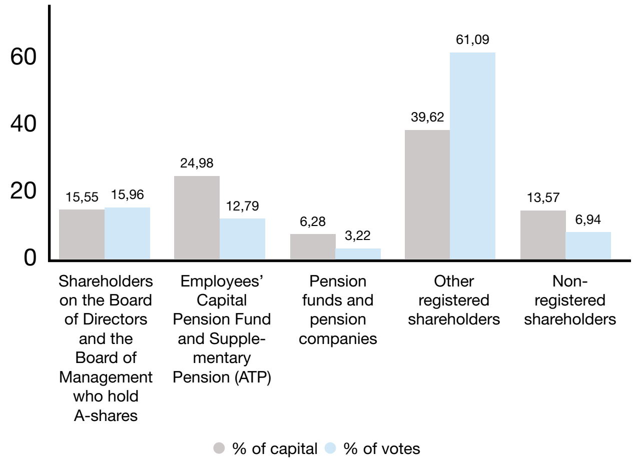
List of shareholders pursuant to Section 28a of the Danish Companies Act: as at 31.12.2006

	Share-holding	Share of votes
Supplementary Pension (ATP), Hillerød	12.56%	6.43%
Jørgen Kjærsgaard, Hjørring	2.08%	10.64%
The Employees' Capital Pension Fund (LD), Copenhagen	12.42%	6.36%
Christian Strøyberg, Aalborg	1.93%	7.46%
Jørgen Strøyberg, Aalborg	1.86%	8.59%
N.K. Strøyberg, Aalborg	3.19%	10.29%
Torben Strøyberg, Berkshire, England	2.11%	6.81%
Peter Vagn-Jensen, Ruds-Vedby	11.91%	11.66%

On 9 February 2007 the Danske Bank Group notified the Copenhagen Stock Exchange that they own 5.2% of the share capital and 2.6% of the votes.

The shareholdings and shares of votes include shares owned personally by the shareholder and shares owned via companies controlled by the shareholder in question.

Shareholder composition



Shareholdings of the Board of Directors and the Board of Management as at 31.12.2006

Number of DKK 100	A-shares	B-shares	Share options
Board of Directors:			
Knud Erik Borup		1,920	
Steen Gede		279	
Jens Ole Klitgaard		19	
Uffe B. Johansen		2,680	
Ole Enø Jørgensen		19	
Else L. Kristensen		78	
Walther V. Paulsen		0	
Matthias Max Schön	10,158	59,874	
Peter Vagn-Jensen	23,248	203,903	
Board of Management:			
Christian B. Lund		2,684	6,604
Ole Graversen		7	2,954
Henning Vilslev		419	3,129
Total	**33,406**	**271,882**	**12,687**

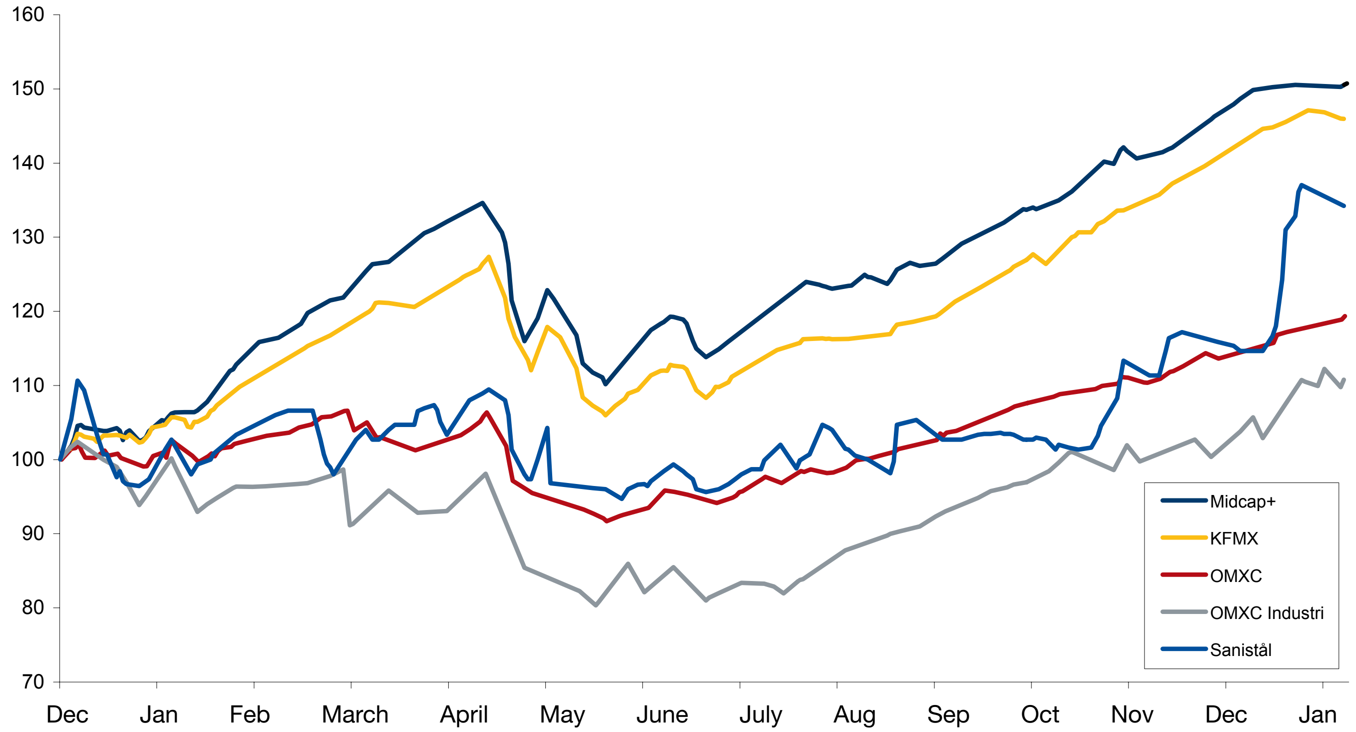
For exercise prices of share options, please see Note 18.

The Sanistål share

The share is listed on the Copenhagen Stock Exchange and is traded under the ticker SANI B and the ISIN code DK0010245661.
The market price of the company's B-share as at 31.12.2006: 854.8. If this price were applied to the whole share capital (excluding the holding of own shares), the total value would be DKK 1,624 million.

SHARE PRICE DEVELOPMENT

During the period (30 December 2005-31 January 2007) the price of the Sanistål share rose by around 33%.



SHARE AND DIVIDEND KEY RATIOS

	2002	2003	2004	2005	2006
Average number of shares (thousands), diluted ①	2,000.9	1,986.1	1,935.7	1,887.4	1,899.4
Earnings per share after tax (EPS), DKK, diluted	26.8	34.7	72.3	62.9	83.5
Cash flow per share (CFPS), DKK	68.3	9.2	62.3	84.8	-42.5
Payout ratio %	46.6	35.7	26.9	31.8	24.0
Dividend per share (DKK)	12.5	12.5	20.0	20.0	20.0
Direct return %	5.8	3.8	4.4	2.7	2.3
P/E ratio	8.0	9.4	6.3	11.8	10.2
Price/book value ratio	0.7	1.0	1.1	1.7	1.7
Market price at year-end per DKK 100 nominal share	215.0	326.2	459.6	746.2	854.8
Book value at year-end per DKK 100 nominal share	314.7	337.5	403.1	446.0	515.0

① The number of shares is adjusted for the holding of own shares and the diluting effect of outstanding share options.

DIVIDEND POLICY

The Board of Directors has continued the existing dividend policy of the company, which reads as follows:

"It is the intention of the Board of Directors to propose the distribution of an annual dividend to the shareholders at a level of 25 to 50% of the profit for the year after tax. However, the dividend proposal will always take into account the company's expansion plans and its financial and liquidity position."

In the light of the company's equity ratio and its financial resources, the Board of Directors is proposing a dividend of DKK 20 per DKK 100 nominal share for the year 2006, which corresponds to 24.0% of the company's profit after tax.

Policy on own shares
In accordance with the authorisation given by the company's General Meeting, Sanistål may acquire up to 10% (DKK 19,238,000 nominal) of its own shares up until 21 April 07. The company buys its own shares as part of the established incentives programme for the Board of Management and senior managers and for possible use in reducing Sanistål's share capital.

Sanistål's holding of own shares amounts to DKK 2,416,000 nominal as at 31 December 2006, which corresponds to 1.3% of the share capital.

ANNOUNCEMENTS TO THE STOCK EXCHANGE IN 2006

17.03	Annual Report 2005
04.04	Notice of the Annual General Meeting
20.04	Election of employee representation
22.04	Interim Report 1 January 2006 – 31 March 2006
24.04	Proceedings of the Annual General Meeting
25.04	Articles of Association as at 22 April 2006
08.06	Increased expectations of the profit for 2006
18.08	Interim Report 1 January 2006 – 30 June 2006
23.11	Acquisition of Lithuanian HVAC wholesaler (UAB Hidruva)
30.11	Accelerated opening of central warehouse
30.11	Interim Report 1 January 2006 – 30 September 2006
12.12	Financial Calendar 2007
20.12	Official approval (acquisition of UAB Hidruva)
20.12	Insider trading (announcement nos. 14 and 15)

FINANCIAL CALENDAR FOR 2007

19.03	Annual Report 2006
21.04	Interim Report 1 January 2007 – 31 March 2007
21.04	Annual General Meeting
24.08	Interim Report 1 January 2007 – 30 June 2007
30.11	Interim Report 1 January 2007 – 30 September 2007

PROPOSALS TO THE GENERAL MEETING

At the company's Annual General Meeting on 21 April 2007 the Board of Directors will propose a resolution that the Annual General Meeting authorise the company in the period until the next Annual General Meeting to acquire its own shares up to a total nominal value of 10% of the company's share capital.

Authorisation to purchase up to 10% of own shares
At the AGM the Board of Directors will request authorisation for the purchase of up to 10% of the company's own shares. Any purchase of own shares will be used to cover option schemes and, possibly, to further reduce the company's share capital.

Election of members of the Board of Directors
As one stage of a planned generation change, Uffe B. Johansen, who has been a member of the Board since 1984, will stand down. The Board of Directors proposes the new election of Ole Steen Andersen, CEO of Danfoss, and Jens Jørgen Madsen, former Managing Director of Grundfos. It is proposed that the other members of the Board, whose backgrounds are described on pages 59-61, be re-elected.

Information
Further information can be found on Sanistål's website at www.sanistaal.dk under "Shareholders".

Contact:
Henning Vilslev, CFO
Telephone: +45 9630 6000
E-mail: hvi@sanistaal.dk

SANISTÅL – A MATTER OF CULTURE

One of the first things that a new employee at Sanistål discovers is that there is a very distinctive culture at the company.

"Wherever I go, I'm given a good reception, and I have nothing but praise for Sanistål – you feel truly valued," explains Michael Lauridsen, who started as District Retail Manager for Region East on 2 January 2007. And Christian Herstal, who started at Sanistål as a sales assistant on 1 July 2006, says:
"I'm really impressed by the team spirit here!"

The special Sanistål spirit is something that the company has worked on quite deliberately since 2001, and now Sanistål's culture and set of values are widely accepted by the workforce.
The company's internal mantra, "more than you think", has proven to be a strategic tool that is sustainable in the long term. It is used actively in everyday life to create a Sanistål spirit and pride in work being undertaken, and externally to make sure that customers have a positive experience. Everyone knows that it's all about positive surprises. And lots of things are done to maintain this special spirit. The annual employees' days, in which everyone in each region gathers to listen to plans for the year ahead, are extremely popular. In 2006 Management surprised everyone with a new Sanistål song, written by Niels Drevsholt, whose credits include the Eurovision Song Contest, and a beautiful "more than you think" book filled with inspiration about how to be "more than you think" in everyday life.
The major, annual employee satisfaction survey, conducted by Jysk Analyseinstitut, also concludes that employees are very happy to work at Sanistål. 87 per cent believe that "My workplace is a good place to work". This creates a high level of stability among employees
.

INCENTIVES PROGRAMME

The Board of Directors and Board of Management consider it important for Sanistål to implement financial incentive programmes which can help stimulate key personnel to act in a way which supports the achievement of the company's objectives.
Therefore, in the light of the strategy adopted and the targets set, the company has set up an incentives programme for the Board of Management and the Functional Managers.

The scheme comprises:
Bonus payments triggered at 0-100% according to certain success criteria, which are laid down each year by the Board of Directors. The total bonus that can be earned is four months' gross salary for the Board of Management and three months' gross salary for the Functional Managers:
The following criteria were laid down for 2006:

- 0-50% is triggered when an "incentive performance" defined for the purpose falls within the set limits,
- 0-25 % is triggered when a target level for the return on invested capital (ROIC) is achieved, and
- 0-25 % is triggered upon the achievement of a target level for the profit before tax as a proportion of the gross profit.

Agreement has been reached that in 2007 the bonus will be triggered at 0-100% solely on the basis of an "incentive performance" defined for the purpose.

Share options, which are allotted and earned each year. Allotment takes place according to criteria laid down in advance by the Board of Directors. The final settlement of the number of earned share options takes place in connection with the adoption of the Annual Report for the year.
The following criteria apply for the earning years 2006 and 2007:

- 50% is triggered without special conditions attached, and
- 0-50% is triggered in proportion to the earned bonus.

The total maximum number of options that can be earned for both Directors and Functional Managers, calculated at a market value based on the option price, is 50% of the fixed annual salary. The option price is set at the average price over a period of ten trading days after the publication of the Annual Report for the earning year. The share options can be exercised four to six years after allotment. The options cannot be settled in cash, and they are usually covered by the company's holding of own shares (cf. Note 17).

The three elements used previously to define the criteria for earning the bonus and the variable element of the options are described in detail in the following section.

1. "INCENTIVE PERFORMANCE"

The idea of "incentive performance" was introduced in order to achieve the greatest possible accordance between profit requirements in individual years and the objective for average profit growth over a period of several years.

The "incentive performance" is defined as:
Group pre-tax profit
+/- 50% of the "Steel price development"
+/- adjustment for unusual events, such as the disposal of certain fixed assets, non-recurring effects of acquisitions and cyclical fluctuations in the stock of steel.

The fact that the "incentive performance" is not adjusted for the full "Steel price development" is due to the fact the performance is not only dependent on developments in steel prices, but also to a certain extent on the company's ability to convert the fluctuations into profits.

To illustrate how "incentive performance" works in practice, the following table shows correlated values for pre-tax profit and "incentive performance".

DKK millions	2006	2005
Group pre-tax profit	214.6	162.0
Adjustment for cyclical fluctuation in the stock of steel and for 50% of the "Steel price development"	-15.9	46.8
Adjustment for "unusual events"	18.5	-8.3
"Incentive performance"	217.2	200.5

In 2006 the "unusual events" were gains on the sale of properties, provisions re the change in logistical structure and expenses relating to the creation of the Electrical Technology segment.

For 2006 the Board of Directors set the target for the "incentive performance" at DKK 130 to 155 million. This means that bonuses and share options are triggered in proportion to the performance within this target range, reaching their maximum levels at a profit of DKK 155 million. In 2006 the "incentive performance" achieved of DKK 217.2 million triggered a full allotment of bonuses and share options.

The "incentive performance" for 2007 has been set at DKK 215 – 235 million.

2. TARGET FOR RETURN ON INVESTED CAPITAL (ROIC)

In order to optimise the use of capital in Sanistål, the ROIC is included in the incentives programme.

For 2006 the Board of Directors set the target for ROIC at 10.5% to 12.5%. The bonus is earned proportionally, starting from the achievement of an ROIC of 10.5% and rising to a full bonus at an ROIC of 12.5%. Based on the "incentive performance", the ROIC achieved in 2006 was 15.7%, which means that the full bonus was triggered.

For 2007 the Board of Directors has decided that the ROIC objective is not appropriate for the incentives scheme because of the logistical structure and the acquisition of Carl F A/S.

3. TARGET FOR GROUP PRE-TAX PROFIT AS A PROPORTION OF THE GROSS PROFIT

In order to ensure an optimisation of gross earnings and cost management, the incentives programme includes the relationship between the Group pre-tax operating profit and the gross profit.

Based on the pre-tax profit achieved as a proportion of the gross profit in 2005 and the budget base for 2006, bonuses will be earned in 2006 upon the achievement of a pre-tax profit of more than 14.5% of the gross profit. The maximum bonus will be earned on a pre-tax profit of 16.0% of the gross profit. The "incentive performance" achieved in 2006 was 19.1% of the gross profit, which means that the maximum bonus was triggered.

For 2007 the Board of Directors has decided that the objective for the Group pre-tax profit is not appropriate for the incentives scheme because of the logistical structure and the acquisition of Carl F A/S.

CORPORATE GOVERNANCE

In the Annual Report for 2001 the Board of Directors of Sanistål considered and commented on the recommendations of the Nørby Committee. Sanistål complies with the Committee's recommendations to a substantial degree, and the Board of Directors works on the basis of the recommendations.

In 2005 the Copenhagen Stock Exchange adopted new recommendations for Corporate Governance. The recommendations applied according to the Stock Exchange's rules for publicly listed limited liability companies for annual reports that are published for financial years commencing on 1 January 2006 or thereafter in accordance with the "comply or explain" principle.

The Board of Directors and the Board of Management have considered the new recommendations in detail, and Sanistål essentially complies with the recommendations.

The detailed consideration and response to the individual recommendations may be found on the attached CD-ROM and on Sanistål's website (www.sanistaal.dk).

Sanistål's policies deviate from the recommendations in the following areas:

Capital and share structure:
The share capital is divided into A-shares and B-shares.

The strong commitment from holders of A-shares secures a healthy, stable corporate structure that makes long-term investments possible. At present there are no plans to amend the division into A and B-shares, nor is there any possibility of doing so.

The time spent on Board work and the number of Board positions:
Sanistål has not adopted any specific restrictions on Board members' activities outside the company. A Board member's special qualifications, involvement and time are taken into account, and Sanistål intends to allow consideration of optimal function and composition to prevail.

Openness about remuneration:
The recommendations are being followed in part, as in the annual report Sanistål provides information about the Board of Management's remuneration as a whole and not individually, as it is considered that this is information of a personal nature, which is also of limited relevance for shareholders.

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

The roles of the Board of Directors and the Board of Management in Danish and foreign companies and organisations.

Knud Erik Borup

Born in 1939, on the Board of Directors of Sanistål since 1984, Chairman since 1999.

MSc Economics (1967), International Manager, Carlsberg (1969-75), Managing Director of a manufacturer of building materials (1975-81). Since 1981 directorships only, in various sectors.

Chairman of the Board of Directors of:

Aalborg Stiftstidende A/S
Nordjyske Holding A/S and two subsidiaries
AaSF Holding A/S
Mekoprint A/S

Deputy Chairman of the Board of Directors of:

Nykredit Holding A/S
Nykredit Realkredit A/S
Gumlink A/S
Fertin Pharma A/S

Member of the Board of Directors of:

Hydrema Holding ApS
Hydrema Ejendomme A/S
Skagerak Holding A/S and one subsidiary
Skagerak 2000 A/S
Vendsyssel Tidende A/S
Bagger-Sørensen & Co. A/S

Steen Gede

Born in 1953, on the Board of Directors of Sanistål since 1995, Deputy Chairman since 1999.

MSc Business Economics (1978), Sales Consultant, AGA A/S (1978-81), Logistics Manager and subsequently Purchasing Manager Steel, S. C. Sørensen A/S (1981-84), Dagrofa A/S (1984-97), Purchasing Manager (1984-87), Managing Director, Dagrofa Friskvarer A/S (1987-91), Group Chief Executive, Dagrofa A/S (1991-97), Group Chief Executive, Det Berlingske Officin (1997-99), Group Chief Executive, FDB (1999-2000), Managing Director, Gatetrade.net A/S (2000-2004). Wholesaler, Unicare Nordic A/S (2005-)

Chairman of the Board of Directors of:

Brandhouse A/S
The Danish Electricity Savings Trust
Forenede Service A/S
Unicare Nordic A/S

Deputy Chairman of the Board of Directors of:

The independent public company DSB

Member of the Board of Directors of:

Forenede Service A/S
Søndagsavisen A/S
Gumlink A/S
Thiele A/S

Uffe B. Johansen
Born in 1945, on the Board of Directors of Sanistål since 1984. MSc Business Economics (1971), Management Secretary and Corporate Planner, ISS (1972-80), Managing Director, ISS Center for Service Management (1980-84), Manager, SMG Denmark A/S (1984-2003). Co-author of several books on management.
Chairman of the Board of Directors of:
Mars Invest A/S
Saturn Holding A/S
Arkitektfirmaet Lars Edmund A/S
Member of the Board of Directors of:
PBP – Design A/S
T & O Stelectric A/S
T & O Stelectric Development A/S
Stelelectric A/S
Scandinavian Living A/S
GNIVIL Holding ApS.

Matthias Max Schön
Born in 1961, on the Board of Directors of Sanistål since 1995. Qualified Dipl. Betriebswirt (BA), former owner and manager of Max Schön in Germany, Poland, Estonia and Latvia (1985-95). Owner/co-owner of several companies in Germany
Director of:
Baltik Aktiengesellschaft für Kapitalbeteiligungen, Lübeck
Max & Co. Küchenhandelsgesellschaft mbH, Lübeck
Max Schön Verwaltungsgesellschaft mbH & Co Service KG, Lübeck
Chairman of the Board of Directors of:
Deutsche Gesellschaft CLUB OF ROME, Hamburg
Deputy Chairman of the Board of Directors of:
Maske AG, Lübeck
Albert Mühlenberg Apparatebau GmbH & Co., Hamburg
Member of the Board of Directors of:
Possehl Stiftung, Lübeck

Jens Ole Klitgaard, elected by the employees
Født 1962, i Saniståls bestyrelse siden 2006.
Born in 1962, on the Board of Directors of Sanistål since 2006. Product Manager, Reinforcement since 2001 (1996-2001 Holstebro Jern og Stålforretning A/S), various positions in the wholesale sector since 1985, trained at M.A.N.-B&W Diesel A/S, Alpha Diesel.

ENØ JØRGENSEN, elected by the employees
Born 1965, on the Board of Directors of Sanistål since 2006, Sales Consultant, employed by Sanistål since1987.

Walther V. Paulsen
Born in 1949, on the Board of Directors of Sanistål since 2000. MSc Business Economics (1974), Associate Director, Amagerbanken A/S (1978-85), and CEO, Carlsberg A/S (1985-2000). Since 2000 directorships and similar only, in various sectors.

Chairman of the Board of Directors of:
Dantherm A/S
Hotel Koldingfjord A/S
Royal Scandinavia A/S

Deputy Chairman of the Board of Directors of:
Brdr. Hartmann A/S
C.W. Obel A/S

Member of the Board of Directors of:
Arkil A/S
Arkil Holding A/S
Dan-Ejendomme Holding A/S
Dan-Ejendomme A/S
Dan-Ejendomsinvestering A/S
Danske Invest Administration A/S
Det Obelske Familiefond
Vital Petfood Group A/S
VPG Holding A/S

Peter Vagn-Jensen
Born in 1955, on the Board of Directors of Sanistål since 1999.
Training/employment with ØK (1974-85)
Since 1986 independent owner/co-owner of a number of companies in the areas of shipping, transport, logistics, electronics, property, agriculture, sports centres and restaurants, also charity/cancer research.

Chairman of the Board of Directors of:
Dansk Financia A/S
Erik og Susanna Olesens Almengørende Fond

Member of the Board of Directors of:
HCWV-J ApS
Helios A/S
Erik Olesens Ejendomsselskab A/S
Sast ApS
Scanafric A/S
Scanafric (UK) Limited
Gynaecology Cancer Research Foundation
Mermaid Project, self-governing institution

Else Lunde Kristensen, elected by the employees
Born 1970, on the Board of Directors of Sanistål since 1998, Trained sales assistant (1990), FDB, etc. (1990-96), employed by Sanistål since 1996, now as sales assistant.

BOARD OF MANAGEMENT

Christian B. Lund, Chief Executive Officer
Born in 1959, CEO of Sanistål since July 2004.
MSc Engineering DTU (1986).
In charge of sales in international companies (1986-96), Managing Director, Berendsen Components A/S (1996-98), Managing Director, Berendsen PMC Europe (1998-01).CEO, Sanistål (2002-04)

OLE GRAVERSEN, Manager
Born in 1964, on the Board of Management of Sanistål since October 2004.
MSc Engineering (1989), BCom Marketing (1991).
Systems Consultant, Danfoss A/S (1989-1991), Logistics Manager, Velux A/S (1991-1997), Supply Chain Manager, Velux A/S (1997-2001), Head of Department and member of Group Management, Velux Group (2001-2004).

Henning Vilslev, Manager
Born in 1954, on the Board of Management of Sanistål since July 2004.
BSc Business Economics (1978), BCom Accounting (1980)
Financial assistant/manager with Danish industrial companies (1978-88), Director, Shipmate/Cetelco (1988-95).
Chief Financial Officer of Sanistål 1995-2004.

OTHER SENIOR MANAGERS

KIM ENGMARK, Electrical Technology
Born in 1961, Sales Manager with Sanistål since 2006. Automation Engineer (1983), Sales Manager, E. Friis-Mikkelsen (1987-1992), Head of Division, Berendsen Components (1992-1998), Managing Director, Eltech Components (1998-2005).

THOMAS FOLMANN, Construction Industry
Born in 1961, Sales Manager with Sanistål since November 2002.
BSc Business Economics (1984), BCom Marketing (1987), Marketing Manager, Alcatel A/S (1987-91), Business Development Manager and director of subsidiaries, Dandy A/S (1991-98), Managing Director, Liberté A/S (1998-01), Sales Manager, Tvilum-Scanbirk A/S (2001-02).

HENRIK HÜBNER, Other Industry
Born in 1962, Sales Manager with Sanistål since January 2003.
BSc Business Economics (1989), Sales Manager, Simonsen og Nielsen A/S (1991-94), Head of Department, Islef+Hagen (1994-96), Sales and Marketing Manager, Berendsen PMC A/S (1996-00), Director, PMC Technology A/S (2000-02).

ARNE MØLLER JENSEN, Steel Industry
Born in 1949, Sales Manager with Sanistål since 1992. Industry trained (1966), Sales Manager, Jernkontoret (1975-89), Regional Manager, SCS Stål (1989-90), Head of Department, Hofman Stål (1990-92).

JENS LARSEN, Group IT
Born in 1952, employed by Sanistål since 1972. IT Manager since 1990. Business Diploma in Accounting. 32 years' experience of systems development and project/staff management.

DENNIS VAD LAURIDSEN, Retail Network
Born 1972, employed by Sanistål since 2003. Chain Manager since 2007. BCom Organisation and Management. Consultant/head of Danish retail chains (1997-2003).

PER THOMSEN, Logistics
Born in 1966, Logistics Manager with Sanistål since August 2001.
Reserve Officer, BCom Organisation and Management and MBA. Employed by Dansk Supermarked (1990-2001).

CLAUS EJLERTSEN, Marketing, E-commerce
Born in 1970, Marketing Manager with Sanistål since July 2002. MSc Business Economics (1994), Product Manager with Dancall Telecom A/S and with Bosch Telecom (1995-2000), Manager – Global Product Definition Team with Siemens Mobile Phones (2000-2001), Consultant with Grey (2001-2002).

KIM THORSEN, Finance
Born in 1960, Finance Manager with Sanistål since 2002. BCom Accounting (1984), MSc in Business Administration and Auditing (1992), Auditor with 3R Tveede statsautoriserede revisorer A/S (1980-1993), Manager with KPMG C. Jespersen Statsautoriserede revisorer (1994-2002).

Subsidiaries:

Max Schön AG, Lübeck, Tyskland
THOMAS SCHNEIDER

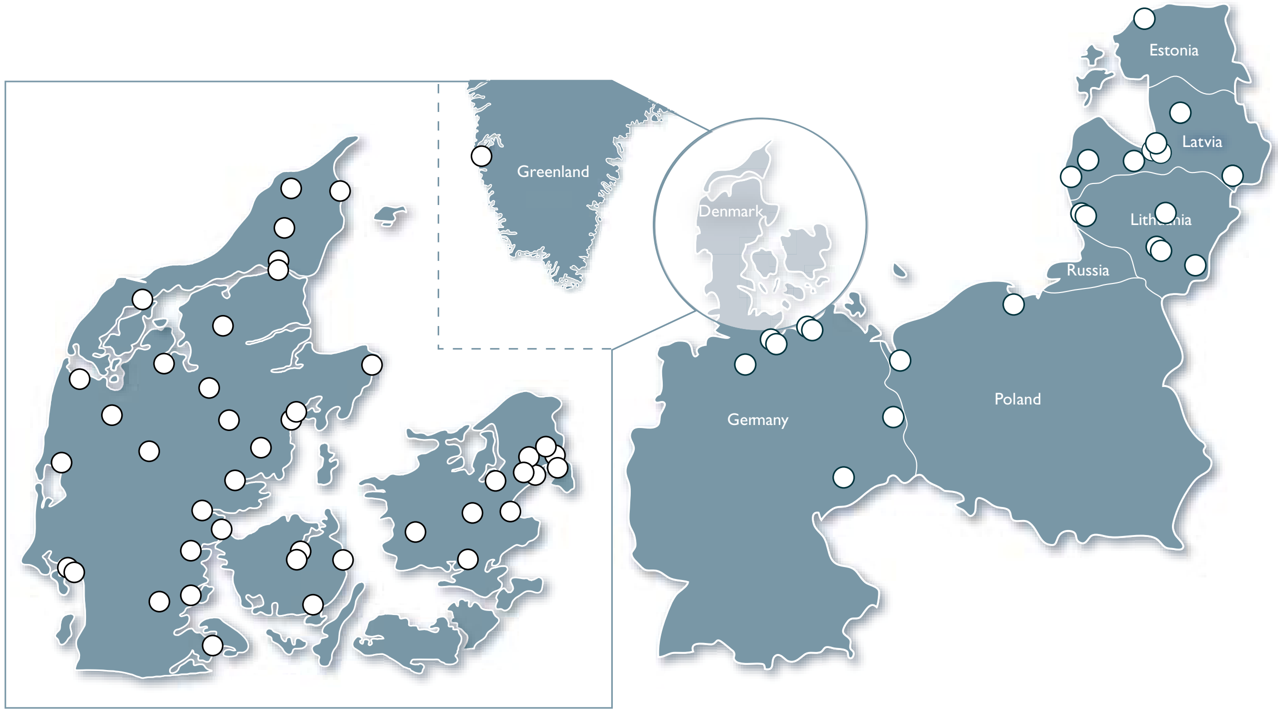
Sanistal SIA, Riga, Latvia
ARVIS KARKLINS

Sanistal OÜ, Tallinn, Estonia
ARNO VAIK

UAB Sanistal, Kaunas, Lithuania
LINAS DAUGELA

UAB Hidruva, Kaunas, Lithuania
ROLANDAS MALAIŠKA

GROUP AND ORGANISATION CHART



Sanistål A/S

- **SANISTAL SIA** – Riga, Lithuania
- **SANISTAL OÜ** – Tallinn, Estonia
- **MAX SCHÖN AG** – Lübeck, Germany
  - **MAX SCHÖN Gmbh & CO KG** – Rostock, Germany
  - **MAX SCHÖN Sp.z.o.o.** – Szczecin, Poland
  - **Hepa Wälzlager** – Bargeshagen, Germany
- **UAB SANISTAL** – Kaunas, Lithuania
- **UAB Hidruva** – Kaunas. Lithuania
- **SERMAN & TIPSMARK A/S** – Brønderslev

Board of Management

- **Finance, HR**
  Henning Vilslev
  Director (CFO)
  - **Finance**
    Kim Thorsen
    Finance Manager
  - **Group IT**
    Jens Larsen
    IT Manager
- **Sales, Marketing**
  Christian B. Lund
  Chief Executive Officer
  - **Purchasing**
    Michael Højbjerg
    Purchasing Manager
  - **Marketing, E-comm.**
    Claus Ejlertsen
    Marketing Manager
  - **Shops**
    Dennis V. Lauridsen
    Chain Manager
  - **Cons. Industry**
    Thomas Folmann
    Sales Manager
  - **Elec.Techn.**
    Kim Engmark
    Sales Manager
  - **Other Industry**
    Henrik Hübner
    Sales Manager
  - **Steel Industry**
    Arne Møller Jensen
    Sales Manager
- **Operations, Subsidiaries, Projects**
  Ole Graversen, *Director*
  - **Logistics**
    Per Thomsen
    Logistics Manager
  - **Subsidiaries**

BRANCHES

Region North

Aalborg
Håndværkervej 14 .... Tel. +45 96 30 60 00
Frederikshavn
H. C. Ørsteds Vej 3 .... Tel. +45 96 20 45 45
Hjørring
Farøvej 31 .... Tel. +45 98 92 20 00
Brønderslev
Industrivej 34................ Tel. +45 96 45 25 50
Nørresundby
Sundsholmen 19........... Tel. +45 96 32 75 00
Aars
Industrivej 1.................. Tel. +45 96 98 25 00
Thisted
Industrivej 34................ Tel. +45 96 17 23 23

Region Central

Silkeborg
Bavnehøjvej 2-14.......... Tel. +45 87 22 70 00
Skive
Skyttevej 15.................. Tel. +45 96 14 78 00
Lemvig
Industrivej 18................ Tel. +45 99 63 14 50
Holstebro
Hjaltesvej 4................... Tel. +45 72 25 19 99
Ringkøbing
Birkmosevej 26............. Tel. +45 96 75 37 57
Viborg
Marsk Stigs Vej 14........ Tel. +45 86 62 31 00
Herning
Mads Eg Damgaardsvej 50Tel. +45 96 26 29 30
Åbyhøj
Søren Frichs Vej 44....... Tel. +45 87 44 33 00
Risskov
Agerbæksvej 15............ Tel. +45 87 44 33 64
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Thomas Helsteds Vej 7B Tel. +45 87 93 74 00
Grenaa
Kattegatvej 3 .... Tel. +45 87 58 21 20

Region South

Vejle
Toldbodvej 15 .... Tel. +45 76 40 62 00
Horsens
Vejlevej 68F .... Tel. +45 72 27 83 10
Fredericia
Prangervej 105 .... Tel. +45 75 92 36 77
Kolding
Caspar Müllers Gade 14 Tel. +45 76 33 66 00
Odense S
Landbrugsvej 12-14 ..... Tel. +45 63 13 36 00
Odense C
Rugårdsvej 21-23......... Tel. +45 63 13 36 00
Nyborg
Langelandsvej 38-40 .... Tel. +45 63 31 67 00
Svendborg
Jønkøpingvej 7 .... Tel. +45 63 61 31 31
Esbjerg Ø
Ørnevej 3...................... Tel. +45 76 14 63 00
Esbjerg
Havdigevej 14............... Tel. +45 76 14 63 33
Haderslev
Christian X's Vej 11 .... Tel. +45 73 52 49 50
Vojens
Fabriksvej 6.................. Tel. +45 74 20 44 50
Sønderborg
Nørrekobbel 52............. Tel. +45 73 42 81 00

Region East

Glostrup
Smedeland 28 .... Tel. +45 43 20 53 00
Sydvestvej 104 (Adm.) .. Tel. +45 43 20 53 00
Søborg
Columbusvej 3............. Tel. +45 39 53 52 70
Vallensbæk
Vallensbækvej 46A........ Tel. +45 43 66 22 70
Taastrup
Husby Allé 15................ Tel. +45 43 30 15 20
Hvidovre
Stamholmen 165 .... Tel. +45 36 34 20 80
København S
Prags Boulevard 55 ...... Tel. +45 32 95 63 39
Næstved
Vestre Kaj 2 .... Tel. +45 55 73 21 00
Slagelse
Mariendals Allé 29 .... Tel. +45 55 78 30 20
Roskilde
Industrivej 29D .... Tel. +45 43 41 42 40
Køge
Galoche Allé 3-7 .... Tel. +45 72 27 83 00
Ringsted
Industriparken 10 .... Tel. +45 72 20 83 20
Brøndby
Midtager 28 .... Tel. +45 43 20 53 00

Serman & Tipsmark A/S

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Nyborg
Langelandsvej 38-40 .... Tel. +45 70 10 09 11
Sønderborg
Ellegårdsvej 25H........... Tel. +45 70 10 09 11

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Industriestr. 11 (Hepa) Tel. +49 381 7700 217
Chemnitz
Eberstr. 10................... Tel. +49 371 5388 20
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Ganibu dambis 17a......... Tel. +371 7382 370
Liepaja
Jauna iela 52/54............ Tel. +371 3480 013
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Silutes pl. 83 (Hidruva).. Tel. +370 4630 1376
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