Company Announcement
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Annual Report 2010
Rapid execution of focus strategy has put DLH back in the black.

In 2010, DLH returned to profit. DLH focused and adjusted its operations and took decisive steps towards securing the company's future growth opportunities and value creation.

- DLH is ”Back in Black” – profits for the year after tax totalled DKK 4 million against a loss of DKK 752 million last year
- Turnover totalled DKK 3,202 million in 2010 against DKK 2,936 million in 2009 - corresponding to growth of 9%
- EBITDA was DKK 76 million in 2010 against a minus of DKK 83 million last year – an improvement of DKK 159 million
- EBIT was DKK 49 million in 2010 against a minus of DKK 140 million last year – an improvement of DKK 189 million
- Interest-bearing debt has been reduced from DKK 1,089 million to DKK 948 million
- DLH has entered into a three-year bank agreement conditional upon a capital injection of a minimum of DKK 245 million to be implemented during the first half of 2011
- For 2011, a turnover of approx. DKK 3.4 billion and an EBIT of around DKK 60 million are expected

CEO Kent Arentoft comments: ”*2010 was a busy as well as an excellent year for DLH. We achieved all the main objectives in our recovery plan, "Back to Black", in less than a year and, therefore, faster than originally expected. We disposed of non-strategic activities at higher-than-expected profits, reduced our debt and succeeded in transforming red figures into black by improving our performance significantly. As a result, we have already been able to implement our ”Go to Market” strategy as the next step in the development of a profitable and strong DLH.*”

Financial highlights for the DLH Group 2010 (continuing activities)

(DKK million)	2010	2009
Income statement		
Net turnover	3,202	2,936
Operating profit/loss before depreciation and amortisation (EBITDA)	76	(83)
Operating profit/loss (EBIT)	49	(140)
Loss before tax for continuing activities (EBT)	(18)	(220)
Profit/loss for the year for discontinued activities	26	(492)
Profit/loss for the year	4	(752)
Balance sheet items		
Total assets	1,993	2,108
Equity	528	533
Average invested capital	1,051	1,359
Interest-bearing debt, 31 December	948	1,089
Average interest-bearing debt	999	984
Financial ratios		
Operating margin (EBIT-margin)	1.5 %	(4.8 %)
Return on invested capital (ROIC) incl. goodwill	5.8 %	(7.4 %)
Earnings Per Share at DKK 10 (EPS)	(1.27)	(14.70)
Equity ratio	26.5 %	25.3 %
Equity radio incl. subordinated loan	34,6 %	30.6 %
Average number of employees	2,083	3,064

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Focusing the business

As an important part of the "Back to Black" strategy plan, in 2010, the management implemented a targeted divestment programme aimed at providing net proceeds of at least DKK 300 million. Between June and December 2010, agreement was reached on the divestment of production activities and assets in the US, Holland, Malaysia, Congo-Brazzaville, Gabon and Brazil which together reduce the balance sheet by approx. DKK 450 million. Activities in Congo-Brazzaville and Gabon were finally disposed of in early January, while completion of the property sale in Brazil is awaiting approval by the authorities. In less than a year, therefore, DLH has succeeded in focusing the business on its core competences within timber trading while, at the same time, significantly reducing its debts.

The discontinued activities made a positive contribution to the year's results by DKK 26 million as a consequence of improved operating results, proceeds from divestments and reversals of impairment losses. In 2009, the result from discontinued activities was a loss of DKK 492 million.

Business and financial performance
- the continuing business 2010

In addition, DLH adjusted its continuing activities, i.e. sales and distribution businesses in Europe, the US and Russia and the group's global trading activities. For most of 2010, focus has primarily been on reducing the group's costs and trimming the balance sheet. Increasing turnover has had less priority.

DKK million	2010	2009
Net turnover	3,202	2,936
Gross margin	544	450
EBITDA	76	(83)
EBIT	49	(140)
Net financials	(66)	(80)
EBT	(18)	(220)

Nevertheless, turnover for 2010 totalled DKK 3.2 billion against the previous year's level of DKK 2.9 billion. The growth was achieved on the backdrop of a 2009 which was particularly hard hit by the financial crisis and the slowdown in the construction sector.

A number of the Group's geographical markets showed positive development, while others continued to record low growth rates. Countries such as France, Holland, US and Russia have shown satisfactory growth, while the markets in Scandinavia and Poland were characterised by flat turnover. The Trading business saw a particularly positive sales development.

The contribution margin increased from 15.3 per cent to 17.0 per cent. Coupled with the increase in turnover, this contributed to a rise in the gross margin of DKK 94 million. Overhead costs were reduced by DKK 65 million. The initiatives resulted in DLH achieving an EBITDA of DKK 76 million for its continuing activities against the original expectations at the start of the year for zero EBITDA and a minus of DKK 83 million in 2009. With depreciation of DKK 27 million, EBIT was DKK 49 million against a minus of DKK 140 million in 2009. The group continues to have high debt financing and net financials were an expense of DKK 66 million against an expense of DKK 80 million last year.

Throughout the year, focus was on reducing the group's balance sheet through divestment and ordinary operating initiatives and improvements. Inventories and receivables were reduced and overall gross assets were reduced by DKK 115 million. Interest-bearing debt was reduced to DKK 948 million against DKK 1,089 million last year.

Developments in Q4 2010

Turnover in Q4 was DKK 744 million against DKK 702 million for the same period in 2009. EBITDA for the period was DKK 7 million against DKK minus 130 million for the same period in 2009. Q4 results were affected by a number of non-recurring expenses relating to the adjustments to the organisation announced in December.

Ready for profitable growth

The successful implementation of the “Back to Black” strategy plan paved the way for the strategy plan that will create the framework for DLH’s development over the next four years - "Go to Market”.

"Go the Market” requires further focusing of DLH, aimed at strengthening the group’s position in selected regions and drawing upon a unique and global sourcing network:

- A sales organisation including distribution, which comprises
  - The Nordic Region (Sweden, Denmark, Norway and Finland)
  - The Western Europe Region (France, Belgium and Holland)
  - The Eastern Europe Region (Poland, the Czech Republic and Slovakia)
  - USA Region
  - Russia Region
- A global Trading organisation that trades back-to-back

As part of the plan, DLH is winding up its activities in the UK and Germany, which, going forward, will be serviced by Trading. Focusing has also entailed structural adjustments across the group and the closure of the global IT system. The management structure has been adjusted and simplified with two new regional directors appointed to Group Management. Together, these initiatives are expected to reduce the Group’s fixed costs by DKK 35-40 million on an annual basis and taking full effect in 2012.

The “Go to Market” strategy is intended to create profitable growth over the coming years through a targeted effort aimed at creating one strong DLH, with the capacity to maximise synergies and skills across business units and national borders. The targets for 2014 are ambitious but achievable:

- Turnover of DKK 4.5-4.8 billion
- An EBIT margin of 4.5-5%
- Net working capital in relation to turnover of max 25%
- ROIC of over 12%

Based on the currently low economic activity, the management group believes that DLH can achieve 3% organic growth annually. The remaining growth will come from the launch of new products within existing sales channels. Based on DLH’s potential for exploiting its sourcing network and strengthening its position in regions where the company is already represented, the underlying pre-conditions are clearly in place.

The Group’s financing situation

During the autumn of 2010, DLH negotiated a new long-term financing package with its consortium banks. On 7 February, 2011, DLH announced that, conditional upon a capital injection of a minimum of DKK 245 million, the company had obtained a 3 year bank agreement. The capital injection will provide DLH with a solid platform for strengthening its position as a global market leader in timber trading, and place DLH in a strong position for profitable growth and value creation in the years ahead. By the implementation of the capital increase, the interest-bearing debt is expected in the level of DKK 400 million and DKK 450 million by the end of the year. The capital injection is planned for implementation during the first half of 2011 as a rights issue with preferential rights for the company's existing sharesholders, c.f. announcement 02/2011.

If, contrary to expectations, DLH does not obtain a minimum of DKK 245 million in new equity, the company has been pledged a credit facility until the end of March 2012. The company's management will, however, have to draw up a plan for discharging its commitments, i.e. through the divestment of further activities. Such a plan must be approved by the consortium banks.

Dividend

At the general meeting of 28 April, 2011, the Supervisory Board will recommend to the general meeting that no dividend be paid for 2010.

Expectations for 2011

A turnover of approx. DKK 3.4 billion and an EBIT of around DKK 60 million is expected for 2011.

DALHOFF LARSEN & HORNEMAN A/S

Asbjørn Børsting Chairman	Kent Arentoft CEO

Any enquiries about this announcement should be addressed to CEO Kent Arentoft on tel: + 45 43 50 01 01

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Annual Report 2010