2010

Annual Report

DALHOFF LARSEN & HORNEMAN A/S

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Kristian Kolding (Vice Chairman)
Aksel Lauesgaard Nissen
Agnete Raaschou-Nielsen
Erik Søndergaard
Jesper Birkefeldt (employee director)
Ann Høy-Thomsen (employee director)
Johannes Borglykke Sørensen (employee director)

Executive Board
Kent Arentoft, President & CEO

Auditors
KPMG
Statsautoriseret Revisionspartnerselskab
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Annual general meeting
Ordinary general meeting will be held on Thursday, 28 April, 2011, at 5 pm, at the Quality Hotel Høje Taastrup A/S, Carl Gustavsgade 1, DK-2630 Taastrup.

This report is available in Danish and English. In the event of any discrepancy between the two versions, the Danish version shall prevail.

dlh.
PASSION FOR WOOD

2010 was a good year for DLH, a turning point for the company after a number of challenging years. During the year, DLH took some important steps in the right direction and succeeded in stabilising its business. The financial year featured considerable changes in terms of the endeavours to create a healthy and enduring business platform for DLH.

In early 2010, DLH launched its recovery plan "Back to Black", which determined DLH's future focus and defined a number of non-strategic activities to be sold off. Getting the necessary support for the plan enabled DLH to refinance its debts and inject new subordinated loan capital from its major shareholders. The most important objectives in the recovery plan materialised towards the end of 2010 – two years earlier than expected. On this background, DLH launched the "Go to Market" strategy plan, which will further focus and strengthen the company's operations during the period 2011 to 2014.

Focusing the business

As an important component of the "Back to Black" strategy plan, a targeted divestment programme aimed at ensuring net proceeds of at least DKK 300 million was initiated. Between June and December 2010, production activities and assets in the US, Holland, Brazil, Malaysia, Congo and Gabon were disposed off in transactions reducing the amount of net assets by DKK 450-500 million. The full effect will be reached in 2011 when there has been closing of disposal of assets in Congo and Gabon and expected closing of disposal of assets in Brazil. Thus, in less than one year, DLH has succeeded in focusing the business on its core competences within timber trading while, at the same time, significantly reducing its debts.

In parallel with this, DLH adjusted its continuing activities – the group's trading, sales and distribution business. Costs and inventory were reduced, creating a positive cash flow for the group. As a result of these initiatives, DLH realised an EBITDA of DKK 76 million for its continuing activities.

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. The plan was approved and launched in December 2010 under the name "Go to Market".

The plan entails further focus on achieving strength in selected regions and segments, linked to a unique and global sourcing network:

- A distribution and sales organization covering:
  - Sales Region Nordic (Sweden, Denmark, Norway and Finland)
  - Sales Region Western Europe (France, Belgium and Holland)
  - Sales Region Central Eastern Europe (Poland, the Czech Republic and Slovakia)
  - Two strong sales platforms (USA and Russia)
- A global trading organisation that trades back-to-back

As part of the plan, DLH will wind up its activities in the UK and Germany. The focusing has also involved structural adjustments across the group. With a view to supporting the plan, the management structure has been adjusted and simplified and two new regional directors have been appointed to Group Management.

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 12%

Based on the currently low economic activity, the management group believes that DLH can achieve 3% organic growth annually. The remaining growth will stem from the launch of new products within existing sales channels. The assumption remains intact because DLH has a unique opportunity for exploiting its sourcing network and strengthening its position in regions where the company is already represented.

On 7 February, 2011 DLH announced that the company had signed a three-year bank agreement conditional upon a capital injection of minimum DKK 245 million. With the raising of the capital, DLH will have a sound platform for strengthening its position as global market leader within timber trading - and DLH will be in a strong position to achieve profitable growth and value creation over the years ahead.

In 2011, the group expects to achieve a turnover in the region of DKK 3.4 billion and EBIT of around DKK 60 million.

Kent Arentoft
President & CEO

Financial highlights for the DLH group

(DKK million)	2010 [1]	2009 [1]	2008	2007	2006
	Only continuing operations			All operations	
Income statement:					
Revenue	3,202	2,936	5,013	5,720	5,482
Gross profit	544	450	544	986	896
Costs excluding depreciation and amortisation	468	533	688	650	585
Operating profit(loss) before depreciation and amortisation (EBITDA)	76	(83)	(144)	336	311
Earnings before interest, taxes and amortisation (EBITA)	61	(101)	(241)	254	229
Operating profit(loss) (EBIT)	49	(140)	(315)	244	224
Net financials	(66)	(80)	(107)	(86)	(81)
Profit(loss) for the year from continuing operations before tax (EBT)	(18)	(220)	(422)	159	144
Profit(loss) for the year from discontinued operations	26	(492)	580	47	48
Profit(loss) for the year	4	(752)	227	147	152
Balance sheet details:					
Inventories	739	1,028	1,467	1,793	1,769
Trade receivables	329	393	543	669	886
Total assets	1,993	2,108	3,043	4,005	3,661
Equity	528	533	1,240	1,172	1,068
Average invested capital including goodwill	1,051	1,359	2,913	2,641	2,288
Invested capital, end of reporting period	929	955	2,497	2,758	2,408
Average interest-bearing debt	999	984	1,251	1,522	1,277
Investments:					
Gross investments, excluding acquisitions	14	33	134	95	84
Hereof investments in tangible assets	9	29	111	80	82
Gross investments, including acquisitions	14	33	234	243	412
Net investments (carrying amount) excluding acquisitions	3	43	124	91	48
Cash flow:					
Cash flow from operating activity (CFFO)	(22)	119	(50)	34	87
Cash flow from operating activity after investments (excluding acquisitions)	(81)	132	(208)	(53)	51
Cash flow from operating activity after investments (including acquisitions)	(81)	132	(298)	(198)	(176)
Cash flow from discontinued operations	82	(18)	923	38	22

1) The financial highlights recognise the Forestry and Production activities as discontinued operations 2009-2010.

Financial highlights for the DLH Group

(DKK million)	2010 1)	2009 1)	2008	2007	2006
	Only continuing operations		All operations		
Performance ratios:					
Gross margin	17.0%	15.3%	10.9%	17.2%	16.4%
Operating margin (EBIT margin)	1.5%	(4.8%)	(6.3%)	4.3%	4.1%
Return on equity (ROE)	4.0%	(48.9%)	18.9%	13.2%	15.6%
Equity ratio	26.5%	25.3%	40.8%	29.3%	29.2%
Equity ratio including subordinated loan	34.6%	30.6%	44.4%	32.1%	32.2%
Return on invested capital including goodwill (ROIC including goodwill)	5.8%	(7.4%)	(8.2%)	9.7%	10.1%
Average number of employees	2,083	3,064	3,688	3,661	3,759
Stock market ratios 2):					
Book value per diluted DKK 10 share (BVPS-D), end of reporting period	30	30	70	64	58
Share price, end of reporting period (P), DKK	30.70	16.50	26.00	90.22	106.89
Diluted share price / book value (P/BV-D)	1.03	0.55	0.37	1.42	1.86
Earnings per share of DKK 10 diluted (EPS diluted)	(1.27)	(14.70)	12.46	7.96	8.29
Average number of diluted shares in issue (in denominations of 1,000 shares)	17,673	17,652	18,179	18,438	18,292
Cash flow per share of DKK 10 diluted (CFPS-D)	-	-	(2.69)	1.87	4.77
Dividend per DKK 10 share (DPS)	-	-	-	2.00	2.00
Price earnings diluted (P/E-D)	(24.2)	(1.1)	2.1	11.3	12.9
Earnings per share (EPS) of DKK 10	(1.27)	(14.70)	12.46	7.96	8.29

1) The financial highlights recognise the Forestry and Production activities as discontinued operations 2009-2010.
2) Earnings per share and earnings per share diluted have been determined in accordance with IAS 33 'Earnings per share'. All other financial ratios have been calculated in accordance with the 'Recommendations & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

DLH is a leading international wholesale business supplying the building and construction industry with timber and timber products. Approximately 69% of the group's sales are handled by five stock-holding regions in the key markets in Europe, the US and Russia. The remaining approx. 31% of sales are generated by the group's trading activities i.e. direct sales from the manufacturer to the customer, thus bypassing warehousing.

DLH's products are sourced from the world's major suppliers. In several of these regions – South America, West Africa, the Far East and Russia – the group is represented by its own procurement offices.

DLH trades in hardwood and sheet materials. Trading in hardwood comprises either tropical hardwood from South America, Africa and South East Asia or temperate hardwood primarily from Eastern Europe and North America. Trading in sheet materials comprises a.o. plywood and MDF and chipboard, which is mainly purchased in Russia, South America and Northern Europe.

In 2010, the group was reorganised into two primary segments: Sales and Trading and a secondary segment: Forestry and Production.

Sales
With regard to the Sales business area, the group services industry, DIY and, to a lesser extent, retail customers from its own warehouses. Most of the turnover is centred on Europe although there are also activities in the US and Russia.

Trading
With regard to the Trading business area, the group utilises its expertise within procurement and logistics to enter into back-to-back deals on large consignments of hardwood and sheet materials. Trading operates internationally.

Forestry and production (non-core)
During the year under review, forestry and production comprised the group's forests, sawmills and timber drying plants. With effect from the beginning of the year, this business area was designated a non-core area, and all activities and assets relating to this area were either sold in 2010 or agreements were concluded to sell these in the course of 2011.

Income statement

Business and financial performance – the continuing business:

(DKK million)	2010	2009
Net turnover	3,202	2,936
Gross margin	544	450
EBITDA	76	(83)
EBIT	49	(140)

The continuing business comprises the group's wholesale markets in Europe, US and Russia and the group's global trading activities. For most of 2010, focus was on bringing down the group's costs and trimming the balance sheet. To a lesser extent, focus was on increasing turnover. Turnover in 2010 totalled DKK 3.2 billion against DKK 2.9 billion last year. The increase should be seen on the backdrop of a 2009 that was characterised by the financial crisis and the slowdown in the construction sector.

A number of the group's geographical markets have shown positive development while others continue to experience low growth rates. The trading business has seen particularly positive sales trends. Countries like France, Holland, US and Russia have shown good progress while turnover in Scandinavia and Poland was flat.

External revenue broken down by country/area:

(DKK million)	2010	2009	Growth in terms of local currency, year to date (%)
France	365.4	322.0	13.5
Denmark	409.2	404.5	1.2
Sweden	414.0	408.7	(9.7)
Poland	263.8	253.4	(3.8)
Belgium	111.7	97.2	15.0
Norway	130.8	132.3	(9.2)
Holland	101.9	74.6	36.7
Remainder of Europe	93.9	81.3	6.1
USA	173.1	140.8	12.7
Russia	152.5	98.0	41.8
Others	4.7	17.1	
Total Sales	2,221.0	2,029.9	
Total Trading	980.6	906.0	
Total external revenue	3,201.6	2,935.9	

The group's gross margin improved on the year. In 2010, the contribution margin was 17.0% against only 15.3% in 2009. Once again, the comparison is characterised by difficult market conditions especially towards the end of 2009. The contribution margin for 2010 can be better characterised as normal.

The restructuring initiative launched towards the end of 2009 and early 2010 has paid off. The group's fixed costs were reduced by DKK 65 million and therefore contribute to the marked increase in earnings before interest and depreciation (EBITDA). The group recorded a positive EBITDA of DKK 76 million against the original forecast of DKK 0 million at the beginning of the financial year and last year's minus of DKK 83 million.

With depreciation and amortasation of DKK 27 million, the group reached an EBIT of DKK 49 million against last year's minus of DKK 140 million.

Results – non-continuing activities

Throughout 2010, DLH focused on adapting the organisation to the strategy plan launched in March 2010 under the name of "Back-to-Black". The strategy plan involved a large number of divestments that led to a different classification in the incomestatement. Towards the close of the financial year, the management decided to implement further closures of activities linked to the group's now divested own production and timber processing. As a result, two of the group's markets, the UK and Germany, will be wound up and a large number of head office functions were closed down at the end of 2010. In this connection, a number of restructuring costs were set aside.

In chronological order, the group disposed of the following activities:

- PW Hardwood in Pennsylvania, USA
- I-dry in Vliessingen in Holland
- Property in Belem, Brazil (final closure has not yet taken place)
- Production and trading activities in Malaysia
- Forest concessions in the Congo and Gabon via the holding company tt Timber International AG in Switzerland. (Final closing took place in early January 2011).

As a consequence of these divestments, the following adjustments were carried out:

- DLH in the UK will be closed or wound up in other ways
- DLH in Germany will be closed or wound up in other ways
- Closure of the global IT system
- Adjustments at the group's head office and other central departments

Results for discontinued activities:

(DKK million)	2010	2009
EBITDA	(10)	(269)
Depreciation and amortisation	(54)	(76)
Impairment losses	92	(124)
EBIT	28	(469)
EBT	15	(493)
Tax	(12)	1
Profit on the sale of discontinued activities	23	-
Profit/loss for the year on discontinued activities	26	(492)

The decision to close DLH activities in the UK and Germany means that turnover for these two countries for 2010 of DKK 206 million (2009: DKK 236 million) and an EBITDA of DKK (10) million (2009: DKK (9) million) is itemised under discontinued activities. The results have been affected by provisions for closure, redundancies etc.

Overall the result for non-continuing activities totalled DKK 26 million.

Group result
Net financials amounted to DKK 66 million against DKK 80 million last year. The pre-tax result was a minus of DKK 18 million against last year's minus of DKK 220 million. After tax, the result was a minus of DKK 22 million against last year's minus of DKK 260 million.

The group's overall profits were DKK 4 million.

The balance sheet
Two important factors affected developments in the group's assets – a strong operational focus on reducing the group's working capital and a corresponding focus on disposing of assets classified as non-core. The group's balance sheet has been reduced by DKK 115 million.

The balance sheet still retains DKK 414 million under the item "Assets held for sale" These include the group's forest concessions in the Congo and Gabon, the group's assets in the UK and Germany (primarily inventory and trade receivables) and the property in Belem, Brazil.

The group's interest-bearing debt has been reduced to DKK 966 million from DKK 1,133 million in 2009. In addition, right after the close of the financial year, the group received payment for the sale of the forest concessions in the Congo and Gabon, which further reduced the interest-bearing debt to DKK approx. 749 million.

The group's equity stood at DKK 528 million at the end of 2010 against DKK 533 million last year. The equity ratio has increased from 25.3% to 26.5% following the trimming of the balance sheet that took place throughout 2010.

Cash flow
Cash flow for the year was positive at DKK 2 million in that discontinued activities contributed DKK 82 million.

The company's inventories and prepayments for continuting activities fell by DKK 38 million and supplier credits rose by DKK 27 million.

The group's financing situation
In connection with the launch of the Back-to-Black strategy, DLH obtained an eighteen month financing pledge from a consortium of five banks. DLH also raised subordinated loan capital from the DLH-Fonden and Ellen & Knud Dalhoff Larsens Fund totalling DKK 50 million. Moreover, DLH was allowed to defer repayment of DKK 106 million subordinated loan capital provided by Fragaria GmbH.

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 minimum DKK 245 million, the company had obtained a 3 year credit pledge from its consortium banks. If, contrary to expectations, DLH does not raise the minimum DKK 245 million in new equity, the company has been granted a 12 month credit facility. This, however, would mean that a further divestment of activities will be necessary.

Key events after the close of the financial year

On 10 January, 2011 the sale of tt Timber International AG was finalised.

On 7 February, 2011 DLH announced a rights issue of DKK 250 million and the signing of a three-year banking agreement conditional on the issue. It was also announced that the DLH-Fonden has received permission to vote for one aggregate share class in connection with the issue. At the same time, Asbjørn Børsting announced his intention to retire as Chairman of the Supervisory Board and that Erik Søndergaard is also retiring from the board. At an extraordinary general meeting on 8 March, 2011, Kurt Anker Nielsen and Lars Green are expected to be elected as new board members, and the Supervisory Board is expected to elect Kurt Anker Nielsen as its Chairman.

The preparation of the prospectus for the rights issue is currently taking place and the capital increase is expected to be completed during the spring.

Dividend
The Supervisory Board recommends to the general meeting that no dividend be paid for 2010.

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

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

Risks relating to the group's operations

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

DLH is dependent on access to certified tropical hardwood
DLH's objective is to be a leader in the global trade of certified tropical hardwood. As a result, the group is dependent on access to sufficient quantities thereof. All other things being equal, the sale of DLH's own forest and production activities in Africa will impact on DLH's access to certified tropical wood until alternative suppliers have been identified. The development of certified forest in other supply markets has also proceeded at a slow pace and in Brazil, the development of forest areas has been negative in recent years. There is a significant risk of a shortage of supplies to customers if the group cannot gain access to sufficient volumes of certified tropical hardwood.

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

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

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

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

Limited access to freight and transport can have a negative impact on the group's potential for punctual deliveries to its customers.

DLH buys raw materials from countries where trade, logistics and legislative practices as well as political and economic conditions differ from western norms
An important part of DLH's supply areas are in countries where trading, logistics and legislative practices differ from western norms. This can result in a lack of law enforcement, corruption and other types of criminality.

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

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

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

DLH can be made responsible for deficiencies
DLH is exposed to risk if the products that are sold are deficient. In this respect, certain products may have to be recalled which can entail considerable costs for replacement, repair or compensation. Such events may also harm the DLH brand and reputation.

DLH is dependent on certain major customers
If one or more of the group's major customers terminate their contract with DLH or stop buying DLH products, this may have a significant negative impact on the group. The largest single customer accounted for 3 % of the group's overall turnover for the continuing activities in 2010.

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

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

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

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

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

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

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

Financial risks
Liquidity and financing
In recent years, the group has had a considerable level of debt. Since the financial crisis in 2008, the company has recorded significant losses on continuing activities and this has lead to greater difficulties than previously in obtaining financing. This has increased the group's risks significantly.

On 7 February, 2011 DLH announced a new bank agreement that, subject to the execution of a rights issue with proceeds of at least DKK 245 million, will run until 31 March, 2014. Without the rights issue, the agreement will run until 31 March, 2012.

The terms of the bank agreement, including a more detailed description of the conditions relating to financial performance and restrictions on the opportunities for dividend payments, are given in note 23.

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

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

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

Risks relating to litigation, disputes and legal issues
DLH is at a risk of being a party to litigation and other disputes
DLH can become a party to litigation and arbitration cases and may incur liability if these were to have a negative outcome for the group.

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

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

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

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

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

With regard to the former jointly taxed subsidiary in Brazil, there exists in Denmark a re-taxation liability which, as at 31 December, 2010 stood at DKK 89 million. The liability has not been recognised in DLH's Annual Report because the management has taken, and will continue to take, measures to prevent the deferred tax commitment from being triggered. There can be a risk that these precautions prove insufficient.

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

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

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

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

Risk relating to selling on credit is selectively covered through an active credit policy where credit insurance is used to a significant extent. The group's credit risks and policies for covering such risks are described in more detail in note 23.

By far the majority of DLH's financial risk management is handled by its intra-group bank, which operates within fixed policies, which means, for instance, that the bank only takes up risk hedging positions. The group primarily uses forward exchange contracts or interest swap agreements for its financial risk management. Please refer to note 23 for a detailed description of DLH's foreign exchange policy and financial risk.

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

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

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

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

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

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

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

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

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

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

The group's management receives a remuneration package that consists of a fixed salary, a performance-related bonus and a right to acquire share options. The Executive Board and other members of group management have participated in a revolving share option scheme since 2002. At 31 December, 2010, the share option scheme comprised a total of 146,738 share options. Each share option entitles its holder to acquire one existing Class B share at DKK 10 in the company. If all share options are exercised, the share option scheme grants holders the right to acquire up to 1.0% of the share capital. The company has repurchased shares equalling this commitment.

Considering DLH's profit development, it has been decided to suspend options for group management and the Executive Board for the period 1 April, 2009 to 31 March, 2010 without compensation. This suspension continues for the period 1 April, 2010 to 31 March, 2011. Previously allocated share options are not affected by the above-mentioned interval and run unchanged as described above.

The Supervisory Board has decided that the current option programme will be terminated with effect from 31 March, 2011. Unexercised options will still be able to be exercised, but no further options will be allocated under the programme.

During 2011, the Supervisory Board will review the future remuneration structure for the management. Please refer to note 7.

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

Corporate governance

The DLH Group's Supervisory and Executive Boards monitor developments within the field of corporate governance and are committed to improving the DLH Group's relationship with its shareholders and other stakeholders.

Management's position on all the recommendations published in 2010 by the good corporate governance committee is explained in detail at the website of the DLH Group www.dlh.com/investor/Governance.aspex in accordance with the 'comply or explain' principle. The code may be viewed at the address www.corporategovernance.dk.

Audit Committee

The Audit Committee consists of the full Supervisory Board.

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

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

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

Organisation, financial reporting process and internal controls

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

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

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

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

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

To some extent, business procedures and the extent of internal controls are determined decentrally by the management of the individual companies. In 2010, the group further standardised risk management and internal control procedures in connection with the financial reporting process, as mentioned in the Annual Report for 2009. In 2010, this work included documentation of risk evaluation regarding the group's preparation of accounts, including specification of the most important processes and key controls. The work has primarily consisted of the most important and risk-bearing processes and business units within the group. Reporting from the units with regard to the confirmation of the existence of controls, documentation and execution will be launched in 2011.

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

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

CORPORATE SOCIAL RESPONSIBILITY 2010

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

This section describes the focus areas for DLH's Corporate Social Responsibility (CSR) and gives an overview of the key initiatives and results achieved in 2010. More detailed information on specific projects and a general description of CSR at DLH can be found at www.dlh.com. A more detailed CSR report which doubles as DLH's Communication on Progress Report for the United Nations' Global Compact is also available on the website.

Strategy and engagement

Since 1991, DLH has had an active environmental policy and worked committedly to improve its social and environmental performance. In 2010, DLH introduced a new group strategy focusing on distribution as a core competence with a view to establishing the group as a leading global timber wholesaler. Although this strategy lead to the divestment of forest activities across the world, DLH's focus on CSR remains unchanged. In February 2010, DLH signed up to the United Nations' Global Compact to emphasis its ongoing commitment to responsible operations.

Global Compact is the world's largest initiative for companies and organisations that are actively engaged with CSR. The participating companies are committed to integrating ten principles within the areas of human rights, workers' rights, the environment and anti-corruption in the execution of their daily business.

For many years, DLH has owned and managed forests in a responsible manner and, therefore, possesses considerable experience as regards legality and sustainability. As a result, the years ahead will focus on using this experience to manage our supply chain in order to meet the needs of the company and its customers. DLH will also work with suppliers with a view to increasing the percentage of third party verified and certified wood.

Policies

During 2010, the CSR & Environmental Department was primarily involved in reviewing DLH's CSR policies on the basis of the new group strategy and its commitment to Global Compact.

In February, DLH launched its first social and human rights policy. In the same month, DLH formalised and launched its business integrity policy which reflects the objective of acting responsibly in all aspects of the group's business dealings. A revised version of DLH's environmental policy, including, for instance, specific guidelines for purchasing in certain risk countries, was announced in July. The general objectives and focus areas within social and environmental responsibility are set out in these policies and can be found in the CSR section at www.dlh.com.

DLH's CSR strategy rests on three pillars: environmental policy, the policy for social and human rights and the policy for business integrity. These policies are framed within the Global Compact's principles. The backbone of DLH's environmental policy and the policy for social and human rights is the Good Supplier Programme (GSP), a tool for collecting and evaluating information on how suppliers produce, process and trade timber.

PROGRESS IN 2010

Environmental policy

The environmental policy was implemented throughout the year. The following section gives an overview of the most important results in 2010.

Policy for social and human rights

DLH's policy for suppliers' social and human rights is integrated into the new edition of the Good Supplier Programme. This new tool will enable DLH to gather information about individual suppliers' performance in respect of social and labour rights. The results will, however, not be available until the programme is fully implemented, which is expected to be in early 2012.

Policy for business integrity

In 2010, DLH's employees around the world were informed of the new business integrity policy. Procedures were also established for effective implementation of the policy. In 2011, DLH will focus on strengthening these procedures to ensure the sustained implementation of its business integrity policy.

DLH's business integrity policy is implemented on a global level and, therefore, covers business activities in both industrialised and developing countries. The policy comprises: 1) DLH's position in respect of corruption in all its forms and 2) internal guidelines for employees on how to handle corrupt dealings should they encounter them.

RESULTS 2010

Environmental policy

Good Supplier Programme

DLH's Good Supplier Programme (GSP) is a tool for collecting and evaluating information on the suppliers' production, processing and trading of timber. The information collected mainly relates to the origin of timber, its legality, verification and certification. GSP is targetted at risk countries, i.e. all tropical countries as well as Russia, Belarus, Ukraine and China. More than 700 suppliers currently participate in the programme.

During 2010, DLH reviewed and further developed GSP in accordance with the new group strategy and in accordance with the company's commitment to continually improve its CSR work. The new GSP will also enable DLH to: 1) improve data collection and analysis: 2) collect further information and documentation on the origin of timber and its legality: and 3) collect information on the social and working conditions at suppliers. The new GSP is expected to be implemented at the beginning of 2012.

Results

In 2010, 96% of all timber procured from risk countries was covered by GSP, and DLH knew the origin of 87% of all its timber procured from risk countries covered by GSP.

These results are promising in relation to DLH's objective of being able to document the origin and legality of all timber procurement. Nevertheless, the results are below our objectives for 2010, i.e. that 100% of all timber from risk countries is covered by GSP, and information is available on the origin of 95% of all timber from risk countries covered by GSP.

2010 was a transitional period for DLH and the company underwent substantial organisational adjustments across the world. Focus was primarily at strategic level, which affected operational processes such as GSP and GSP objectives. With a new structure in place in 2011, DLH will be able to concentrate on developing and reviewing plans with a view to achieving its objectives. The new GSP, which is designed to improve data collection and analysis, will play an important role in this respect.

Procurement of verified and certified wood

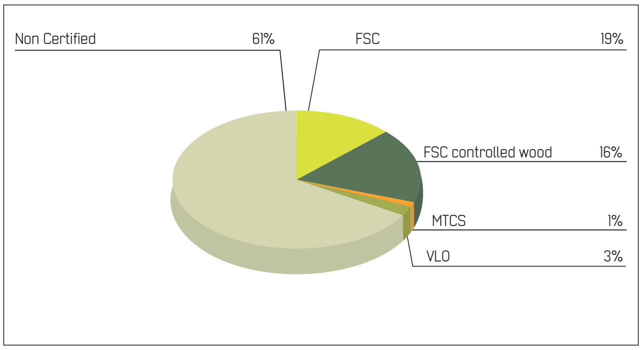
For many years, DLH's ambition has been to be a leading player within global trade with certified tropical hardwood. Since 2000, DLH has been Chain of Custody certified and has, therefore, been permitted to trade in certified timber. Since 2008, DLH has also been Generic Chain of Custody certified and has, therefore, also been allowed to trade in timber with verification of legal origin and legal compliance.

Results

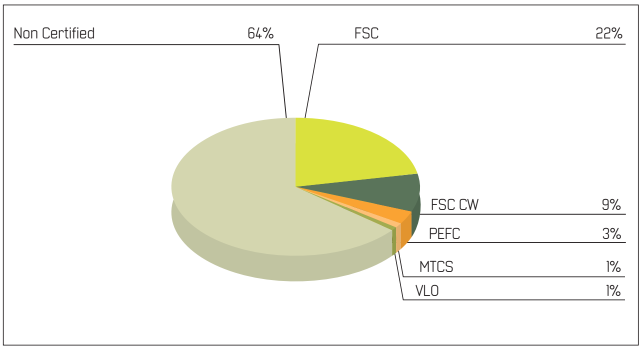
In 2010, 36% of all procured timber (volume) was third party verified/certified. Approximately 25% was covered by the certification systems FSC and PEFC while approx. 11% was covered by other verification systems.

The figures for procured tropical hardwood (volume) show that 39% of all procurement was third party verified/certified. This has meant that we have exceeded the target for this year: that by the end of 2010, 25% of our tropical hardwood procurement must be covered by the legality verification, PEFC or FSC.

39% of DLH's total volume of purchased tropical hardwood is third-party verified/certified



36% of DLH's total global volume is third-party verified/certified



Carbon and forest footprints

In 2010, DLH decided to report on its carbon and forest footprints. Besides complementing DLH's commitment to openness and transparency, these new reporting initiatives are important tools for improving the company's general environmental performance.

Carbon Footprint Disclosure 2010

Scope	Carbon footprint (tonnes CO_2)
Scope 1: Direct emissions (Company and warehouse vehicles.	2,158
Scope 2: Indirect emissions (electricity and heating)	1,557
Scope 3: Other indirect emissions	• International freight [1] 67,859 • Travel [2] 110

1) Total carbon emissions are calculated on the basis of the average emissions from containers shipped from the top ten countries of origin.
2) Only international travel by employees from the head office and DLH Denmark.

The first step towards preparing a strategy for reducing carbon emissions is to monitor and measure the carbon footprint. The target for 2010 was to begin the development of an effective way of collecting data and measuring carbon emissions.

Forest Footprint Disclosure 2010

DLH was among the two best in its category in the Forest Footprint Disclosure Annual Review for 2010. The Forest Footprint Disclosure Project (FFD) is a new initiative supported by the UK government aimed at informing investors about: 1) how the operations and supply chains of companies are impacting forests worldwide and 2) what these companies are doing to manage those impacts responsibly.

FFD Annual Review 2010 is available at www.forestdisclosure.com.

Future perspectives

In 2010, DLH reviewed its CSR policies on the basis of the new group strategy and its support for the UN's Global Compact's principles. In 2011, DLH will continue along the same route and focus on strengthening the programmes and procedures that support all three policies: the environmental policy, the policy for social and human rights and the policy for business integrity.

As the new group strategy focuses on global distribution, the CSR strategy will primarily address supplier management. During 2010, DLH further developed its Good Supplier Program in order to adjust it to the new strategy and prepare it for the challenges ahead. The intention is to implement the new programme by early 2012.

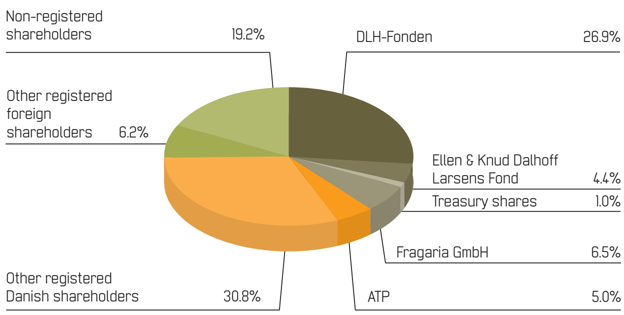
The new EU Illegal Timber Regulation concerning illegal timber, which was adopted in October 2010 and will come into force from March 2013, is a significant step towards eliminating the use of illegally felled timber, and DLH expects the legislation to create a level playing field for responsible companies. DLH intends to continue working with industry organisations and NGOs in relation to supporting private and public procurement policies aimed at promoting the procurement of legal and sustainable timber.

Share capital

DLH's share capital amounts to an aggregate nominal value of DKK 178,554,990 divided into Class B shares with a nominal value of DKK 159,804,990 and Class A shares with a nominal value of DKK DKK 18,750,000. The Class B shares are listed on NASDAQ OMX Copenhagen A/S and are part of the SmallCap segment. The Class A shares are owned by DLH-Fonden and not listed.

According to the articles of association Class A shares carry 10 votes each and Class B shares carry one vote each.

Composition of shareholders at 1 March, 2011



DLH has more than 3,250 shareholders who can be divided as shown above. DLH-Fonden is subject to the same trading restrictions on the company's shares as are imposed on the company and its Supervisory Board.

Share issue

As announced on 7 February, 2011 a rights issue is planned for the purpose of increasing the share capital by minimum DKK 245 milion. The rights issue is described in further detail in the Management's Report and in note 23.

Registered shareholders with a minimum of 5% sharekapital

Domicile	Share of share capital*	Share of Votes*
DLH-Fonden, Philip Heymans Allé 7, Box 191, 2900 Hellerup	26.9%	62.4%
Fragaria GmbH, Vorwerker Str. 31, 27412 Wilstedt, Tyskland	6.5%	3.3%
Arbejdsmarkedets Tillægspension Kongens Vænge 8, 3400 Hillerød	5.0%	2.6%

*) Calculated on the basis of voting registered shareholders at 1 March 2011

Treasury share policy

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

At 31 December, 2010, DLH's portfolio of treasury shares had a total nominal value of DKK 1,821,880 corresponding to 1.02% of the share capital.

Dividend

In view of the Group's business development, the lack of earnings in 2010 and the increasingly difficult access to liquidity in the market, the Supervisory Board recommends to the General Meeting that no dividend be paid for 2010.

DLH – Development in the share price (1 Jan 2010 - 1 March 2011)

The DLH share on the Stock Exchange

At the beginning of 2010, the price of DLH's shares was DKK 18, rising steadily till the beginning of February 2011when it reached DKK 34 and then fell back to DKK 24 on 1 March 2011. Over the year as a whole, the DLH share price increased by 33%. By comparison, the SmallCap segment rose by approx. 3 % during the year.

Despite the rising share price, liquidity in the DLH share decreased, and the DLH shares were traded at value of DKK 0.5 million against DKK 0.6 million the year before.

By the start of 2011, the group had more than 3.250 registered shareholders, corresponding to a fall of 11% compared to the level at the beginning of 2010. The number of registered foreign shareholders fell by 1.0 percentage points to 12.7%.

Investor relations

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

Investor queries

Queries about DLH, its business areas and the annual report should be directed to President & CEO Kent Arentoft. Queries about shareholder matters should be addressed to CFO Peter Thostrup.

Stock brokers monitoring DLH

Danske Equities	Poul Ernst Jessen	Tel: +45 45128048
Nordea Markets	Jakob Hommel-Hansen	Tel: +45 33336386
Enskilda Securities	Steven M. Brooker	Tel: +45 33283306

Key stock exchange announcements in 2010

Announcement	Date
2009 Annual Report - Back to core business	11 March
Notice of Annual General Meeting	18 March
Election for the Supervisory Board	30 March
Chairman's notice from the Annual General Meeting in Dalhoff Larsen & Horneman A/S	9 April
Articles of Associations	9 April
New Chief Financial Officer at Dalhoff Larsen & Horneman A/S	14 April
Satisfactory beginning to year – upward adjustment of earnings expectations for 2010	17 May
DLH divests its purchasing and processing activities in PW Hardwood LCC, USA	10 June
Change in the Supervisory Board of Dalhoff Larsen & Horneman A/S	11 August
Significantly improved profitability and satisfactory revenue growth in the first six months of 2010	25 August
DLH makes DKK 10 million profit on the sale of kiln drying and warehousing facilities in the Netherlands	31 August
DLH obtains DKK 15 million profit on the sale of land, buildings, and other assets in Brazil	27 September
DLH concludes the divestment of its procurement and production companies in Malaysia	10 November
Profit on operations, strong cash flow and additional divestments in the third quarter	17 November
DLH sets new targets in a Go to Market strategy	13 December
DLH sells its production activities in Congo-Brazzaville and Gabon and completes its divestment programme	15 December

Financial Calendar 2011

Tuesday, 8 March	2010 Annual Report
Tuesday, 8 March, at 13:00	Extraordinary General Meeting
Thursday, 28 April, at 17:00	Annual General Meeting
Thursday, 19 May	Interim Report for the three months ended 31 March 2011
Tuesday, 23 August	Interim Report for the six months ended 30 June 2011
Wednesday, 16 November	Interim Report for the nine months ended 31 September 2011

Supervisory Board

The company's Supervisory Board has overall responsibility for the general management of the group while the company's Executive Board is responsible for the daily leadership and the group's operations.

The Supervisory Board's business address is c/o Dalhoff Larsen & Horneman A/S, Skagensgade 66, DK-2630 Taastrup.

In accordance with the company's Articles of Association, the Supervisory Board shall consist of 5-7 members elected by the general meeting and any employee representatives elected in pursuance of the provisions of law to this effect. The employee elected board members have the same rights, obligations and responsibilities as the board members elected by the general meeting. All board members elected at the general meeting are up for election every year while employee elected representatives are elected for four years at a time. Persons who have attained the age of 70 at the time of election are not eligible for re-election to the Supervisory Board. The Supervisory Board establishes its own rules of procedure.

At the time of publication of the 2010 Annual Report, the Supervisory Board consists of 5 members elected by the general meeting and 3 employee elected representatives in accordance with the Companies Act. If the planned rights issue is implemented, the DLH-Fonden will be assigned a statutory right to appoint one board member as long as DLH-Fonden owns at least 10 % of the company's capital.

A proposal has been submitted to elect the Chairman and Vice Chairman of the Supervisory Board at the extraordinary general meeting on 8 March 2011.

The Supervisory Board has not traded in DLH shares during the period 1 March, 2010 to 1 March, 2011. The company is confident that all board members possess the professional and international experience required to perform their obligations as members of the Supervisory Board.

Asbjørn Børsting (Chairman)
Joined the Supervisory Board in 2002
Born: 1955

Positions of trust:
Chairman and member of the Supervisory Board of subsidiaries and associated companies of the DLG group. Member of the Supervisory Board of DLF-Trifolium A/S. Member of the Advisory Board of Representatives for Danske Bank A/S.

Kristian Kolding (Vice Chairman)
Joined the Supervisory Board in 2008
Born: 1947

Positions of trust:
Chairman of the Supervisory Board of Asko Aktieselskab, Alfred Priess A/S, Priess Invest A/S, Nordlux A/S, Nordlux Invest A/S, Gottfred Petersen A/S, Gottfred Pedersen Holding A/S and Incentive Fonden. Member of the Supervisory Board of DLH-Fonden, Daniamant A/S, Daniamant Holding A/S, Daniamant (UK) Ltd., Alex Gundersen Tobacco Aktieselskab, Assens Tobak Aktieselskab, Silkisif Aktieselskab.

Aksel Lauesgaard Nissen
Joined the Supervisory Board in 2007
Born: 1944

Positions of trust:
Member of the Supervisory Board of BRF Kredit A/S and A/S Einar Willumsen. Member of the Board of Representatives of Tryg Danmark smba.

Agnete Raaschou-Nielsen
Joined the Supervisory Board in 2010
Born: 1957

Positions of trust:
Chairman of the Supervisory Board of Brdr. Hartmann A/S and JØP, Vice Chairman of Investeringsforeningen Danske Invest and member of the Supervisory Board of Danske Invest Management A/S and Novozymed A/S.

Erik Søndergaard
Joined the Supervisory Board in 2004
Born: 1945

Positions of trust:
Chairman of the Supervisory Board of FORCE Technology. Member of the Supervisory Board of Dansk Erhvervsinvestering A/S. Member of the Board of Representatives for Nykredit.

Jesper Birkefeldt
Joined the Supervisory Board in 2006
Born: 1965
Procurement coordinator, Global Sourcing
Elected by the group's employees.

Johannes Borglykke Sørensen
Joined the Supervisory Board in 2010
Born: 1974
Head of Department, Europe Trading Hardwood
Elected by the group's employees.

Ann Høy-Thomsen
Joined the Supervisory Board in 2010
Born: 1962
Risk manager
Elected by the group's employees.

Executive Board

Kent Arentoft, President & CEO
Appointed: September 2009
Born: 1962

Positions of trust
Member of the Supervisory Board of Solar A/S, Eksport Kredit Fonden (EKF) and Eksport Kredit Finansiering A/S, Sonion A/S and Xilco A/S.

MANAGEMENT STATEMENT

The Supervisory and Executive Boards have today discussed and approved the annual report of Dalhoff Larsen & Horneman A/S for the financial year 2010. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December, 2010 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December, 2010.

In our opinion, the Management's review gives a fair review of the development in the parent company's and the Group's operations and financial conditions, the results for the year and the parent company's financial position, and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the most significant risks and uncertainty factors that the parent company and the Group face.

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

Høje Taastrup, 8 March, 2011

Executive Board:

Kent Arentoft

Supervisory Board:

Asbjørn Børsting (Chairman)	Kristian Kolding (Vice Chairman)	
Jesper Birkefeldt*	Ann Høy-Thomsen*	Johannes Borglykke Sørensen*
Aksel Lauesgaard Nissen	Agnete Raaschou-Nielsen	Erik Søndergaard

*) Elected by the employees of the group

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dalhoff Larsen & Horneman A/S
We have audited the consolidated financial statements and the parent company financial statements of Dalhoff Larsen & Horneman A/S for the financial year 1 January – 31 December, 2010, pp. 23-86. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements for listed companies and issued a statement in this regard.

Management's responsibility
Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with Danish disclosure requirements for listed companies.

Auditors' responsibility and basis of opinion
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements and the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit did not result in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December, 2010 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December, 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Høje Taastrup, 8 March, 2011

KPMG
Statsautoriseret Revisionspartnerselskab

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

Note	(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
3	Revenue	3,201.6	2,935.9	1,578.8	1,101.3
4	Cost of sales	(2,658.1)	(2,485.7)	(1,401.5)	(1,006.5)
	Gross profit	**543.5**	**450.2**	**177.3**	**94.8**
5	Other operating income	8.9	19.1	6.1	16.9
5	Other operating expenses	(3.1)	(8.8)	(0.3)	(2.4)
6	Other external expenses	(231.0)	(280.8)	(105,1)	(137.7)
7	Other staff costs	(242.7)	(263.0)	(100.0)	(127.7)
	Operating profit(loss) before depreciation and amortisation (EBITDA)	**75.6**	**(83.3)**	**(22.0)**	**(156.1)**
8	Depreciation and amortisation	(26.9)	(31.7)	(7.9)	(13.1)
8	Impairment losses	-	(24.8)	42.7	(75.4)
	Operating profit(loss) (EBIT)	**48.7**	**(139.8)**	**12.8**	**(244.6)**
	Financial items:				
9	Share of profit after tax from investments in joint ventures	-	0.2	-	0.2
10	Financial income	16.1	3.9	48.6	294.9
11	Financial expenses	(82.4)	(84.4)	(106.4)	(83.1)
	Profit(loss) from continuing operations before tax (EBT)	**(17.6)**	**(220.1)**	**(45.0)**	**(32.6)**
12	Tax for the year on the profit(loss) from continuing operations	(4.8)	(39.4)	14.8	(13.4)
	Profit(loss) for the year from continuing operations	**(22.4)**	**(259.5)**	**(30.2)**	**(46.0)**
30	Profit(loss) for the year from discontinued operations	26.0	(492.3)	(3.5)	(464.0)
	Profit(loss) for the year	**3.6**	**(751.8)**	**(26.7)**	**(510.0)**
13	**Earnings per share:**				
	Earnings per share (EPS)	0.21	(42.59)		
	Diluted earnings per share (EPS-D)	0.21	(42.59)		
	Earnings per share (EPS) for continuing operations	(1.27)	(14.70)		
	Earnings per share diluted (EPS-D) for continuing operations	(1.27)	(14.70)		
	Recommended appropriation of profits:				
	Dividend proposed 0% (2009: 0%) per share of DKK 10 each			-	-
	Retained earnings			(26.7)	(510.0)
				(26.7)	(510.0)

(DKK million)	2010	2009
Group		
Profit(loss) for the year	**3.6**	**(751.8)**
Other comprehensive income:		
Foreign currency translation adjustments on conversion of foreign operations	35.1	51.1
Foreign exchange gains on hedging instruments concluded to hedge investments in foreign operations	(50.7)	(11.4)
Foreign currency adjustments transferred to profit(loss), discontinued operations	6.1	-
Value adjustment of hedging instruments:		
Value adjustments for the year	(3.0)	(5.6)
Value adjustments transferred to revenue	0.8	8.7
Value adjustments transferred to cost of sales	-	4.2
Value adjustments transferred to financial items	3.4	-
Actuarial gains or losses on defined benefit plans	(0.6)	3.0
Tax of other comprehensive income	-	(2.3)
Other comprehensive income after tax	(8.9)	47.7
Comprehensive income in total	(5.3)	(704.1)
These may be broken down as follows:		
Comprehensive income for the reporting period, continuing operations	(30.9)	(211.8)
Comprehensive income for the reporting period, discontinued operations	25.6	(492.3)
Parent company		
Profit(loss) for the year	**(26.7)**	**(510.0)**
Other comprehensive income:		
Value adjustment of hedging instruments:		
Value adjustments for the year	0.4	(4.8)
Tax on other comprehensive income	-	1.2
Other comprehensive income after tax	**0.4**	**(3.6)**
Comprehensive income in total	**(26.3)**	**(513.6)**

Note	Assets	Group		Parent company	
	(DKK million)	2010	2009	2010	2009
	Non-current assets:				
14	**Intangible assets:**				
	Goodwill	143.0	132.3	5.9	6.3
	IT projects	0.5	1.0	-	1.0
	Other intangible assets	82.1	85.4	8.9	12.2
		225.6	**218.7**	**14.8**	**19.5**
14	**Property, plant and equipment:**				
	Land and buildings	118.0	139.2	0.2	0.2
	Plant and machinery	6.6	30.1	-	0.1
	Fixtures and fittings, other plant and equipment	16.8	47.1	5.2	8.2
	Property, plant and equipment under construction	0.4	11.3	-	-
		141.8	**227.7**	**5.4**	**8.5**
	Other non-current assets:				
15	Investments in subsidiaries	-	-	513.9	434.9
15	Receivables from group enterprises	-	-	274.8	284.1
9	Investments in joint ventures	-	0.6	-	0.6
16	Other investments and securities	3.7	3.9	3.7	3.7
	Other non-current assets	0.1	0.2	-	-
17	Deferred tax	42.1	16.8	15.1	-
		45.9	**21.5**	**807.5**	**723.3**
	Total non-current assets	**413.3**	**467.9**	**827.7**	**751.3**
	Current assets:				
	Inventories:				
4	Manufactured goods and goods for resale	701.5	984.5	151.2	147.9
	Prepayment for goods	37.4	43.4	19.5	25.5
		738.9	**1,027.9**	**170.7**	**173.4**
	Receivables:				
18	Trade receivables	329.3	392.5	124.4	110.2
15	Receivables from group enterprises	-	-	257.4	435.5
17	Income taxes receivable	13.5	26.1	-	0.3
	Other receivables	44.7	68.3	15.7	5.9
	Prepaid expenses	21.2	19.8	13.2	8.7
		408.7	**506.7**	**410.7**	**560.6**
	Cash	18.2	44.1	1.7	1.4
30	Assets held for sale	414.1	61.7	173.5	0.7
	Total current assets	**1,579.9**	**1,640.4**	**756.6**	**736.1**
	Total assets	**1,993.2**	**2,108.3**	**1,584.3**	**1,487.4**

Note	Liabilities and equity	Group		Parent company	
Note	(DKK million)	2010	2009	2010	2009
	Equity:				
	Share capital	178.6	178.6	178.6	178.6
	Hedging reserve	(3.2)	(4.0)	(3.2)	(3.6)
	Foreign currency translation adjustment reserve	(41.6)	(48.8)	-	-
	Retained earnings	393.7	407.0	319.1	345.8
19	**Total equity**	**527.5**	**532.8**	**494.5**	**520.8**
	Non-current liabilities:				
20	Pensions and similar provisions	11.6	20.9	-	-
17	Deferred tax	31.3	14.9	-	-
21	Provisions	13.8	18.1	13.8	18.1
22	Subordinated loan	55.9	111.6	55.9	111.6
22	Credit institutions	-	3.9	-	-
22	Leasing commitments	0.9	0.8	0.9	0.5
		113.5	**170.2**	**70.6**	**130.2**
	Current liabilities:				
22	Credit institutions	802.8	1,015.2	697.3	706.0
	Trade payables and other payables	220.4	324.0	92.1	95.0
22	Current portion of non-current liabilities	106.4	1.6	106.4	1.4
	Payables to group enterprises	-	-	62.2	11.7
17	Income taxes	10.4	4.3	-	-
21	Provisions	32.8	55.2	15.8	20.7
	Deferred income	2.4	5.0	-	1.6
		1,175.2	**1,405.3**	**973.8**	**836.4**
	Liabilities relating to assets held for sale	177.0	-	45.4	-
	Total liabilities	**1,465.7**	**1,575.5**	**1,089.8**	**966.6**
	Total liabilities and equity	**1,993.2**	**2,108.3**	**1,584.3**	**1,487.4**

	Group		Parent company	
(DKK million)	**2010**	**2009**	**2010**	**2009**
Profit(loss) before tax	(17.6)	(220.1)	(45.0)	(32.6)
Adjustment for non-cash operating items etc.:				
Depreciation, amortisation and impairment losses	26.9	56.5	(34.8)	85.5
Inventory write-downs, (incl. prepayments)	(42.0)	(51.6)	(21.2)	1.0
Provisions for trade receivables	(19.4)	20.4	(5.8)	9.5
Other non-cash operating items, net	(37.3)	3.2	4.4	6.6
Provisions	(8.2)	41.1	(9.2)	38.1
Share of profit(loss) after tax in joint ventures	-	(0.2)	-	(0.2)
Financial income	(16.1)	(3.3)	(48.6)	(294.9)
Financial expenses	82.4	83.7	106.4	83.1
Cash flow from operating activity before change in working capital	(31.3)	(70.3)	(53.8)	(100.9)
Change in working capital:				
Inventories and prepayments	38.4	217.9	19.3	18.6
Trade receivables	(2.5)	72.3	(41.7)	23.1
Trade and other payables	27.0	(30.1)	12.0	183.7
Other operating debt, net	(0.9)	8.4	(46.6)	69.7
Operating cash flow	**30.7**	**198.2**	**(110.8)**	**194.2**
Financial income, paid	16.1	3.1	48.6	294.9
Financial expenses, paid	(67.8)	(68.0)	(91.7)	(84.6)
Income taxes paid/refunded	(1.0)	(14.2)	-	0.1
Cash flow from operating activity	**(22.0)**	**119.1**	**(153.9)**	**404.6**
Acquisition of subsidiaries	(0.2)	-	(0.2)	-
Acquisition of intangible assets	(4.9)	(3.8)	(4.4)	(2.1)
Acquisition of tangible assets	(8.9)	(28.9)	(0.5)	(6.5)
Sale of intangible and tangible assets	4.1	5.7	0.3	1.9
Capital increase in subsidiaries	-	-	(30.6)	(12.3)
Realised foreign exchange gains on hedged net investments denominated in foreign currencies	(49.2)	40.0	-	-
Acquisition/sale of securities	-	(0.6)	-	-
Cash flow from investment activity	**(59.1)**	**12.4**	**(35.4)**	**(19.0)**
Cash flow from operating activity and after investments	**(81.1)**	**131.5**	**(189.3)**	**385.6**

Cash flow statement, continued

	Group		Parent company	
(DKK million)	**2010**	**2009**	**2010**	**2009**
Raising of debt from mortgage credit institutions and servicing of leasing commitment	(0.5)	2.0	(0.5)	1.8
Raising of bank debt	-	592.4	-	592.4
Raising of subordinated loan	**50.0**	**-**	**50.0**	**-**
Repayment of bank debt	(48.1)	(718.8)	(22.3)	(588.5)
Raising/repayment of intra-group accounts, net	-	-	161.9	(391.5)
Acquisition of treasury shares under share buy back programme	-	(3.0)	-	(3.0)
Cash flow from financing activity	**1.4**	**(127.4)**	**189.1**	**(388.8)**
Cash flow from discontinued operations	81.7	(17.7)	0.5	-
Cash flow for the year	**2.0**	**(13.6)**	**0.3**	**(3.2)**
Cash at 1 January	44.1	56.7	1.4	4.6
Of these cash relating to discontinued operations	(30.8)	-	-	-
Foreign currency translation adjustment of cash	2.9	1.0	-	-
Cash at 31 December	18.2	44.1	1.7	1.4

Group

(DKK million)	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2009	**185.8**	**(10.9)**	**(87.0)**	**1,152.0**	**-**	**1,239.9**
Comprehensive income in 2009:						
Profit(loss) for the year	-	-	-	(751.8)	-	(751.8)
Other comprehensive income:						
Foreign currency translation adjustments on conversion of foreign operations	-	-	51.1	-	-	51.1
Foreign exchange gains on hedging instruments concluded to hedge investments in foreign operations	-	-	(11.4)	-	-	(11.4)
Value adjustment of hedging instruments:						
Value adjustment for the year	-	(5.6)	-	-	-	(5.6)
Value adjustment transferred to revenue	-	8.7	-	-	-	8.7
Value adjustment transferred to cost of sales	-	4.2	-	-	-	4.2
Actuarial gains or losses on defined benefit plans	-	-	-	3.0	-	3.0
Tax on other comprehensive income	-	(0.4)	(1.6)	(0.3)	-	(2.3)
Other comprehensive income in total	**-**	**6.9**	**38.1**	**2.7**	**-**	**47.7**
Total comprehensive income in 2009	**-**	**6.9**	**38.1**	**(749.1)**	**-**	**(704.1)**
Transactions with owners:						
Share buy-back programme	-	-	-	(3.0)	-	(3.0)
Capital reduction in connection with share buy-back programme	(7.2)	-	-	7.2	-	-
Total transactions with owners	(7.2)	6.9	38.1	4.2	-	(3.0)
Equity at 31 December 2009	178.6	(4.0)	(48.9)	407.1	-	532.8
Comprehensive income in 2010:						
Profit(loss) for the year	-	-	-	3.6	-	3.6
Other comprehensive income:						
Foreign currency translation adjustments on conversion of foreign operations	-	-	35.1	-	-	35.1
Foreign exchange gains on hedging instruments concluded to hedge investments in foreign operations	-	-	(50.7)	-	-	(50.7)
Foreign currency adjustments transferred to profit(loss), discontinued operations	-	-	6.1	-	-	6.1
Value adjustment of hedging instruments:						
Value adjustment for the year	-	(3.0)	-	-	-	(3.0)
Value adjustment transferred to revenue	-	0.8	-	-	-	0.8
Value adjustment transferred to financial items	-	3.4	-	-	-	3.4
Actuarial gains or losses on defined benefit plans	-	-	-	(0.6)	-	(0.6)
Other comprehensive income in total	**-**	**1.2**	**(9.5)**	**(0.6)**	**-**	**(8.9)**
Total comprehensive income in 2010	**-**	**1.2**	**(9.5)**	**3.0**	**-**	**(5.3)**
Reclassification	-	(0.4)	16.8	(16.4)	-	-
Equity at 31 December 2010	**178.6**	**(3.2)**	**(41.6)**	**393.7**	**-**	**527.5**

Parent company

(DKK million)	Share capital	Hedging reserve	Trans-lation reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2009	**185.8**	**-**	**-**	**851.6**	**-**	**1,037.4**
Comprehensive income in 2009:						
Profit(loss) for the year	-	-	-	(510.0)	-	(510.0)
Other comprehensive income:						
Value adjustment of hedging instruments:						
Value adjustment for the year	-	(4.8)	-	-	-	(4.8)
Tax on other comprehensive income	-	1,2	-	-	-	1,2
Other comprehensive income in total	**-**	**(3.6)**	**-**	**-**	**-**	**(3.6)**
Total comprehensive income in 2009	**-**	**(3.6)**	**-**	**(510.0)**	**-**	**(513.6)**
Transactions with owners:						
Share buy-back programme	-	-	-	(3.0)	-	(3.0)
Capital reduction in connection with share buy-back programme	(7.2)	-	-	7.2	-	-
Total transactions with owners	**(7.2)**	**-**	**-**	**4.2**	**-**	**(3.0)**
Equity at 31 December 2009	**178.6**	**(3.6)**	**-**	**345.8**	**-**	**520.8**
Comprehensive income in 2010:						
Profit(loss) for the year	-	-	-	(26.7)	-	(26.7)
Other comprehensive income:						
Value adjustment of hedging instruments:						
Value adjustment for the year	-	0.4	-	-	-	0.4
Total comprehensive income in 2010	**-**	**0.4**	**-**	**(26.7)**	**-**	**0.4**
Equity at 31 December 2010	**178.6**	**(3.2)**	**-**	**319.1**	**-**	**494.5**

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1 Accounting policies

Dalhoff Larsen & Horneman A/S is a limited liability company domiciled in Denmark. The annual report for the period 1 January to 31 December, 2010 consists of the consolidated financial statements of Dalhoff Larsen & Horneman A/S and its subsidiaries (the DLH Group) and the annual report of the parent company.

The 2010 Annual Report of Dalhoff Larsen & Horneman A/S has been prepared in accordance with International Financial Reporting Standards as approved by the EU and Danish disclosure requirements for annual reports of listed companies. In addition, the annual report is in compliance with the International Financial Reporting Standards issued by the IASB.

The supervisory and executive boards reviewed and adopted the 2010 Annual Report of Dalhoff Larsen & Horneman A/S on 8 March, 2011. The annual report will be submitted for approval by the company's shareholders at the extraordinary general meeting to be held on 28 April, 2011.

Basis of preparation

The annual report is presented in Danish Kroner which is the parent companys functional currency, in amounts rounded to the nearest million with one decimal point. The annual report was prepared under the historical cost convention, except for the following assets and liabilities, which were measured at their fair values: derivatives, financial instruments held for trading and financial instruments classified as held for sale. Non-current assets or disposal groups held for sale are measured at their carrying amounts prior to the change in classification or at their fair values less selling costs, whichever is the lower. The accounting policies outlined below have been applied consistently during the financial year, also with respect to comparative figures. With respect to accounting standards that will be implemented prospectively, comparative figures are not restated. Since the standards and interpretations have had no impact on the balance sheet total at 1 January 2009 and corresponding notes, they have not been included.

Change in accounting policies

With effect from 1 January 2010 Dalhoff Larsen & Horneman A/S has implemented the following financial reporting standards:

- IFRS 3 (updated 2008): business combinations;
- Amendments to IAS 27 (updated 2008): Consolidated and separate financial statements;
- Further amendments to IAS 39: Financial instruments: Recognition and measurement and IFRIC 9: Reassessment of embedded derivatives;
- Further amendments to IAS 32: Financial instruments: Presentation;
- Amendments to IFRS 2: group cash-settled share-based payment transactions;
- Further amendments to IFRS 1: First-time adoption of IFRS;
- Partial implementation of Improvements to IFRS of May 2008 with effective date 1 July 2009;
- Improvements to IFRS, April 2009;
- IFRIC 17 Distribution of non-cash assets to owners;
- IFRIC 18 Transfers of assets from customers.

IFRIC 18 ('Transfers of assets from customers') and parts of Improvements to IFRS's April 2009 were approved in the EU with an effective date that was different from the corresponding IFRIC issued by the IASB. To comply with the effective date of the IASB, thenDLH Group therefore implemented this IFRIC early, i.e. at 1 January 2010.

For the DLH Group, IFRS 3 (2008) and IAS 27 (2007) apply to transactions completed on or after 1 January 2010. The financial reporting standards contain a number of new provisions, the most important of which are as follows:

- Option with regard to the recognition of goodwill related to minority interests' share of the acquired business. The choice will be made on an ad hoc basis, transaction by transaction.
- Acquisition costs and changes to the conditional purchase consideration are recognised directly in the income statement.
- Clarification of the requirement to separate intangible assets acquired.
- In the case of step-by-step acquisitions, the value of previously held shares will be adjusted to their fair values directly in the income statement.
- Gains and losses on the sale of shares that result in the loss of control will be recognised in the income statement. At the same time, any shares still held by the said entity will be re-measured at their fair values, and the value adjustment will be recognised in the income statement.
- Minority shares acquired or sold without the loss of control will be recognised directly in equity.

The new financial reporting standards and interpretations had no impact on recognition and measurement in 2010.

Consolidated financial statements

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

When determining if Dalhoff Larsen & Horneman A/S has control or joint control over an entity, potential voting rights that can be exercised at the balance sheet date are taken into consideration.

Please refer to page 86 for the group chart.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared according to the DLH Group's accounting policies, eliminating intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on transactions between the consolidated entities. Unrealised gains on transactions with joint ventures are eliminated in proportion to the DLH Group's ownership share of the entity. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

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

Business combinations

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

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

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

Any positive differences (goodwill) between the purchase consideration for the entity acquired and the fair values of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under the heading of intangible assets. Goodwill is not amortised, but is tested for impairment at least once a year. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating entities that subsequently form the basis of the impairment test. On initial recognition, goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the DLH Group's financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

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

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

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

Foreign currency translation

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

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

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

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

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

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

Upon disposal of fully owned entities, the portion of the accumulated foreign currency adjustment that has been taken directly to equity under the heading of other comprehensive income and that is attributable to the entity will be taken from the 'foreign currency translation reserve' and charged to the income statement together with any gains or losses incurred on disposal.

Upon disposal of joint ventures, wholly or in part, the proportional share of the accumulated foreign currency translation reserve that has been recognised under the heading of other comprehensive income will be reclassified and included in the profit or loss for the period under review.

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

Derivative financial instruments
Derivative financial instruments are recognised at fair value in the balance sheet from the transaction date. Positive or negative fair values of derivative financial instruments are included in other receivables, trade payables and other debt, respectively, and positive or negative values are only set off if the entity has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are determined on the basis of current market data and generally accepted methods of measurement.

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

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

Cash flow hedges
Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of future cash flows are recognised, under a separate hedging reserve in equity, until the hedged cash flows have an impact on the income statement. Once there is an impact on the income statement, gains or losses incidental to such hedging transactions are transferred from equity and recognised in the same item as the hedged item. If a hedging instrument no longer qualifies for hedge accounting, the hedging relationship will cease prospectively. The accumulated change in value recognised in equity will be transferred to the income statement when the hedged cash flows affect the income statement.

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

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

Net investment hedges
Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or joint ventures that are effective hedges of currency fluctuations in the entities in question are recognised directly in equity, under the heading of a separate foreign currency translation reserve, in the consolidated financial statements.

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

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

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

INCOME STATEMENT

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

Revenue is measured at the fair value of the agreed consideration exclusive of value added tax and taxes charged on behalf of a third party. All discounts granted are recognised in revenue.

Cost of sales
Cost of sales comprises costs incurred to generate the revenue for the year. Trading entities recognise cost of sales, and production entities recognise production costs corresponding to the revenue for the year. The item includes direct and indirect costs of raw materials, auxiliary materials, wages and salaries.

Other operating income and expenses
Other operating income and expenses comprise items secondary to the operations of the entities, including gains and losses on the disposal and replacement of intangible assets and tangible assets. Gains and losses on the disposal of intangible assets and tangible assetsare determined as the selling price less selling costs and the carrying amount at the selling date.

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

Distribution expenses include expenses incidental to the distribution of goods sold during the year and expenses incidental to sales campaigns, promotions, etc. launched during the year. Costs relating to sales staff, advertising and exhibitions are included in this item.

Administrative expenses include expenses incurred during the year for management and administration, including expenses incurred for administrative personnel and premises as well as office expenses. Write-down charges relating to trade receivables are also included.

Share of profit after tax in joint ventures
The proportional share of the profit after tax in joint ventures and after elimination of the proportional share of internal gains or losses is recognised in the consolidated income statement of the DLH Group.

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

Costs incidental to funds borrowed as a general pool or loans that are directly attributable to the acquisition, construction or production of qualifying assets form part of the cost of that asset.

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

Tax on profit for the year
Tax for the year consists of current tax and changes in deferred tax. The amount attributable to the profit for the year is recognised in the income statement whereas the amount attributable to items recognised directly in equity is taken to equity.

If the DLH Group obtains a tax deduction on computation of the taxable income in Denmark or abroad as a result of share-based payment schemes, the tax effect of the schemes is recognised in the tax on the profit for the year. If the total tax deduction exceeds the total accounting cost, the tax effect of the excess deduction is recognised directly in equity.

BALANCE SHEET

Intangible assets

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

The carrying amount of goodwill is allocated to the DLH Group's cash-generating entities at the acquisition date. The identification of cash-generating entities is based on the management structure and internal financial control. Due to the integration of acquired entities into the existing group and the existence of segment managers in each of the group's reporting segments, management estimates that the smallest cash-generating entities to which the carrying amount of goodwill can be allocated are the commercial divisions Sales, Trading, Forestry and Production.

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

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

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

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

Other intangible assets
Other intangible assets, including intangible assets acquired in connection with business combinations, covering certification costs, forest concessions and the value of customer relations, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight line basis over the expected useful life of the asset. The amortisation period is usually 5 to 15 years. The basis of amortisation is calculated less any impairment losses.

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

Tangible assets
Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

If the useful lives of the individual components of an aggregate asset differ, the cost is divided into separate components that are depreciated separately.

Depreciation on tangible assets is charged on a straight-line basis over the expected useful lives of the assets/components. They are as follows:

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

Land is not depreciated.

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

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

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

Other non-current assets

Investments in joint ventures

In the consolidated financial statements, investments in joint ventures are measured under the equity method, measuring the investment at the proportional share of the entity's equity in the balance sheet, determined in accordance with the DLH Group's accounting policies, deducting or adding any proportional share of unrealised intra-group gains or losses and adding any added values from acquisitions, including goodwill. If there is an indication of impairment of investment in the joint ventures, an impairment test is performed.

Joint ventures with a negative carrying amount are measured at zero value. Where the group has an actual or constructive obligation to cover the loss of a joint venture, such obligation will be recognised under liabilities.

Receivables from joint ventures are measured at amortised cost. Bad debts are written down.

Newly acquired investments in joint ventures are recognised according to the purchase method; for details please refer to the description of business combinations.

Investments in subsidiaries

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

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

Other investments and securities

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

Impairment of non-current assets

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

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

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

The carrying amount of other non-current assets is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the asset's fair value less expected selling costs or its value in use, whichever is the higher. The value in use is calculated as the present value of expected future net cash flows from the asset or the cash-generating entity of which the asset is part.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating entity exceeds the recoverable amount of the asset or the cash-generating entity. Impairment losses are recognised in the income statement under depreciation and amortisation.

However, impairment losses on goodwill are shown on a separate line in the income statement.Impairment losses on goodwill are not reversed. Impairment losses on other assets are only reversed in connection with changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation, had the asset not been impaired.

Inventories

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

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

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

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

Receivables
Receivables are measured at amortised cost. Receivables are written down to provide for losses where there is objective evidence of impairment. If there is objective evidence of impairment in a specific receivable, a specific impairment provision will be made.

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

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

EQUITY

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

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

Treasury share reserve
Costs of acquisition and disposal and dividends received from treasury shares are recognised directly under the heading of retained earnings in equity. A reduction in capital achieved by means of an annulment of the company's treasury shares reduces the share capital by an amount corresponding to the nominal value of the shares.

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

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

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

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

EMPLOYEE BENEFITS

Pension schemes and similar non-current liabilities
The DLH Group has pension commitments and similar agreements with a considerable number of employees in the DLH Group.

Regular payments to independent pension funds by the DLH Group under defined contribution plans are recognised in the income statement in the period earned, whereas amounts due at the balance sheet date are recognised under other payables in the balance sheet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions
Provisions are recognised when, as a result of events arising before or at the balance sheet date, the DLH Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

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

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

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

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

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

Financial liabilities
Amounts owed to credit institutions etc. are recognised at the date of borrowing as the net proceeds received less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the 'effective rate of interest method' in order that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan. Financial liabilities also include the capitalised residual commitment under finance leases, measured at amortised cost. Other financial liabilities are measured at amortised cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance leases are considered non-cash transactions.

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

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

Cash and cash equivalents include cash.

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

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

Segment information

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

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

Non-current assets within the segment comprise non-current assets that are used directly in the operations of the segment, including intangible assets and tangible assets. Current assets within the segment comprise non-current assets that are used directly in the operations of the segment, including inventories, trade debtors, other debtors, prepaid costs and cash.

Segment liabilities include liabilities incurred in the operations of the segment, including suppliers of goods and services and other debt.

Financial ratios

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

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

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

2 Material accounting estimates and assessments

Estimation uncertainty

The carrying amounts of certain assets and liabilities are determined on the basis of assessments, estimates and assumptions with respect to future events. The estimates and assumptions applied are based on past experience and other factors, which are deemed sound by management in the circumstances, but which by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. As a result of the risks and uncertainties to which the DLH Group is exposed, actual results may deviate from the estimates. The notes disclose assumptions for the future and other estimation uncertainties at the balance sheet date where there is a considerable risk of changes being made that may lead to a significant adjustment in the carrying amounts of assets or liabilities within the next financial year. Estimates may have to be changed as a result of a change in the circumstances on which they were originally based or on account of new information or subsequent events.

The above mentioned risks and uncertainties materialised to a significant degree for the DLH Group in 2008, 2009 and 2010. Since the beginning of the global financial crisis in 2008 the DLH Group's markets and financing terms have changed dramatically, and this in turn has considerably increased the uncertainty surrounding the accounting estimates made. Dramatically declining revenue and contribution margins as well as the resulting organisational changes and their impact on financial covenants in bank loan agreements have called for considerable adjustments in the previous estimates.

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

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

Capital

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

Please refer to note 23 for more detailed information on loan agreements, terms and conditions, and credit risk.

The financing agreement with the bank consortium contains a number of financial and non-financial covenants. The financial covenants are dependent on the company's operating and cash budgets as well as strategy plans for the term of the agreement.

The covenants in the financing agreement depend to a great extent on whether the planned capital injection and merger of the company's two share classes (A and B) are carried out. If the capital injection and merger of share classes go forward as planned, the bank agreement will continue in force until March 2014. If the capital injection and share class merger do not go ahead as planned, the bank agreement will terminate on 31 March 2012.

In both scenarios there are a number of financial covenants calculated on the basis of EBITDA, NIBD, net financial income and expenses, investments and equity ratio.

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

The agreement further stipulates that, if the capital increase and merger of share classes cannot be carried out, DLH must submit a plan for divestment of activities for the repayment of debt under the agreement upon its expiry on 31 March 2012.

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

Management also takes the view that any divestments that may be necessary if it proves impossible to increase capital and merge share classes will be at the carrying amounts applicable at 31 December 2010.

It is the opinion of the supervisory and executive boards that the company's cash resources are adequate in the light of the planned capital increase, the agreed credit limits and covenants, and the budgets and plans for 2011.

2 Material accounting estimates and assessments (continued)

Non-strategic activities to be phased out
At the beginning of 2010, the DLH Group adopted a new strategy, focusing on its wholesale business and completely phasing out forestry and manufacturing. Forestry and production activities were to be discontinued altogether.

The assets, which included land, rolling stock, sawmill machinery and drying kilns, inventories, receivables and other working capital, were recognised in the 2009 annual report at their estimated net realisable value. On account of the difficult market conditions for the sale of such assets, management's estimates and assessments of the net realisable values are subject to a great deal of uncertainty.

In line with its strategy, the DLH Group sold off forestry and production companies and activities in 2010. Divested activities include companies in Malaysia, Switzerland and Africa as well as land, machinery, plant and inventories in companies in the US and Holland.

Gains and losses resulting from these divestments are recognised under the heading of discontinued activities in the 2010 income statement. Write-downs to the estimated net realisable value from 2009 had a major impact on the magnitude of gains and losses in 2010.

Gains and losses on divested companies and activities are described in greater detail in note 30.

The remaining forestry and production activities include land in Sweden, Poland, Brazil and Denmark. The land is recognised under the heading of assets held for sale at the expected realisation value. The relevant estimates are based on valuations from real property agents and management estimates with respect to the possibility of letting or leasing the property. These estimates and the recognised net realisable values are subject to a great deal of uncertainty. Assets held for sale are described in greater detail in note 30.

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

The activities that the DLH Group is still in the process of divesting include a number of contractual obligations that were loss-making at 31 December 2010: they include staff that have been given notice of termination and non-terminable security in leases. These obligations are recognised as provisions or debt based on management's estimate of future net payments, which may be subject to considerable uncertainty.

Breakdown of accounting items into continuing and discontinued activities
Divested forestry and production activities are classified as discontinued activities in the income statement, and they primarily comprise production companies in Malaysia, Africa, Holland and the US.

As a natural consequence of these divestments, the company has decided to sell off activities relating to the sale of timber from its own forestry and production facilities in England and Germany. It has also proved necessary to discontinue functions and systems that are directly related to the servicing of forestry and production. The breakdown into continuing and discontinued activities of income and expenses relating to these sales and service functions and systems is based on management estimates.

Please refer to note 30 for further description and specification of discontinued activities.

Goodwill impairment test
During the annual goodwill impairment test or whenever impairment of goodwill is deemed to be necessary, an estimate will be made of the capacity of those parts of the business to which the goodwill is attached (the cash generating units) to generate sufficient cash inflows in future to support the value of the goodwill and other net assets in that part of the business. Due to the nature of the business, the projected cash flows have to be estimated for many years into the future, which would naturally imply some uncertainty. The uncertainty is reflected in the discount rate applied.

In future, the DLH Group will concentrate on its wholesale business, and the main uncertainty related to the company's impairment test is that of estimating revenues and contribution margins in the various markets and group entities.

For details on the impairment test and related sensitive factors please refer to note 14.

2 Material accounting estimates and assessments (continued)

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

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

Inventories
The estimation uncertainty involving inventories relates to the write-down to the net realisable value. The need to write down inventories and the uncertainty involving the estimation of the net realisable value was considerably greater in 2008 and 2009 as a result of declining revenues and selling prices, which were stabilised in 2010.

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

Inventories are written down in accordance with the group's general write-down policy, and are also subject to an individual assessment with a view to ascertaining potential losses due to obsolescence, poor quality and market trends. Part of the group's recognised inventories consists of prepayments to suppliers. When determining the net realisable value of inventories the need to write down prepayments is assessed where it is unlikely that the group will derive benefit from the prepayments in the form of goods from suppliers.

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

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

Please refer to note 18 for details on the assessment of credit quality and the need to write down trade receivables.

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

On account on the financial crisis and the resulting great uncertainty of estimating future income and thus taxable income, the recognition of tax assets in the individual units is subject to a great deal of uncertainty. Due to the greater uncertainty the DLH Group has written down previously recognised assets in 2009. The amounts written down were more or less maintained in 2010. For further particulars on recognised tax assets please refer to note 17.

Furthermore, a great deal of uncertainty is related to the recognition of the re-taxation liability in Denmark concerning subsidiaries that used to be jointly taxed with the group. Please refer to note 25 on contingent liabilities for details of this uncertainty.

3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to Executive Management and the Supervisory Board.

Activities - primary segment
For management reporting purposes, the group operates in two global business segments based on different business areas:

Sales
In the Sales business area, the group serves its industrial customers, do-it-yourself builders' markets and, to a lesser degree, retail, all from its own warehouses. Most of the revenue is generated in Europe, but there are also activities in Russia and the US. The business area generated DKK 2.2 billion in revenue in 2010. which corresponds to 69% of group revenue. The revenue generated by Sales is 9% higher than 2009.

Trading
In the Trading business area, the group is taking advantage of its sourcing and logistics skills to make back-to-back agreements involving large consignments of hardwood and sheet materials. The Trading business area realised DKK 1.0 billion in 2010, representing 31% of group revenue. Revenue generated by Trading was 8% above 2009.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit consistent with the consolidated financial statements. Group financing (including financial income and financial expenses) and income taxes are managed on a group basis and are not allocated to operating segments.

Costs have been split between business segments based on a specific allocation with the addition of a minor number of corporate overheads allocated systematically to the segments. Other operating income has been allocated to the two segments based on the same principle. Segment assets comprise the assets that are applied directly to the activities of the segment, including intangible assets, property, plant and equipment, non-current and financial assets, inventories, trade receivables and other receivables.

No single customer represents more than 10% of the total revenue.

Activities

	Sales		Trading		Not allocated incl. Parent Company		Group elimination		Continuing operations		Discontinued operations		Group elimination		Group Total	
(DKK million)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	2,496.0	2,112.2	1,042.2	926.7	-	31.6	-	-	3,538.2	3,070.5	892.9	890.2	(648.8)	(312.4)	3,782.3	3,648.3
Intra-group revenue	(275.0)	(82.3)	(61.6)	(20.7)	-	(31.6)	-	-	(336.6)	(134.6)	(312.2)	(177.8)	648.8	312.4	-	-
Revenue to external customers	2,221.0	2,029.9	980.6	906.0	-	-	-	-	3,201.6	2,935.9	580.7	712.4	-	-	3,782.3	3,648.3
Gross profit	422.7	305.5	95.8	78.5	11.5	99.2	13.5	(33.0)	543.5	450.2	90.8	(93.0)	-	-	634.3	357.2
Operating profit(loss) before depreciation and amortisation (EBITDA)	86.1	(95.8)	21.4	3.0	(29.3)	4.5	(2.6)	5.0	75.6	(83.3)	(10.2)	(269.2)	-	-	65.4	(352.5)
Depreciation and amortisation	(20.7)	(40.8)	(0.1)	(0.7)	(5.6)	(15.1)	(0.5)	0.1	(26.9)	(56.5)	38.2	(199.6)	-	-	11.3	(256.1)
Operating profit (EBIT)	65.4	(136.6)	21.3	2.3	(34.9)	(10.6)	(3.1)	5.1	48.7	(139.8)	28.0	(468.8)	-	-	76.7	(608.6)
Profit before tax (EBT)	31.6	(164.4)	13.4	(9.0)	(61.1)	(58.9)	(1.5)	12.2	(17.6)	(220.1)	15.0	(493.6)	-	-	(2.6)	(713.7)
Segment assets	1,358.9	1,334.3	198.4	226.1	539.6	385.0	(517.8)	(463.2)	1,579.1	1,482.2	414.1	626.1	-	-	1,993.2	2,108.3

Geography

	Revenue		Assets		Capital expenditure	
(DKK million)	2010	2009	2010	2009	2010	2009
Denmark	417.7	395.8	313.7	413.5	3.3	8.6
Western Europe	797.9	1,311.9	949.5	846.8	6.0	8.4
USA	228.8	200.2	135.0	124.7	1.0	4.3
Emerging markets *)	1,757.2	1,028.0	180.9	97.2	2.3	11.7
Continuing operations	3,201.6	2,935.9	1,579.1	1,482.2	12.6	33.0
Discontinued operations **)	580.7	712.4	414.1	626.1	19.9	21.5
Group total	3,782.3	3,648.3	1,993.2	2,108.3	32.5	54.5

*) Emerging markets include Far and Middle East, South Africa and Eastern Europe.

**) Discontinued operations relate to Forestry and Production activities.

	(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
4	**Cost of sales:**				
	Inventories at 1 January	984.5	1,414.4	147.9	177.1
	Inventories at 1 January, discontinued operations	(317.5)	(773.0)	(4.7)	(6.5)
	Inventories at 1 January, continuing operations	667.0	641.4	143.2	170.6
	Purchased supplies	2,554.3	2,290.1	1,405.6	833.8
	Freight, customs duty, waste, etc.	138.3	221.4	3.9	145.3
	Inventories at 31 December	(852.1)	(984.5)	(151.2)	(147.9)
	hereof inventories at 31 December, discontinued operations	150.6	317.5	-	4.7
	Cost of sales	2,658.1	2,485.9	1,405.1	1,006.5
	Total write-downs of inventories at 1 January	320.4	204.3	30.2	30.0
	Total write-downs of inventories at 1 January, discontinued operations	(198.1)	-	-	-
	Total write-downs of inventories at 1 January, continuing operations	122.3	204.3	30.2	30.0
	Write-downs during the year	38.2	205.8	4.7	10.4
	Reversals of write-downs during the year	(75.5)	(89.7)	(26.0)	(10.2)
	Total write-downs of inventories at 31 December	85.0	320.4	8.9	30.2

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

	Inventories consist of the following categories:	Group 2010	Group 2009	Parent company 2010	Parent company 2009
	Raw materials	48.8	70.0	-	-
	Work in progress	12.0	20.7	-	-
	Manufactured goods and goods for resale	765.9	852.9	151.2	147.9
	Spare parts and consumables	25.4	40.9	-	-
	Assets held for sale	(150.6)	-	-	-
	Total inventories	701.5	984.5	151.2	147.9
5	**Other operating income:**				
	Proceeds from the sale of property, plant and equipment	-	2.3	-	0.6
	Invoicing of Intra-group services	-	-	1.4	4.9
	Other operating income	8.9	16.8	4.7	11.4
		8.9	19.1	6.1	16.9
	Other operating expenses:				
	Losses on sale of property, plant and equipment	-	(1.3)	(0.3)	-
	Other operating expenses	(3.1)	(7.5)	-	(2.4)
		(3.1)	(8.8)	(0.3)	(2.4)

	(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
6	**Other external expenses:**				
	Write-down to market value of trade receivables recognised in the income statement	(24.4)	24.3	(5.8)	10.0
	Losses incurred on trade receivables	10.8	4.2	2.1	(0.6)
	Credit insurance and similar expenses	7.8	4.4	2.9	1.2
	Total credit expenses	(5.8)	32.9	(0.8)	10.6
	Other sales expenses	38.6	43.3	16.5	19.0
	Total sales expenses	32.8	76.2	15.7	29.6
	Distribution expenses	59.2	48.1	0.8	3.5
	Administrative expenses	139.0	156.5	88.6	104.6
		231.0	280.8	105.1	137.7
	Fees to auditors appointed at the annual general meeting:				
	KPMG:				
	Statutory audit	1.5	1.6	1.5	1.6
	Audit-related services	-	0.1	-	0.1
	Tax advisory services	0.4	0.6	0.4	0.6
	Other services	1.8	1.2	1.8	1.2
		3.7	3.5	3.7	3.5
7	**Staff costs:**				
	Salaries and wages	330.8	376.9	92.1	128.2
	Defined contribution plans, cf. note 20	12.2	13.5	6.7	8.0
	Defined benefit plans, cf. note 20	3.5	6.8	-	-
	Other social security costs, net of refunds	27.3	45.5	(0.6)	(0.9)
		373.8	442.7	98.2	135.3
	Staff costs have been recognised under the following headings:				
	Staff costs related to production, continuing operations	6.7	13.2	(9.5)	3.9
	Staff costs related to production, discontinued operations	56.0	73.5	-	-
	Other staff costs, continuing operations	242.7	263.0	100.0	127.7
	Other staff costs, discontinued operations	68.4	93.0	7.7	3.7
		373.8	442.7	98.2	135.3
	Number of employees on average for the year	2,083	3,064	259	280
	Number of these employed in discontinued operations	(1,367)	(2,272)		
	Number of these employed in continuing operations	716	792		

7 Staff costs (continued)

Remuneration to the supervisory board, management and executives:

	Group and Parent company					
	2010			2009		
(DKK million)	Supervisory board of parent company	Executive board of parent company	Other executives	Supervisory board of parent company	Executive board of parent company	Other executives
Salaries	1.7	4.5	11.1	1.8	5.1	10.3
Bonus schemes	-	-	0.1	-	-	0.1
Pensions	-	-	0.1	-	-	-
	1.7	4.5	11.3	1.8	5.1	10.4

'Other executives' is defined as the group management excluding the executive board. In addition to the executive board, group management consists of five executive vice presidents, employed by the parent company, but costs are carried by their respective regions. Expenses to other executives in 2010 include severance pay to one executive vice president. The notice period for executive vice presidents is one year.

The executive board and the other members of group management have been participating in a revolving share option scheme since 2002. At 31 December 2010, the scheme comprised a total of 146,738 share options. Each share option entitles its holder to acquire one existing Class B share at the nominal price of DKK 10 in the company. If all share options are exercised, the share option scheme grants participants the right to acquire up to 1% of the share capital. The company has repurchased a number of shares equal to this commitment.

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

The fair values as of 31. December 2010 of issued, but not exercised, share options amounted to DKK 0 million for the executive board and DKK 0.05 million for the other members of group management, and DKK 0.19 million for resigned employees.

The present chief executive officer holds no share options.

The options were issued at a strike price calculated on the basis of the market price for the company's Class B shares at the time of allotment. The options can only be settled in shares. Considering DLH's profit trends, the group decided to suspend the allotment of options for the executive board and other members of group management in the period from 1 April 2009 to 31 March 2010 without compensation. The suspension continued in the period from 1 April 2010 to 31 March 2011. Previously allocated share options will not be affected by the above suspension, but will apply on the existing terms as described above.

The supervisory board has decided to abolish the existing option scheme at 31 March 2011. Unexercised options can still be exercised, but no additional options will be allotted under the scheme. The supervisory board will discuss and review the future management remuneration policy in the course of 2011.

7 Staff costs (continued)

Allotted share options 2005 - 2008:

	Allotment rate	Executive board[1]	Other executives[1]	Resigned employees	Total share options	Fair value per option [2]	Total fair value [2]
	DKK	number	number	number	number	DKK	tDKK
Share options allotted for 2005	49	-	7,320	58,550	65,870	0.5	33
Share options allotted for 2006	112	-	2,790	25,090	27,880	0.4	11
Share options allotted for 2007	110	-	2,023	18,207	20,230	1.6	32
Share options allotted for 2008	75	-	8,934	23,824	32,758	4.9	162
Total outstanding share options		-	21,067	125,671	146,738		

Share options:

	Executive board[1]	Other executives[1]	Resigned employees	Total share options	Average exercise price per option	Fair value per option [2]	Total fair value [2]
	number	number	number	number	DKK	DKK	tDKK
Number of share options, allotted at the beginning of 2009	106,975	46,947	24,266	178,188	-	-	-
Exercised 2009	-	-	-	-	-	-	-
Expired, unused share options in 2009	(31,450)	-	-	(31,450)	-	-	-
Transferred to resigned employees	(75,525)	(9,280)	84,805	-	-	-	-
Outstanding at the year end 2009	-	37,667	109,071	146,738	-	-	-
Transferred to resigned employees	-	(16,600)	16,600	-	-	-	-
Outstanding at the year end 2010	-	21,067	125,671	146,738	-	-	-
Numbers of share options that may be excercised at year-end 2010	-	12,133	101,847	113,980	-	-	-
Hereof "in the money"	-	-	-	-			

1) Employed at 31 December 2010

2) At time of allotment

Resigned employees includes both formet Executive board and other employees, hereof Carsten Vindnæs, former CFO who resigned at 1 May 2010. No options were exercised in 2010. The fair value of share options was DKK 0.24 million in 2010. The fair values determined on allotment are based on the Black Scholes model for the pricing of options, which does not take into account any early exercise of the option.

The assumptions for the determination of the fair values of outstanding share options at the time of allotment are as follows:

	2010	2009
Share price (DKK)	30.7	16.5
Exercise price (DKK) indexed at 3% p.a.	85.0	82.5
Expected volatility	59%	53%
Dividend rate	2.4%	1.5%
Risk free interest rate	3.0%	3.4%

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

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
8 Depreciation, amortisation and impairment losses				
Depreciation and amortisation:				
Other intangible assets	13.8	17.0	5.8	10.4
Intangible assets	13.8	17.0	5.8	10.4
Land and buildings	17.0	28.8	-	-
Plant and machinery	23.0	24.6	-	0.1
Fixtures and fittings, other plant and equipment	26.6	37.0	2.1	2.6
Tangible assets	66.6	90.4	2.1	2.7
	80.4	107.4	7.9	13.1
Of these, depreciation and amortisation relating to discontinued operations	(53.5)	(75.7)	-	-
Total depreciation and amortisation	26.9	31.7	7.9	13.1
Impairment losses:				
Goodwill	3.9	31.6	-	-
Other intangible impairment losses	1.0	4.8	2.8	3.0
Intangible impairment losses	4.9	36.4	2.8	3.0
Land and buildings	(46.6)	56.2	-	-
Plant and machinery	(12.3)	18.1	-	-
Fixtures and fittings, other plant and equipment	(37.7)	38.0	-	-
Tangible impairment losses	(96.6)	112.3	-	-
Investment in subsidiaries	-	-	(80.2)	457.6
Long-term receivables from group enterprises	-	-	69.1	-
Financial impairment losses	-	-	(11.1)	457.6
Short-term receivables from group enterprises	-	-	(61.2)	76.3
Of these impairment losses relating to discontinued operations	91.7	(123.9)	26.8	(461.5)
Total impairment losses	-	24.8	(42.7)	75.4

Please refer to note 30 for information on the reversal of impairment losses on tangible assets.

For the 2009 financial year the group's equity investments in African activities were written down in the amount of DKK 461.5 million to provide for anticipated operating losses. The equity investment was recognised under discontinued operations in 2010, and an amount of DKK 29.6 million was reversed to ensure that the measurement corresponds to the net realisable value. Furthermore, out of the amounts written down in previous years, DKK 50.6 million was reversed in 2010 as a result of rising revenues in the continuing entities. The reversal was made on the basis of impairment tests, which were in turn based on the budgets for the next four years, approved by management.

Receivables from the entities that have been sold or that will be sold in 2011 were written down in 2009 to provide for anticipated losses. Part of the write-down charge was reversed in 2010 so that the receivable is now recognised at the realised or expected net realisable value.

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
9 Share of profit(loss) after tax and investment in joint ventures:				
Cost at 1 January	1.8	1.8	1.8	1.8
Disposals	(1.8)	-	(1.8)	-
Cost at 31 December	-	1.8	-	1.8
Adjustments at 1 January	(1.2)	(1.4)	(1.2)	(1.4)
Share of profit(loss) for the year	-	0.2	-	0.2
Disposals	1.2	-	1.2	-
Adjustments at 31 December	-	(1.2)	-	(1.2)
Carrying amount at 31 December	-	0.6	-	0.6

Investments in joint ventures only included a 50% ownership share in Indochina Wood Limited, a company incorporated in the British Virgin Islands having as its sole object the control of the Vietnamese company, Indochina Wood Co. Ltd., which distributes timber and timber-based products in Vietnam. The investment has been measured according to the equity method. The joint venture partner's share of the remaining 50% of the company has been taken over by the DLH Group during 2010, since when the company has been a fully consolidated subsidiary.

	Indochina Wood Ltd. 2010	Indochina Wood Ltd. 2009	DLH Group's share 2010	DLH Group's share 2009
Revenue	-	21.5	-	-
Profit(loss)	-	0.4	-	0.2
Current assets	-	3.5	-	-
Equity	-	1.2	-	0.6
Current liabilities	-	2.3	-	-

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
10 Financial income:				
Interest income from group enterprises on long-term loans	-	-	11.8	9.3
Interest income from group enterprises	-	-	19.0	17.4
Foreign currency gains	-	-	4.2	-
Interest income, cash etc	16.1	3.9	4.4	4.4
Dividend from subsidiaries	-	-	9.2	263.8
Total	16.1	3.9	48.6	294.9
11 Financial expenses:				
Interest paid to group enterprises	-	-	(0.8)	(0.5)
Foreign currency losses	(17.9)	(18.1)	-	(7.7)
Interest paid to credit institutions etc.	(64.5)	(66.3)	(105.6)	(74.9)
Total	(82.4)	(84.4)	(106.4)	(83.1)

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
12 Tax on profit for the year:				
Tax for the year may be broken down as follows:				
Tax on profit for continuing operations	4.8	39.4	(14.8)	13.4
Tax on other comprehensive income	-	2.3	-	(1.2)
Tax relating to discontinued operations	11.9	(1.3)	-	(0.9)
	16.7	40.4	(14.8)	11.3
Tax on profit for the year for the continuing operations may be broken down as follows:				
Current tax	16.0	(2.2)	-	-
Deferred tax	(12.1)	44.2	(15.1)	17.3
Adjustment of tax for previous years	0.9	(2.6)	0.3	(3.9)
	4.8	39.4	(14.8)	13.4
Computation of effective tax rate:				
Calculated 25% tax on profit(loss) for the year	(4.4)	(55.0)	(11.3)	(8.2)
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	1.6	38.3	-	-
Adjustment of non-capitalized tax losses	9.1	54.9	4.2	84.1
Tax effect of:				
Non-taxable income	(15.9)	(3.7)	(10.7)	(66.0)
Non-tax deductible expenses	13.5	7.5	2.7	5.4
Tax adjustment relating to previous years	0.9	(2.6)	0.3	(3.9)
	4.8	39.4	(14.8)	13.4
Effective tax rate	(27.3%)	(17.9%)	32.9%	(41.1%)

Tax of other comprehensive income:

Group

(DKK million)	2010 Before tax	2010 Tax income/ expense	2010 After tax	2009 Before tax	2009 Tax income/ expense	2009 After tax
Foreign currency translation adjustments on conversion of foreign operations	35.1	-	35.1	51.1	-	51.1
Value adjustment on hedging instruments	(44.7)	-	(44.7)	(11.4)	3.1	(8.3)
Actuarial gains or losses on defined benefit plans	(0.5)	-	(0.5)	3.0	(0.8)	2.2
	(10.1)	-	(10.1)	42.7	2.3	45.0

Parent company

(DKK million)	2010 Before tax	2010 Tax income/ expense	2010 After tax	2009 Before tax	2009 Tax income/ expense	2009 After tax
Value adjustment on hedging instruments	0.4	-	0.4	4.8	(1.2)	3.6
	0.4	-	0.4	4.8	(1.2)	3.6

For 2010 no tax asset on other comprehensive income was recognised since it would presumably not be utilised within the foreseeable future.

(DKK million)	Group 2010	Group 2009
13 Earnings per share:		
Profit for the year	3.6	(751.8)
Profit for the year, discontinued operations	(26.0)	(492.3)
Profit for the year, continuing operations	(22.4)	(259.5)

(Number 1,000)	2010	2009
Average number of shares issued	17,855	18,325
Average number of treasury shares	(182)	(182)
Average number of repurchased shares	-	(491)
Average number of shares in issue	17,673	17,652
Average dilution effect of outstanding options	-	-
Average number of share in issue after dilution	17,673	17,652

(DKK)	2010	2009
Earnings per share (EPS) of DKK 10	0.21	(42.59)
Earnings per share diluted (EPS-D) of DKK 10	0.21	(42.59)
Earnings per share (EPS) of DKK 10 for continuing operations	(1.27)	(14.70)
Earnings per share diluted (EPS-D) of DKK 10 for continuing operations	(1.27)	(14.70)

14 Intangible assets and property, plant and equipment:

Group

(DKK million)	Goodwill	IT projects	Other intangible assets	Total intangible assets
Cost at 1 January 2009	152.0	49.9	138.3	340.2
Foreign currency translation adjustment	13.3	-	8.0	21.3
Reclassifications	(1.4)	(23.4)	34.2	9.4
Additions during the year	-	2.1	1.6	3.7
Disposals during the year	-	(27.6)	(1.6)	(29.2)
Transferred to assets held for sale	-	-	(2.0)	(2.0)
Cost at 31 December 2009	163.9	1.0	178.5	343.4
Depreciation and amortisation at 1 January 2009	-	32.7	61.3	94.0
Foreign currency translation adjustment	-	-	2.0	2.0
Reclassifications	-	(5.1)	10.7	5.6
Depreciation and amortisation for the year	-	-	17.0	17.0
Impairment losses for the year	31.6	-	4.8	36.4
Reversal of depreciation and amortisation on assets sold	-	(27.6)	(1.6)	(29.2)
Transferred to assets held for sale	-	-	(1.1)	(1.1)
Depreciation, amortisation and impairment losses at 31 December 2009	31.6	-	93.1	124.7
Carrying amount at 31 December 2009	132.3	1.0	85.4	218.7

(DKK million)	Goodwill	IT projects	Other intangible assets	Total intangible assets
Cost at 1 January 2010	163.9	1.0	178.5	343.4
Foreign currency translation adjustment	17.3	-	9.0	26.3
Reclassifications	-	(3.9)	3.9	-
Additions during the year	-	3.4	1.5	4.9
Disposals during the year	(9.1)	-	(0.3)	(9.4)
Transferred to assets held for sale	(5.7)	-	(61.8)	(67.5)
Cost at 31 December 2010	166.4	0.5	130.8	297.7
Depreciation and amortisation at 1 January 2010	31.6	-	93.1	124.7
Foreign currency translation adjustment	2.7	-	1.5	4.2
Depreciation and amortisation for the year	-	-	13.8	13.8
Impairment losses for the year	3.9	-	2.8	6.7
Reversal of depreciation and amortisation on assets sold	(9.1)	-	(0.1)	(9.2)
Reversal of impairment losses	-	-	(1.8)	(1.8)
Transferred to assets held for sale	(5.7)	-	(60.6)	(66.3)
Depreciation, amortisation and impairment losses at 31 December 2010	23.4	-	48.7	72.1
Carrying amount at 31 December 2010	143.0	0.5	82.1	225.6
Additions and disposals, continued business:				
Additions during the year	-	3.4	1.5	4.9
Disposals during the year	-	-	(4.2)	(4.2)

The carrying amount of assets under finance leases amounted to DKK 0.7 million at 31 December 2010 (2009: DKK 0 million).

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

Parent company

(DKK million)	Goodwill	IT projects	Other intangible assets	Total intangible assets
Cost at 1 January 2009	6.3	49.9	10.0	66.2
Reclassifications	-	(23.4)	23.7	0.3
Additions during the year	-	2.1	-	2.1
Disposals during the year	-	(27.6)	(1.6)	(29.2)
Cost at 31 December 2009	6.3	1.0	32.1	39.4
Depreciation and amortisation at 1 January 2009	-	32.7	2.5	35.2
Reclassifications	-	(5.1)	5.6	0.5
Depreciation and amortisation for the year	-	-	10.4	10.4
Impairment losses for the year	-	-	3.0	3.0
Reversal of depreciation and amortisation on assets sold	-	(27.6)	(1.6)	(29.2)
Depreciation, amortisation and impairment losses at 31 December 2009	-	-	19.9	19.9
Carrying amount at 31 December 2009	6.3	1.0	12.2	19.5

(DKK million)	Goodwill	IT projects	Other intangible assets	Total intangible assets
Cost at 1 January 2010	6.3	1.0	32.1	39.4
Reclassifications	-	(3.9)	3.9	-
Additions during the year	-	2.9	1.5	4.4
Disposals during the year	(0.4)	-	(0.2)	(0.6)
Disposals during the year on asset held for sale	-	-	(2.8)	(2.8)
Cost at 31 December 2010	5.9	-	34.5	40.4
Depreciation and amortisation at 1 January 2010	-	-	19.9	19.9
Reclassifications	-	-	(0.1)	(0.1)
Depreciation and amortisation for the year	-	-	5.8	5.8
Impairment losses for the year	-	-	2.8	2.8
Disposals during the year on assets held for sale	-	-	(2.8)	(2.8)
Depreciation, amortisation and impairment losses at 31 December 2010	-	-	25.6	25.6
Carrying amount at 31 December 2010	5.9	-	8.9	14.8

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

Group

(DKK million)	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost at 1 January 2009	341.4	193.0	225.0	23.8	783.2
Foreign currency translation adjustment	8.9	9.3	2.8	0.1	21.1
Reclassifications	0.4	(1.3)	(7.7)	(0.8)	(9.4)
Additions during the year	25.7	8.8	15.6	1.4	51.5
Disposals during the year	(4.5)	(20.2)	(67.2)	(0.1)	(92.0)
Transferred to assets held for sale	(68.4)	(41.0)	(7.7)	-	(117.1)
Cost at 31 December 2009	303.5	148.6	160.8	24.4	637.3
Depreciation and amortisation at 1 January 2009	105.1	112.6	124.2	-	341.9
Foreign currency translation adjustment	3.1	4.5	1.1	-	8.7
Reclassifications	0.2	(0.5)	(5.3)	-	(5.6)
Depreciation and amortisation for the year	28.8	24.6	37.0	-	90.4
Impairment losses for the year	56.2	18.1	24.9	13.1	112.3
Reversal of depreciation and amortisation on assets sold	(2.2)	(16.7)	(62.9)	-	(81.8)
Disposals during the year on assets held for sale	(26.9)	(24.1)	(5.3)	-	(56.3)
Depreciation, amortisation and impairment losses at 31 December 2009	164.3	118.5	113.7	13.1	409.6
Carrying amount at 31 December 2009	**139.2**	**30.1**	**47.1**	**11.3**	**227.7**

(DKK million)	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost at 1 January 2010	303.5	148.6	160.8	24.4	637.3
Foreign currency translation adjustment	13.6	2.9	5.2	0.5	22.2
Reclassifications	4.5	12.8	2.0	(19.3)	-
Additions during the year	12.9	3.9	10.9	1.0	28.7
Disposals during the year	(65.4)	(34.7)	(52.5)	-	(152.6)
Disposals during the year on assets held for sale	(119.8)	(120.5)	(74.7)	(6.2)	(321.2)
Cost at 31 December 2010	149.3	13.0	51.7	0.4	214.4
Depreciation and amortisation at 1 January 2010	164.3	118.5	113.7	13.1	409.6
Foreign currency translation adjustment	2.3	1.0	3.2	-	6.5
Depreciation and amortisation for the year	17.0	23.0	26.6	-	66.6
Reversal of depreciation and amortisation on assets sold	(33.4)	(24.1)	(44.3)	-	(101.8)
Reversal of impairment losses	(56.2)	(18.1)	(24.9)	(13.1)	(112.3)
Disposals during the year on assets held for sale	(62.7)	(93.9)	(39.4)	-	(196.0)
Depreciation, amortisation and impairment losses at 31 December 2010	31.3	6.4	34.9	-	72.6
Carrying amount at 31 December 2010	**118.0**	**6.6**	**16.8**	**0.4**	**141.8**
Additions and disposals, continued business:					
Additions during the year	5.6	0.5	2.5	0.3	8.9
Disposals during the year	(0.1)	(0.3)	(6.0)	-	(6.4)

The carrying amount of assets under finance leases for continuing operations amounted to DKK 0.7 million at 31 December 2010 (2009: DKK 0 million).

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

Parent company

(DKK million)	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost at 1 January 2009	2.1	16.1	49.3	-	67.5
Reclassifications	-	(0.1)	(3.5)	-	(3.6)
Additions during the year	-	-	6.5	-	6.5
Disposals during the year	(1.1)	(9.8)	(31.4)	-	(42.3)
Disposals during the year on assets held for sale	(0.7)	-	-	-	(0.7)
Cost at 31 December 2009	0.3	6.2	20.9	-	27.4
Depreciation and amortisation at 1 January 2009	1.2	15.7	43.0	-	59.9
Reclassifications	-	1.1	(3.7)	-	(2.6)
Depreciation and amortisation for the year	-	0.1	2.6	-	2.7
Reversal of depreciation and amortisation on assets sold	(1.1)	(10.8)	(29.2)	-	(41.1)
Depreciation and amortisation at 31 December 2009	0.1	6.1	12.7	-	18.9
Carrying amount at 31 December 2009	**0.2**	**0.1**	**8.2**	**-**	**8.5**

(DKK million)	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost at 1 January 2010	0.3	6.2	20.9	-	27.4
Additions during the year	-	-	0.5	-	0.5
Disposals during the year	-	(4.6)	(9.7)	-	(14.3)
Cost at 31 December 2010	0.3	1.6	11.7	-	13.6
Depreciation and amortisation at 1 January 2010	0.1	6.1	12.7	-	18.9
Depreciation and amortisation for the year	-	-	2.1	-	2.1
Reversal of depreciation and amortisation on assets sold	-	(4.5)	(8.3)	-	(12.8)
Depreciation and amortisation at 31 December 2010	0.1	1.6	6.5	-	8.2
Carrying amount at 31 December 2010	**0.2**	**-**	**5.2**	**-**	**5.4**

The carrying amount of assets under finance leases for continuing operations amounted to DKK 0.7 million at 31 December 2010 (2009: DKK 0 million).

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

Impairment test
From the begining of 2010 the DLH Group's activities have been divided into strategic units allocated to six regions, comprising:

- Sourcing
- Sales divided into the regions USA, Russia, Europe and the Nordic countries
- Trading

Impairment test for strategic activities
Management has carried out an impairment test of the carrying amount of goodwill within the strategic cash generating units at 31 December 2010.

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

(million DKK)	2010	2009
Global Sourcing and Trading	5.9	5.9
Sales Region USA	1.3	1.2
Sales Region Europe	6.5	10.1
Sales Region Nordic	129.3	114.0
Activities to be phased out	-	1.1
	143.0	132.3

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

The increase in goodwill in Sales Region USA and Sales Region Nordic is attributable to foreign exchange rate changes. The decline in goodwill in Sales Region Europe is due to an amount of DKK 3.9 million being reclassified as assets held for sale.

Calculation of recoverable amount and assumptions
The recoverable amount is based on the value in use, which has been determined by applying the expected cash flows for the years 2011-2015. The expected cash flows for the years 2011-2014 have been calculated on the basis of the budgets for the years in question, which have been approved by management. For the year 2015 the expected cash flows have been determined by means of a mathematical projection of the budget for 2014 based on the assumption of stable growth rates at 2% p.a.

The terminal value after 2015, for all units, has been determined as 2015 with growth at the rate of 2% p.a.

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

The activities of Global Sourcing and the group's overheads are evenly distributed among the other five cash generating units within Sales and Trading.

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

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

Details of the assumptions for the material units to which goodwill is attached are outlined below.

Sales Region Nordic
For Sales Region Nordic revenue of DKK 1,185 million is expected in 2011, which is an increase of 17 % compared to 2010. This increase is a result of strategic actions included in the budget. For 2015 revenue of DKK 1,495 million is expected.

The EBIT margin is expected to rise from 2.2% in 2010 to 2.5% in 2011 and finally to 6.4% in 2015.

The expected cash flows have been discounted at a pre-tax discount rate of 9.8% (2009: 8.8%). The tax rate applied is 27.1% (2009: 27.1%) and the discount rate after tax is 7.5% (2009: 6.9%) p.a.

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

Parent company

(DKK million)	**2010**	**2009**
15 Investments in group enterprises:		
Cost at 1 January	1,282.2	1,269.9
Additions	177.4	12.3
Disposals	(22.9)	-
Transferred to assets held for sale	(655.1)	-
Cost at 31 December	781.6	1,282.2
Impairment losses 1 January	847.3	389.7
Reversed	(116.1)	-
Additions	35.9	457.6
Disposals	(22.9)	-
Transferred to assets held for sale	(476.5)	-
Impairment losses 31 December	267.7	847.3
Carrying amount at 31 December	**513.9**	**434.9**

Investments in subsidiaries at 31 December 2010 include the companies listed on page 86 under "Legal Structure"

	Non current		**Current**	
(DKK million)	**2010**	**2009**	**2010**	**2009**
Receivables from group enterprises:				
Cost at 1 January	284.1	280.7	511.8	511.8
Foreign currency translation adjustment	7.6	3.4	-	-
Additions	52.2	-	-	-
Disposals	-	-	(239.3)	-
Cost at 31December	343.9	284.1	272.5	511.8
Impairment losses 1 January	-	-	76.3	76.3
Reversed	-	-	(70.6)	-
Additions	69.1	-	9.4	-
Cost at 31December	69.1	-	15.1	76.3
Carrying amount at 31 December	**274.8**	**284.1**	**257.4**	**435.5**

	Group		**Parent company**	
(DKK million)	**2010**	**2009**	**2010**	**2009**
16 Other investments and securities:				
Carrying amount at 1 January	3.9	3.8	3.7	3.7
Foreign currency translation adjustment	(0.2)	0.1	-	-
Carrying amount at 31 December	**3.7**	**3.9**	**3.7**	**3.7**

Investments include a 5.6% ownership share in a forestry project in Brazil. Investments have been measured at cost as there is either no well-functioning market in place for these or the negotiability of the underlying shares is otherwise limited.

Carrying amount for the Group's forest project Pataua in Brazil is DKK 0 million (2009: DKK 0 million).

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
17 Tax in the balance sheet:				
Tax receivable (income taxes due) at 1 January	21.8	11.5	0.3	1.4
Foreign currency translation adjustment	1.7	3.2	-	-
Current tax for the year	(16.0)	(2.7)	-	-
Adjustment of tax for previous years	(0.9)	(5.7)	(0.3)	3.9
Transferred to liabilities relating to assets held for sale	(4.5)	-	-	-
Paid (refund of) income taxes for the year	1.0	15.5	-	(5.0)
Tax receivables (income taxes due) at 31 December	3.1	21.8	-	0.3
Consists of:				
Tax receivable	13.5	26.1	-	0.3
Income taxes due	(10.4)	(4.3)	-	-
	3.1	21.8	-	0.3
Deferred tax, net asset/(net liability):				
Deferred tax at 1 January	1.9	44.2	-	15.3
Foreign currency translation adjustment	(0.3)	1.2	-	(16.5)
Deferred tax for the year recognised in the profit for the year	12.1	(41.2)	15.1	-
Deferred tax for the year recognised in other comprehensive income	-	(2.3)	-	1.2
Transferred to liabilities relating to assets held for sale	(3.5)	-	-	-
Deferred tax at 31 December	10.8	1.9	15.1	-
Consists of:				
Deferred tax asset	42.1	16.8	15.1	-
Deferred tax liability	(31.3)	(14.9)	-	-
	10.8	1.9	15.1	-
Deferred tax relates to:				
Intangible assets	0.4	(0.4)	-	-
Property, plant and equipment	(9.5)	16.3	12.8	-
Current assets	3.9	25.7	2.3	-
Provisions	(3.8)	(13.4)	-	-
Other liabilities	3.7	(33.4)	-	-
Tax losses carried forward (capitalised)	16.1	7.1	-	-
	10.8	1.9	15.1	-
Deferred tax assets not recognized in the balance sheet relate to:				
Temporary differences	13.0	23.6	13.0	23.7
Tax losses	90.9	153.5	85.5	70.6
	103.9	177.1	98.5	94.3

No provision is made for contingent tax relating to the retaxation liability arising in respect of the Brazilian subsidiary, please refer to note 25 on Contingent liabilities.

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

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

17 **Tax in the balance sheet (continued)**

Movements in temporary differences during the year:

Group (DKK million)	Balance sheet 1 January 2009	Foreign currency translation adjustment	Recognised in the income statement	Recognised to liabilities in net equity	Trans-ferred re. assets held for sale	Balance sheet 31 December 2009
Intangible assets	(27.5)	(0.8)	26.3	-	-	(0.4)
Property, plant and equipment	-	0.5	15.8	-	-	16.3
Current assets	15.7	0.4	11.9	(2.3)	-	25.7
Provisions	0.2	(0.4)	(13.2)	-	-	(13.4)
Other liabilities	(5.3)	(0.8)	(27.3)	-	-	(33.4)
Tax losses carried forward	61.1	0.7	(54.7)	-	-	7.1
	44.2	1.2	(41.2)	(2.3)	-	1.9

Movements in temporary differences during the year:

Group (DKK million)	Balance sheet 1 January 2010	Foreign currency translation adjustment	Recognised in the income statement	Recognised to liabilities in net equity	Trans-ferred re. assets held for sale	Balance sheet 31 December 2010
Intangible assets	(0.4)	0.4	1.3	-	(0.9)	0.4
Property, plant and equipment	16.3	-	(24.3)	-	(1.5)	(9.5)
Current assets	25.7	(0.1)	(20.6)	-	(1.1)	3.9
Provisions	(13.4)	-	9.6	-	-	(3.8)
Other liabilities	(33.4)	-	37.1	-	-	3.7
Tax losses carried forward	7.1	-	9.0	-	-	16.1
	1.9	0.3	12.1	-	(3.5)	10.8

		Group		Parent company	
	(DKK million)	**2010**	**2009**	**2010**	**2009**
18	**Receivables:**				
	Trade receivables	**356.9**	**392.5**	**124.4**	**110.2**
	Transferred to assets held for sale	(27.6)	-	-	-
		329.3	392.5	124.4	110.2
	Write-downs included in the above receivables have developed as follows:				
	Write-down at 1 January	38.8	15.4	14.7	5.2
	Write-down at 1 January, discontinued activity	(4.2)	-	-	-
	Write-down at 1 January, continuing activity	34.6	15.4	14.7	5.2
	Write-downs for the year	4.9	27.6	2.8	10.9
	Realised during the year	(2.8)	(1.1)	(1.9)	(0.1)
	Reversed	(21.5)	(2.4)	(6.7)	(1.3)
	Foreign currency translation adjustment	0.3	(0.7)	-	-
	Write-down at 31 December	15.5	38.8	8.9	14.7

19 Equity

Share capital in the group and the parent company

	Shares issued			
	Number of shares (nominal value DKK 10 each)		Nominal value (DKK million)	
	2010	2009	2010	2009
Class A shares at 1 January to 31 December	1,875,000	1,875,000	18.8	18.8
Class B shares at 1 January	15,980,499	16,703,476	159.8	167.0
Reduction of share capital	-	(722,977)	-	(7.2)
Class B shares at 31 December	15,980,499	15,980,499	159.8	159.8
Total Class A and Class B shares 31 December	17,855,499	17,855,499	178.6	178.6

In the period from 26 May 2008 till 1 March 2009 DLH implemented a share buy-back programme covering the repurchase of 722,977 shares in total for the price of DKK 36.8 million. At the annual general meeting, shareholders passed a resolution to reduce the company's Class B share capital by an amount corresponding to the value of the repurchased shares. The capital reduction itself was implemented and registered in the month of August 2009.

No capital increases have been effected over the past three years.

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

	Number of shares		Nominal value (DKK'000)		Percentage of share capital	
	2010	2009	2010	2009	2010	2009
Portfolio of treasury shares:						
Balance at 1 January	182,188	789,380	1,822	7,894	1.0%	4.4%
Purchase to cover option scheme	-	115,785	-	1,158	-	0.6%
Applied for reduction of share capital	-	(722,977)	-	(7,230)	-	(4.0%)
Treasury share at 31 December	182,188	182,188	1,822	1,822	1.0%	1.0%

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

The authority is needed to acquire treasury shares with a view to covering the company's obligations under the incentive scheme set up for group management, and it is also part of the share buy-back programme, which was, however, terminated in March 2009. In 2009, 115,785 shares were acquired at the average price of DKK 26.1 per share, corresponding to a total purchase sum of DKK 3.0 million.

By comparison, in 2008, 644,192 shares were acquired at the average price of DKK 56.7 per share, corresponding to a total purchase sum of DKK 36.5 million.

The company's equity has been reduced by an amount corresponding to the value of the shares.

20 **Pensions and similar liabilities**

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

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

The pension liability of the parent company and the other Danish entities are insured. The majority of the foreign entities' pension liabilities are also insured. In a few foreign entities in which the liabilities are not insured or only insured in part, the liability is recognised at the present value at the balance sheet date, based on an actuarial calculation. In the consolidated financial statements DKK 11.6 million have been recognised under liabilities (2009: DKK 20.9 million) relating to the group's committments to existing and former employees after making a deduction for the corresponding plan assets.

Pensions and similar liabilities relate to continuing operations only.

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

(DKK million)	**2010**	**2009**
Defined contribution plans	12.2	13.5
Defined benefit plans	3.5	6.8
	15.7	20.3
Present value of defined benefit plans	(16.9)	(72.1)
Fair value of pension assets	5.3	51.2
Net liability recognised in the balance sheet	**(11.6)**	**(20.9)**
Development in present value of defined benefit liability:		
Liability at 1 January	72.1	80.1
Foreign currency translation adjustment	1.6	2.8
Pension costs relating to the current financial year	0.7	7.7
Calculated interest relating to liability	1.0	2.6
Actuarial (gains)/losses	(0.4)	0.7
Pensions paid out	(1.7)	(22.0)
Transferred to liabilities relating to assets held for sale	(54.9)	-
Other adjustments	(1.5)	0.2
Liability at 31 December	**16.9**	**72.1**
Development in fair value of pensions assets:		
Pensions assets af 1 January	51.2	53.1
Foreign currency translations adjustments	-	1.5
Expected return on pension assets	0.2	2.5
Actuarial gains/(losses)	(0.2)	2.2
Paid in by the DLH Group	0.6	3.9
Pensions paid out	-	(11.9)
Additions from acquisitions	(46.5)	-
Other adjustments	-	(0.1)
Pension assets at 31 December	**5.3**	**51.2**

20 Pensions and similar liabilities (continued)

(DKK million)	**2010**	**2009**
Pension cost recognised in the income statement:		
Pension cost relating to the current financial year	0.7	7.7
Calculated interest relating to liability	1.0	2.6
Expected return on pension assets	(0.2)	(2.5)
Other costs	2.0	(1.0)
Total recognised for the defined benefit plans	3.5	6.8
Total recognised for the defined contribution plans	12.2	13.5
Total recognised in the income statement	15.7	20.3
Pensions costs recognised in the income statement:		
Pension costs incidental to production	0.1	1.5
Other staff costs	15.6	18.8
	15.7	20.3
In the statement of comprehensive incomethe following accumulated actuarial gains/(losses) have been recognised:		
Accumulated actuarial gains/(losses) at 1 January	(1.9)	(3.1)
Foreign currency translations adjustments	0.4	(0.3)
Actuarial gains (losses) for the year	(0.6)	1.5
Accumulated actuarial gains/(losses) at 31 December	(2.1)	(1.9)
Pensions assets can be divided as follows:		
Securities	-	15.0
Cash and cash equivalents	-	26.1
Other assets	5.3	10.1
Total pension assets	5.3	51.2
Return on pension assets:		
Actual return on pension assets	0.2	4.7
Expected return on pension assets	(0.2)	(2.5)
Actuarial gains/(losses) on pension assets	-	2.2

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

The group expects to pay DKK 0 million on defined benefit plans in 2011.

20 Pensions and similar liabilities (continued)

The individual companies, apart from the companies in Africa, have made actuarial calculations at the balance sheet date. The underlaying assumptions are:

	Sweden		Belgium		Switzerland		Norway	
	2010	2009	2010	2009	2010	2009	2010	2009
Discount rate	4.00%	4.00%	4.50%	5.00%		3.25%	4.00%	4.40%
Expected rate of return on pension plan assets	-	-	4.00%	4.25%		4.50%	5.40%	5.60%
Future rate of increase in salaries and wages	2.00%	3.10%	3.00%	3.00%		1.00%	4.00%	4.25%

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

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

	2010	**2009**	**2008**	**2007**	**2006**
Pension liabilities based on actuarial calculation	(16.9)	(72.1)	(80.1)	(82.0)	(64.8)
Pension plan assets	5.3	51.2	53.1	55.8	53.6
Funding surplus / (funding deficit)	(11.6)	(20.9)	(27.0)	(26.2)	(11.2)
Expectation adjustments relating to pension liabiities	-	-	3.6	(0.5)	-
Expectation adjustments relating to pension assets	-	0.7	(4.8)	(0.7)	-

21 Provisions

In 2006 the group vacated the parent company's property in Gadstrup. In 2010 provisions of DKK 1.1 million (2009: DKK 1.1 million) were made to cover any costs incidental to claims that the purchaser of the property might subsequently raise.

The group's Russian company is the subject of a tax audit in respect of the years 2005-2008. Due to the uncertainties surrounding previous tax payments in Russia, the group has decided to make provisions of DKK 2.5 million (2009: DKK 2.7 million) for potential additional tax payments.

In 2009 the group made provisions totalling DKK 67.9 million to cover the costs of the restructuring measures implemented by the group at that time. Of this amount, DKK 25.4 million was spent in 2010. In addition, an amount of DKK 21.9 million was recognised under the item of 'discontinued operations'. Additional restructuring measures were implemented in 2010. The group has set aside an amount of DKK 21.7 million to cover the costs incidental to these restructuring measures.

The group has made provisions for DKK 1.9 million (2009: 1.5 million) to cover other minor cases in Denmark, Norway and the Ivory Coast.

	Group		**Parent company**	
(DKK million)	**2010**	**2009**	**2010**	**2009**
Provisions:				
Provisions at 1 January	73.3	6.0	38.8	0.7
Provisions at 1 January, discontinued operations	(21.9)	-	-	-
Provisions at 1 January, continuing operations	51.4	6.0	38.8	0.7
Provisions made for the year	21.7	69.4	8.9	38.1
Paid costs	(25.4)	(2.1)	(18.1)	-
Reversed	(1.1)	-	-	-
Provisions at 31 December	**46.6**	**73.3**	**29.6**	**38.8**
The provisions are expected to fall due as:				
Current liabilities	32.8	55.2	15.8	20.7
Non-current liabilities	13.8	18.1	13.8	18.1
Provisions at 31 December	**46.6**	**73.3**	**29.6**	**38.8**

	Group		Parent company	
(DKK million)	**2010**	**2009**	**2010**	**2009**
22 Long-term loans:				
Loans to credit institutions:				
Subordinated loan	161.8	111.6	161.8	111.6
Credit institutions	802.8	1,019.1	697.3	706.0
Leasing commitments	1.4	2.4	1.4	1.9
Total	966.0	1,133.1	860.5	819.5
Long-term loans:				
Subordinated loan	55.9	111.6	55.9	111.6
Credit institutions	-	3.9	-	-
Leasing commitments	0.9	0.8	0.9	0.5
Total	56.8	116.3	56.8	112.1
Portfolio falling due within one year:				
Subordinated loan	105.9	-	105.9	-
Credit institutions	802.8	1,015.2	697.3	706.0
Leasing commitments	0.5	1.6	0.5	1.4
Total	909.2	1,016.8	803.7	707.4

The balance of the funds deposited in an escrow account until February 2013 as collateral for any claims that may arise in connection with the disposal of the Building Materials Division in 2008, amounting to DKK 20 million, has been offset against the item 'debt to credit institutions'. The funds may be released at the request of DLH in return for a bank guarantee with corresponding cover and term. Furthermore, the balance of the DKK 40 million deposited in an escrow account as part payment in connection with DLH's sale of land and buildings in Brazil in September 2010, has also been offset. The group expects the funds to be released in the first quarter of 2011.

In connection with the acquisition of the tt Timber Group in 2006 the vendor provided DKK 112 million (EUR 15 million) of the purchase price as a subordinated loan in Dalhoff Larsen & Horneman A/S. The loan term is ten years, and following refinancing in March 2010, the loan is instalment-free until 2011 at which time DKK 56 million is converted in connection with a share issue provided that the issue, which is scheduled for the first half of 2011, is carried out. The loan carries interest at the rate of the DLH Group's annual return on equity after tax, but not lower than 6% p.a. and not higher than 8 % p.a.

The vendor originally provided a DKK 112 million guarantee (EUR 15 million) for losses due to political matters or unrest in Congo-Brazzaville. The guarantee sum, which was reduced to half the amount in 2008 and lapsed completely in 2010, was secured on the subordinated loan.

In connection with the refinancing in March 2010 it was agreed that the company's majority shareholders, DLH Fonden, and Ellen Knud Dalhoff Larsens Fond, were to provide subordinated loans of DKK 40 million and DKK 10 million respectively to consolidate the company's capital base. The loans carry interest at the rate of 9% p.a. and will be repaid in connection with the new issue of shares scheduled for the first half of 2011, if the issue goes ahead.

In order to hedge the interest risks the group has entered a number of interest swap contracts, please refer to note 23.

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

	2010			2009		
	Minimum lease payments	Interest element	Present value	Minimum lease payments	Interest element	Present value
0-1 år	0.5	-	0.5	1.6	-	1.6
1-5 år	0.9	(0.1)	0.8	0.8	(0.1)	0.7
> 5 år	-	-	-	-	-	-
	1.4	(0.1)	1.3	2.4	(0.1)	2.3

The group's finance leases primarily relate to forklift trucks. The carrying amount of leased assets is DKK 0.7 million.

23 Financial risk and financial instruments

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

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

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

A clear majority of DLH's financial risk management is handled by DLH's intra-group bank. Financial risk is mainly hedged through forward exchange contracts and interest rate swaps. The intra-group bank operates according to firm policies determined by the supervisory board.

The DLH Group does not actively speculate in financial risk. Financial risk management is thus only concerned with the management and reduction of financial risk that is directly related to the DLH Group's operations, investments and financing. DLH's net investments in subsidiaries abroad are hedged unless the costs incurred are deemed to considerably exceed the risk of losses. Investments denominated in Euro are not hedged. Euro is considered the DLH Group's functional currency with regard to major investments in Western and Central Africa and with regard to the company's investment in Switzerland. These investments have been disposed of with effect from January 2011. With the exception of the Brazilian Real and Russian Rouble (which were hedged periodically), other major investments denominated in foreign currencies were hedged in 2010. With this in mind, and because the value for tax purposes of the foreign currency hedging is not usually recognised in the actual hedging contract, our foreign currency policy may result in adjustments in equity.

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

There have been no significant changes in the group's risk exposure or risk management since last year. DLH's disposal of direct investments in Congo, Gabon, Malaysia and, to some extent, the USA, a.o., will reduce the group's risk exposure in future.

Financial assets and liabilities
The carrying amount of financial assets and liabilities corresponded to the fair value at the balance sheet date. At year-end 2010 the carrying amount of debt to credit institutions was DKK 637.6 million while the fair value was DKK 662.9 million.

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

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

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

The companies that use the group's central ERP-system (GTS) hedge their foreign currency transactions directly with the intra-group bank, while it is up to group entities using local systems to contact the intra-group bank with a view to hedging the foreign currency risk related to purchasing and selling in currencies other than the company's functional currency. Goods purchased to keep in stock are hedged/translated into the functional currency when confirming the purchase contract or, at the very latest, on receipt of the goods. With respect to goods sold, these are hedged once the customer has accepted the sales contract. Direct supplies are hedged when the purchasing or selling price respectively has been fixed and orders are confirmed.

The group's foreign exchange exposure is divided into financial instruments related to the financing activity and receivables and debt related to the group's agreements to purchase and sell goods settled in currencies other than the respective intra-group companies' functional currencies. The sum total of these represents the DLH Group's transactions denominated in foreign currencies. At the balance sheet date, the DLH Group's principal foreign currency exposure related primarily to USD. An isolated calculation of USD in the event of a 10% decline in the dollar rate would have a total negative impact on operations to the tune of DKK 1.1million, and on equity in the amount of DKK 1.1 million (2009: negative in the amount of DKK 1.4 million and DKK 3.5 million respectively). A rise in foreign exchange rates would have a corresponding converse effect in the opposite direction.

23 Financial risk and financial instruments (continued)

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

Group	2010							
	Nominal position					Sensitivity		
	Cash, cash equivalents and receivables	Financial liabilities (not derivatives)	Hedged purchasing and sales contracts	Derivative financial instruments for hedging future cash flows	Total	Probable change in foreign exchange rate	Hypothe-tical impact on profit(loss)	Hypothe-tical impact on equity
EUR/DKK	278.7	(449.0)	(21.1)	162.7	(28.7)	1%	(0.3)	(0.3)
USD/DKK	161.2	(111.9)	52.1	(112.3)	(10.9)	10%	(1.1)	(1.1)
GBP/DKK	28.3	(17.3)	-	-	11.0	10%	1.1	1.1
NOK/DKK	45.2	(9.1)	0.3	(36.2)	0.2	5%	-	-
PLN/DKK	-	(5.0)	-	-	(5.0)	10%	(0.5)	(0.5)
SEK/DKK	36.8	(5.5)	0.2	(33.1)	(1.6)	5%	(0.1)	(0.1)
Other currencies	163.6	(52.3)	-	2.4	113.7	10%	11.4	11.4
Total	713.8	(650.1)	31.5	(16.5)	78.7			

Group	2009							
	Nominal position					Sensitivity		
	Cash, cash equivalents and receivables	Financial liabilities (not derivatives)	Hedged purchasing and sales contracts	Derivative financial instruments for hedging future cash flows	Total	Probable change in foreign exchange rate	Hypothe-tical impact on profit(loss)	Hypothe-tical impact on equity
EUR/DKK	349.0	(589.7)	4.2	238.6	2.1	1%	-	-
USD/DKK	256.1	(150.6)	20.7	(91.3)	34.9	10%	1.4	3.5
GBP/DKK	35.8	-	-	(34.0)	1.8	10%	0.2	0.2
NOK/DKK	35.2	(0.4)	-	(29.6)	5.2	5%	0.3	0.3
PLN/DKK	-	(0.3)	-	-	(0.3)	10%	-	-
SEK/DKK	40.9	(2.4)	1.0	(25.9)	13.6	5%	0.6	0.7
Other currencies	29.9	-	0.8	(39.5)	(8.8)	10%	1.0	0.9
Total	746.9	(743.4)	26.7	18.3	48.5			

23 **Financial risk and financial instruments (continued)**

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

Parent 2010	Nominal position					Sensitivity		
	Cash, cash equivalents and receivables	Financial liabilities (not derivatives)	Hedged purchasing and sales contracts	Derivative financial instruments for hedging cash flows	Total	Probable change in foreign exchange rate	Hypothetical impact on profit(loss)	Hypothetical impact on equity
EUR/DKK	276.0	(440.6)	(21.1)	162.7	(23.0)	1%	(0.2)	(0.2)
USD/DKK	173.7	(110.8)	50.5	(113.9)	(0.5)	10%	(0.1)	(0.1)
GBP/DKK	28.3	(17.3)	1.2	1.3	13.5	10%	1.4	1.4
NOK/DKK	45.2	(9.1)	0.3	(36.2)	0.2	5%	-	-
PLN/DKK	-	(4.8)	-	-	(4.8)	10%	(0.5)	(0.5)
SEK/DKK	38.9	(5.5)	0.2	(33.1)	0.5	5%	-	-
Other currencies	166.3	(52.3)	2.7	2.7	119.3	10%	11.9	11.9
Total	728.4	(640.4)	33.8	(16.5)	105.3			

Parent 2009	Nominal position					Sensitivity		
	Cash, cash equivalents and receivables	Financial liabilities (not derivatives)	Hedged purchasing and sales contracts	Derivative financial instruments for hedging cash flows	Total	Probable change in foreign exchange rate	Hypothetical impact on profit(loss)	Hypothetical impact on equity
EUR/DKK	260.9	(603.6)	4.2	238.6	(99.9)	1%	(1.0)	(1.0)
USD/DKK	263.7	(151.2)	(3.1)	(91.4)	18.0	10%	2.1	1.8
GBP/DKK	41.7	(5.9)	-	(34.0)	1.8	10%	2.0	0.2
NOK/DKK	38.3	(3.5)	-	(29.6)	5.2	5%	0.3	0.3
PLN/DKK	0.1	(0.5)	-	-	(0.4)	10%	-	-
SEK/DKK	40.9	(2.4)	0.6	(25.9)	13.2	5%	0.6	0.7
Other currencies	118.7	(51.8)	-	(39.5)	27.4	10%	2.7	2.7
Total	764.3	(818.9)	1.7	18.2	34.7			

Assumptions for the sensitivity analysis

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

Interest rate risk

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

At year-end 2010 DLH's interest-bearing debt net amounted to approximately DKK 966 million. The debt is primarily denominated in Euro (DKK 570 million), Danish Kroner (DKK 115 million) and US dollar (DKK 105 million). Exposures on loans denominated in foreign currencies are included in the overall hedging policy of the DLH Group, and the above amount is therefore not an expression of the group's foreign currency exposure. Of the interest-bearing debt approximately DKK 800 million is variable interest rate debt. To reduce the interest rate risk, the group has outstanding interest rate swaps corresponding to DKK 753 million at the balance sheet date, at an average rate of interest of 1.79% and a weighted time to maturity of seven months.

23 Financial risk and financial instruments (continued)

On an annual basis, a simultaneous change in the interest rate of 1 percentage point on all loans in foreign currencies on the whole interest-bearing debt would reduce the group's pre-tax profit(loss) by approximately DKK 0.7 million and equity with approx DKK 3.5 million at the current level of activity and with the existing capital structure.

The group's interest rate risk is related to the following items:

Group 2010

	Re-assessment or maturity, if earlier				Broken down by interest rate intervals				
(million DKK)	0-1 years	1-5 years	>5 years	Total	0-2%	2-4%	4-6%	6-8%	>8%
Subordinated loan capital	105.9	55.9	-	161.8	-	-	-	111.8	50.0
Short-term debt to credit institutions	802.8	-	-	802.8	-	802.8	-	-	-
Interest rate swaps	-	-	-	-	-	(752.8)	752.8	-	-
Leasing commitments	0.5	0.9	-	1.4	-	-	1.4	-	-
Total	909.2	56.8	-	966.0	-	50.0	754.2	111.8	50.0

Group 2009

	Re-assessment or maturity, if earlier				Broken down by interest rate intervals				
(in million DKK)	0-1 years	1-5 years	>5 years	Total	0-2%	2-4%	4-6%	6-8%	>8%
Subordinated loan capital	-	111.6	-	111.6	-	-	-	111.6	-
Long-term debt to credit institutions	-	3.9	-	3.9	-	3.9	-	-	-
Short-term debt to credit institutions	1,015.2	-	-	1,015.2	-	801.9	208.7	1.8	2.8
Interest rate swap	-	-	-	-	-	(739.9)	739.9	-	-
Leasing commitments	1.6	0.8	-	2.4	-	-	-	2.4	-
Total	1,016.8	116.3	-	1,133.1	-	65.9	948.6	115.8	2.8

Parent company 2010

	Re-assessment or maturity, if earlier				Broken down by interest rate intervals				
(in million DKK)	0-1 years	1-5 years	>5 years	Total	0-2%	2-4%	4-6%	6-8%	>8%
Subordinated loan capital	105.9	55.9	-	161.8	-	-	-	111.8	50.0
Short-term debt to credit institutions	697.3	-	-	697.3	-	697.3	-	-	-
Interest rate swaps	-	-	-	-	-	(752.8)	752.8	-	-
Leasing commitments	0.5	0.9	-	1.4	-	-	1.4	-	-
Total	803.7	56.8	-	830.5	-	(55.5)	754.2	111.8	50.0

Parent company 2009

	Re-assessment or maturity, if earlier				Broken down by interest rate intervals				
(in million DKK)	0-1 years	1-5 years	>5 years	Total	0-2%	2-4%	4-6%	6-8%	>8%
Subordinated loan capital	-	111.6	-	111.6	-	-	-	111.6	-
Long-term bank debt	-	-	-	-	-	-	-	-	-
Short-term debt to credit institutions	706.0	-	-	706.0	-	671.2	33.0	1.8	-
Interest rate swap	-	-	-	-	-	(739.9)	739.9	-	-
Leasing commitments	1.4	0.5	-	1.9	-	-	-	1.9	-
Total	707.4	112.1	-	819.5	-	(68.7)	772.9	115.3	-

The carrying amount of interest-bearing debt in 2010 is equal to fair value.

Raw materials risk

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

23 Financial risk and financial instruments (continued)

Liquidity risk

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

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

Capital base

DLH's new 'Go to Market' strategy implies a consolidation of the group's capital base. In line with this strategy, the DLH Group has scheduled a rights issue to take place before 30 June 2011, which is expected to generate proceeds of approximately DKK 250 million.

Together with the proceeds from divestments and an agreement to keep the credit facilities granted by the group's banks, the objective of the rights issue is to support and strengthen this strategy.

If the rights issue goes ahead as planned, the division of shares into classes will be abolished so that all shares will carry identical rights.

New financing package provided by the group's banks

On 7 February 2011 DLH obtained a financing package from a bank consortium consisting of the group's principal bankers: Nordea Bank Danmark A/S, Danske Bank A/S, FIH Kapitalbank A/S, Nykredit Bank A/S and ABN Amro Bank N.V.

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

To a great extent, the terms and conditions of the addendum to the existing financing package depend on the rights issue being implemented before 30 June 2011 and generating total proceeds of not less than DKK 245 million.

Financing if the company implements a rights issue with proceeds of not less than DKK 245 million

Provided that the rights issue goes ahead and generates proceeds of not less than DKK 245 million, the financing package obtained from the bank consortium will remain in force until 31 March 2014.

The essence of the agreement is long-term credit facilities of DKK 600 million.

Due to the conversion of existing subordinated loans, the scheduled issue is only expected to generate cash proceeds in the region of DKK 150 million. These proceeds will be applied in the repayment of debt under the financing package, including repayment of the balance of debt to ABN Amro Bank N.V., which will then leave the consortium.

The financing package contains a number of financial and non-financial covenants. The financial covenants, which are measured on a quarterly basis, are dependent on the group's operating, cash and investment budgets for the term of the agreement, which expires on 31 March 2014.

Key figures for NIBD (net-interest-bearing debt) / EBITDA, equity ratio, (equity/total assets) and interest cover (EBITDA/interest expense net) must satisfy pre-determined requirements for the term of the agreement, which also stipulates an upper limit for gross investments.

EBITDA and interest-bearing debt net are included in the calculation of covenants, in amounts aggregated over twelve months, while NIBD, equity and total assets are recognised with the balance at the balance sheet date.

Subordinated loans

At 31 December 2010 the group had subordinated loans totalling DKK 161.8 million. The said subordinated loans were made up of DKK 40 million from the DLH-Fonden, DKK 10 million from Ellen & Knud Dalhoff Larsens Fond and DKK 111.8 million from Fragaria GmbH.

It was one of the basic assumptions of the master financing package, and it was agreed with the banks, that the amounts granted as loans by the DLH-Fonden and Ellen & Knud Dalhoff Larsens Fond were to be converted and used to subscribe for new shares in the amount of DKK 50 million under the rights issue. It was also assumed and agreed that the DLH-Fonden must subscribe to additional shares for the proceeds that may accrue from the sale of excess pre-emption rights.

23 Financial risk and financial instruments (continued)

It is yet another basic assumption of the agreement, and it has been agreed that Fragaria GmbH is to subscribe to minimum 6.45% of the shares issued and for an amount not less than DKK 50 million by means of a conversion of the subordinated loan. The portion of the subordinated loan up to the amount of DKK 56 million that is not used to subscribe for shares will be paid in cash. The balance of the subordinated loan will be repaid over three years, with the first instalment being paid in 2012.

Financing if the company implements a rights issue with proceeds of not less than DKK 245 million
Provided that the rights issue does not succeed and generates proceeds of less than DKK 245 million, the financing package with the bank consortium will remain in force until 31 March 2012.

Also under this scenario, the agreement includes long-term credit facilities of DKK 600 million. This part of the financing package also contains a number of financial and non-financial covenants. The financial covenants, which are measured on a quarterly basis, are dependent on the group's operating, cash and investment budgets for the term of the agreement, which expires on 31 March 2012.

Mandatory quarterly targets for EBITDA and equity ratio (equity/total assets) have been established for the financial covenants, and the scope of investments is limited.

It is a fundamental condition that management submits a plan for additional divestments of assets/activities to the bank consortium before 30 June 2011 with a view to fully repaying the loans granted under the financing package upon expiry of the agreement. The plan must be approved by the bank consortium.

Subordinated loans
Servicing of existing subordinated loans provided by the DLH Fonden, Ellen & Knud Dalhoff Larsens Fond and Fragaria GmbH, totalling DKK 161.8 million, cannot commence before 30 April 2012. In principle, the loans granted by the DLH-Fonden and to Ellen & Knud Dalhoff Larsens Fond fall due for payment at that time together with instalments payable to Fragaria GmbH of DKK 67 million.

The loan terms under this scenario would reduce DLH's financial latitude and would limit potential new investments.

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

Under the financing package, DLH cannot distribute dividend until the spring of 2013 at the earliest, depending on the 2012 financial statements.

In principle, the interest margin in the financing package is fixed, but it may be reduced on a quarterly basis in accordance with a fixed price grid, based on the trend in the company's key figures NIBD/EBITDA.

In the light of the agreed credit limits and covenants, and the budgets and plans for 2011, it is the opinion of the supervisory and executive boards that the company's cash resources are sufficient for the company's operations until the expiry of the financing package.

Management also takes the view that any divestments that may be necessary if it proves impossible to increase capital will not be recognised below the carrying amounts applicable at 31 December 2010. Under this scenario, a refinancing plan will be launched in 2012, in addition to the divestments.

23 Financial risk and financial instruments (continued)

Group			2010			
(million DKK)	Carrying amount	Contractual cash flows	Within one year	1-3 years	3-5 years	>5 years
Non-derivative financial instruments:						
Credit institutions and subordinated loan capital	964,6	1,007.6	941.7	65.9	-	-
Finance leases	1.4	1.4	0.5	0.9	-	-
Trade payables	186.1	186.1	186.1	-	-	-
Derivative financial instruments:						
Forward exchange contracts used as hedges (net settlement)	10.7	10.7	10.7	-	-	-
Total	**1,162.8**	**1,205.8**	**1,139.0**	**66.8**	**-**	**-**

Group			2009			
(million DKK)	Carrying amount	Contractual cash flows	Within one year	1-3 years	3-5 years	>5 years
Non-derivative financial instruments:						
Credit institutions and subordinated loan capital	1,130.7	1,186.6	1,058.7	88.5	39.4	-
Finance leases	2.4	2.5	1.6	0.9	-	-
Trade payables	324.0	324.0	324.0	-	-	-
Derivative financial instruments:						
Forward exchange contracts used as hedges (net settlement)	5.1	5.1	5.1	-		
Total	**1,462.2**	**1,518.2**	**1,389.4**	**89.4**	**39.4**	**-**

Parent Company			2010			
(million DKK)	Carrying amount	Contractual cash flows	Within one year	1-3 years	3-5 years	>5 years
Non-derivative financial instruments:						
Credit institutions and subordinated loan capital	859.1	899.1	833.2	65.9	-	-
Finance leases	1.4	1.4	0.5	0.9	-	-
Trade payables	92.1	92.1	92.1	-	-	-
Derivative financial instruments:						
Forward exchange contracts used as hedges (net settlement)	10.7	10.7	10.7	-	-	-
Total	**963.3**	**1,003.3**	**936.5**	**66.8**	**-**	**-**

Parent Company			2009			
(million DKK)	Carrying amount	Contractual cash flows	Within one year	1-3 years	3-5 years	>5 years
Non-derivative financial instruments:						
Credit institutions and subordinated loan capital	817.6	848.5	722.6	86.5	39.4	-
Finance leases	1.9	2.0	1.5	0.5	-	-
Trade payables	95.0	95.0	95.0	-	-	-
Derivative financial instruments:						
Forward exchange contracts used as hedges (net settlement)	5.1	5.1	5.1	-	-	-
Total	**919.6**	**950.6**	**824.2**	**87.0**	**39.4**	**-**

23 Financial risk and financial instruments (continued)

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

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

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

Realised losses on debtors including costs of credit insurance amounted to DKK 19.0 million (2009: DKK 8.6 million) or 0.6% of revenue (2009: 0.3%). In 2009 was made net impairment writedowns on customer receivables on DKK 24.3 million. The impairment writedown is reversed in 2010 with DKK 24.8 million.

At the balance sheet date, just under 57% (2009: 55%) of the DLH Group's trade receivables were covered by credit insurance or secured in other ways, for instance by letters of credit or payment against documents. The group's maximum risk on trade receivables was DKK 140.1 million excluding value added tax at year-end 2010 (2009: DKK 174.7 million). The maximum risk before hedging is DKK 344.8 million (2009: DKK 431.3 million).

Prepayments to suppliers
Prepayment to suppliers is an important parameter in securing supplies from Africa, South America and Eastern Europe. This carries an inherent risk of losses and calls for tight control. Some of the prepayments do, however, represent financing of already existing inventories built up by suppliers. At year-end 2010 the group's prepayments to suppliers was DKK 37.4 million (2009: DKK 43.4 million), an amount for which security has only been provided in part by pledges or other ways.

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

Group

	Trade receivables		Prepayments	
(million DKK)	**2010**	**2009**	**2010**	**2009**
Credit risk:				
Nominal value	344.8	431.3	43.6	61.1
Write-down	(15.5)	(38.8)	(6.2)	(17.7)
Carrying amount	329.3	392.5	37.4	43.4
Less credit insurance, net	(115.2)	(182.5)	-	-
Less other security	(74.0)	(35.3)	(0.2)	(3.7)
Maximum credit risk	140.1	174.7	37.2	39.7

Some of the prepayments are secured by collateral in the production plant and moveable property.

Breakdown of trade receivables in terms of creditworthiness (million DKK)	**2010**	**2009**
Denmark	26.1	21.4
Remainder of Scandinavia	69.3	66.4
Western Europe	105.4	155.2
Eastern Europe	43.2	44.6
North America	19.8	21.1
Africa	13.2	20.1
Africa	40.7	36.4
Other regions	11.6	27.3
Total	**329.3**	**392.5**

23 Financial risk and financial instruments (continued)

Trade receivables that were overdue at 31 December 2010, but had not been written down are recognised as follows (million DKK):	2010	2009
Maturity:		
Up to 6 months	105.3	107.5
Between 6 and 9 months	1.1	2.4
Between 9 and 12 months	0.6	0.6
In excess of 12 months	2.1	1.8
Total	**109.1**	**112.3**

Of the trade receivables that were overdue at the balance sheet date, DKK 73.1 million (2009: 84.5 million) was covered by credit insurance or hedged in other ways, for instance by letters of credit or similar trade financing.

Parent company

	Trade receivables		Prepayments	
(million DKK)	2010	2009	2010	2009
Credit risk:				
Nominal value	133.3	124.9	22.5	28.0
Write-down	(8.9)	(14.7)	(3.0)	(2.5)
Carrying amount	124.4	110.2	19.5	25.5
Less credit insurance, net	(38.6)	(58.3)	-	-
Less other security	(50.9)	(31.4)	-	-
Maximum credit risk	34.9	20.5	19.5	25.5

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

Breakdown of trade receivables in terms of creditworthiness (million DKK):	2010	2009
Denmark	26.1	21.4
Remainder of Scandinavia	1.6	1.7
Western Europe	29.1	37.0
Eastern Europe	4.5	2.5
North America	6.5	8.0
Africa	6.5	7.6
Asia	38.9	17.4
Other regions	11.2	14.6
Total	**124.4**	**110.2**

Trade receivables that were overdue at 31 December 2010, but had not been written down are recognised as follows (million DKK):	2010	2009
Maturity:		
Up to 6 months	60.3	52.2
Between 6 and 9 months	0.4	2.0
Between 9 and 12 months	0.4	0.3
In excess of 12 months	1.3	1.8
Total	**62.4**	**56.3**

Of the trade receivables that were overdue at the balance sheet date, DKK 44.9 million (2009: DKK 52.5 million) was covered by credit insurance or hedged in other ways, for instance by letters of credit or similar trade financing.

Hedge accounting

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

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

Cash flow hedge

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

23 Financial risk and financial instruments (continued)

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

	2010				2009			
(million DKK)	Notional amount	Value adjustments recognised directly in equity	Fair value	Weighted time to maturity (months)	Notional amount	Value adjustments recognised directly in equity	Fair value	Weighted time to maturity (months)
Foreign currency risk:								
USD	–	–	–	–	0.9	–	–	2
BRL	–	–	–	–	–	–	–	–
Total	–	–	–	–	0.9	–	–	2
Interest rate risk:								
Interest rate swaps	752.8	(3.0)	(4.4)	7	739.9	(4.8)	(5.7)	19

The 2010 income statement was affected by ineffectiveness relating to foreign currency hedging in respect of goods sold and purchased in the amount of DKK 1.7 million (2009: DKK 0.5 million).

Capital management
At the end of 2010 the company realised an equity ratio of 26.5% (34.6% including the subordinated loan) compared with 25.3% in 2009 (30.6% including the subordinated loan). No target has been set for DLH's equity ratio, but the planned rights issue is being made in order to increase the equity ratio and reduce net interest-bearing debt relative to earnings to a level reflecting DLH's risk profile and comparable companies.

24 Assets charged and collateral

Collateral
The following assets are collateral to the group's loans to credit institutions:

Legal entity	Collateral	Registered amount (DKK million)
Dalhoff Larsen & Horneman A/S, Høje Taastrup, Denmark	Company charge	315
tt Timber International AG, Basel, Switzerland	Company charge[1]	
tt Timber International AG, Basel, Switzerland	Shares charged[1]	
DLH Nederland BV., Baarn, Netherlands	Company charge	
DLH UK Limited., Westerham, UK	Company charge	
DLH Nordisk Inc., Greensboro, USA	Company charge	
Inter-Continental Hardwoods Inc., Currie, USA	Company charge	
DLH Belgium N.V., Antwerp, Belgium	Company charge	86
DLH France S.A.S., Nantes, France	Shares charged	
DLH Poland Sp. z o.o., Warsaw, Poland	Company charge	
DLH Sverige AB, Hässleholm, Sweden	Company charge	165
DLH Germany GmbH, Nordenham, Germany	Company charge	
DLH Norge AS, Oslo, Norway	Company charge	63
DLH Finland OY, Turku (Åbo), Finland	Company charge	112

[1] The collateral was released in January 2011 in connection with the sale of an enterprise.

The assets have been charged as collateral for debt to the bank consortium. Debt to the bank consortium amounted to DKK 813 million at 31 December 2010 (2009: DKK 898 million). Collateral for debt to credit institutions was registered in an amount totalling DKK 741 million (2009: DKK 720 million).

	Group		Parent company	
(DKK million)	2010	2009	2010	2009
Bills of exchange:				
Discounted with foreign credit institutions	-	7.1	-	-

25 Contingent liabilities

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Deferred tax provision is not made in the balance sheet in respect of contingent tax relating to the re-taxation liability arising in respect of the 'shadow-taxed' Brazilian subsidiary as the group has taken precautions that prevent the deferred tax from crystallising	89.0	89.0	-	-
Guarantee commitments in favour of group enterprises in addition to the bank loans stated in the balance sheet, maximum	-	-	429.8	305.0
Guarantee commitments in favour of others, maximum	19.7	7.9	19.7	7.9

Non-terminable subletting agreements have been concluded for warehousing space and, to a lesser extent, office premises, in respect of three of the group's leases in Denmark. The agreement with the longest term expires in 2014.

Breakdown of non-terminable rental income:

(DKK million)	Group 2010	Group 2009
0-1 years	1.5	0.3
1-5 years	1.7	0.2
> 5 years	-	-

Leasing commitments:

	Time to maturity (years)	Nominal value of leasing commitment (in million DKK)
The parent company and the group enterprises have concluded operating leases of real estate:		
Warehousing facilities and administration, Kolding, Denmark	7	66.2
Head office, Taastrup, Denmark *)	17	67.1
Warehousing facilities and administration, Oslo, Norway	8	30.7
Warehousing facilities and administration, Nantes, France	4	19.8
Warehousing facilities and administration, 9 locations, Russia	2	11.9
Warehousing facilities and administration, Vantaa, Finland	3	7.8
Warehousing facilities and administration, Prague, Czech Republic	4	5.4
Warehousing facilities and administration, 3 locations, USA	4	3.6
Warehousing facilities and administration, 2 locations, Antwerp, Belgium	3	4.0
Sales and administration, Ho Chi Minh, Vietnam	2	1.4
Warehousing facilities and administration, 7 locations, Poland	1	0.6
Other small-scale facilities	-	3.8

*) Purchase option may be exercised in 2014.

25 Contingent liabilities (continued)

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

The present value of all leasing commitments amounts to DKK 184.5 million (2009: DKK 97.8 million)

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

2009			Group				Parent company	
(DKK million)	0-1 years	1-5 years	>5 years	Total	0-1 years	1-5 years	>5 years	Total
Commitment under operating lease, nominal value falling due:								
Properties	32.9	51.6	109.6	194.1	9.9	24.0	50.3	84.2
Passenger cars and vans	3.2	2.0	-	5.2	2.3	1.4	-	3.7
Other commitments	1.3	2.0	-	3.3	-	-	-	-
Total	37.4	55.6	109.6	202.6	12.2	25.4	50.3	87.9

An amount of DKK 26.4 million (2009: DKK 35.7 million) relating to operating leases was recognised under the item 'other external costs' in the income statement.

26 Related parties:

Related parties with controlling influence:
DLH-Fonden, Philip Heymans Allé 7, P.O. Box 191, 2900 Hellerup.

In March 2010 the DLH-Fonden granted the company a subordinated loan of DKK 40 million.

Further reference is made to pages 18-19 under the section on shareholders.

Related parties with a significant influence:
Comprises the company's supervisory board, group management and group enterprises as outlined in the group chart on page 86.

Related party transactions:

Group:
With the exception of intra-group transactions, which are eliminated in the consolidated financial statements, and the customary management remuneration, no transactions were carried out during the year involving members of the supervisory board, the executive board, major shareholders or group enterprises, apart from the fee paid to Advokataktieselskabet Horten, in which the chairman of the supervisory board of the DLH-Fonden is a partner. The fee amounted to DKK 3.4 million in 2010 (2009: DKK 3.1 million).

Please refer to page 20-21, outlining positions of trust held by members of the supervisory and executive boards.

The group's volume of sales to the joint venture, Indochina Wood Ltd., of which the group formerly owned 50%, was DKK 0 million in 2010 (from 1 January to 20 May) (2009: DKK 2.5 million). The DLH Group acquired Indochina Wood Ltd. at 20 May 2010, and total receivables at year-end were DKK 0 million (2009: DKK 0.7 million).

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

(DKK million)	2010	2009
Long-term loans	343.9	284.1
Receivables	262.9	435.5
Liabilities	62.2	11.7

At the balance sheet date interest-bearing receivables carry interest at rates between 0 % and 2 %, and interest-bearing payables carry interest at rates between 4 % and 9.5 %, depending on the currency. Interest rates are fixed on the basis of the company's own interest rate arrangements with the bank.

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

The parent company has received DKK 9.2 million in dividend from subsidiaries in 2010 (2009: DKK 263.6 million).

The parent company has provided guarantees for group enterprises' bank loans, please see note 25.

Apart from the fee paid to Advokataktieselskabet Horten, in which the chairman of the supervisory board is a partner, no transactions were carried out during the year involving members of the supervisory or executive boards or other executives, major shareholders or other related parties. The fee amounted to DKK 3.4 million in 2010 (2009: DKK 3.1 million).

27 Acquisitions

Enterprises acquired in 2010 are shown below. The DLH Group acquired no enterprises in 2009.

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

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

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

No accounting items with differing fair values and carrying amounts have been identified upon takeover.

In 2009 Indochina Wood Limited generated annual revenue of DKK 21.5 million with an EBIT of approximately DKK 0.8 million. During the ownership period, from 20 May to 31 December 2010, Indochina Wood Limited generated revenue of DKK 9.9 million with an EBIT of DKK 0.9 million.

28 Events occurring after the end of the financial year

On 10 January the group announced the finalisation of the sale of tt Timber International AG. The sale is not expected to have an impact on the 2011 financial results in general, but it will have a positive effect on cash flow.

On 7 February the group announced that it had concluded a three-year financing agreement with its bankers, subject to a capital increase resulting in net proceeds of at least DKK 245 million. At the same time, the group announced that it intends to increase its capital by means of a rights issue in the spring of 2011. The group also disclosed that if the issue should fail, the group's bankers had agreed to provide credit facilities up to the end of March 2012, subject to a number of conditions. Please refer to note 23 for a detailed description of the terms governing the new bank agreement.

Furthermore, the group announced that it soonest possible would hold an extraordinary general meeting with a view to adopting a resolution to increase the company's capital, electing two new members to the supervisory board and adopting a resolution to abolish the division of the company's share capital into two classes.

On 14 February the group gave notice of an extraordinary general meeting to be held on 8 March with a view to laying down the conditions to govern the rights issue.

29 New financial reporting standard

The IASB has issued the following new financial reporting standards (IAS and IFRS) and interpretations, which Dalhoff Larsen & Horneman A/S is not obliged to comply with in the preparation of its 2010 annual report: IFRS 9, amendment to IFRIC 14, IFRIC 19, revised IAS 24, amendment to IFRS 1, amendment to IFRS 7, amendment to IAS 32, improvements to IFRSs (May 2010), amendments to IAS 12 and amendments to IFRS 1. IFRS 9, amendments to IFRS 1, IFRS 7 and IAS 12 as well as improvements to IFRS (May 2010) have not yet been approved by the EU.

Standards and interpretations that are approved with an effective date in the EU which is different from the effective dates stipulated by the IASB will be adopted early in order to ensure compliance with the IASB effective date for the financial year beginning on or after 1 January 2011. None of the above new financial reporting standards and interpretations are expected to have any significant impact on the financial reporting of Dalhoff Larsen & Horneman A/S.

30 **Discontinued operations and assets held for sale**

(DKK million)	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Profit for the year for the discontinuing operations:				
Revenue	580.7	712.4	-	69.5
Cost of sales	(489.9)	(805.4)	-	(63.8)
Gross profit	90.8	(93.0)	-	5.7
Other operating income, net	16.6	(6.1)	-	-
Other external expenses	(49.2)	(77.1)	(5.3)	(5.1)
Other staff costs	(68.4)	(93.0)	(7.7)	(3.7)
Operating profit before depreciation and amortisation (EBITDA)	(10.2)	(269.2)	(13.0)	(3.1)
Depreciation and amortisation	(53.5)	(75.7)	-	-
Impairment losses	91.7	(123.9)	26.8	(461.6)
Operating profit / (loss) (EBIT)	**28.0**	**(468.8)**	**13.8**	**(464.6)**
Financial items:				
Financial income	9.8	4.0	-	0.1
Financial expenses	(22.8)	(28.8)	-	(0.4)
Profit / (loss) before tax (EBT)	15.0	(493.6)	13.8	(464.9)
Tax on profit for the year	(11.9)	1.3	-	0.9
Profit for the year	**3.1**	**(492.3)**	**13.8**	**(464.0)**
Profit on sale of discontinued operations	22.9	-	(10.3)	-
Profit for the year on discontinued operations	**26.0**	**(492.3)**	**3.5**	**(464.0)**
Earnings per share for discontinued operations:				
Earnings per share (EPS)	1.47	(27.89)		
Earnings per share diluted (EPS-D)	1.47	(27.89)		
Cash flow from discontinued operations, net:				
Cash flow from operating activities	173.8	112.5	1.3	10.9
Cash flow from investment activities	58.6	(11.5)	-	-
Cash flow from financing activity	(150.7)	(118.7)	(0.8)	(10.9)
Total	**81.7**	**(17.7)**	**0.5**	**-**

30 **Discontinued operations and assets held for sale (continued)**

In March 2010 the group announced that it would endeavour to dispose of all its forestry and production activities. This was in line with the group's 'Back to Black' focusing strategy, aimed at ensuring more stable operations and sufficient cash resources. In the course of 2010 a number of activities were sold off, and the group decided to close down or dispose of other activities at the end of the year. The major disposals are listed in chronological order below:

- PW Hardwood, USA, was sold on 10 June 2010.
- I-Dry, harbour and kiln drying facilities in Vliessingen, the Netherlands, were sold on 31 August 2010.
- Carl Ronnow, production facilities, Malaysia, were sold on 10 November 2010.

Furthermore, the group concluded an agreement to sell its production plant and buildings in Belem, Brazil, but property completion will not take place until sometime in 2011.

In December 2010 the group announced the sale of its forest concessions in Congo-Brazzaville and Gabon, which it had held through the Swiss holding company, tt Timber International AG. The sale was not completed until 10 January 2011. (Previous years' write-downs in respect of these assets were reversed in the amount of DKK 117 million in the 2010 financial statements).

As a direct result of the sale of tt Timber International AG the group decided to close and sell off its hardwood activities in the United Kingdom and Germany. The above assets are therefore classified as discontinued activities in the 2010 financial statements. Provisions have been made for severance pay and other closing down costs in this connection.

In addition, the group closed down a number of small sales companies, and these are also recognised under discontinued activities together with the costs of laying off personnel and dispose off systems used in the forestry and production activities.

Discontinued operations generated a profit of DKK 26 million in total compared with a loss of DKK 492 million in 2009.

	Group		**Parent company**	
(DKK million)	**2010**	**2009**	**2010**	**2009**
Intangible assets	1.2	0.9	-	-
Tangible assets	168.3	60.8	0.7	0.7
Other non-current assets	0.3	-	178.6	-
Inventories	150.6	-	-	-
Trade receivables	27.6	-	-	-
Other receivables	36.0	-	(5.9)	-
Cash	30.1	-	0.1	-
Assets held for sale	**414.1**	**61.7**	**173.5**	**0.7**
Credit institutions	56.5	-	34.3	-
Trade payables and other payables	30.2	-	-	-
Other payables	90.3	-	11.1	-
	177.0	**-**	**45.3**	**-**

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

Global Sourcing

DLH A/S
Zamkovaja Str., office 302, 230023 Grodno, **Belarus**

Nordisk Timber Ltda.
Tv. Dr Moraes, 565, Edificio Dr. Moraes Center, Sala 501,502,503,504,505 - Batista Campos, CEP: 66.035-080 Belém, Pará, **Brazil**

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

Pataua Forest Project
Rodovia PA - 150 km 31, Estrada do centrão km 24, **Brazil**

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

DLH Kinshasa sprl
Immeuble Vodacom, Boulevard du 30 Juin, n°3157, La Gombé, Kinshasa, **the Democratic Republic of the Congo**

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

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

DLH Côte d'Ivoire S.A.
Rue Saint Jean - Cocody, 01 B.P. 2648 Abidjan 01, **the Ivory Coast**

Global Trading

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

Indochina Wood Limited
Unit A, 16/F, World Trust Tower, 50 Stanley Street, Central, Hong Kong, **China**

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

DLH Nordisk A/S
#105-125 DLF City Court, M G Road, Gurgaon, 122022 Haryana, **India**

DLH Nordisk A/S
19th Floor, No. 1 Thibault Square, Cape Town 8001, **South Africa**

DLH Nordisk A/S
9th Floor, Melody Tower, #422-424 Ung Van Khiem Street, Ward 25, Binh Thanh District, Ho Chi Minh City, **Vietnam**

Sales Region Russia

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

Bohmans St Petersburg (South)
Syzranskaya Street 23A, 196105 St. Petersburg, **Russia**

Bohmans St Petersburg (North)
Kolomiazhskiy pr. 13, 197341 St Petersburg, **Russia**

Bohmans Moscow - Central Warehouse
Oktyabr'skaya Street 32, Skhodnya, 141400 Khimki, Moscow Region, **Russia**

Bohmans Chelyabinsk
Traktovaya Street, 26-B, 454087, Chelyabinsk, **Russia**

Bohmans Kazan
1st Volskaya Street 32, 420053, Kazan, **Russia**

Bohmans Novosibirsk
Bolshaya Street 256-B, 630032, Novosibirsk, **Russia**

Bohmans Nizhniy Novgorod
Novikova-Priboya Street 4, bld. 5, 603090, Nizhniy Novgorod, **Russia**

Sales Region USA

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

Norwalk Industrial Park, 15619 S. Blackburn Avenue, Norwalk, CA 90650, **USA**

17156 Highway 301 North, Statesboro, GA 30458, **USA**

639 Upper Dummerston Rd., Brattleboro, VT 05301, **USA**

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

Sales Region Central Eastern Europe

DLH Czech, s.r.o.
Na Hurce 1091/8, 161 00 Prague 6, **the Czech Republic**

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

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

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

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

Al. Andrzeja Struga 42, 70-784 Szczecin, **Poland**

ul. Siemianowicka 98, 41-902 Bytom, **Poland**

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

ul. Bukowska 12, 62-081 Wysogotowo, **Poland**

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

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

Al. Krakowska 8, Janki 05-090 Raszyn, **Poland**

DLH Slovakia s.r.o.
Logistické centrum, 900 21 Svätý Jur, **Slovakia**

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

Sales Region Western Europe

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

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

DLH France
1, Z.A.C. de l'Ancien Pont, La Peyrade, 34110 Frontignan, **France**

DLH Nederland BV
Eemweg 8, 3742 LB Baarn, **the Netherlands**

Sales Region Nordic

DLH Danmark A/S
Nordkajen 21, 6000 Kolding, **Denmark**

DLH Finland OY
Heidehofintie 4, FIN-01300 Vantaa, **Finland**

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

DLH Norge AS
Årvollveien 72, Postboks 70, Årvoll, 0515 Oslo, **Norway**

Farexveien 7, Lindeberg, 2016 Frogner, **Norway**

DLH Sverige AB
Box 2014, Industrigatan, 281 02 Hässleholm, **Sweden**

Gesällvägen 6, 14563 Norsborg, **Sweden**

Nacksta Nya Industriområde, Box 866, 851 24 Sundsvall, **Sweden**

Other non-active companies

Väärispuu & Spooni AS
Sära tee 4/6, Peetri Küla, Rae Vald, 75312 Harjumaa, **Estonia**

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

DLH Germany GmbH
Im Hollergrund 3, 28195 Bremen, **Germany**

DLH Guyana, Inc.
Lot 13, Bel Air Springs, Georgetown – E.C.D., **Guyana**

DLH (Italy) SRL
Via Pasquale Paoli, 8A, 35122 Padova, **Italy**

DLH Lietuva
Meistru g. 8A, LT-02189 Vilnius, **Lithuania**

DLH Norge AS
Lønningsshaugen 6, Postboks 54, Blomsterdalen, 5268 Bergen, **Norway**

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

DLH Switzerland
Elisabethenanlage 11, P.O. Box 631, 4010 Basle, **Switzerland**

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

DLH GROUP	Country	Currency	Share capital	Share of ownership
Company name				
Dalhoff Larsen & Horneman A/S, Høje Taastrup	**Denmark**	**DKK**	**178,554,990 million**	
Nordic countries				
DLH Sverige AB, Hässleholm	Sweden	SEK	5.0 million	100%
DLH Norge AS, Oslo	Norway	NOK	0.55 million	100%
DLH Finland OY, Vantaa	Finland	EUR	0.003 million	100%
DLH Lietuva, UAB, Vilnius**	Lithuania	LTL	0.2 million	100%
Central Eastern Europe				
DLH Poland Sp. z o.o., Warsaw	Poland	PLN	2,385 million	100%
DLH Nordisk Sp. Z o.o., Karlino	Poland	PLN	1,989 million	100%
DLH Czech s.r.o., Prague	Czech Republic	CZK	50.2 million	100%
DLH Slovakia s.r.o., Bratislava	Slovakia	EUR	0.007million	100%
DLH Hungary Kft., Budapest**	Hungary	HUF	360 million	100%
DP II Bohmans KU, Kiev, Ukraine**	Ukraine	USD	0.206 million	100%
Western Europe				
DLH France SAS, Frontignan	France	EUR	0.75 million	100%
Indufor N.V. Antwerp	Belgium	EUR	2.5 million	100%
DLH Nordisk (Holland) B.V., Ritthem**	Holland	EUR	0.057 million	100%
DLH Nederland B.V., Baarn	Holland	EUR	2.0 million	100%
DLH UK Limited, Westerham**	England	GBP	2.3 million	100%
DLH Italy SRL, Padova*	Italy	EUR	0.05 million	100%
DLH Switzerland GmbH, Basel*	Switzerland	CHF	0.02 million	100%
USA				
DLH Nordisk Inc., Greensboro	USA	USD	0.5 million	100%
Toft LLC, Pensylvania **	USA	USD	1.0 million	100%
Russia				
OOO Bohmans, Khimki	Russia	RUB	80.05 million	100%
Africa				
DLH Procurement Cameroun S.A.R.L, Douala	Cameroon	XAF	5.0 million	100%
DLH-Kinshasa sprl, Congo-Kinshasa	Congo-Kinshasa (DRC)	CDF	60.0 million	100%
DLH Côte d'Ivoire S.A., Abidjan	Ivory Coast	XOF	150.0 million	100%
Andre				
Nordisk Timber Ltda., Belem	Brazil	BRL	33.1 million	100%
Indochina Wood Limited, Tortola	British Virgin Islands	USD	0.05 million	100%

*) In the process of being closed down, presumably finalised at the end of June 2011.

**) Discontinuing operations, expected to be closed down in 2011.