The DLH Group 2008

dlh.
PASSION FOR WOOD

One of the world's largest timber wholesalers

The DLH Group

- Group revenue of DKK 5.0 billion in 2008
- One of the largest producers of sustainable tropical hardwood in Africa
- 87% of revenue generated outside Denmark
- Sales and procurement offices, warehouses and processing plants in 33 countries across five continents
- Approximately 3,700 employees
- Listed on the NASDAQ OMX Copenhagen stock exchange

Group objectives

DLH intends to expand its position as one of the world's leading suppliers of timber and timber products manufactured from sustainably produced raw materials. Through profitable growth – both organic growth and growth by acquisition – and efficient utilisation of the capital invested, DLH aims to create financial results that will secure shareholders a satisfactory return on their investments. For further details, please refer to the objectives and forecast of DLH on pages 10-12.

Business activities – breakdown of revenue 2008

65%

Hardwood Division

The Hardwood Division distributes tropical and temperate hardwood in the form of logs, sawn timber, components and finished products, of which a good deal is processed at the company's own processing plants in the countries of origin. The products are distributed via stockholding sales units in a number of countries in Europe and the USA and also via trading offices in Europe and the Far East.

35%

Timber & Board Division

The Timber & Board Division distributes timber-based sheet materials and softwood. The Division has its primary market in Europe and exports considerable quantities of sheet materials to the USA. In 2008 the Timber & Board Division took over the organisation of Nordic hardwood sales.

Responsible business

Responsibility is a basic value in the business of DLH: responsibility towards employees, shareholders, local communities, the climate and the environment. You can read much more about how we incorporate responsibility into DLH activities and projects all over the world in our publication "Corporate Social Responsibility - for the forests and for the future", which can be downloaded from the company's website at www.dlh-group.com.

One hundred years' trade in timber

DLH celebrated its centenary in 2008: one hundred years of good times and bad times, world wars and the globalisation of the timber trade several decades before globalisation even became an economic term. The history of DLH is a tale of entrepreneurial spirit, commercial innovation and a deep passion for wood. You can read the entire exciting story in DLH's jubilee publication "Passion for Wood 1908-2008", which can be downloaded from the company's website www.dlh-group.com.

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Strength from adversity

Wood is used to build and restore houses. That's how it has always been and that's how it will continue to be. There is no doubt that the use of wood as a building material will become much more widespread in future. This is because wood is environmentally friendly and CO_2 neutral and it satisfies the ever increasing demand for building materials that are climate-friendly, environmentally sound and whose production involves a lower energy consumption. DLH expects a steady growth in global demand for wood in the long term, in particular demand for plantation wood and certified sustainable products, which DLH specialises in.

However, despite these favourable growth prospects, DLH has naturally not been able to escape the downward market trend experienced in 2008. Like so many other suppliers to the building and construction industry, DLH suffered a dramatic decline in demand for its products. Customers, notably in the building and construction industry, are completely dependent on the financing conditions in the market and therefore hard hit by the financial crisis; this, as we all know, grew critically worse in the second half of 2008. In addition, the unrest in the foreign exchange market had a further negative impact on the profit for the year.

Unfortunately, DLH has to report resultant stagnating revenues and a disappointingly large operating pre-tax loss in 2008. On the other hand, there are other more positive developments: first and foremost, the sale of the Building Materials Division, which secured the group a considerable profit after tax and helped consolidate DLH's financial position.

In addition, our persistent efforts to secure sustainable supplies have resulted in yet another FSC™-certification of our concession in Congo-Brazzaville, which consolidates our position as market leader in this field, especially in the light of new requirements calling for the use of certified timber in both the USA and the EU.

At the beginning of 2009, the global economy is in decline and DLH has to adapt its business to the changed market conditions. Beginning in 2008 we launched extensive restructuring efforts with a view to reducing costs and inventories. At the same time we increased our focus on improving the efficiency of supply lines. The objective is to consolidate DLH's market position in all links of the supply chain: from production and processing to distribution – without losing sight of corporate social responsibility (CSR) objectives.

Following the sale of the Building Materials Division in 2008, exactly one hundred years after the foundation of the group, DLH returned to its original business of international trade in timber and timber products. The past one hundred years have testified to DLH's special ability to come out of an economic crisis with renewed strength and managing to create new growth and profitability for the benefit of suppliers, customers, employees and shareholders.

I am confident that we will also be able to turn the present adverse conditions into strengths and that we will successfully adapt our business to future market demands. It is a fact that the global demand for our products will rise again, and the volume of cross-border trade, our core competence, will grow.

Timber and timber products have a prominent position as particularly environmentally friendly building materials. This is true now, and it will be true in the future.

Jørgen Møller-Rasmussen
President & CEO

2008 Annual Report
This publication describes the main activities and results of the DLH Group in 2008 and contains its forecast for 2009 and strategy for the years ahead. The complete audited annual report for 2008 can be downloaded from the company's website at www.dlh-group.com or ordered by writing to ir@dlh-group.com or telephoning (+45) 43 50 01 00.

DLH affected by global decline

The financial crisis and the global economic recession had a huge impact on DLH's revenue and profit development in 2008. The dramatically declining level of activity in the building and construction industry throughout the world especially in the last part of the year resulted in declining sales, price cuts of up to 30% on the group's products and a decline in the gross margin. With revenue at DKK 5,013 million, DLH realised a 12% decline in comparison with 2007.

Due to these negative trends, the group booked significant impairment losses on inventories and intangible assets at year-end. To this must be added other one-off restructuring costs, partly related to the fact that the total capacity in the production units was reduced by half. The total costs amounted to more than DKK 200 million in 2008.

Accordingly, the pre-tax result (EBT) for the continuing operations is a loss of DKK 422 million in 2008 compared with a profit of DKK 159 million in 2007. Thanks to a one-off income item of DKK 580 million, representing the proceeds from the sale of the Building Materials Division in February 2008, DLH generated a profit after tax of 227 million, up by DKK 80 million on last year, which is the largest in the group's history.

In the course of 2008 the group has reduced its total tied-up capital by means of major inventory reductions.

Major events in 2008

- Sale of the Building Materials Division
- Acquisition of Palma Byggrossisten AB
- Acquisition of the hardwood operations of the Finnish business Puukeskus OY
- Acquisition of Compagnie Forestière des Abeilles with 200,000 hectares of forest concessions in the Gabon
- FSC-certification of yet another part of DLH's forest concession in Congo-Brazzaville, which is now one of the largest contiguous FSC-certified natural tropical forests in the world
- Extensive development and adjustment of the organisation and business activities resulting from the financial crisis

Financial Highlights for The DLH Group

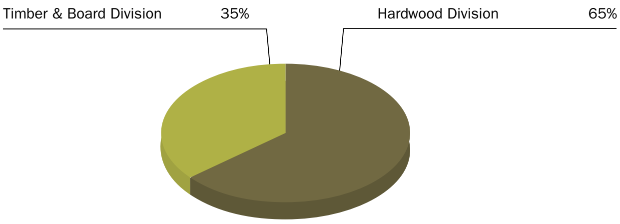
	Continuing operations			All operations	
(DKK million)	2008[1]	2007[1]	2006[1]	2005	2004
Income statement					
Revenue	5,013	5,720	5,482	5,363	5,036
Operating profit before depreciation and amortisation (EBITDA)	(144)	336	311	264	235
Operating profit (EBIT)	(315)	244	224	225	183
Profit(loss) before tax, continuing operations (EBT)	(422)	159	144	175	140
Profit for the year on discontinued operations	580	47	48	-	-
Profit for the year	227	147	152	119	90
Balance sheet details					
Total assets	3,043	4,005	3,661	2,620	1,998
Equity	1,240	1,172	1,068	827	719
Average invested capital	2,913	2,641	2,288	1,990	1,707
Invested capital at year-end	2,497	2,758	2,408	2,130	1,701
Performance ratios					
Operating margin (EBIT)	(6.3%)	4.3%	4.1%	4.2%	3.6%
Equity ratio including subordinated loan	44.4%	32.1%	32.2%	31.6%	36.0%
Return on invested capital (ROIC) including goodwill	(8,2%)	9.7%	10.1%	11.7%	11.2%
Average number of employees	3,688	3,661	3,759	1,782	1,695

1) The group highlights have only been adapted to the presentation of the Building Materials Division as a discontinued operation from 2006 to 2008.

Accounting policies

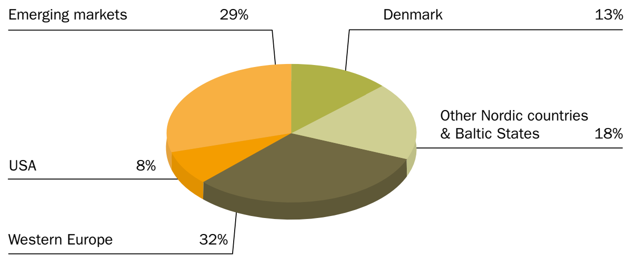
The DLH Group's 2008 annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. The accounting policies remain unchanged as compared to previous years.

Breakdown of revenue by division, 2008



The hardwood activities account for just under two thirds of group revenue, while the timber and board activities account for just over one third.

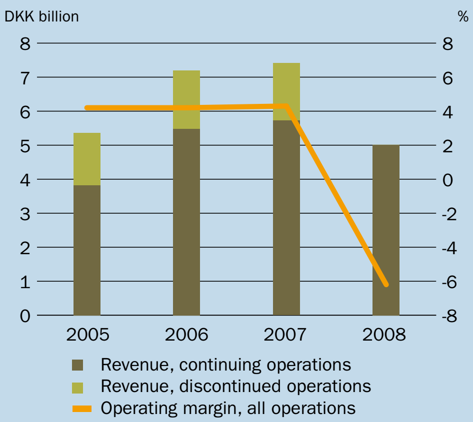
Breakdown of revenue by sales markets, 2008



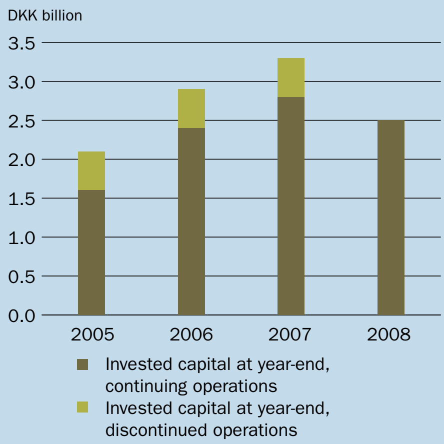
Sales in Denmark accounted for 13% of group revenue in 2008. This represents a considerable decline from last year and is due to the sale of the Building Materials Division. Sales to the USA also took a dramatic plunge during 2008. On the other hand, sales generated by the emerging markets, the Nordic countries and the remainder of Western Europe grew in comparison to 2007.

Developments 2005-2008

Revenue and operating margin, 2005-2008



Invested capital at year-end, 2005-2008



On account of the sale of the Building Materials Division and a determined effort to reduce inventories, the invested capital at year-end has been reduced to DKK 2.5 billion in 2008.

Forecast for 2009 and 2010

Despite the prospect of a stabilisation in market demand and prices during 2009 and the many organisational and business adjustment initiatives launched, DLH expects a moderate revenue decline in 2009 compared with 2008. The group expects its pre-tax results for the year from continuing operations will be a loss, albeit considerably less than in 2008. For 2010 the group again expects revenue growth and a profit.

Market slowdown and inventory build-up

Profile

The Hardwood Division trades in tropical hardwood from South America, Africa and South East Asia as well as in temperate hardwood, primarily from Eastern Europe and North America. The timber is mainly supplied by local sawmills and producers. In addition, the division has direct access to vast sustainable tropical forests in Africa and todat obtains about 15% of its supplies from its own forest concessions.

The division is represented by procurement offices in all important timber producing areas of the world and is increasingly engaged in the processing of timber in the supply regions, including the drying and production of flooring strips, decking tiles and planks.

Two thirds of the division's goods are sold in Europe and North America through the division's own stockholding distribution units, generating stable earnings. Customers are businesses in the building sector, such as manufacturers of windows, doors, kitchen elements and flooring as well as furniture manufacturers. The division also supplies other distributors and retailers, such as timber merchant companies and do-it-yourself stores.

The remaining third of the products are sold through the division's trading departments. The products are primarily sold to other countries the world over in which the division has no distribution facilities of its own, but instead a well-established network of importers, agents and others. This method of doing business is characterised by a low level of costs, and low capital requirements, but also by fluctuating revenues, which in good years contribute considerably to the result of the group.

The division has a number of major regional competitors as well as a considerable number of local competitors.

Developments in 2008

The Hardwood Division produced revenue of DKK 3,276 million, down by DKK 528 million or 13.9% on the year before. This negative development is due to the hardwood market taking a sharp plunge from a very high level of activity in the first months of 2008 to a considerably lower level in the last quarter of the year. The rapid decline in demand combined with high inventories in the market has resulted in a simultaneous decline in the volume of sales and sales prices and thus the gross margin, which fell from 16.8% in 2007 to 9.6% in 2008.

The division reported an operating loss (EBIT) of DKK 212 million for the year compared with a profit of DKK 157 million in 2007, down by DKK 369 million. Of this amount one-off write-downs account for approximately DKK 139 million.

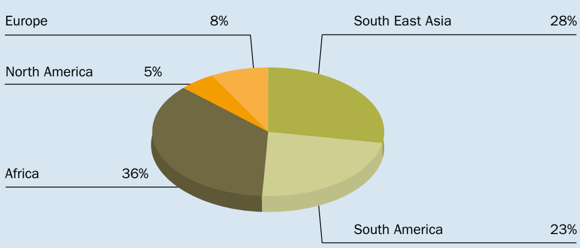
Average invested capital was DKK 2,116 million, up by DKK 90 million on 2007. However, towards the end of the year inventories, and thereby invested capital, had been considerably reduced.

Financial highlights in DKK million	2008	2007	2006*
Revenue	3,276.3	3,803.9	4,075.6
Gross profit	315.9	638.1	700.7
Gross margin	**9.6%**	**16.8%**	**17.2%**
Operating profit before depreciation and amortisation (EBITDA)	(76.9)	232.9	285.5
Operating profit (EBIT)	(211.9)	156.9	206.7
Operating margin	**(6.5%)**	**4.1%**	**5.1%**
Average invested capital	2,115.5	2,025.6	2,055.2
ROIC including goodwill	**(7.6%)**	**8.0%**	**10.1%**

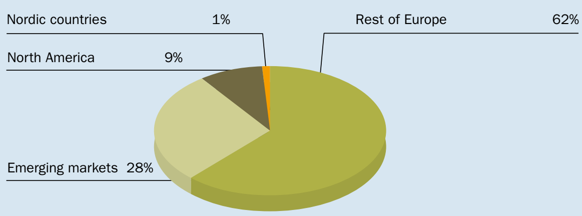
* 2006 figures not adjusted for change in the company's internal structure

Revenue broken down by

Supply regions



Sales markets



The Nordic hardwood activities were taken over by the Timber & Board Division in 2008.

Decline in building industry affects revenue and profit

Profile

The Timber & Board Division trades in sheet materials and softwood and is engaged in the distribution of hardwood in the Nordic countries and the Baltic States. Sheet materials, which include plywood, MDF and particle board, are primarily purchased in Russia, South America and northern Europe. Softwood products include sawn timber and components of pine, spruce and larch, primarily from Russia and the Nordic countries. Revenue from sheet materials accounts for just over 69% of the division's revenue, while softwood and hardwood revenues account for the remainder 10% and 21% respectively. In 2008 the Timber & Board Division took over the organisation of Nordic hardwood sales.

Accounting for approximately 37% of revenues, Denmark was the principal market for the Timber & Board Division in 2008. Here the division is one of the major stockholding sheet materials wholesalers. With the acquisition of Karl Ljungberg AB in 2006, Olle Zettergren AB in 2007 and most recently Palma Byggrossisten AB in 2008, Sweden has become the division's second largest market. Together with acquired businesses in Norway, (Hustvedt) and Finland (Puukeskuus Hardwood) the group now has a solid footing all over Scandinavia. In addition, the division serves the remaining European market and the eastern parts of the USA.

Customers are timber merchant companies and the timber-consuming industry, such as kitchen and furniture manufacturers and manufacturers of packaging material, among others.

The Timber & Board Division is in competition with other importers and small independent agents as well as large sawmills in the supply countries, which also sell to customers direct.

Developments in 2008

Both demand and prices in the timber and sheet materials market suffered a dramatic decline towards the end of 2008, putting margins under pressure. The reason for this was the sudden slowdown in the building and construction industry, which hit Scandinavia as well as the remainder of Europe, albeit at varying degrees in the individual markets. The division has adjusted its organisation to match the lower demand.

The Timber & Board Division produced revenue of DKK 1,784 million compared with DKK 1,959 million the year before. Acquired businesses accounted for a revenue increase of 12.9% while the remainder of the business experienced a 21.8% decline.

The division resported an operating loss (EBIT) of DKK 28 million for the year, down by DKK 168 million compared with 2007. Acquisitions account for an increase of DKK 17 million and one-off write-downs account for DKK 27 million.

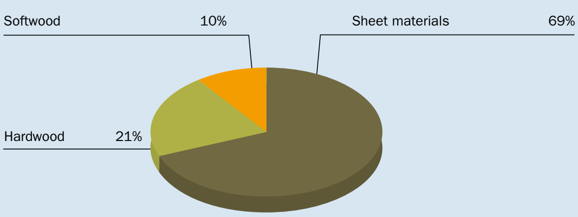
The division's average invested capital was DKK 786 million in 2008, compared with DKK 635 million in the previous year. Acquisitions account for an increase of 20%.

Financial highlights in DKK million	2008	2007	2006*
Revenue	1,784.1	1,958.9	1,408.4
Gross profit	231.2	348.6	194.8
Gross margin	**13.0%**	**17.8%**	**13.8%**
Operating profit before depreciation and amortisation (EBITDA)	(11.6)	149.1	80.4
Operating profit (EBIT)	(28.3)	140.2	78.1
Operating margin	**(1.6%)**	**7.2%**	**5.5%**
Average invested capital	785.5	634.8	228.3
ROIC including Goodwill	**(2.5%)**	**22.3%**	**34.3%**

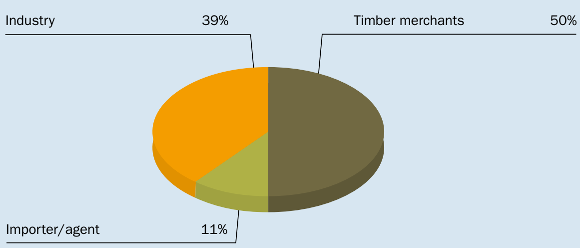
* 2006 figures not adjusted for change in the company's internal structure

Revenue broken down by

Product groups



Sales markets



From forest to end customer

On its way from the forest to the end customer DLH's timber and timber products pass through a number of processing stages. Each link of this chain contributes to increasing the value of the timber, extending from the wood producing areas in South America, Africa, Asia, Scandinavia and Russia/Siberia to end customers in Europe, the USA and emerging markets, such as the Far and the Middle East, South Africa and Eastern Europe.

DLH is engaged in all parts of the value chain, to a greater or lesser degree, as well as the processes which take place prior to the traditional wholesale activities. This is primarily to secure sufficient supplies of high quality timber and secondly to ensure better documentation of the legality and origin of the timber. In addition, each link in the value chain holds great business and earnings potential.

Flow sheet of DLH's value chain for international trade in timber. DLH's actual product flow also sometimes finds its way to the customer via other specialised supply lines. For instance, logs may be sold direct from the forest, and timber may be sold from the sawmill without undergoing further processing.

TRADE IN HARDWOOD

TRADE IN SOFTWOOD

TRADE IN SHEET MATERIALS

Value chain – international timber trade

Forest › Sawmill › Processing › Export › Shipping › Import › Distribution › End customer

Forest: DLH has access to large quantities of timber from its own forest areas in Congo-Brazzaville and Gabon. This means high reliability of supply, especially for certified timber.

Sawmill: The majority of the raw timber is cut at local sawmills before being distributed. DLH runs its own sawmills adjacent to the forest concessions in Congo-Brazzaville and Gabon.

Processing: Local sorting and processing of the raw timber - drying, cutting, planing, component production etc. Own component production ensures improved quality control and provides the option of delivering customised products to end customers.

Export, Shipping, Import: Trading is DLH's original core competence: purchasing consignments in supply countries, handling transportation and cross-border logistics as well as sale to timber merchants and industrial end customers, mainly in countries where DLH does not have its own distribution companies.

Distribution: DLH has at its disposal an intricate network of sales companies which distribute from their own warehouses to local industrial customers, for example, small and medium-sized timber-consuming industrial businesses.

More powerful supply chain, lower costs, better service

DLH's supply chain department
DLH's new supply chain department focuses on the goods and data flow throughout the value chain, from order to shipment, and from manufacturer to end customer. By means of efficiency enhancements of the value chain the group aims to reduce transport and storage times, increase reliability of delivery and quality while reducing handling costs and capital tied up. The work of optimising DLH's supply chain involves the group's shipping experts and other staff who are able to close advantageous deals with shipping agents, port authorities, stevedores etc., based on the large purchasing volume of the group.

The timber often starts off its journey to the customer by road from a remote forest area without any kind of infrastructure or international carriageway, continues through a local manufacturing process, is stored in transit, is taken on an intercontinental sea voyage by container or bulk carrier until it is finally stored in the country of destination, awaiting delivery to the customer.

One of the key factors in DLH's business model is the effectiveness of the supply chain that brings goods from manufacturer to customer in the desired quality and at the right time. This calls for exact coordination, effective and error-free data handling, quality assurance, logistics, and internal communication, and, not least, cost control. The profitability of DLH's business depends on all links of this chain functioning perfectly, both separately and together.

DLH's supply chain department, which was set up in 2008, has the task of optimising the many aspects of the group's supply chain process. The department's development tasks include:

- Ensuring effective harmonisation of the procedure for ordering goods and placing orders in all the group's business units
- Standardisation of information contained in documents, such as shipping documents, details of quantities, specifications, quality etc., which are prerequisites for the effective control of the goods flow throughout the value chain to and from processing plants, warehouses and terminals and along the carriage roads to the destinations in the sales markets.
- Introduction of a new intra-group trading platform in the Oracle-based IT system, which effectively coordinates and utilises the many standardised items of information from the individual links in the value chain, which are spread across 30 countries.

The supply chain department has already contributed to the coordination of the group's work by reducing the abnormally high capital tied up in inventories in the wake of the falling demand in late 2008.

Focusing on global timber trade

With annual revenue of approximately DKK 5 billion DLH is today one of the world's largest timber wholesalers with sales and purchasing offices as well as warehousing and processing facilities in more than 30 countries across five continents. The sale of the Building Materials Division in early 2008 considerably reduced the group's dependency on the Danish market. Conversely, in recent years the group has built up a significant Scandinavian business platform through acquisitions that will be key to DLH's international business in future.

It is DLH's general strategy to develop its business activities through controlled profitable growth, either through organic growth or acquisitions, thereby ensuring wider or deeper business engagement in the value chain. At the same time, the group will take advantage of the opportunities to enhance operations and improve the utilisation of capital.

In light of the current difficult socio-economic developments, DLH will continue to adapt its organisation and business activities to the changed market conditions in 2009. Once the ongoing reorganisation has been completed, DLH will again develop its business by expanding its geographical sales platform and strengthening its value chain.

Forest management

DLH already has a solid position as one of the world's leading suppliers of FSC-certified tropical hardwood from natural forests. The group's strategic plan includes the consolidation of this position through more tropical forest management concessions in areas other than the existing Congo-Brazzaville and Gabon concessions. Such concessions are steps on the road in DLH's efforts to secure group access to legal and certified timber. However, the group has currently no plans of acquiring additional tropical concessions.

Processing

In recent years DLH has become more engaged in the processing of timber, primarily in the supply countries, as a result of production moving from industrialised high-pay countries to supply countries in the third world. Where strategically necessary, the group will in the years ahead single out environmentally sustainable processing facilities for expansion, for instance with a view to processing timber species that have not yet been commercially exploited.

Trading

Trading is a designation for transactions in which goods are taken directly from the supply area to the customer circumventing the warehouses of DLH, primarily to markets where the group does not have its own distribution. The objective of trading is to exploit the constantly arising imbalances in world trade. Traditionally, trading operations grow organically.

Distribution

DLH runs a wholesale and distribution business in the mature markets in the Nordic countries, the remaining parts of Western Europe and North America and in several of the new markets (emerging markets, which include the Far and Middle East, South Africa, Russia and the remainder of Eastern Europe). The group has adopted growth plans for each of these markets:

The Nordic countries. During the past few years DLH has expanded its position in the Nordic countries considerably.

GROUP CHART

GROUP MANAGEMENT				
FINANCE & IT	HARDWOOD DIVISION			TIMBER & BOARD DIVISION
Accounts **Controlling** **IT** **Finance** **Insurance**	• Africa • South East Asia • Trading world-wide	**Distribution Western Europe:** • South • West	**Distribution Eastern Europe:** • Central • East **North / South America:** • Distribution USA • Brazil	• Denmark • Sweden • Norway • Finland & the Baltic states • Trading Europe & USA

GROUP CO-ORDINATION				
International relations	HR	CSR/Environment	Marketing	Supply chain management

Each of DLH's two operating divisions are a functionally and geographically segmented sub-group, supplemented by cross-divisional functions at group level (co-ordinators). In addition, there is a Finance & IT Division. The responsibility for purchasing products is shared by the two operating divisions. The group management is composed of the President & CEO, the Executive Vice President for Finance & IT and the four Executive Vice Presidents of the operating divisions.

Minor acquisitions may still be made in future, which would supplement the group's business areas in order to achieve greater market coverage.

The remainder of Western Europe and North America. Here DLH expects to acquire activities within fields that consolidate the group's presence, both geographically and in terms of products. Growth may take place through the acquisition of large or small activities which supplement the existing business. DLH desires to become a market leader in the markets in which the group operates. Until further notice, all acquisition activities are put on hold.

Emerging markets are characterised by high growth rates, which are primarily obtained through new establishments. There are currently relatively few enterprises of a size which would make them an attractive target for DLH's strategy. The group will actively investigate the potential in the markets where the group already has a presence, for instance in Russia, as well as enter markets where conditions are right.

Investments and financing

The majority of DLH's aggregate investments in new activities will be directed at distribution, which may help consolidate the group's market position and which holds great synergy potential in conjunction with the group's existing business fields.

A minor proportion of the investment programme will focus on forest management and processing that may enhance the group's production platform, primarily within certified timber.

Investments in processing and forest management will only increase revenues to a limited extent, but will strengthen the group's earnings potential and operating margin.

The growth planned will primarily be financed by the group's cash flow and will ensure that DLH can live up to its objective of stable dividend payments to the shareholders. However, DLH will not exclude the possibility of the group issuing Class B shares in connection with large acquisitions.

FINANCIAL OBJECTIVES

In 2008 DLH published its new long term financial objectives. The group is maintaining these objectives even though the forecast earnings and profit for the near future are dramatically reduced, and the announced time for attaining the objectives (2012) is likely to be postponed correspondingly. Our objectives can only be achieved if demand on the global markets returns to normal.

FINANCIAL OBJECTIVES [1]			
DKK million	Group	Hardwood Division	Timber & Board Division
Operating margin, EBIT	5.5%	6.5%	5.5%
Creation of value [2]	>0	>0.25% of revenue	>0.25% of revenue
Equity ratio	>35%		

1) The objectives should be perceived as an average level of earnings and growth during one trade cycle.
2) The creation of shareholder value, i.e. a return on the capital invested which exceeds the cost of the capital employed (Weighted Average Cost of Capital, WACC, currently at approx. 8% with variations for the two divisions).

Forecast for 2009 and 2010

Framework

DLH expects the low level of activity that characterised the sales markets in the latter part of 2008 to continue to have a great impact on developments in the first part of 2009. The group takes the view that the market will gradually stabilise in the course of 2009 and that gross margins will improve as wholesale inventories are adapted to the demand and the prices prevailing in the market.

In DLH's view, raw material prices – both for temperate and tropical timber – are likely to bottom out in the first half of 2009 with subcontractors, some of whom are currently manufacturing below cost, looking to reduce their production capacity.

Even though DLH believes that the market will thus stabilise in 2009, expected profit development in a number of the group's companies will be under pressure due to the current low level of activity and prices for some time to come.

Initiatives

In 2008 DLH took a number of initiatives – and will implement further initiatives for 2009 – with a view to reducing the negative consequences of market developments and ensure that the group is well equipped for future market conditions:

Adjustment of production capacity

The recession has hit the production units the hardest. They have had to adapt to market conditions by reducing costs and production capacity. Overall, the capacity in the group's production units has almost been halved in the second half of 2008. The veneer production in Bohmans Finerfabrik in Oskarshamn has been closed down, and considerable reductions have been made in the group's major production units in Congo-Brazzaville and Brazil.

Structural adjustments in the sales markets

DLH has launched efficiency enhancements in the Swedish business activities, where four companies will come under joint management and administration. A similar merger of the Danish and Norwegian activities will be implemented respectively. These structural changes will ensure a number of administrative savings, fewer inventories and the possibility of a better coordinated sales effort aimed at customer segments.

Restructuring intra-group trading

DLH has set up a supply chain function (please see page 9) which is expected to enhance both time and cost efficiency in the value chain. For example, the supply chain function will establish a new systems platform for intra-group trading. This new platform will result in administrative savings and efficiency enhancements and will dramatically improve the group's ability to control inventories and delivery times. The platform will be set up in 2009 as part of the DLH Group's Oracle-based business system.

Inventory reduction

DLH has implemented a number of steps to reduce inventories as soon as possible. A restrictive purchasing policy has been introduced and guidelines for intra-group trade with the group's business units have been revised, a measure which will be supported by a new shared intranet-based commodity exchange.

Cost cutting and other initiatives

In addition to the said structural measures, the group has implemented general cost cuttings and staff reductions in nearly all the group's departments. In addition, the group has launched initiatives such as a pay freeze in 2009, restrictions on the group's investment programme and an efficiency enhancement consultancy project for the organisation of the Russian activities.

Forecast for 2009 and 2010

Despite the prospect of a stabilisation in market demand and prices during 2009 and the many organisational and business adjustment initiatives launched, DLH expects a moderate revenue decline in 2009 compared with 2008.

The group expects its pre-tax results for the year from continuing operations will be a loss, albeit considerably less than in 2008.

For 2010 the group again expects revenue growth and a profit.

Financial capacity

In March 2009 DLH has concluded a two-year financial agreement with a number of banks, which will secure the necessary financial scope for the group. Furthermore, the company's supervisory board has decided to recommend that no dividend be paid for the financial years of 2008 and 2009.

Corporate social responsibility (CSR) is about businesses' co-responsibility to ensure a balanced and sustainable development in the communities of which they are a part.

New corporate social responsibility initiatives

At DLH our CSR efforts are based on our "house of values", the roof of which, "Responsibility", symbolises our objective of ensuring responsibility in all parts of our business operations. To DLH, responsibility is about protecting and ensuring the survival of forests and nature on which we depend. It is also about ensuring the rights and well-being of our staff and about participating actively and constructively in the local community in which the group operates. Last but not least, it is about promoting sustainable forest management to customers, suppliers, and other stakeholders in order to contribute to the expansion of the certified timber products market.

Every year DLH publishes an independent report about its CSR activities. The report outlines developments in the areas to which DLH gives special attention and provides an overview of its environmental and social initiatives and the results of such initiatives during the past year. For instance, the report highlights the following important milestones in our CSR efforts in 2008:

- DLH presented a revised environment policy in 2008. New objectives show the group the way forward in the years ahead and ensure continued improvements in our environmental efforts. Forest management, which is key to DLH's business, is vital to the development in the global climate. The revised environment policy thus now also incorporates consideration for the global climate.

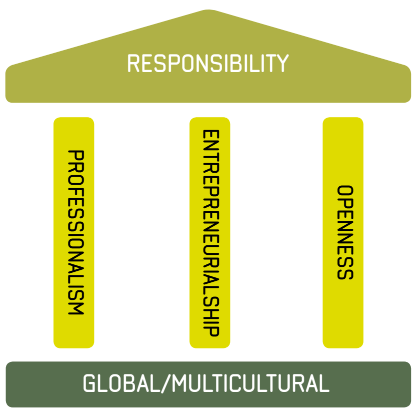
- At the beginning of 2009 DLH began to adopt new guidelines for the group's handling of the social and human rights aspects of its business activities. Together with the environmental policy these guidelines make up DLH's CSR policy which provides direction for the group's conduct in any given context.

- The group doubled its FSC-certified tropical rainforest area in Africa in 2008. Today DLH has 750,000 hectares of certified African tropical rainforest at its disposal and retains its position as one of the world's leading suppliers of certified tropical hardwood.

DLH's 2008 CSR report also describes the many environmental and forest protection projects that the group has launched in collaboration with suppliers from all over the world. Moreover, the report describes DLH's efforts to improve the health and safety of its staff in Malaysia, Brazil and Congo-Brazzaville and how the fight against malaria and HIV/AIDS is given high priority in Congo-Brazzaville.

DLH's 2008 CSR report may be downloaded from the company's website at the address www.dlh-group.com.

DLH's house of values



Shareholders

Share capital
The share capital of DLH amounts to an aggregate nominal value of DKK 185,784,760, divided into Class B shares with a nominal value of DKK 167,034,760 and Class A shares with a nominal value of DKK 18,750,000. The Class B shares are listed by NASDAQ OMX Copenhagen A/S and included in the MidCap+ segment. The Class A shares are owned by DLH-Fonden and unlisted.

Listing of the DLH share
The share markets took a dramatic plunge during 2008. Accordingly, the price of DLH's Class B shares fell from DKK 90 to DKK 26 per share with a nominal value of DKK 10, a 71% price drop. By comparison the MidCap+ segment fell by 64% during the same period. Due to the falling prices, the liquidity of the DLH share declined correspondingly, and DLH shares were traded at a value of DKK 1.6 million on average per day compared to DKK 7 million the year before.

At the start of 2009 the group had more than 3,000 registered shareholders, the same as at the beginning of 2008. During the same period equity investments of foreign registered shareholders grew by 4 percentage points to reach 14.9%.

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

Corporate governance
DLH has adopted by far the majority of the recommendations stipulated by the committee on good corporate governance of the NASDAQ OMX Copenhagen A/S. Please refer to the group's website and the 2008 annual report for a comprehensive overview of the group's attitude to the individual recommendations.

Stock brokers monitoring DLH

Danske Equities	Daniel Patterson	+45 45 12 80 45
Nordea Markets	Carsten Warren Petersen	+45 33 33 39 45

Dividend
The supervisory board will recommend to the shareholders in general meeting that no dividend be paid for 2008.

Share buy-back programme
In connection with the sale of DLH Træ & Byg A/S a share buy-back programme totalling DKK 100 million was launched, becoming operative in May 2008. The management decided that the programme was to be implemented according to the 'safe harbour' method. The launch of the share buy-back programme was one of the management's ongoing endeavours to ensure the best possible capital structure for the group at the current level of activities. During the share buy-back programme, the reduction in the share price and poor liquidity in the share market has resulted in the final value of the shares purchased ending on 1 March 2009, being DKK 37 million, DKK 34 million of which being attributable to 2008. A proporsal will be submitted to the shareholders in the annual general meeting to cancel the repurchased shares in 2009.

Investor queries
Queries about the DLH-group, the business divisions and the annual report should be directed to Jørgen Møller-Rasmussen, President & CEO. Queries about shareholder matters should be directed to Investor Relations Manager Claus Mejlby Nielsen.

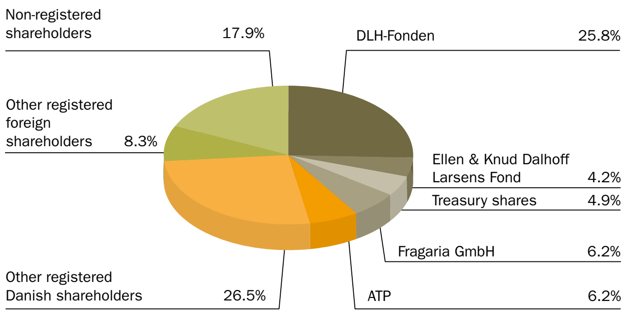
2009 financial calendar

Thursday, 12 March:	2008 Annual report
Thursday, 16 April:	General meeting
Wednesday, 20 May:	Report for the three months ended 31 March 2009
Wednesday, 26 Aug:	Report for the six months ended 30 June 2009
Friday, 20 Nov:	Report for the nine months ended 30 September 2009

STOCK MARKET RATIOS:

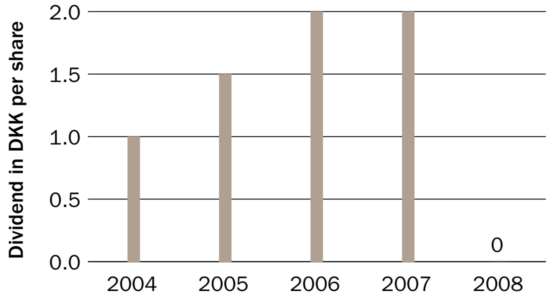
(DKK million)	2008	2007	2006	2005	2004
Book value per diluted share of DKK 10 (BVPS-D) at year-end	70	64	58	49	42
Share price at 31 Dec. (P) DKK	26.00	90.22	106.89	85.60	39.30
Price / book value diluted (P/BV-D)	0.37	1.42	1.86	1.75	0.93
EPS diluted (per share of DKK 10)	12.46	7.96	8.29	6.94	5.30
Average number of diluted shares in issue (1,000 shares)	18,179	18,438	18,292	17,065	17,065
Cash flow per diluted share of DKK 10 (CFPS-D)	(2.69)	1.87	4.77	(6.28)	2.98
Dividend per share of DKK 10 (DPS)	0	2.00	2.00	1.50	1.00
Price earnings diluted (P/E -D)	2.1	11.3	12.9	12.3	7.4

COMPOSITION OF SHAREHOLDERS AT 1 MARCH 2009



DLH has more than 3,000 shareholders, the composition of which is shown in the graph. DLH-Fonden is subject to the same trading restrictions on the company's shares as are the imposed on the company and its supervisory board.

DIVIDEND PER SHARE IN DKK



SUPERVISORY BOARD AND GROUP MANAGEMENT

SUPERVISORY BOARD:

Asbjørn Børsting
Chairman

Arne Vierø
Deputy Chairman

Kristian Kolding

Aksel Lauesgaard Nissen

Wilhelm Schnyder

Erik Søndergaard

Morten Bergsten
Elected by the employees of the group

Jesper Birkefeldt
Elected by the employees of the group

Jens Ulrik Nielsen
Elected by the employees of the group

GROUP MANAGEMENT:

Jørgen Møller-Rasmussen
President & CEO

Carsten Vindnæs
Executive Vice President
Finance & IT

Robert Hunink
Executive Vice President
Hardwood Division

Martin Grome
Executive Vice President
Hardwood Division

Hroar Bay-Smidt
Executive Vice President
Hardwood Division

Poul Leineweber
Executive Vice President
Timber & Board Division

CONSOLIDATED INCOME STATEMENT

(DKK million)	2008	2007
Revenue	**5,013.0**	**5,719.8**
Cost of sales including production wages	(4,468.8)	(4,734.3)
Gross profit	**544.2**	**985.5**
	10.9%	17.2%
Costs:		
Other operating income	36.3	20.5
Other external expenses	(345.8)	(305.2)
Staff costs	(378.4)	(364.6)
Operating profit before depreciation and amortisation (EBITDA)	**(143.7)**	**336.2**
Depreciation, amortisation and impairment losses	(171.2)	(91.8)
Operating profit (EBIT)	**(314.9)**	**244.4**
	(6.3%)	4.3%
Net financials	(107.2)	(85.9)
Profit on continuing operations before tax (EBT)	**(422.1)**	**158.5**
Tax for the year on the profit on continuing operations	68.7	(58.3)
Profit for the year on continuing operations	**(353.4)**	**100.2**
Profit for the year on discontinued operations	580.0	46.5
Profit for the year	**226.6**	**146.7**

Parentheses are used for deductible and negative items.

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	2008	2007
Profit before tax	(422.1)	158.5
Adjustment for non-cash operating items etc.	423.1	210.1
	1.0	368.6
Changes in working capital:		
Inventories and prepayments	118.9	(206.0)
Trade receivables	131.3	50.8
Trade payables and other payables	(66.6)	(1.1)
Other operating debt, net	(37.4)	(54.4)
Operating cash flow	**147.2**	**157.9**
Financial items, paid	(131.4)	(86.9)
Income taxes paid/refunded	(64.7)	(36.6)
Cash flow from operating activity	**(48.9)**	**34.4**
Acquisition of businesses	(90.3)	(144.8)
Other investments	(158.9)	(87.6)
Cash flow from operations after investments, including acquisitions	**(298.1)**	**(198.0)**

ASSETS

(DKK million)	2008	2007
Non-current assets:		
Goodwill	152.0	167.4
IT projects	17.2	20.4
Other intangible assets	77.0	76.0
Land and buildings	236.3	246.8
Other property, plant and equipment	205.0	188.8
Other non-current assets	84.9	25.3
Total non-current assets	**772.4**	**724.7**
Current assets:		
Manufactured goods and goods for resale	1,414.4	1,704.0
Prepayment for goods	52.5	89.0
Trade receivables	542.9	669.3
Prepayments and other receivables	203.7	127.3
Cash	56.7	56.3
	2,270.2	**2,645.9**
Assets held for sale	**-**	**634.1**
Total current assets	**2,270.2**	**3,280.0**
Total assets	**3,042.6**	**4,004.7**

LIABILITIES & EQUITY

(DKK million)	2008	2007
Total equity	**1,239.9**	**1,172.2**
Non-current liabilities:		
Pensions and similar liabilities	27.0	26.2
Deferred tax	36.5	41.2
Provisions	0.6	36.0
Subordinated loan capital	78.2	111.8
Banks etc.	44.5	685.0
Leasing commitments	0.5	0.6
Total non-current liabilities	**187.3**	**900.8**
Current liabilities:		
Banks etc.	1,250.3	1,140.0
Trade payables and other payables	345.4	452.5
Income taxes	13.2	35.3
Deferred income and provisions	6.5	13.1
	1,615.4	**1,640.9**
Liabilities relating to assets held for sale	**-**	**290.8**
Total current liabilities	**1,615.4**	**1,931.7**
Total liabilities	**1,802.7**	**2,832.5**
Total liabilities and equity	**3,042.6**	**4,004.7**

1908 – 2008 One hundred years of passion for wood

In 2008 DLH marked the centenary of Dalhoff Larsen & Horneman A/S by arranging a number of activities worldwide. For example, on the occasion of the centenary of the group, staff were invited to participate in a photo and storytelling competition focusing on the group's history and values. Winners of the competition were staff members from Denmark and Congo-Brazzaville. The centennial celebration was also the launch pad for DLH's new image programme, which included a new logo for the group and an extensive overhaul of the group's website.

DLH hosted a full day conference together with "Timber and Landscape" at the University of Copenhagen on the social importance of the forest. Furthermore, DLH took advantage of the centenary to sponsor the Danish "Timber Prize", which is awarded for innovative architecture and design involving timber.

In Denmark the centenary was celebrated with a staff party and a reception at the head office in Høje Tåstrup near Copenhagen. To mark the occasion the head office had been given a new deck made from FSC-certified materials and a new entrance with oak floors; the large conference room had also been re-designed with a "reclining U" in ash as a framework for a classical conference table made of palisander.

DLH's suggestion to convert anniversary gifts into a contribution to combat malaria in Congo-Brazzaville was well received by customers, suppliers, shareholders and staff alike. The many donations financed 10,000 mosquito nets for the local community in that area. The DLH-Fonden presented DLH with a wooden sculpture by the artist Erik Thommesen. The sculpture is now on display at the group's head office.

International trade in timber

Hardwood Division

DLH Nordisk A/S
Skagensgade 66
DK-2630 Taastrup
Denmark

tt Timber International AG
Elisabethenanlage 11
P.O. Box 631
CH-4010 Basle
Switzerland

Timber & Board Division

DLH A/S
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Denmark

Please visit our website at www.dlh-group.com for all relevant contact addresses.

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dlh@dlh-group.com

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