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Revenue and profit

DLH generated revenue of DKK 5,363 million, up 6% on last year. Revenue was thus slightly above the forecast DKK 5.2 billion, which is attributable to domestic economic growth and a continued high level of activity on certain foreign markets.

The increased revenue together with the improvement in the gross margin of 0.4% produced an operating profit, EBIT, of DKK 225 million, a 23% improvement. The group's operating margin, EBIT-margin, was 4.2%, up 0.6 percentage points. The improvement in the result is attributable to the Building Materials Division, accounting for a 49% improvement in the result, and to the Timber & Board Division, accounting for a 35% improvement in the result.

Pre-tax profit was DKK 175 million, up 25%. Accordingly, the result was slightly higher than the latest forecast of DKK 170 million.

The group result after tax was DKK 119 million, up 31% on 2004 and record-breaking.

Balance sheet total, investments and cash flow etc.

The group's balance sheet total was DKK 2,620 million at year-end, a 31% increase on year-end 2004. Acquisitions account for DKK 320 million of this amount. The majority of the increase in the balance sheet total, just under DKK 300 million, is attributable to increased inventories and receivables in the Hardwood Division.

The average invested capital was DKK 1.990 million compared to DKK 1.707 million in 2004.

Cash flow from operations after investments was negative by DKK (317) million compared to DKK 53 million the year before. The decline is due to investments in the acquired businesses and the said increases in inventories and receivables.

Dividend

The supervisory board recommends to the general meeting that a dividend amounting to DKK 27.5 million is distributed for 2005, corresponding to DKK 15 per issued share, which represents an increase of DKK 5 per share relative to 2004.

Events occurring after the end of the financial year

On 23 January 2006 DLH concluded an agreement to acquire the privately owned Swiss tt Timber Group, which employs approximately 2,500 staff and generates annual revenue of approximately DKK 1.3 billion. The transaction was financed in part with a direct placement corresponding to a capital increase of 7.0%.

Changes in accounting policies

The consolidated annual report for 2005 is the first annual report of DLH prepared in accordance with IFRS.

Forecast for 2006

During the period from late 2005 to early 2006 the DLH Group made a number of acquisitions, which will have a considerable impact on activities in 2006. The group expects total revenues of DKK 7.0 billion, corresponding to a 30%, or DKK 1.6 billion, improvement on 2005.

The final opening balance for the acquisition of the tt Timber Group has not yet been presented and the revised budgets, including the post-merger integration costs for the merged activities in the Hardwood Division, are still in preparation. Consequently, the estimates for 2006 are subject to some uncertainty. In view of this, the group expects increased earnings at EBIT level relating to the tt Timber Group of DKK 45-65 million, compared to the previously announced DKK 75 million.

The group expects pre-tax profits of DKK 180-200 million, compared to DKK 175 million in 2005. The results in 2005 include profits from sale of properties of DKK 18 million.

With the acquisition of the tt Timber Group average invested capital is expected to rise by approximately DKK 650 million to DKK 2.7 billion.

New financial objectives

In view of the improvements in the result attained by DLH in recent years and the potential improvements inherent in the most recent acquisitions, the group has adopted new and higher financial objectives, including an operating margin, EBIT margin, which is to be increased to 5% over a three-year period.

It is the strategy of DLH to develop its business activities through controlled profitable growth, be it via organic growth or acquisitions, thereby ensuring wider or deeper market coverage. One of the group's objectives is to expand its position as one of the world's leading suppliers of timber and timber products sourced from sustainably produced raw materials.

Concurrently, the group intends to take advantage of the opportunities for enhancing the efficiency of its operations and improving the utilisation of capital, for instance through intensive use of IT.

Hardwood Division

Focusing on quality, reliability of delivery and competitive prices, the division is set to consolidate its global market position, for instance within the market for sustainable hardwood. The division will make investments in forestry, sawmills and other processing facilities in the supply countries where such investments may contribute to securing supplies or supporting the business in other ways.

Timber & Board Division

For the past few years the Timber & Board Division has been enhancing the efficiency of its operations and improving its use of capital considerably. This improvement must be sustained and accelerated. It is the objective of the division to ensure continued profitability, both by means of increased sales through distributors and direct to the industry. The division intends to focus on foreign growth in Northern Europe and the USA.

Building Materials Division

The Building Materials Division is set to consolidate its position among the leading timber merchant companies in Denmark. Such consolidation is to take place through continued efficiency enhancements, improved earnings and employment of capital, for instance, by continued reorganisation of the product range and the number of suppliers.

Financial objectives

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

In view of the improvements in the result attained by DLH in recent years and the potential improvements inherent in the most recent acquisitions, the group has adopted new and higher financial targets:

	Group	Hardwood Division	Timber & Board Division	Building Materials Division
Creation of value*)	> 0	0.25% of revenue	0.25% of revenue	0.25% of revenue
Annual revenue growth	10%	10%	10%	10%
Operating margin	5%	6%	5%	4.5%
Equity ratio	30%			

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

The targets should be seen as an average level of earnings and growth during a trade cycle. DLH aims to reach this level for the financial targets within a period of three years.

Backed by success and after the most recent acquisitions DLH has raised the target for future results – while adhering to the group’s basic values and thereby taking seriously our responsibilities towards humanity and the environment.

DLH enjoyed a prosperous year in 2005. We produced revenues of DKK 5.4 billion and a DKK 175 million pre-tax profit, the best result ever. Helped along by the profit growth during the year DLH also realised an additional return on invested capital in 2005, thereby creating shareholder value. In other words, we met the group’s profitability target for 2005.

The group’s rapid financial development also laid the groundwork for DLH’s long term growth target. Over the past year, the group has made three acquisitions: a timber merchant company and a small hardwood company in Denmark and the international hardwood and veneer business of Bohmans, boosting our business in the Nordic countries and in expansive Eastern Europe.

Concurrently, we prepared the largest acquisition in the history of DLH, the takeover of the international hardwood business, the tt Timber Group. This acquisition, which was completed in early 2006, will strengthen DLH as regards distribution and our supply lines. In addition, the tt Timber Group brings to the group important know-how on sustainable forestry, and this will support our environmental efforts considerably.

At the same time the acquisition marks the fact that DLH is now moving towards a new strategy for its international activities, a strategy which broadens the group’s value chain “from sawmill to end customer” to “from forest to end customer”. This provides us with a unique opportunity to ensure sustainability throughout the value chain, and we will take full advantage of that.

Having made a determined effort for five years, DLH has now achieved the objectives adopted back in 2001. However, we will not content ourselves with this. We are convinced that the group has even greater business potential, and we have therefore set ourselves new and higher long-term financial targets. These targets shall now be our guide in the expansion of the business of DLH while we adhere to the group’s basic values and thereby take seriously our responsibilities towards humanity and the environment.

Jørgen Møller-Rasmussen
President & CEO

DLH’s supply chain

As an international timber wholesaler DLH plays the important role of bringing together manufacturers and consumers. The supply chain of DLH ranges from tropical and temperate forests to customers in regions such as Europe, the Far and the Middle East and North America. One of the tasks of DLH is the efficient handling of forestry, processing, storage, transportation and distribution.



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Supervisory Board:

Asbjørn Børsting (Chairman)
Arne Vierø (Deputy Chairman)
Erik Søndergaard
Niels Oluf Kyed
Stig Christensen
Uffe Steen Mathiesen
Lau N. Nygaard (elected by the employees of the group)
Benny Hermann (elected by the employees of the group)
Morten Bergsten (elected by the employees of the group)

Executive Board:

Jørgen Møller-Rasmussen, President & CEO

Auditors:

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab
Borups Allé 177
2000 Frederiksberg

Annual general meeting:

The ordinary general meeting will be held on Wednesday, 19 April 2006 at 3 p.m. at the Quality Hotel Høje Taastrup A/S, Carl Gustavs Gade 1, DK-2630 Taastrup.

FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS FOR THE DLH GROUP

Group

(DKK million)	2005	2004	2003 ¹⁾	2002 ¹⁾	2001 ¹⁾
Income statement					
Revenue	5,363	5,036	4,451	4,549	4,188
Gross profit	903	825	724	730	678
Costs excluding goodwill amortisation	679	642	589	604	558
Earnings before interest, tax, depreciation and amortisation (EBITDA)	264	235	180	174	166
Earnings before interest, taxes and goodwill amortisation (EBITA)	225	183	135	126	120
Operating profit (EBIT)	225	183	127	117	112
Financial items	(50)	(43)	(53)	(58)	(54)
Profit on continuing activities	175	140	74	59	59
Profit on discontinued activities before tax	-	-	-	-	(18)
Profit before tax (EBT)	175	140	74	59	41
Profit for the year	119	90	45	33	23
Balance sheet details					
Total assets	2,620	1,998	1,934	2,026	1,943
Equity	827	719	636	612	612
Average invested capital including goodwill	1,990	1,707	1,677	1,756	1,682
Investments					
Gross investments (excluding acquisitions)	69	55	50	61	59
Gross investments (including acquisitions)	144	55	56	91	89
Net investments (excluding acquisitions)	50	9	30	54	46
Cash flows					
Cash flow from operating activities (CFFO)	(107)	51	197	118	214
Cash flow from operations after investments (excluding acquisitions)	(133)	53	171	78	165
Cash flow from operating activities after investments (including acquisitions)	(317)	53	150	(29)	161
Performance ratios					
Gross margin (continuing operations)	16.8%	16.4%	16.3%	16.0%	16.2%
Operating margin (EBIT margin) (continuing operations)	4.2%	3.6%	2.8%	2.6%	2.7%
Net operating profit less adjusted taxes (NOPLAT) ²⁾	161	131	94	88	84
Return on equity (ROE)	15.3%	13.3%	7.2%	5.4%	3.8%
Equity ratio	31.6%	36.0%	32.9%	30.2%	31.5%
Return on invested capital including goodwill (ROIC including goodwill)	11.5%	10.9%	8.0%	7.2%	7.1%
Average number of employees					
	1,782	1,695	1,414	1,402	1,250
Stock market ratios					
Book value per share of DKK 100 (BVPS)	482	419	370	356	356
Share price 31 December (P)	DKK 856	DKK 393	DKK 262	DKK 157	DKK 168
Price / book value (P/BV)	1.78	0.94	0.71	0.44	0.47
EPS Basic (per share of DKK 100)	70.0	53.5	26.6	19.2	13.4
Average number of shares in issue (1,000 shares) ³⁾	1,716	1,716	1,716	1,716	1,716
Cash flow per share of DKK 100 (CFPS)	(62)	30	115	69	125
Dividend per share of DKK 100 (DPS) ³⁾	15.0	10.0	6.0	6.0	6.0
Price Earnings Basic (P/E Basic)	12.2	7.4	9.8	8.1	12.5

1) Financial highlights for 2004 and 2005 have been prepared in accordance with IFRS, cf. the section "Changes in accounting policies". Comparative figures for 2001-03 have not been restated to the changed accounting policies, but are presented in accordance with the previous accounting policies based on the requirements of the Danish Financial Statements Act and Danish Accounting Standards.

2) Calculated on the basis of a company tax rate of 30 per cent with addition of net financial income on invested capital (receivables etc.) of DKK 4.4 million. For 2005 the tax rate for taxes paid was 32.9%, (2004: 24.3%) corresponding to a NOPLAT of DKK 154 million.

3) As part payment of the purchase of tt Timber Group in February 2006, 120,000 shares of DKK 100 have been issued. The issued shares carry full dividend for the financial year of 2005.

FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS FOR THE PARENT COMPANY

Parent company

(million DKK)	2005	2004	2003 ¹⁾	2002 ¹⁾	2001 ¹⁾
Income statement					
Revenue	-	-	-	-	-
Gross profit	-	-	-	-	-
Costs excluding goodwill amortisation	31.0	33.5	8.6	15.2	15.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(14.0)	(12.6)	0.6	(3.9)	(8.6)
Earnings before interest, taxes and goodwill amortisation (EBITA)	(19.8)	(23.4)	(8.6)	(15.2)	(15.1)
Operating profit (EBIT)	(19.8)	(23.4)	(8.6)	(15.2)	(15.1)
Financial items	21.7	20.8	82.7	74.3	55.6
Profit before tax (EBT)	1.9	(2.7)	74.1	59.1	40.5
Profit for the year	13.5	4.1	45.1	32.9	23.0
Balance sheet details					
Total assets	1,280	1,299	1,433	1,452	1,098
Equity	454	453	636	612	612
Investments					
Gross investments (excluding acquisitions)	2	5	9	16	15
Gross investments (including acquisitions)	2	5	9	16	15
Net investments (excluding acquisitions)	(10)	3	(2)	14	14
Cash flows					
Cash flow from operating activities (CFFO)	(48)	18	34	3	52
Cash flow from operations after investments (excluding acquisitions)	(23)	14	37	(19)	39
Cash flow from operating activities after investments (including acquisitions)	(23)	14	37	(19)	39
Performance ratios					
Gross margin	-	-	-	-	-
Operating margin (EBIT margin)	-	-	-	-	-
Net operating profit less adjusted taxes (NOPLAT) ²⁾	(13.9)	(16.4)	(6.0)	(10.6)	(10.5)
Return on equity (ROE)	3.0%	0.9%	7.2%	5.4%	3.8%
Equity ratio	35.5%	34.9%	44.4%	42.1%	58.1%
Average number of employees	239	249	275	305	320

1) Financial highlights for 2004 and 2005 have been prepared in accordance with IFRS, cf. the section "Changes in accounting policies". Comparative figures for 2001-03 have not been restated to the changed accounting policies, but are presented in accordance with the previous accounting policies based on the requirements of the Danish Financial Statements Act and Danish Accounting Standards.

2) Calculated on the basis of a company tax rate of 30 per cent.

FINANCIAL REPORTING

The annual report of the DLH Group for 2005 has been prepared in accordance with the International Financial Reporting Standards (IFRS) and additional disclosure requirements for annual reports of listed companies, see the section on "Change in accounting policies" on page 19.

Dalhoff Larsen & Horneman A/S has availed itself of the option to prepare the annual report of the parent company in accordance with IFRS as from 2005.

As a result, the accounting policies for the group as well as for the parent company have been changed in a number of areas. The key areas are:

- Mergers, including goodwill
- Share-based remuneration
- The parent company's measurement of investments in subsidiaries

Please also refer to the section in the annual report that deals with the changes in accounting policies applied.

BUSINESS ACTIVITIES

International trade in timber

The group's international trading activities have been divided into two divisions: the Hardwood Division and the Timber & Board Division.

The Hardwood Division is a provider of tropical and temperate hardwood in the form of logs, sawn timber, components and finished products, partly through stock-keeping units in a vast number of countries in Europe and the USA, and partly through trading offices in Europe and the Far East.

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

Building materials

The Building Materials Division consists of 20 timber merchant companies in Denmark, just over half of which have an adjacent do-it-yourself market under the RÅD&DÅD concept. The division distributes softwood, sheet materials, building materials and a vast number of related products.

Corporate centre

The central functions of Finance & IT, Logistics, Personnel and Forestry & Environment are placed with the parent company, Dalhoff Larsen & Horneman A/S.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Following the transition to IFRS and thereby the abolition of the equity method, the result of the parent company does not coincide with that of the group since the income statement only reflects the dividend from subsidiaries as opposed to the full result.

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

The parent company's result before tax was a profit of DKK 1.9 million compared to a loss of DKK 2.7 million in 2004.

The balance sheet total of the parent company at the end of 2005 was DKK 1,280 million compared to DKK 1,299 million at the end of 2004.

The equity of the parent company amounts to DKK 454 million.

DEVELOPMENTS IN THE DLH GROUP DURING THE PAST FINANCIAL YEAR

Market developments

The Danish market was characterised by a high level of activity throughout the year. As a result, the share of group revenue produced in the domestic market grew to 44% compared to 42% last year.

Developments on the international markets for timber and timber products were more diverse. In Western Europe and the USA the market stagnated in the second half of the year following increased activity in the first half. Western Europe, excluding Denmark, accounted for 27% of annual revenue while the USA increased its contribution to revenues to 11% in 2005. The "emerging markets", which include the Far and the Middle East, South Africa and Eastern Europe, experienced increasing activity throughout the year and made an 18% contribution to annual revenues. Total revenues outside Denmark accounted for 56% compared to 58% in 2004.

Revenue

Group revenue was DKK 5,363 million, up 6% on last year. Accordingly, revenue was thus a little above the forecast DKK 5,200 million, which is attributable to strong economic growth on the domestic market and a continued high level of activity on certain foreign markets.

Of the group's total revenue growth in 2005, DKK 79 million stems from acquisitions. Moreover, increased translation rates have had a favourable impact on revenues in the amount of DKK 24 million. Adjusted for acquisitions and the effect of foreign currency translation, the group's revenue rose by 4%.

The Hardwood Division produced revenues of DKK 2,678 million, an improvement of 6% of which just over half is attributable to the acquisition of Bohmans as at 1 November 2005 and an increase in the translation rate for Polish zloty. 58% of annual revenues are produced by stock-keeping sales units in Europe and

the USA. This channel of distribution ensures relatively stable earnings.

The remaining 42% of the division's revenue is produced by trading. Trading refers to the sale of large quantities of goods with direct delivery to the customer without involving the warehousing facilities of DLH. DLH's trading business is characterised by a low level of costs, and low capital requirements, but also by fluctuating revenues, which in good years contribute considerably to the result of the group. The Hardwood Division accounts for approximately 50% of group revenues.

In 2005 the Timber & Board Division achieved revenue of DKK 1,142 million, up 2% on 2004. Following twelve months of extraordinarily high demand, the sheet materials market returned to its normal, less heated, though still satisfactory, level during the latter half of 2005. The softwood market was under pressure at the beginning of the year as a result of excess supply following the storm damage in Swedish forests, among other things. The market situation improved during the year. The Timber & Board Division accounts for approximately 19% of group revenues.

The *Building Materials Division* achieved revenue of DKK 1,663 million, up just over 11% on 2004. The division continued its positive business trend in all areas throughout 2005. As in previous years, progress is due in particular to the low level of interest rates and the strong Danish economy, which has boosted both residential development and refurbishment. A small part of the increased revenue is attributable to acquisitions. In September 2005 the division consolidated its market position in Northern Jutland through the acquisition of MLT A/S, a company which targets professional customers as well as the private segment, and in October the division took over Risør Træ & Finer, which trades in hardwood and veneer in the Eastern Danish market. The *Building Materials Division* accounts for approximately 31% of group revenues.

Gross margin

The group improved the gross margin by 0.4 percentage points to 16.8% in 2005. This contributed to an improvement in the gross profit of DKK 79 million, up 10% on 2004. The improvement in the gross margin is attributable to the Timber & Board Division, which has increased the margin by 0.7 percentage points, and to the *Building Materials Division*, which has increased the margin by 0.8 percentage points. Following the favourable trend in the first half of the year, the Hardwood Division realised a margin for the year which matched last year's level.

Other operating income

Other operating income, totally DKK 26 million, includes profit margin from properties sold of DKK 18 million, compared to DKK 13 million in 2004.

Costs

Costs (other external and staff costs) were DKK 665 million. This represents an increase of DKK 56 million compared to 2004. Acquisitions for DKK 17 million are included in the amount. On a comparable basis the increase therefore amounts to DKK 39 million, or 7%.

The increase includes the effect from increased translation rates for the Polish zloty and the Brazilian real have had a negative impact on costs in the amount of DKK 6 million. The transition to lease passenger vehicles and buildings has increased external costs by DKK 10 million, but also reduced the depreciation charge. Costs incidental to the group's new IT system, the GTS, are included in the costs for 2005.

EBIT, operating profit

The increased revenue together with the improvement in the gross margin produced an operating profit, EBIT, of DKK 225 million, a 23% improvement. The group's operating margin (EBIT-margin) was 4.2%, up 0.6 percentage points.

The improvement in the result is attributable to the *Building Materials Division*, accounting for a 49% improvement in the result, and to the Timber & Board Division, accounting for a 35% improvement in the result.

EBIT-contributions of the divisions:

DKK million	2005	2004
Hardwood Division	114.1	110.5
Timber & Board Division	68.0	50.2
Building Materials Division	62.1	41.6
Corporate centre	(19.4)	(19.6)
Total	224.8	182.7

The *Hardwood Division* achieved an operating profit, EBIT, of DKK 114 million, up DKK 4 million on last year.

The *Timber & Board Division's* operating profit, EBIT, was DKK 68 million, representing a DKK 18 million increase on 2004. In 2005 the group sold off its central warehouse at Gadstrup, which are used by the Timber & Board Division. The central warehouse will be moved to rented premises at Køge Harbour during 2006.

Throughout the year the *Building Materials Division* carried out a series of efficiency enhancements in the administrative, purchasing and logistics functions, and these have been instrumental in the dramatic improvement in the result. Operating profit, EBIT, for the year was DKK 62 million, up DKK 21 million or 49%, on 2004.

The *corporate centre*, which covers the departments Finance & IT, Logistics, Personnel, Forestry & Environment and corporate management, produced an operating loss, EBIT, of DKK (19) million, which is on a par with 2004. The result for 2005 included proceeds from the sale of properties in the amount of DKK 18 million compared to DKK 3 million in 2004. In 2005 external rent was paid relating to the group's property in Gadstrup, which has been sold off.

Profit before tax

Profit before tax was DKK 175 million compared to DKK 140 million last year, representing a 25% increase. The result is slightly higher than the latest forecast of DKK 170 million.

Profit after tax

The group's result after tax was a record profit of DKK 119 million, representing a 31% improvement on 2004. The tax rate

applied for the group was 32.3% compared to 35.5% in 2004. The improvement incorporates the effect of the reduction from 30% to 28% in the income tax rate in Denmark.

Balance, capital invested and cash flow

The group's balance sheet total was DKK 2,620 million at year-end, a 31% increase on year-end 2004. Of this amount, acquisitions account for DKK 320 million. The majority of the increase in the balance sheet total, just under DKK 300 million, is attributable to increased inventories and receivables in the Hardwood Division.

The item, other interest-bearing receivables, includes outstanding proceeds from the sale of the property in Gadstrup. The increased cash funds are held in the most recently acquired businesses.

Equity was DKK 827 million, representing a DKK 108 million increase. Accordingly, the equity ratio is 31.6% compared to 36.0% at year-end 2004.

Average invested capital was DKK 1,990 million, compared to DKK 1,707 million in 2004.

In the autumn of 2005 the DLH Group invested in the timber merchant company of MLT A/S in Hjørring, Risør Træ & Finer in Rødovre, and Bohmans, a Swedish-owned hardwood and veneer company with extensive activities in Eastern Europe. These investments have increased the average invested capital by DKK 44 million.

The development in average invested capital is outlined below:

DKK million	2005	2004
Hardwood Division	1,312	1,014
Timber & Board Division	197	210
Building Materials Division	499	484
Corporate centre	(18)	(1)
Total	1,990	1,707

Average invested capital in *the Hardwood Division* was DKK 1,312 million, which represents an increase of just over DKK 298 million on 2004, and of this amount approximately DKK 33 million stems from business expansions through acquisitions, as the acquisition of Bohmans only makes an impact on two months of the year. At year-end, invested capital amounted to DKK 373 million above the 2004-figure. Inventories account for most of the division's growing amount of tied-up funds, and this is partly due to stockpiling in countries with increasing levels of activity, such as Brazil, Malaysia and France, and partly due to increased timber processing etc. in the supply regions. Average invested capital generated a yield of 8.7% compared to 10.9% in 2004.

The Timber & Board Division tied up average invested capital of DKK 197 million in 2005 compared to DKK 210 million the year before. Average invested capital generated a yield of 34.5% compared to 23.9% in 2004.

In 2005 *the Building Materials Division's* average invested capital was DKK 499 million. The DKK 15 million increase on 2004 is attributable to acquisitions. With the radical refurbishment of

A/S Holten Langes Trælasthandel at Ringsted the division has completed a major refurbishment programme on its buildings. In the years ahead the division's investments are therefore expected to fall to a lower level. Average invested capital generated a yield of 12.5% compared to 8.6% in 2004.

Cash flow from operations after investments was DKK (317) million compared to DKK 53 million the year before. The decline is due to investments in the acquired businesses and the said increases in inventories and receivables.

RISKS

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

COMMERCIAL RISKS

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

Sensitivity to market fluctuations

DLH is affected by the trade conditions in the sales markets and supply regions in which the group operates. Developments in the building and renovation industries are of particular importance. Approximately 60% of group revenues are generated through the company's own stock-holding distribution centres, whilst the remaining 40% of revenues are generated through trading. Trading is more sensitive to market fluctuations than distribution.

Market and customer risks

With a revenue contribution of more than 40% the Danish market is the group's largest. Revenues outside Denmark are spread across a number of markets, such as Western Europe, Eastern Europe and North America. Excluding Denmark, the country-specific fluctuations in market conditions have limited effect, whereas market fluctuations regionally may seriously affect both revenues and profit.

The customer portfolio is not vulnerable to the loss of individual customers. The group's largest single customer accounts for less than 4% of the revenue.

Political risks and other supply risks

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

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

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

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

FINANCIAL RISKS

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

The intra-group bank performs almost all the financial risk management functions of DLH and for this purpose it primarily uses forward exchange contracts and interest swaps. The intra-group bank operates within fixed confines which imply, for instance, that the bank refrains from taking up speculative positions.

Foreign currencies

Just under 60% of group revenue is denominated in foreign currencies, primarily handled by the company's own local sales companies. The main currencies used are the euro, US dollar, Polish zloty and sterling. The major, and also the most complex, foreign currency risk is related to the US dollar and may be subdivided into three elements:

Trading risk. Just under 25% of revenues and approximately 35% of goods purchased are denominated in US dollar or currencies pegged to the US dollar, for instance the Malaysian ringgit and the Brazilian real, which are pegged to the US dollar to some extent. Normally, sales prices are adjusted to the trend in the US dollar. The degree of such adjustment is dependent on the economic development in the individual markets as well as the supply situation generally.

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

Basically, a drop in the US dollar rate would have a detrimental effect on sales from the euro-based supply regions, such as West Africa and Europe, whereas it would boost the sales potential in the US dollar-based regions, such as South America, North America, South East Asia and, to some extent, Russia. The net effect of an exchange rate drop at group level will be

positive in the short term in the case of the US dollar, but as the decline in the dollar rate is incorporated into prices, gross profit will fall, and if the decline in the dollar rate has its full effect on sales prices, the net effect will ultimately be negative.

The inventory risk is the risk the group runs on inventories in connection with changes in the US dollar rate. Of the group's inventories approximately DKK 390 million are to some extent exposed to the US dollar. A decline in the US dollar rate would put pressure on prices, primarily on the US dollar-based goods and thus have a negative impact on the group. Again the effect would depend on the extent and the speed at which sales prices are adjusted.

The conversion effect is the effect on the group's earnings and equity that is the result of converting the US dollar-based foreign companies' operations and balance sheet totals to the group's financial statements due to a change in the US dollar rate. The effect is negative when there is a drop in the US dollar rate. The average US dollar rate remained unchanged from 2004 to 2005 and thus has not had an impact on revenue and profit before tax in the financial year compared to 2004.

Foreign exchange policy

The group's policy is to hedge receivables and payables denominated in foreign currencies. DLH's net investments in subsidiaries abroad are hedged unless the costs incurred are deemed to considerably exceed the risk of losses. However, the foreign exchange risk related to euro-denominated transactions is not hedged due to the fact that the Danish krone is kept within a narrow fluctuation band against the euro. Leaving the euro out of the equation, all investments in foreign currencies were hedged in 2005. During the financial year the Malaysian ringgit and the Brazilian real were hedged by US dollars. With this in mind, and because the tax effect of transactions is not reflected in hedging positions, the foreign exchange policy may result in adjustments in the equity.

Interest rates and financing

At the end of 2005 DLH's interest-bearing debt net amounted to approximately DKK 1.4 billion. The debt is primarily denominated in the group's principal foreign currencies: Danish kroner (DKK 200 million), euro (DKK 630 million) and US dollar (DKK 470 million). Exposures on loans denominated in foreign currencies are included in the overall hedging policy of the DLH Group, and the above amount is therefore not an expression of the group's foreign exchange exposure.

Of the total loan portfolio at year-end 2005 DKK 355 million represent long-term commitments, DKK 56 million of which are mortgage credit loans. Apart from mortgage credit loans, which are primarily issued as 4% bonds, loans are usually based on short-term interest rates. The resulting interest rate risk is matched by interest swaps with a weighted term to maturity of 1 1/4 years, corresponding to DKK 193 million. Of the interest swaps the counter value of DKK 149 million is denominated in euro and DKK 44 million is denominated in US dollars. On an annual basis, a simultaneous increase in the interest rate of 1 percentage point on all loans in foreign currencies would reduce the result of the group by approximately DKK 11 million at the current level of activity and with the existing capital structure.

BALANCE SHEET RISKS

Inventories

Capital tied up in inventories is the largest asset item in the balance sheet of DLH, amounting to DKK 1,222 million. Binding sales contracts have been concluded for quite a substantial part of the inventories. Risks on inventories are primarily related to losses due to a decline in prices or foreign exchange rates. Inventories are monitored closely. The risk of losses on inventories in the case of a sudden, permanent fall in prices of 5% is estimated at approximately DKK 5 million for all inventories combined.

Trade receivables

Trade receivables represent the second-largest asset item in the balance sheet, amounting to DKK 673 million. Credit is granted according to an active credit policy. Losses on debtors mainly occur in periods of recession. However, losses do not normally exceed 0.4% of the revenue including costs incidental to credit insurance.

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

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

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

Approximately 70% of the trade receivables of the DLH Group are 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 208 million excluding value added tax as at 31 December 2005, please see note 18.

Prepayments to suppliers

Prepayment to suppliers is an important parameter in securing supplies from Africa, South America and Eastern Europe. This carries an inherent risk of losses and calls for tight control. Some of the prepayments do, however, represent advance financing of already existing inventories held by suppliers. At the end of 2005 the group's prepayments to suppliers was DKK 82 million, an amount for which security had been provided in part.

Insurable risks

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

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

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

INTELLECTUAL RESOURCES

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

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

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

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

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

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

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

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

ENVIRONMENTAL MATTERS

The environmental policy of DLH is primarily concerned with the origin and production of the timber products distributed by the group. DLH wishes to minimize the risk of illegally harvested timber finding its way into the group's supply chain.

In addition to ascertaining the legality of the origin of the timber, DLH wishes to ensure that the timber has been sustainably produced, in other words, that the financial, ecological and social aspects have been taken into consideration. It is the group's objective to become the world's leading distributor of certified tropical timber.

DLH has set itself two environmental targets:

- The origin of all timber is to be known by 2007.
- Broken down by region, sales of certified timber must be at least on a par with the extent of available certified products distributed by DLH.

DLH only distributes timber and timber products approved by the local authorities. However, this is not sufficient to guarantee environmentally sound products in all cases. With this in mind, DLH is engaged in the environmental management of the products distributed by means of a structured process, which has been divided into four qualifying steps:

1. Known origin
2. Verified legal origin
3. In line for certification
4. Certification

As it would be superfluous to obtain independent verification of legality from well-functioning forested countries, neither all timber nor all suppliers will need to pass through all four steps.

On the other hand, timber from the more problematic tropical countries needs to pass through all four steps. In such countries DLH applies its Good Supplier Program (GSP) in the assessment and selection of suppliers who are prepared to cooperate in the attainment of the environmental targets of DLH. In 2005 GSP was evaluated by the independent English consultancy firm ProForest. The evaluation showed the positive aspects of GSP, but also revealed that GSP had not been sufficiently integrated into the commercial day-to-day routines of DLH. All the essential aspects of ProForest's recommendations for GSP have now been adopted, and a more powerful and simplified GSP was launched in the autumn of 2005.

TOWARDS CERTIFICATION

Following the acquisition of the tt Timber Group, DLH has become one of the world's largest enterprises engaged in sustainable tropical forestry. It is expected that the forested areas in Congo Brazzaville will be FSC certified in 2006, and in Gabon there are

plans to commence the drafting of forestry plans in the concessions in order to pave the way for subsequent certification.

In the key markets of DLH demand is expected to increase as regards all types of certified timber, and DLH estimates that the group is well positioned to satisfy this demand, even though a certain shortage of FSC certified tropical timber is to be expected during the next couple of years.

With the acquisition of the tt Timber Group the group has gained important know-how on sustainable forestry and certification. This know-how is to be applied in co-operation with the group's suppliers. Persuading suppliers to act in a more environmentally friendly manner is a great challenge since many suppliers also serve customers in markets that are less environmentally demanding and that are not prepared to pay the added cost of environmentally friendly timber. The limited financial incentive is one of the greatest obstacles to environmental improvements in the tropical countries, in which environmental efforts are even more costly than in the temperate forested countries.

However, stricter environmental requirements in many countries exert an ever greater pressure on both suppliers and customers. At the same time the public sectors in many countries have laid down environmental requirements in connection with procurement guidelines. Both of these factors are expected to promote certification and thus benefit the forest environment in the long term.

DLH is also a co-owner of the teak plantation Caceres Florestal in Brazil. For a couple of years it has been in line for environmental certification, and in February 2006 the plantation was FSC certified.

HUMAN RIGHTS

The protection of human rights is one of the basic values of DLH and has been incorporated into the implementation of the Good Supplier Program. DLH is a member of the Amnesty Business Club, which is part of Amnesty International.

TRADING WITH CONTROVERSIAL COUNTRIES

As regards trading with controversial countries DLH first and foremost adheres to the guidelines of the EU and the UN. The group complies with the UN ban on timber from Liberia, which has provisionally been extended to June 2006. In 2005 DLH maintained the quota scheme with ceiling for purchases of teak from Burma that was introduced in 2002.

NEW IT PLATFORM

GTS, the Global Trade and Supply Chain System, is the name of the group's new IT platform, which is to support the group's international trading operations. In 2005 the GTS was implemented in respect of the group's Danish-based trading activities, which, in addition to Denmark, include offices in China, Indone-

sia, the Middle East and South Africa. In early 2006 the GTS will also be implemented in the affiliated Brazilian operations.

In the first half of 2006 all activities in the Timber & Board Division will be converted to the new system. The system will subsequently be implemented in the remaining units of the Hardwood Division and in the acquired businesses. Implementation will commence in the second half of the year and extend over a couple of years.

DLH expects considerable efficiency enhancement gains once the GTS has been fully implemented in 2008/2009.

INCENTIVE SCHEMES

Remuneration to the group management includes fixed salary as well as results-based incentive fee and the entitlement to acquire share options. The DLH Group has been allotting share options to the executive board and other members of group management in the period from 2002 to 2005. As at 31 December 2005 the share option scheme comprised a total of 25,861 share options. Each share option entitles its holder to acquire one existing Class B share at nominally DKK 100 in the company. If all share options are exercised, the share option scheme grants holders right to acquire up to 1.41% of the share capital. Please also refer to note 5.

POST-BALANCE-SHEET EVENTS

On 23 January this year DLH concluded an agreement to acquire the privately owned Swiss tt Timber Group, which employs approximately 2,500 staff and generates annual revenue of approximately DKK 1.3 billion. The transaction was financed in part with a direct placement corresponding to a capital increase of 7.0 %.

No other events have occurred after the end of the financial year which would impact on the consolidated financial statements for 2005.

FORECAST

Group forecast 2006:

Revenue	DKK 7,000 million
Earnings before depreciation and amortisation (EBITDA)	DKK 360-380 million
Earnings before interest and taxes, EBIT	DKK 270-290 million
Earnings before tax EBT	DKK 180-200 million

During the period from late 2005 to early 2006 the DLH Group made a number of acquisitions, which will have a considerable impact on activities in 2006. The group expects total revenues of DKK 7.0 billion, corresponding to a 30%, or DKK 1.7 billion, improvement on 2005.

Of the improvement in revenue, the lion's share - approximately DKK 1.3 billion or 24 percentage points - is expected to stem from the tt Timber Group, which merged with the Hardwood Division in early 2006. In addition, the acquisition of the busi-

nesses of Bohmans, MLT A/S and Risør Træ & Finer, which were all acquired in the second half of 2005, is expected to contribute additional revenue of approximately DKK 260 million or 5 percentage points in 2006.

The final opening balance for the acquisition of the tt Timber Group has not yet been presented and the revised budgets, including the post-merger integration costs for the merged activities in the Hardwood Division, are still in preparation. Consequently, the estimates for 2006 are subject to some uncertainty. In view of this, the group expects increased earnings at EBIT level relating to the tt Timber Group of DKK 45-65 million, compared to the previously announced DKK 75 million.

The group expects pre-tax profits of DKK 180-200 million, compared to DKK 175 million in 2005. The results in 2005 include profits from sale of properties of DKK 18 million.

With the acquisition of the tt Timber Group average invested capital is expected to rise by approximately DKK 600 million to DKK 2.7 billion.

The group's forecast revenues and profits are based on the foreign currency and interest rate levels prevailing at the beginning of the year and presuppose stable market conditions and economies.

It is anticipated that all potential synergies from the acquisitions of the Hardwood Division will be realised successively over the next couple of years, while to all intents and purposes MLT A/S and Risør Træ & Finer have been fully incorporated into the Building Materials Division.

Forecast EBIT-contributions of the divisions:

DKK million	2006	2005
Hardwood Division	185-205	114.1
Timber & Board Division	50	68.0
Building Materials Division	65	62.1
Corporate centre	(30)	(19.4)
Total	270-290	224.8

With the acquisition of Bohmans and the tt Timber Group the *Hardwood Division* expects a dramatic improvement in revenue and profit. The revenue produced by the division is expected to grow by approximately 57% to just over DKK 4.2 billion. Operating profit, EBIT, is expected to grow by approximately 70% to DKK 185-205 million. In 2006 the division will focus on the integration of the acquired businesses and on potential synergies. The reduction of the division's total invested capital, which following the acquisition of the tt Timber Group is in the region of DKK 2.0 billion, is a special focal point.

The *Timber & Board Division* expects to maintain revenues at approximately DKK 1.2 billion and invested capital at more or less the existing level of DKK 200 million. The operating profit, EBIT, on the other hand, is expected to decline by 25% to DKK 50 million following a period with exceptionally high earnings in the sheet materials market. In 2006 the division will be faced with two major tasks: moving its warehouse facilities east of the Great Belt from Gadstrup to Køge Harbour and implementing the GTS, the group's new IT system.

Shareholder and domicile:

	Shareholding	Share of votes
DLH-Fonden, Ved Stranden 18, P.O. Box 2034, DK-1012 Copenhagen K	26.14%	61.51%
Lignum Unternehmensbeteiligungs GmbH, Hohenlohestrasse 40, DE-28209 Bremen	6.54%	3.41%
The Labour Market Supplementary Pension Fund, Kongens Vænge 8, DK-3400 Hillerød	6.43%	3.35%
Ellen & Knud Dalhoff Larsen's Fond, Ved Stranden 18, Postboks 2034, DK-1012 Copenhagen K	6.09%	3.17%
Pure invest A/S, Slotsalleen 1, DK-2930 Klampenborg	5.30%	2.76%
JPMorgan Asset Management (UK) Limited, 125 London Wall, GB-London EC2Y 5AJ	5.02%	2.61%

The Building Materials Division expects moderate progress in a continuously favourable market. It is expected that revenue will rise by 5% to DKK 1.75 billion, and that the operating profit, EBIT, will be maintained at approximately DKK 65 million. Invested capital is anticipated to be approximately DKK 500 million. In 2006 the division will continue to pursue efficiency enhancements with special emphasis on inventory control, logistics and purchasing.

CORPORATE GOVERNANCE

DLH has adopted most of the recommendations on good corporate governance made by the committee appointed by the Copenhagen Stock Exchange. Please refer to the website for a comprehensive overview of the group's attitude to the individual recommendations.

SHAREHOLDER INFORMATION

Share capital

In connection with the acquisition of the tt Timber Group 120,000 Class B shares were issued in February 2006. DLH's share capital hereafter amounted to 1,836,220 shares in denominations of DKK 100, divided into 187,500 Class A shares, and 1,648,720 Class B shares. The Class B shares are listed by the Copenhagen Stock Exchange and included in the Small-Cap+ segment. The Class A shares are owned by DLH-Fonden (the DLH Foundation) and are not listed.

DLH-Fonden, which is the major single shareholder of the company, was formed in 1971 when Dalhoff Larsen & Horneman was converted into a limited liability company. In the preamble to the charter the promoters, Knud Dalhoff Larsen and Frees Horneman, state: "It is of vital importance to us that the Foundation, in its capacity of permanent holder of capital, promotes and secures the financial basis for the continued operations and development of the company." The charter contains no provisions to the effect that the Foundation must retain a controlling interest in its capacity as shareholder.

Pursuant to Section 29 of the Danish Securities Trading Act the above-mentioned shareholders have notified the company of their shareholdings in the company as at 23 March 2006.

Listing of the DLH-share

The price of DLH's Class B share rose by 118% in 2005 and stood at DKK 856 at year-end. By comparison the SmallCap+ Index rose by 60%, while the MidCap+ Index rose by 66%. The OMXC20 Index for the 20 largest Danish shares rose by 37%. In 2005 the average daily volume of trade in DLH-shares was DKK 3.0 million, which is more than twice the volume traded in 2004.

2005 saw an influx of new shareholders, and there are now more than 1,500 registered shareholders, corresponding to an increase of just under 40% on early 2004.

Stock brokers monitoring DLH

Carnegie	Claus Kehl	+ 45 32 88 04 75
Danske Equities	Stig Frederiksen	+ 45 33 44 05 24
Nordea	Michael West Hybholt	+ 45 33 33 52 83

Dividend

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

The supervisory board recommends to the general meeting that a dividend amounting to DKK 27.5 million is distributed for 2005, corresponding to DKK 15 per issued share, which represents an increase of DKK 5 per share relative to 2004.

The 120,000 new Class B shares, which were issued in connection with the acquisition of the tt Timber Group, carry a right to receive dividend in full.

Proposed resolutions for the annual general meeting

The supervisory board proposes to the general meeting that 25,000 favourable priced Class B shares are issued to the staff in May. The increase corresponds to 1.4% of the company's existing share capital.

Policy for the company's own shares

The general meeting has given authority to acquire own shares for a maximum of 10% of the share capital.

The objective of the purchase is to be able to hedge the company's obligations in accordance with the group management incentive scheme.

Investor relations (IR)

It is in the interests of DLH to take the initiative to ensure that the company's share price reflects the company's values and earnings potential in the best possible way at all times. With this in mind, DLH encourages an open and active dialogue with existing and potential investors, financial analysts, and other stakeholders concerning the company's business development and financial position. Our aim is to provide the participants in the share market with the best possible information and thus enable them to make an objective assessment of the company's market value, thereby creating the basis for a fair price formation of the DLH-share.

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

Key stock exchange announcements in 2005 and 2006

08-03-2005	DLH's annual report 2004
21-03-2005	DLH sells property in Gadstrup
07-04-2005	Annual general meeting
23-05-2005	Report for the three months ended 31 March 2005
03-08-2005	DLH acquires a timber merchant in in Northern Jutland
17-08-2005	Report for the six months ended 30 June 2005
28-10-2005	DLH expands into Eastern Europe and the Nordic countries
17-11-2005	Report for the nine months ended 30 September 2005
19-12-2005	Sale of property in Gadstrup completed
23-01-2006	DLH merges international hardwood business
07-02-2006	Extraordinary general meeting
13-02-2006	Increase in share capital by DKK 12,000,000.00

Financial calendar 2006

23-03-2006	Annual report for 2005
19-04-2006	Annual general meeting
23-05-2006	Report for the three months ended 31 March 2006
24-08-2006	Report for the six months ended 30 June 2006
20-11-2006	Report for the nine months ended 30 September 2006

MANAGEMENT STATEMENT AND AUDITORS' REPORT

MANAGEMENT STATEMENT:

The supervisory and executive boards have today considered and adopted the 2005 annual report of Dalhoff Larsen & Horneman A/S.

The 2005 annual report of the DLH Group has been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional disclosure requirements for listed companies. In our opinion, the accounting policies applied are appropriate, thus that the annual report gives a true and fair view of the group's and the parent company's assets, liabilities and financial position as at 31 December 2005 as well as of the result of the group's and the parent company's operations and cash flows for the financial year 1 January to 31 December 2005.

Supervisory Board:

Asbjørn Børsting
(Chairman)

Arne Vierø
(Deputy Chairman)

Morten Bergsten

Stig Christensen

Benny Hermann

Niels Oluf Kyed

Uffe Steen Mathiesen

Lau N. Nygaard

Erik Søndergaard

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

Høje Taastrup, 23 March 2006

Executive Board:

Jørgen Møller-Rasmussen

AUDITORS' REPORT:

To the shareholders of Dalhoff Larsen & Horneman A/S.

We have audited the annual report of Dalhoff Larsen & Horneman A/S for the financial year of 1 January to 31 December 2005, which has been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for listed companies.

The annual report is the responsibility of the company's management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclo-

tures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the annual report gives a true and fair view of the group's and the parent company's assets, liabilities and financial position as at 31 December 2005 and of the results of the group's and the company's operations and cash flows for the financial year 1 January to 31 December 2005 in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Copenhagen, 23 March 2006

KPMG C.JESPERSEN
Statsautoriseret Revisionsinteressentskab

Jørgen W. Laursen
State Authorised Public Accountant

J. Skovbæk Johansen
State Authorised Public Accountant

Arne Vierø

Joined the supervisory board in 1993.

Born: 1938

Positions of trust:

CEO and member of the supervisory board of AV-Byggeentreprise A/S. Chairman of the supervisory board of Micro Clean A/S, Skimmel Rens ApS and KTN A/S. Member of the management of Statistics Denmark. Member of the supervisory board of DLH-Fonden.

Stig Christensen

Joined the supervisory board in 1997.

Born: 1945

Positions of trust:

Chairman of the supervisory boards of Kraks Forlag A/S, VIRK AS, Repro Holding, Vejle A/S, Repro Centret Vejle A/S, First Floor Design A/S, R.C. Media A/S, and Metaphor Reklamebureau A/S.

Member of the supervisory board of Martin Gruppen A/S and Cabin Plant A/S.

Niels Oluf Kyed

Joined the supervisory board in 1999.

Born: 1937

Positions of trust:

Chairman of the supervisory boards of Compact A/S, Dansk Tipstjeneste A/S, Dissing + Weitling arkitektfirma a/s, E. Michaelis & Co. A/S, Advis Advokater A/S and Advokataktieselskabet Kyed & Jybæk A/S. Deputy chairman of the supervisory board of Danske Invest Administration A/S. Member of the supervisory board of Stenshoved & Søgaard A/S.

Uffe Steen Mathiesen

Joined the supervisory board in 2000.

Born: 1947

Positions of trust:

Executive in Nissenpack A/S and CEO of Pertima Holding ApS. Member of the supervisory boards of Borg & Bigum A/S and Baresso Coffee A/S.

Asbjørn Børsting

Joined the supervisory board in 2002.

Born: 1955

Positions of trust:

CEO of DLG a.m.b.a.

Chairman of the supervisory boards of Innovations- og Driftsselskabet for Forskerpark Foulum A/S and Danish Research Institute of Food Economics. Chairman of the committee appointed in connection with the merger of the research of the Royal Veterinary and Agricultural University in Denmark and the Ministry of Food, Agriculture and Fisheries. Member of the supervisory boards of Debitel Danmark A/S and DLF-Trifolium A/S. Member of the advisory board of Danske Bank A/S.

Erik Søndergaard

Joined the supervisory board in 2004.

Born: 1945

Positions of trust:

Manager of Monberg & Thorsen Oil A/S and Saabye & Lerche A/S.

Chairman of the supervisory boards of DENERCO OIL A/S, DENERCO Petroleum A/S and FORCE Technology.

Member of the supervisory board of Dansk Erhvervsinvestering A/S, Monberg & Thorsen Oil A/S and Saabye & Lerche A/S.

Morten Bergsten

Joined the supervisory board in 2002

Born: 1966

Elected by the employees of the group.

Benny Hermann

Joined the supervisory board in 1998

Born: 1951

Elected by the employees of the group.

Lau N. Nygaard

Joined the supervisory board in 1994

Born: 1958

Elected by the employees of the group.

Jørgen Møller-Rasmussen, President & CEO

Joined the executive board in October 1998.

Born: 1947

Positions of trust:

Member of the supervisory boards of A/S Dantherm Holding and Glenco A/S.

ACCOUNTING POLICIES APPLIED

The 2005 annual report of Dalhoff Larsen & Horneman has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, please refer to the Copenhagen Stock Exchange disclosure requirements for annual reports of listed companies and the IFRS order issued in pursuance of the Danish Financial Statements Act.

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

This annual report is the first annual report prepared according to IFRS. IFRS 1 on first-time adoption of IFRS has been used for the transition.

The annual report is presented in Danish kroner.

Change in accounting policies

As a result of the transition to IFRS, the accounting policies of both the group and the parent company have been changed in a number of areas:

In accordance with IFRS 1 the opening balance sheet as at 1 January 2004 and comparative figures for 2004 have been prepared in accordance with IFRS/IASs and IFRS/SICs effective as at 31 December 2005. The opening balance sheet as at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, except for the specific transitional provisions and effective dates described below:

The accounting effect of the transition to IFRS is as follows:

Group 2004	DKK million	
Profit before tax – previously announced	132.0	
Reversal of goodwill amortisation	8.2	
Profit before tax – according to IFRS	140.2	
Tax on profit for the year	(47.9)	
Consequences of changed goodwill amortisation	(1.9)	(49.8)
Result for the year		90.4
Goodwill	34.3	
Reversal of goodwill amortisation	8.2	42.5
Deferred tax asset	22.7	
Consequences of changed goodwill amortisation	(1.9)	20.8
Equity	712.9	
Effect of change in practice on result	6.3	719.2
Balance sheet total	1,991.3	
Effect of change in practice on result	6.3	1,997.6

The accounting policies have been changed compared to the annual report for 2004 in the following respects:

- Goodwill is no longer amortised, but subject to an annual impairment test.
- The value of services received as consideration for incentive schemes is measured at the fair value of the options allot-

ted. Equity-settled incentive schemes which have been allotted after 7 November 2002, and which have not been fully vested in their holders as at 1 January 2005 are measured at fair value as at the date of allotment and recognised as wage costs over the period in which the options are vested in their holders. In the past the share-based payments were not recognised as costs. Please refer to note 5.

- As in the past, foreign currency translation adjustments on translation of the income statements and the balance sheets of foreign units are recognised directly in equity under the separate heading of translation reserve. As at 1 January 2004 the group has chosen to recognise this reserve at zero in compliance with IFRS 1 so that only foreign currency translation adjustments after 1 January 2004 will be shown separately under a special reserve.

Parent company 2004	DKK million	
Profit before tax – previously announced	132.0	
Profit before tax in group enterprises	(154.7)	
Dividend received	20.0	
Profit before tax	(2.7)	
Tax on profit for the year	(47.9)	
Tax in group enterprises	54.7	6.8
Profit for the year		4.1
Investments in subsidiaries	712.8	
Reversed profit	(80.0)	
Adjustment to cost value	(179.5)	453.3
Equity	712.9	
Effect of change in practice on result	(80.0)	
Adjustment to cost value	(179.6)	453.3
Balance sheet total	1,558.6	
Effect of change in practice on result	(259.5)	1,299.1

The accounting policies have been changed compared to the annual report for 2004 in the following respects:

- The parent company's investments in subsidiaries are measured at cost. Investments were previously measured according to the equity method. Value adjustments from cost to equity value including the carrying amount of goodwill will be reversed in the balance sheets as at 1 January 2004 and 31 December 2004 respectively. A share of the profit for the year is reversed in the profit for 2004.
- Dividends received from subsidiaries are recognised in the parent company's income statement under financial income as from 2004.

Reclassifications

In addition to the changes made in the accounting policies the following reclassifications and changes have been made to the presentation format with restatement of the comparative figures for 2004:

- Assets are presented as either non-current or current as opposed to previously fixed assets and current assets.
- Deferred tax liabilities and provisions are no longer presented under a separate heading (provisions) in the balance sheet, but are recognised in the non-current and current liabilities.

The reclassifications have not affected the profit for the year or equity (please refer to the statement of changes in equity on page 29).

Consolidated financial statements

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

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

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

Business combinations

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

For acquisitions of new enterprises in which the parent company is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprises' identifiable assets, liabilities and contingent liabilities are measured at fair value as at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be reliably measured. Deferred tax of the revaluations is recognised.

For business combinations made on 1 January 2004 or later, any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested annually for impairment. The first impairment test is performed within the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign unit with a functional currency different to the presentation currency used in the DLH group's financial statements are treated as assets and liabilities belonging to the foreign unit and translated into the foreign unit's functional currency at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

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

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

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

Foreign currency translation

The group fixes a functional currency for each of the reporting enterprises. The functional currency is the currency which is applied in the primary economic environment in which the individual reporting unit operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions.

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

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

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

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

Derivative financial instruments

Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables, trade payables and other debts, respectively, and set-off of positive and negative values is only made when the company has the right and the intention to settle more financial instruments net. Fair values of derivative financial instruments are calculated on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Hedging of future cash flows in accordance with an agreement, apart from foreign currency hedges, is treated as a fair value hedge of a recognised asset or liability.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of the hedged item are recognised in equity under a separate hedging reserve. Once the hedged transaction is realised, gains or losses incidental to such hedging transactions are transferred from the equity and recognised with the hedged item. However, on hedging proceeds from future loans, gains or losses incidental to the hedging transaction will be transferred from the equity for the term of the loan.

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

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

Certain contracts contain characteristics of 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 derived from the sale of goods for resale and finished goods is recognised in the income statement provided that the risk passes to the purchaser before year-end and if the income can be reliably measured and is likely to be received.

Revenue is measured exclusive of VAT, taxes charged on behalf of a third party. All discounts granted are recognised in revenue.

Cost of sales comprises the cost of goods sold during the year and write-down to the net realisable value.

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

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

Dividends from investments in subsidiaries in the annual report of the parent company

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

Financial items

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

Tax on profit for the year

The parent company is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income. Compa-

nies that use tax losses from other companies pay the joint tax contribution to the parent company at an amount corresponding to the tax base of the used tax losses while companies whose tax losses are used by other companies receive joint tax contributions from the parent company corresponding to the tax base of the used losses. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

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

BALANCE SHEET

Intangible assets

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

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

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

Impairment of goodwill is not reversed.

The carrying amount of goodwill as at 1 January 2004 (IFRS transition date) has been tested for impairment.

IT projects

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

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

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

On completion of the development of the IT project, development costs are amortised on a straight line basis over the estimated useful life.

The maximum amortisation period is usually 0-5 years. The basis of amortisation is calculated less any impairment.

Property, plant and equipment

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

Cost comprises the cost of acquisition as well as costs directly attributable to the acquisition until the time when the asset is ready for use.

The cost of assets held under finance leases is stated at the lower of fair value of the assets and the present value of the future minimum lease payments. For the calculation of the present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate.

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

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components.

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	0-5 years

Land is not depreciated.

The basis of depreciation is calculated on the basis of the residual value less impairment losses. The residual value is determined as 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.

INVESTMENTS

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

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

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

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, progress development projects are subject to an annual impairment test.

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

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

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

Impairment of goodwill is not reversed. Impairment of other assets is 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 are measured at cost according to the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale comprises the purchase price plus delivery costs.

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

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

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

Prepayments are recognised under assets, comprising costs incurred concerning subsequent financial years.

Equity

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

Treasury shares

Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly as retained earnings in equity.

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

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

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement. As at 1 January 2004 the translation reserve is deemed to be zero in accordance with IFRS 1.

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, the share options are measured at the fair value as at the allotment date and recognised in the income statement under staff costs over the vesting period. The counter item is recognised directly in equity.

On initial recognition of the share options the company estimates the number of options the staff expects to vest as per the service condition described in note 5. Subsequently, the estimate is revised for changes in the number of options to be vested so that recognition is based on the number of options ultimately vested.

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

Income taxes and deferred tax

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

Deferred tax is measured according to the balance-sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes where temporary differences, apart from business combinations, arise as at the acquisition date without affecting either profit/loss for the year or taxable income.

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

Deferred tax will be adjusted to account 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 as at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any change in deferred tax due to changes in tax rates is recognised in the income statement.

No provision is made for deferred tax in the balance sheet in respect of contingent tax relating to the retaxation liability arising from the “jointly shadow taxed” Brazilian subsidiary, as the group has taken precautions to prevent the deferred tax from being released as current tax.

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

On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes in present values during the year are recognised as financial expenses.

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

Financial liabilities

Amounts owed to mortgage credit institutions etc. are recognised as at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods the financial liabilities are measured at amortised cost using the “effective rate of interest method” thus 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 obligation under finance leases.

Other liabilities are measured at net realisable value.

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

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

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

Cash flows from operating activities are calculated as the share of the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

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

Cash and cash equivalents only include cash.

Information in the cash flow statement cannot be generated from the published financial statements alone.

Segment information

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

Segment information is based on the group's risks, management and internal financial control. Segment information is provided in accordance with the group's accounting policies.

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

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

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

Financial ratios:

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

Profit for ratio analysis	=	Profit on ordinary activities after tax
Operating margin	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on equity	=	$\frac{\text{Profit for ratio analysis} \times 100}{\text{Average equity}}$
Equity ratio	=	$\frac{\text{Equity at year-end} \times 100}{\text{Consolidated balance sheet total at year-end}}$
Book value	=	$\frac{\text{Equity at year-end}}{\text{Number of shares in issue at year-end}}$
Earnings per share (EPS)	=	$\frac{\text{Profit for ratio analysis}}{\text{Average number of shares in issue}}$
Cash flow per share	=	$\frac{\text{Cash flow from operations}}{\text{Average number of shares in issue}}$
Price earnings ratio (P/E)	=	$\frac{\text{Market price per share}}{\text{Earnings per share}}$

INCOME STATEMENT



Click note number to go to note

Note	(DKK million)	Group		Parent company	
		2005	2004	2005	2004
2	Revenue	5,362.5	5,036.3	-	-
3	Cost of sales	4,459.1	4,211.4	-	-
	Gross profit	903.4	824.9	-	-
	Other operating income	26.0	19.3	50.7	39.6
4	Other external expenses	(257.1)	(232.1)	(28.8)	(23.5)
5	Staff costs	(408.3)	(377.4)	(35.9)	(28.7)
	Operating profit before depreciation and amortisation (EBITDA)	264.0	234.7	(14.0)	(12.6)
6	Depreciation and amortisation	(39.2)	(52.0)	(5.8)	(10.8)
	Operating profit (EBIT)	224.8	182.7	(19.8)	(23.4)
	Financial items:				
7	Financial income	11.7	9.2	50.1	52.3
8	Financial expenses	(61.5)	(51.7)	(28.4)	(31.6)
	Profit before tax (EBT)	175.0	140.2	1.9	(2.7)
9	Tax on profit for the year	(56.5)	(49.8)	11.6	6.8
	Profit for the year	118.5	90.4	13.5	4.1
10	Earnings per share:				
	Earnings per share (EPS)	70.0	53.5		
	Earnings per share diluted (EPS Diluted)	69.5	53.0		
	Recommended appropriation of profits:				
	Dividend proposed 15% (2004: 10%)			27.5	17.2
	Retained earnings			(14.0)	(13.1)
				13.5	4.1



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BALANCE SHEET AS AT 31 DECEMBER

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Assets		Group		Parent company	
		2005	2004	2005	2004
Note	(DKK million)				
Non-current assets:					
11	Intangible assets:				
	Goodwill	99.6	42.5	-	-
	IT projects	11.6	14.1	11.6	14.1
		111.2	56.6	11.6	14.1
11	Property, plant and equipment:				
	Land and buildings	240.8	214.8	0.7	12.1
	Plant and machinery	50.2	38.3	-	-
	Other fixtures and fittings, tools and equipment	43.0	39.8	3.0	4.3
	Property, plant and equipment in progress	1.7	3.5	-	-
		335.7	296.4	3.7	16.4
Other non-current assets:					
12	Investments in subsidiaries	-	-	453.3	453.3
	Receivables from group enterprises	-	-	385.9	346.4
13	Other investments and securities	6.5	5.6	-	-
14	Deferred tax	21.6	20.8	10.9	-
		28.1	26.4	850.1	799.7
Total non-current assets		475.0	379.4	865.4	830.2
Current assets:					
Inventories:					
3	Manufactured goods and goods for resale	1,221.7	932.0	-	-
	Prepayment for goods	82.4	60.3	-	-
		1,304.1	992.3	-	-
Receivables:					
	Trade receivables	673.3	534.5	-	-
	Receivables from group enterprises	-	-	359.7	453.6
14	Income taxes receivable	10.7	0.0	17.5	10.3
	Other receivables	56.4	61.4	4.9	1.4
	Interest-bearing receivables	46.6	-	27.4	-
	Prepayments	11.8	12.1	5.3	3.5
		798.8	608.0	414.8	468.8
	Cash	41.8	17.9	0.2	0.1
Total current assets		2,144.7	1,618.2	415.0	468.9
Total assets		2,619.7	1,997.6	1,280.4	1,299.1

BALANCE SHEET AS AT 31 DECEMBER

 [Click note number to go to note](#)

Liabilities and equity		Group		Parent company	
		2005	2004	2005	2004
Note	(DKK million)				
	Equity:				
	Share capital	171.6	171.6	171.6	171.6
	Share premium account	-	102.9	-	102.9
	Hedging reserve	6.9	5.3	7.6	3.7
	Foreign currency translation adjustment reserve	2.4	(1.4)	-	-
	Retained earnings	618.5	423.6	247.7	157.9
	Dividend proposed	27.5	17.2	27.5	17.2
15	Total equity	826.9	719.2	454.4	453.3
	Non-current liabilities:				
14	Deferred tax	18.9	9.4	-	1.1
16	Mortgage credit institutions	56.2	68.2	-	12.7
16	Banks	298.6	289.6	297.6	278.8
17	Provisions	11.2	-	-	-
16	Leasing commitments	0.2	0.8	-	0.4
		385.1	368.0	297.6	293.0
	Current liabilities:				
	Banks	1,006.9	642.0	373.7	120.9
	Trade payables and other debts	341.2	238.6	30.2	23.6
16	Current portion of long-term debts	33.4	10.6	27.6	3.3
	Payables to group enterprises	-	-	93.5	402.1
14	Income taxes	16.4	12.7	-	-
17	Provisions	6.2	3.8	3.4	-
	Deferred income	3.6	2.7	-	2.9
		1,407.7	910.4	528.4	552.8
	Total liabilities	1,792.8	1,278.4	826.0	845.8
	Total liabilities and equity	2,619.7	1,997.6	1,280.4	1,299.1
18	Financial risks				
19	Assets pledged				
20	Contingent liabilities				
21	Related parties				
22	Acquisition of companies				
23	Post-balance-sheet events				

STATEMENT OF CHANGES IN EQUITY

Group

Note	(DKK million)	Share capital	Share premium account	Hedging reserve	Foreign currency translation adjustment reserve	Retained earnings	Dividend proposed	Total
	Equity as at 1 January 2004	171.6	102.9	-	-	350.8	10.3	635.6
	Foreign currency translation adjustment	-	-	-	(1.7)	-	-	(1.7)
	Fair value adjustments recognised in equity	-	-	7.3	-	-	-	7.3
	Tax on changes in equity	-	-	(2.0)	0.3	-	-	(1.7)
	Net gain recognised directly in equity	-	-	5.3	(1.4)	-	-	-
	Profit for the year	-	-	-	-	73.4	17.2	90.6
	Total income	-	-	5.3	(1.4)	73.4	17.2	94.5
	Dividend distributed to shareholders	-	-	-	-	-	(10.3)	(10.3)
	Acquisition of own shares	-	-	-	-	(0.6)	-	(0.6)
	Total changes in equity	-	-	5.3	(1.4)	72.8	6.9	83.6
	Equity as at 31 December 2004	171.6	102.9	5.3	(1.4)	423.6	17.2	719.2
	Foreign currency translation adjustment	-	-	-	(2.8)	-	-	(2.8)
	Fair value adjustments recognised in equity	-	-	2.3	-	-	-	2.3
	Tax on changes in equity	-	-	(0.7)	6.6	-	-	5.9
	Net gain recognised directly in equity	-	-	1.6	3.8	-	-	5.4
	Profit for the year	-	-	-	-	91.0	27.5	118.5
	Total income	-	-	1.6	3.8	91.0	27.5	123.9
	Transfer	-	(102.9)	-	-	102.9	-	-
	Dividend distributed to shareholders	-	-	-	-	-	(17.2)	(17.2)
	Acquisition/sale of own shares	-	-	-	-	0.6	-	0.6
	Share-based remuneration	-	-	-	-	0.4	-	0.4
	Total changes in equity	-	(102.9)	1.6	3.8	194.9	10.3	107.7
	Equity as at 31 December 2005	171.6	-	6.9	2.4	618.5	27.5	826.9

Parent company

Note	(DKK million)	Share capital	Share premium account	Hedging reserve		Retained earnings	Dividend proposed	Total
	Equity as at 1 January 2004	171.6	102.9	-		350.8	10.3	635.6
	Change in accounting policies	-	-	-		(179.2)	-	(179.2)
	Adjusted equity as at 1 January 2004	171.6	102.9	-		171.6	10.3	456.4
	Fair value adjustments recognised in equity	-	-	5.3		-	-	5.3
	Tax on changes in equity	-	-	(1.6)		-	-	(1.6)
	Net gain recognised directly in equity	-	-	3.7		-	-	3.7
	Profit for the year	-	-	-		(13.1)	17.2	4.1
	Total income	-	-	3.7		(13.1)	17.2	7.8
	Dividend distributed to shareholders	-	-	-		-	(10.3)	(10.3)
	Acquisition of own shares	-	-	-		(0.6)	-	(0.6)
	Total changes in equity	-	-	3.7		(13.7)	6.9	3.1
	Equity as at 31 December 2004	171.6	102.9	3.7		157.9	17.2	453.3
	Fair value adjustments recognised in equity	-	-	5.6		-	-	5.6
	Tax on changes in equity	-	-	(1.7)		-	-	(1.7)
	Net gain recognised directly in equity	-	-	3.9		-	-	3.9
	Profit for the year	-	-	-		(14.1)	27.5	13.4
	Total income	-	-	3.9		(14.1)	27.5	17.3
	Transfer	-	(102.9)	-		102.9	-	-
	Dividend distributed to shareholders	-	-	-		-	(17.2)	(17.2)
	Acquisition/sale of own shares	-	-	-		0.6	-	0.6
	Share-based remuneration	-	-	-		0.4	-	0.4
	Total changes in equity	-	(102.9)	3.9		89.8	10.3	1.1
	Equity as at 31 December 2005	171.6	-	7.6		247.7	27.5	454.4

CASH FLOW STATEMENT

 **Click note number to go to note**

Note	(DKK million)	Group		Parent company	
		2005	2004	2005	2004
	Profit before tax	175.0	140.2	1.9	(2.7)
	Adjustment for non-cash operating items etc.:				
	Depreciation and amortisation	39.2	52.0	5.8	10.8
	Other operating items, net	(26.0)	(19.3)	(16.6)	(1.0)
	Provisions	(5.0)	7.1	(4.6)	15.0
	Financial income	(11.7)	(9.2)	(50.1)	(52.3)
	Financial expenses	61.5	51.7	28.4	31.6
	Cash flow from operations before change in working capital	233.0	222.5	(35.2)	1.4
	Change in working capital:				
	Inventories and prepayments	(154.9)	(100.5)	-	-
	Trade receivables	(93.3)	(36.4)	-	-
	Trade payables and other debts	50.7	6.0	2.4	5.5
	Other operating debt, net	(36.0)	36.0	(28.4)	(8.7)
	Cash flow from operations	(0.5)	127.6	(61.2)	(1.8)
	Financial income, paid	11.7	9.2	50.0	52.3
	Financial expenses, paid	(60.7)	(51.9)	(27.5)	(31.7)
	Cash flow from ordinary activities	(49.5)	84.9	(38.7)	18.8
	Income taxes paid	(57.6)	(34.0)	(9.3)	(1.0)
	Cash flow from operations	(107.1)	50.9	(48.0)	17.8
22	Acquisition of enterprises	(183.4)	-	-	-
	Acquisition of intangible assets	(1.7)	-	(1.5)	-
	Acquisition of property, plant and equipment	(67.1)	(54.6)	(0.4)	(4.6)
	Divestment of property, plant and equipment	43.2	56.5	27.4	1.2
	Acquisition of securities	(0.5)	(0.2)	-	-
	Cash flow from investment activity	(209.5)	1.7	25.5	(3.4)
	Cash flow from operations and after investments	(316.6)	52.6	(22.5)	14.4
	Repayment of debt to mortgage credit institutions and servicing of leasing commitment	(0.8)	(14.1)	(1.4)	(1.8)
	Raising/repayment of bank debt	357.3	(21.4)	329.7	(40.4)
	Intra-group accounts, net	-	-	(289.5)	38.7
15	Acquisition of own shares	1.0	(0.6)	1.0	(0.6)
	Dividend distributed	(17.2)	(10.3)	(17.2)	(10.3)
	Cash flow from financing activities	340.3	(46.4)	22.6	(14.4)
	Change in cash	23.7	6.2	0.1	-
	Cash as at 1 January	17.9	11.2	0.1	0.1
	Translation adjustment of cash funds	0.2	0.5	-	-
	Cash as at 31 December	41.8	17.9	0.2	0.1

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1 Accounting estimates and assessments:**Estimation uncertainty:**

For the purpose of determining the carrying amounts of certain assets and liabilities estimates of how future events are likely to affect the value of the said assets and liabilities as at the balance sheet date are required. Estimates that are vital to the financial reporting are made, for example, when calculating depreciation or amortisation, impairment losses, pensions and similar commitments, provisions and contingent assets and liabilities.

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

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

For the DLH Group the measurement of intangible assets, including goodwill, may be significantly affected by major changes in the estimates and underlying assumptions of the values. For a description of an impairment test in respect of intangible assets, please refer to note No. 11.

Accounting policies applied:

In the application of the group's accounting policies the management makes assessments, in addition to the estimation of amount, which may have a major impact on the amounts recognised in the annual report.

Such assessments include determining whether or not leasing contracts are to be treated as operating leases of finance leases.

2 Segment information:**Activities – primary segment**

(DKK million)	Hardwood Division		Timber & Board Division		Building Materials Division		Not allocated incl. Parent company		Group elimination		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue	2,671.0	2,520.6	1,027.7	1,019.5	1,663.8	1,496.2					5,362.5	5,036.3
Internal revenue	7.2	7.8	113.8	97.3	(1.2)	(0.4)			(119.8)	(104.7)		
Revenue	2,678.2	2,528.4	1,141.5	1,116.8	1,662.6	1,495.8			(119.8)	(104.7)	5,362.5	5,036.3
Gross profit	379.7	358.9	171.9	161.1	351.8	304.9					903.4	824.9
Costs	(249.4)	(233.0)	(102.3)	(102.7)	(273.7)	(245.3)	(14.0)	(12.6)		3.4	(639.4)	(590.2)
Operating profit before depreciation and amortisation (EBITDA)	130.3	125.9	69.6	58.4	78.1	59.6	(14.0)	(12.6)		3.4	264.0	234.7
Depreciation and amortisation (52.0)		(16.2)	(15.4)	(1.6)	(8.2)	(16.0)	(18.0)	(5.8)	(10.8)	0.4	0.4	(39.2)
Operating profit (EBIT)	114.1	110.5	68.0	50.2	62.1	41.6	(19.8)	(23.4)	0.4	3.8	224.8	182.7
Financial items, net	(37.6)	(25.6)	(4.8)	(6.4)	(9.1)	(11.2)	21.7	20.7	(20.0)	(20.0)	(49.8)	(42.5)
Profit before tax (EBT)	76.5	84.9	63.2	43.8	53.0	30.4	1.9	(2.7)	(19.6)	(16.1)	175.0	140.2
Non-current assets	264.0	171.6	8.5	12.2	187.0	172.6	865.4	830.2	(849.9)	(807.2)	475.0	379.4
Current assets	1,440.9	1,021.5	259.3	231.4	421.2	365.0	415.0	468.9	(391.7)	(468.6)	2,144.7	1,618.2
Segment assets	1,704.0	1,193.1	267.8	243.6	608.2	537.6	1,280.4	1,299.1	(1,241.6)	(1,275.8)	2,619.7	1,997.6
Liabilities	(1,267.5)	(807.3)	(83.8)	(87.1)	(395.2)	(351.8)	(826.0)	(845.8)	779.7	813.6	(1,792.8)	(1,278.4)
Capital expenditure	109.0	23.9	1.2	2.9	31.5	23.6	2.0	4.2			143.7	54.6

Geography – secondary segment

(DKK million)	Revenue		Assets		Liabilities		Capital expenditure	
	2005	2004	2005	2004	2005	2004	2005	2004
Denmark	2,333.6	2,135.1	967.2	988.5	586.7	681.3	85.7	30.2
Western Europe	1,475.0	1,472.4	820.1	645.0	610.6	426.7	24.1	1.5
USA	587.6	552.9	199.1	176.6	134.6	129.6	7.2	2.6
"Emerging markets"*)	966.3	876.0	633.3	187.5	460.9	40.8	26.7	20.3
Total	5,362.5	5,036.3	2,619.7	2,007.9	1,792.8	1,288.7	143.7	54.6

*) includes the Far and the Middle East, South Africa and Eastern Europe.

	Group		Parent company	
	2005	2004	2005	2004
(DKK million)				
3 Cost of sales:				
Inventories as at 1 January	932.0	854.8		
Write-downs for the year, net	3.9	5.5		
Purchased supplies	4,462.1	4,014.9		
Freight, customs, production wages, shrinkage etc.	282.8	268.2		
Inventories as at 31 December	(1,221.7)	(932.0)		
Cost of sales	4,459.1	4,211.4		
Total write-downs on inventories as at 31 December	15.0	11.1		
4 Other external expenses:				
Write down to market value				
of trade receivables recognised in the income statement	5.4	2.0		
Realised losses on trade receivables	5.4	8.9		
Credit insurance and similar costs	6.6	8.3		
Total credit costs	17.4	19.2		
Other sales costs	36.8	31.2		
Total sales costs	54.2	50.4		
Distribution costs	55.7	47.6		
Administrative expenses	147.2	134.1	28.8	23.5
	257.1	232.1	28.8	23.5
Fees to the auditors elected by the general meeting:				
Audit:				
KPMG	3.4	3.2	0.8	0.4
Erik Lund, State Authorised Public Accountant	-	0.1	-	0.1
Others	0.8	0.4	-	-
	4.2	3.7	0.8	0.5
Other services:				
KPMG	0.3	0.5	0.1	0.2
Others	0.1	0.1	0.0	0.0
	0.4	0.6	0.1	0.2
	4.6	4.3	0.9	0.7
5 Staff costs:				
Remuneration of the supervisory board of the parent company	1.5	1.3	1.5	1.3
Salaries and wages	375.0	346.5	106.8	103.4
Contribution plan pension costs	21.4	19.3	7.2	6.8
Other social security costs, net of refunds	27.3	22.0	(0.4)	0.4
Share-based remuneration	0.4	-	0.4	-
	425.6	389.1	115.6	111.9
Refund for employees of the parent company who are engaged in the group enterprises of DLH Nordisk A/S, DLH A/S and DLH Træ & Byg A/S			(79.7)	(83.2)
			35.9	28.7
Staff costs have been recognised under the following headings in the financial statements:				
Cost of sales	17.3	11.8	-	-
Staff costs	408.3	377.4	35.9	28.7
	425.6	389.2	35.9	28.7
Number of employees on average for the year	1,782	1,695	239	249
Number of these employed in group enterprises			(168)	(195)
Employed in Dalhoff Larsen & Horneman A/S			71	54

5 Staff costs (continued).

Remuneration to the supervisory and executive boards and other executives:

	Group and parent company					
	2005			2004		
(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	1.5	2.9	5.8	1.3	2.7	4.8
Bonus schemes	-	0.5	0.7	-	0.4	0.7
Pensions	-	-	0.1	-	-	0.1
Share-based remuneration	-	0.2	0.2	-	-	-
	1.5	3.6	6.8	1.3	3.1	5.6

Other executives include the four Vice Presidents in the group management, besides the President & CEO of the parent company, all of which are employed by the parent company. Costs relating to the three Vice Presidents are reimbursed by their respective divisions.

Share option schemes

The DLH Group has been granting share options to the executive board and other members of group management in the period from 2002 to 2005. As at 31 December 2005 the share option scheme comprises a total of 25,861 share options. Each share option entitles its holder to acquire one existing Class B share at nominally DKK 100 in the company. If all share options are exercised, the share option scheme grants holders right to acquire up to 1.41% of the share capital.

Share options allotted in 2005 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 notification of the annual financial statements in March until 1 April and naturally subject to the insider trading provisions applicable. The exercise price corresponds to the allotment price indexed to an increase of 3% p.a. Members of group management acquire their entitlement to share options over a 12-months-period from 1 April to 31 March. Special provisions apply to changes in the company's capital structure. It is a condition for the allotment of share options that the potential holder is employed by the company and has not been given notice of termination. Share options which have been allotted between 2002 and 2004 may be exercised between 2 to 5 years after the allotment, subject to the same conditions as apply to options allotted in 2005.

The fair value of issued, but not exercised, share options amounted to DKK 9.9 million for the executive board and DKK 2.4 million for the other members of group management as at 31 December 2005.

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

The options can only be exercised in the form of shares. A portion of the company's holding of own shares has been set aside for the exercise of options allotted.

5 Staff costs (continued).

Share options

	Executive board	Other executives	Total number of options	Average exercise price per option	Fair value per option ¹⁾	Total fair value ¹⁾
	Number	Number	Number	DKK	DKK	(DKK'000)
Number of options that may be exercised in early 2004	12,231	9,784	22,015	180	-	-
Exercised	-	(4,256)	(4,256)	199	-	-
Allotted relating to 2004 (issued 1 May 2004)	3,145	2,516	5,661	281	79	450
Outstanding at year-end 2004	15,376	8,044	23,420	201	-	-
Exercised	-	(4,146)	(4,146)	164	-	-
Allotted relating to 2005 (issued 1 May 2005)	3,659	2,928	6,587	533	68	450
Outstanding at year-end 2005	19,035	6,826	25,861	294	-	-
Number of options that may be exercised at year-end 2005	12,231	1,382	13,613	183	-	-

¹⁾ At the time of allotment.

As regards exercised options in 2005 the average price per share amounts to DKK 164 at the time of the exercise. In 2005 the recognised fair value of the share options for the group amounted to DKK 0.4 million.

The calculated fair values on allotment are based on the Black Scholes model for option valuation.

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

	2005	2004
Average share price (DKK)	488	265
Exercise price (DKK) indexed at 3% p.a.	533	281
Expected volatility	20.0%	20.0%
Dividend rate	2.3%	1.6%
Risk free interest rate (based on the Danish swap interests/Danish government bonds)	2.8-3.2%	3.5%

The expected volatility is based on the historic volatility (calculated as the weighted average remaining life of the options allotted) adjusted for expected changes therein as a result of publicly available information.

	Group		Parent company	
	2005	2004	2005	2004
(DKK million)				
6 Depreciation and amortisation:				
IT projects	3.2	5.0	3.2	5.0
Amortisation of intangible assets	3.2	5.0	3.2	5.0
Land and buildings	11.9	12.2		0.8
Plant and machinery	7.7	11.5		-
Other fixtures and fittings, tools and equipment	16.4	23.3	2.6	5.0
Depreciation on property, plant and equipment	36.0	47.0	2.6	5.8
Total depreciation and amortisation	39.2	52.0	5.8	10.8
7 Financial income:				
Interest income from group enterprises, long-term loans	-	-	20.7	20.4
Interest income from group enterprises	-	-	7.3	11.3
Other financing income	11.7	9.2	2.1	0.6
Dividend from subsidiaries	-	-	20.0	20.0
	11.7	9.2	50.1	52.3
8 Financial expenses:				
Interest paid to group enterprises	-	-	(4.0)	(7.8)
Other financing expenses	(61.5)	(51.7)	(24.4)	(23.8)
	(61.5)	(51.7)	(28.4)	(31.6)
9 Tax on the profit for the year:				
Current tax	57.1	29.2	(8.3)	(12.4)
Adjustment in deferred tax due to reduced income tax rate from 30% to 28%	1.2	-	(0.1)	-
Deferred tax adjustment	(1.8)	20.6	(3.2)	5.6
	56.5	49.8	(11.6)	(6.8)
Reconciliation of effective tax rate:				
Tax rate in Denmark	28.0%	30.0%		
Non-deductible income/costs, Danish companies	(2.3%)	1.6%		
Higher tax rates etc. abroad	6.6%	3.9%		
	32.3%	35.5%		
10 Earnings per share:				
Profit for the year	118.5	90.5		
Average number of shares, issued	1,716.2	1,716.2		
Average number of treasury shares	(22.8)	(23.5)		
Average number of shares in market	1,693.4	1,692.7		
Average dilution effect of outstanding options	12.5	14.8		
Diluted number of shares in market	1,705.9	1,707.5		
Earnings per share (EPS) of DKK 100	70.0	53.5		
Earnings per share (EPS-D) of DKK 100	69.5	53.0		

11 Intangible assets and property, plant and equipment:

Group

(DKK million)	Goodwill	IT projects	Land & buildings	Plant and machinery	Other fixtures & fittings	Property, plant & equipment in progress	Total property, plant & equipment in progress
Cost as at 1 Jan. 2004	41.9	16.6	359.9	92.7	178.8	5.3	636.7
Foreign currency translation adjustment	(0.3)	-	2.3	(1.4)	(0.4)	(0.4)	0.1
Reclassifications	-	1.1	1.3	4.4	(2.4)	(4.4)	(1.1)
Additions during the year	0.9	2.1	22.0	9.2	17.4	3.0	51.6
Disposals during the year	-	-	(39.9)	(9.1)	(42.9)	-	(91.9)
Cost as at 31 Dec. 2004	42.5	19.8	345.6	95.8	150.5	3.5	595.4
Depreciation and amortisation as at 1 Jan. 2004	-	-	130.2	55.8	114.1	-	300.1
Foreign currency translation adjustment	-	-	0.3	(1.2)	(0.6)	-	(1.5)
Reclassifications	-	0.7	0.5	-	(1.2)	-	(0.7)
Depreciation & amortisation for the year	-	5.0	12.2	11.5	23.3	-	47.0
Reversal of depreciation and amortisation on assets disposed	-	-	(12.4)	(8.6)	(24.9)	-	(45.9)
Depreciation and amortisation as at 31 Dec. 2004	-	5.7	130.8	57.5	110.7	-	299.0
Carrying amounts as at 31 Dec. 2004	42.5	14.1	214.8	38.3	39.8	3.5	296.4
Cost as at 1 Jan. 2005	42.5	19.8	345.6	95.8	150.5	3.5	595.4
Foreign currency translation adjustment	0.6	-	6.1	5.5	2.5	0.2	14.3
Reclassifications	-	-	6.6	(0.1)	(3.3)	(3.2)	0.0
Additions on acquisition of subsidiaries	56.5	-	3.4	5.8	6.5	-	15.7
Additions during the year	-	0.7	39.7	12.7	17.2	1.2	70.8
Disposals during the year	-	-	(40.6)	(3.2)	(18.3)	-	(62.1)
Cost as at 31 Dec. 2005	99.6	20.5	360.8	116.5	155.1	1.7	634.1
Depreciation and amortisation as at 1 Jan. 2005	-	5.7	130.8	57.5	110.7	-	299.0
Foreign currency translation adjustment	-	-	1.3	3.1	1.8	-	6.2
Reclassifications	-	-	2.0	0.2	(2.2)	-	-
Depreciation and amortisation for the year	-	3.2	11.9	7.7	16.4	-	36.0
Reversal of depreciation and amortisation on assets disposed	-	-	(26.0)	(2.2)	(14.6)	-	(42.8)
Depreciation and amortisation as at 31 Dec. 2005	-	8.9	120.0	66.3	112.1	-	298.4
Carrying amounts as at 31 Dec. 2005	99.6	11.6	240.8	50.2	43.0	1.7	335.7

The carrying amount of assets under finance leases amounted to DKK 1.3 million as at 31 December 2005 (2004: DKK 2.4 million).

According to the most recent official assessment, properties in Denmark are valued at DKK 189.1 million (2004: DKK 234 million). Carrying amount of assets as at 31 December 2005: DKK 131.8 million. (2004: DKK 130.1 million).

11 Intangible assets and property, plant and equipment (continued).**Goodwill**

Additions during the year relate to the acquisition of MLT A/S in Hjørring and the business of Risør Finer & Træ, both in the Building Materials Division, as well as the Bohmans companies in the Hardwood Division. These acquisitions have been re-measured at fair value when acquired in the autumn of 2005, for which reason they are not included in the impairment test.

The management has carried out an impairment test of the carrying amount of goodwill excluding the above acquisitions as at 31 December 2005.

With this in mind the carrying amount of goodwill as at 31 December 2005 has been allocated to the cash flow generating units in the Hardwood Division and the Building Materials Division, where goodwill is stated.

The recoverable value is based on the value in use which has been fixed by applying the expected cash inflows for the years 2006-10. The expected cash flows for the years 2006-08 have been calculated on the basis of the budgets for the years in question and which have been approved by the management. Key parameters in the calculation of cash flows are EBIT, including revenue development, interest rates, movements in working capital and capital expenditure.

For the years 2009-10 the expected cash flows have been determined by means of a mathematical projection of the budget for 2008 based on the assumption that growth rates will remain stable.

The average contribution ratio applied in the budget period from 2006 to 2008 has been maintained for the years 2009-10. In addition, both investments and depreciation and amortisation have been maintained at the 2006-08 level for 2009-10.

After 2010 the terminal value has been calculated as 2010 at a growth rate of 3%.

Hardwood Division

Revenue is expected to rise by just over 4% in 2006 excluding acquisitions. The EBIT margin is expected to increase from 4.6% in 2006 to an average level of 6.0% during a trade cycle.

For the years 2009-10 the mathematical projection has been made applying an annual increase in the activity of 4.2%. Inflation is expected to account for 3% of this figure. The average contribution ratio of 15.6% applied for the years 2006-08 is considered realistic for the years 2009-10.

The expected cash flows have been discounted at a discount rate before tax of 9%. The tax rate applied is 30% resulting in a discount rate after tax of 6.3%.

The present value of future cash flows exceeds the carrying amount, for which reason no writedown has been made for impairment losses.

Building Materials Division

Revenue is expected to rise by just over 1% in 2006 excluding acquisitions. The EBIT margin is expected to increase from 3.7% in 2006 to an average level of 4.5% during a trade cycle.

For the years 2009-10 the mathematical projection has been made applying an annual increase in the activity of 4.1%. Inflation is expected to account for 3% of this figure. The average contribution ratio of 16.2% applied for the years 2006-08 is considered realistic for the years 2009-10.

The expected cash flows have been discounted at a discount rate before tax of 7.5%. The tax rate applied is 30% resulting in a discount rate after tax of 5.3%.

The present value of future cash flows exceeds the carrying amounts, for which reason no writedown has been made for impairment losses.

11 Intangible assets and property, plant and equipment (continued).

Parent company

(DKK million)	IT projects	Land and buildings	Other fixtures & fittings
Cost as at 1 January 2004	16.6	34.3	53.3
Reclassifications	1.1	-	(1.1)
Additions during the year	2.1	0.1	2.5
Disposals during the year	-	-	(6.7)
Cost as at 31 December 2004	19.8	34.4	48.0
Depreciation and amortisation as at 1 January 2004	-	21.5	44.9
Reclassifications	0.7	-	(0.7)
Depreciation and amortisation for the year	5.0	0.8	5.0
Reversal of depreciation and amortisation on assets sold	-	-	(5.5)
Depreciation and amortisation as at 31 December 2004	5.7	22.3	43.7
Carrying amount as at 31 December 2004	14.1	12.1	4.3
Cost as at 1 January 2005	19.8	34.4	48.0
Additions during the year	0.7	-	1.3
Disposals during the year	-	(33.7)	(0.2)
Cost as at 31 December 2005	20.5	0.7	49.1
Depreciation and amortisation as at 1 January 2005	5.7	22.3	43.7
Depreciation and amortisation for the year	3.2	-	2.6
Reversal of depreciation and amortisation on assets disposed	-	(22.3)	(0.2)
Depreciation and amortisation as at 31 December 2005	8.9	-	46.1
Carrying amount as at 31 December 2005	11.6	0.7	3.0

The carrying amount of assets under finance leases amounted to DKK 0.0 million as at 31 December 2005 (2004: DKK 0.7 million).

Properties all located in Denmark were valued at DKK 0.6 million at the most recent official property assessment (2004: DKK 45 million). The carrying amount of assets as at 31 December 2005: DKK 0.7 million. (2004: DKK 12.1 million).

Parent company

(DKK million)	2005	2004
Investments in group enterprises:		
Cost as at 1 January and 31 December	453.3	453.3
Carrying amount as at 31 December	453.3	453.3
Investments in group enterprises include: (All companies are fully owned)	Domicile	Share capital
DLH Nordisk A/S	Høje Taastrup	DKK 50.0 million
DLH A/S	Høje Taastrup	DKK 25.5 million
DLH Træ & Byg A/S	Høje Taastrup	DKK 40.0 million

12 Investments in group enterprises:

Cost as at 1 January and 31 December	453.3	453.3
Carrying amount as at 31 December	453.3	453.3

Investments in group enterprises include:

(All companies are fully owned)	Domicile	Share capital
DLH Nordisk A/S	Høje Taastrup	DKK 50.0 million
DLH A/S	Høje Taastrup	DKK 25.5 million
DLH Træ & Byg A/S	Høje Taastrup	DKK 40.0 million

Group

(DKK million)	2005	2004
13 Other investments and securities:		
Cost as at 1 January	5.6	5.4
Additions during the year	0.9	0.2
Disposals during the year	-	-
Cost as at 31 December	6.5	5.6

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

(DKK million)	Group		Parent company	
	2005	2004	2005	2004
14 Tax in the balance sheet:				
Income taxes due:				
Beginning of year	12.7	16.8	(10.3)	3.1
Taken over in connection with acquired companies	0.2	-	-	-
Financial instruments, equity	(6.7)	0.7	-	-
Transferred to deferred tax assets	-	-	10.4	-
Charge for the year	57.1	29.2	(8.3)	(12.4)
Taxes paid	(57.6)	(34.0)	(9.3)	(1.0)
Year-end	5.7	12.7	(17.5)	(10.3)
Consists of:				
Tax receivable	(10.7)	-	(17.5)	(10.3)
Income taxes	16.4	12.7	-	-
	5.7	12.7	(17.5)	(10.3)
Deferred tax, net asset:				
Beginning of year	11.4	33.0	(1.1)	8.3
Taken over in connection with acquired companies	(8.5)	-	-	-
Transferred to current tax	-	-	10.4	-
Financial instruments, equity	(0.8)	(1.0)	(1.7)	(1.6)
Reduction in Danish income tax rate from 30% to 28%	(1.2)	-	0.1	-
Adjustment for the year, income statement	1.8	(20.6)	3.2	(5.6)
Year-end	2.7	11.4	10.9	(1.1)
Consists of:				
Deferred tax (asset)	21.6	20.8	10.9	-
Deferred tax (liability)	(18.9)	(9.4)	-	(1.1)
	2.7	11.4	10.9	(1.1)
Deferred tax relates to:				
Intangible assets	(0.9)	(0.9)	-	-
Property, plant and equipment	0.3	3.1	5.6	6.8
Current assets	4.7	3.1	4.1	(7.5)
Provisions	1.0	-	1.0	-
Other liabilities	(5.7)	1.1	0.2	(0.4)
Tax losses carried forward	3.3	5.0	-	-
	2.7	11.4	10.9	(1.1)

No provision is made for contingent tax relating to the retaxation liability arising in respect of the Brazilian subsidiary; please refer to the section "Accounting policies applied".

(DKK million)	Group		Parent company	
	2005	2004	2005	2004
15 Equity:				
Share capital in the parent company:				
The share capital consists of:				
Class A shares: 187,500 shares at a nominal value of DKK 100	18.8	18.8	18.8	18.8
Class B shares: 1,528,720 shares at a nominal value of DKK 100	152.8	152.8	152.8	152.8
	171.6	171.6	171.6	171.6

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

Capital increases during the past 5 years:

After the end of the financial year the Class B share capital has been increased by the nominal amount of DKK 12,000,000 to DKK 846 per share (please refer to note 23).

	Number of shares		Nominal value (DKK '000)		% of share capital	
	2005	2004	2005	2004	2005	2004
Portfolio of own shares:						
Balance as at 1 January	24,515	22,015	2,452	2,202	1.4%	1.3%
Acquisition	-	2,500	-	250	-	0.1%
Applied in connection with the exercise of share options	(2,313)	-	(231)	-	(0.1%)	-
Own shares as at 31 December	22,202	24,515	2,221	2,452	1.3%	1.4%

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

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

During 2005 2,313 shares were sold at the price of DKK 164 per share, corresponding to a selling price of DKK 379,000 in total.

The value has been recognised directly in equity.

Hedging reserve:

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

Reserve for foreign currency translation adjustments:

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

(DKK million)	Group		Parent company	
	2005	2004	2005	2004
16 Long-term debts:				
Debts falling due after more than 1 year:				
Mortgage credit institutions	56.2	68.2	-	12.7
Banks	298.6	289.6	297.6	278.8
Leases	0.2	0.8	-	0.4
Total	355.0	356.6	297.6	291.9
Debts falling due within 1 year:				
Mortgage credit institutions	17.2	5.1	12.6	0.8
Banks	15.6	4.7	14.6	1.8
Leases	0.6	0.8	0.4	0.7
Total	33.4	10.6	27.6	3.3

The group's finance leases primarily relate to IT equipment (hardware) and all of them expire within the next five years. The carrying amount stated more or less corresponds to the present value of the leasing commitments.

17 **Provisions:**

The group is obliged to take over products from the Bohmans' production facility in the Czech Republic, which is not acquired by the group. As at the balance sheet date the products were not manufactured at the production facility. The group estimates that the acquisition price agreed exceeds the net realisable value by DKK 2.8 million. The goods were manufactured in 2006 and the provisions are therefore assessed as short-term.

During 2006 the group will vacate the parent company's property in Gadstrup. In the parent company DKK 3.4 million has been provided for clearing the premises and other commitments incidental to vacating the premises.

Part of the purchase price of the Bohmans Group is a profit-related earn-out. This has been calculated on the basis of expected invested capital and EBITA in the Bohmans companies. The earn-out amount has been calculated at DKK 11.2 million.

(DKK million)	2005	2004
Provisions falling due after 1 year:		
Provisions 1 January	-	-
Provisions made for the year	11.2	-
Paid	-	-
Adjusted	-	-
Provisions 31 December	11.2	-
Provisions falling due within 1 year:		
Provisions 1 January	3.8	5.4
Provisions made for the year	6.2	-
Paid	(3.8)	(2.5)
Adjusted	-	0.9
Provisions 31 December	6.2	3.8

18 **Financial risks:**

The accounting treatment of the financial instruments of the group is outlined under the section on accounting policies applied. Supplementary information on interest rate, currency and credit risks is given below.

As regards the group's financial risks and risk management, please refer to the report.

Interest rate risk:

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

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

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

The fair value of the interest swaps outstanding as at the balance sheet date, which have been concluded to hedge the interest rate risk of loans carrying a variable rate of interest, amounts to DKK (2.2) million.

18 Financial risks (continued).

Currency risks:

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

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

(DKK million)	Group		Parent company	
	2005	2004	2005	2004
Currency risks in the balance sheet as at 31 December				
EUR	75.3	110.0	16.7	29.1
USD	7.0	(16.0)	0.4	0.1
GBP	(2.0)	10.0	(1.8)	0.2
PLN	(13.3)	5.0	1.9	(2.0)
SEK	59.4	-	7.6	-
Others	48.2	(2.0)	22.7	0.1

In the statement outlining the group's currency risk the MYR, because of it being closely related to the US dollar, has been treated as such in listing the group's currency risks. Net risk exposure of MYR towards USD amounts to DKK 24 million.

Credit risk:

The group's credit risk is attached to trade receivables and prepayments to suppliers, and this has been described in more detail in the section on the risk profile (page 10). As at the balance sheet date the risk profile is as follows:

(DKK million)	Trade receivables		Prepayment for goods	
	2005	2004	2005	2004
Credit risk:				
Nominal value	702.6	558.7	106.7	81.6
Of this the following amount has been recognised in the balance sheet	673.3	534.5	82.4	60.3
- credit insurance, net	(369.4)	(274.9)	-	-
- hedged in other ways	(96.4)	(74.1)	-	-
Maximum credit risk	207.5	185.5	82.4	60.3

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

Fair values:

As regards the financial liabilities below, the commercial value deviates from the value recognised in the consolidated balance sheet as at 31 December 2005.

(DKK million)	Carrying amount	Commercial value	Carrying amount	Commercial value
	2005	2005	2004	2004
Mortgage credit institutions	56.2	57.1	68.2	69.5

The portfolio of loans is regularly assessed with a view to possible conversion. Please refer to page 10 for details on the risk.

	Group		Parent company	
	2005	2004	2005	2004
(DKK million)				
19 Assets pledged:				
Properties:				
In addition to the bank debt in the group and parent company, mortgages have been secured in Danish properties for:	6.3	9.2	4.3	6.2
Letters of indemnity registered on properties, free of any charges	10.0	10.0	-	-
Bills receivable discounted with foreign banks	59.1	44.2	-	-
20 Contingent liabilities:				
Guarantee commitments in favour of group enterprises in addition to the bank loans stated in the balance sheet, maximum	-	-	462.3	433.5
Guarantee commitments in favour of others, maximum	14.6	11.0	9.0	9.4
Leasing commitment:				
	Lease agreement concluded	Term	Nominal value of leasing commitment	
In the parent company and group enterprises operating leases have been concluded in respect of properties:				
Head office building, Skagensgade 66, DK-2630 Taastrup	2000	20 years	DKK	58.9 million
Office building/warehouse, Nydamsvej 22, DK-8362 Hørning	2004	15 years	DKK	26.3 million
Office building/warehouse, Tulipvej 2, DK-7100 Vejle	2004	15 years	DKK	12.1 million
Do-it-yourself market, Ørnumvej 10, DK-4220 Korsør	2003	8 years	DKK	8.8 million
Do-it-yourself market, Frederikshavnsvej 224, DK-9800 Hjørring	2005	9 years	DKK	23.8 million

As regards the property in Korsør DLH has an option, but no obligation, to acquire the property at the market price once the lease has expired. Other properties may be acquired via call options at firmly agreed prices which at the time of conclusion corresponded to the estimated market value. The leases expire upon the exercise of the call option.

In addition, framework agreements have been concluded for operating leases in respect of passenger cars, vans and lorries in both the parent company and group enterprises in Denmark. The agreements have been concluded subject to usual market terms.

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

21 **Related parties****Related parties with a controlling influence:**

DLH-Fonden (the DLH Foundation), Ved Stranden 18, P. O. Box 2034, DK-1012 Copenhagen K.

No transactions have been conducted with DLH-Fonden in 2005 apart from the payment of dividend.

For further particulars reference is made to page 15 under the description of shareholders.

Related parties with a significant influence:

This category comprises the company's supervisory and executive boards, major shareholders as well as group enterprises as outlined in the group structure on page 50.

Related party transactions:**Group:**

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

For further particulars about the shares held in the parent company by the said persons, please refer to page 15 under the description of shareholders.

Reference is also made to page 18, disclosing the position of trust of members of the supervisory and executive boards and to note 5 which states the remuneration of the supervisory and executive boards and other executives.

Parent company:

The parent company has made loans to as well as has outstanding receivables from and commitments to group enterprises.

(DKK million)	2005	2004
Long-term loans	385.9	346.4
Interest-bearing receivables	377.2	463.9
Liabilities	93.5	402.1

As at the balance sheet date long-term loans granted carry interest at rates between 3.0% and 5.9%, and interest-bearing receivables carry interest at rates between 0.8% and 3.7%. Liabilities carry interest at rates between 2.2% and 5.3% p.a. depending on the currency. Interest rates are fixed on the basis of the company's own interest arrangements with its banks.

Interest rates relating to group enterprises are stated in notes 7 and 8.

The parent company has received DKK 20 million in dividend from group enterprises in 2005 and 2004.

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

(DKK million)	2005	2004
IT expenses	22.8	28.6
Shared functions	14.0	13.6
Rent etc.	6.1	7.8
	42.9	50.0

Re-invoicing for secondment of staff to Danish enterprises is stated in note 5.

The parent company has provided guarantees for group enterprises' bank loans, please see note 20.

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

22 Acquisition of businesses:

Names of acquired enterprises	Principal activity	Acquisition date	Acquired investments
Enterprise in the Hardwood Division: Bohmans Group	Hardwood and veneer business	1 Nov. 2005	100%
Enterprises and activities in the Building Materials Division: MLT A/S	Timber merchant company	1 Sep. 2005	100%
Risør Træ & Finer	Sale of hardwood	1 Oct. 2005	Purchase of inventories and property, plant and equipment

(DKK million)	Enterprises and activities in					
	Bohmans Group		the Building Materials Division ^{*)}		Total	
	Carrying amount prior to the acquisition	Market value on takeover	Carrying amount prior to the acquisition	Market value on takeover	Carrying amount prior to the acquisition	Market value on takeover
Intangible assets:	-	-	1.6	1.6	1.6	1.6
Property, plant and equipment	10.9	14.3	2.3	4.1	13.2	18.4
Financial assets	-	-	0.3	0.3	0.3	0.3
Inventories	135.3	128.5	24.2	23.7	159.5	152.2
Receivables	43.4	43.4	18.0	17.5	61.4	60.9
Cash	14.5	14.5	9.8	9.8	24.3	24.3
Loans	(34.9)	(34.9)	-	-	(34.9)	(34.9)
Deferred tax	(9.3)	(9.3)	-	-	(9.3)	(9.3)
Trade payables	(13.6)	(13.6)	(3.3)	(3.3)	(16.9)	(16.9)
Other payables	(20.4)	(20.4)	(9.5)	(9.4)	(29.9)	(29.8)
Net assets	125.9	122.5	43.4	44.3	169.3	166.8
Goodwill		51.4		3.5		54.9
Cash funds taken over		(14.5)		(9.8)		(24.3)
Provisions		(14.0)		-		(14.0)
Acquisition cost in cash		145.4		38.0		183.4

*) MLT A/S and Risør Træ & Finer.

The Bohmans Group:

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

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

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

22 Acquisition of businesses (continued).**MLT A/S:**

The Building Materials Division acquired all shares in MLT A/S in Hjørring as at 1 September last year.

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

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

Risør Træ & Finer:

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

2004:

The DLH Group did not make any acquisitions in 2004 for which reason no comparative figures are available.

23 Post-balance-sheet events:

On 23 January 2006 the DLH Group entered into an agreement to take over the privately owned Swiss tt Timber Group. Like the Hardwood Division of DLH, the tt Timber Group is engaged in the international hardwood trade. The company trades in sawn tropical timber, temperate hardwood and logs.

The company has procurement and sales offices in Europe, Africa and the USA as well as sawmills and other timber processing facilities in connection with a number of well-run and sustainable forest concessions in the Congo Republic (the former French Congo) and in the neighbouring Republic of Gabon.

The tt Timber Group realised in 2004 revenue of approximately DKK 1.3 billion and an operating profit, EBIT, of DKK 67 million. The tt Timber Group employs approximately 2,500 staff, of which by far the majority are based in Africa.

The collection of specific information for the assessment of the market values of the acquired assets and liabilities is in progress.

The final opening balance for the acquisition of the tt Timber Group has not yet been presented and the revised budgets, including the post-merger integration costs for the merged activities in the Hardwood Division, are still in preparation. Consequently, the estimates for 2006 are subject to some uncertainty. In view of this, the group expects increased earnings at EBIT level relating to the tt Timber Group of DKK 45-65 million, compared to the previously announced DKK 75 million.

The transaction

The acquisition of the tt Timber Group includes all the shares in tt Timber International AG in Switzerland, which are held by Lignum Unternehmensbeteiligungs GmbH (the vendor), Tropical Timber SASU in France as well as related tropical hardwood activities in Germany.

The transaction will increase invested capital in the group (NOA) by close to DKK 650 million. The valuation of the tt Timber Group has taken into account integration costs in the region of DKK 15 to 20 million, and no goodwill is payable in connection with the transaction.

The vendor is to receive 120,000 Class B shares in Dalhoff Larsen & Horneman A/S corresponding to DKK 102 million as part payment for the acquisition, please refer to the section on capital increase.

In addition, the vendor is to grant a loan of DKK 112 million (EUR 15 million) of the purchase price as a subordinated loan in Dalhoff Larsen & Horneman A/S in support of the group's financial adequacy. The loan term is ten years, instalment-free for the first three years. The loan carries interest at the rate of 50% of the DLH Group's annual return on equity after tax, but not lower than 4% p.a. and not higher than 8% p.a.

DLH has obtained an undertaking for sufficient capital to finance both the cash part of the purchase price and the working capital needed in connection with the acquisition. In addition, the Industrialisation Fund for Developing Countries (IFU) has given a binding promise to grant the subsidiary CIB in Congo a loan of DKK 50 million without a parent company guarantee.

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

23 **Post-balance-sheet events (continued).****Capital increase:**

As mentioned in the section on the transaction, the vendor is to receive 120,000 Class B shares in Dalhoff Larsen & Horneman A/S as part payment for the acquisition of the tt Timber Group. The proceeds are DKK 102 million and are based on a share price of DKK 846 per share. The price has been fixed on the basis of an average of the OMX Copenhagen Stock Exchange "average price, all trades" in the Class B share (DK001020587-1) for the period from 2 January 2006 to 20 January 2006, both days included.

The shares will be issued by means of a direct placement without a pre-emption right for existing shareholders, corresponding to 7.0% of the DLH Group's current total share capital or 7.8% of the Class B share capital.

The capital increase was approved at an extraordinary general meeting of Dalhoff Larsen & Horneman A/S which was held on 7 February 2006.

Developments in the share capital, shares of DKK 100	Number of shares	Nominal share capital, DKK
Prior to capital increase:		
Class A-shares	187,500	18,750,000
Class B shares	1,528,720	152,872,000
Total share capital	1,716,220	171,622,000
Issue of Class B shares	120,000	12,000,000
Following capital increase:		
Class A-shares	187,500	18,750,000
Class B shares	1,648,720	164,872,000
Total share capital	1,836,220	183,622,000

The shares issued shall have the same rights as the existing Class B shares and entitlement to dividend in full for the financial year 2005.

The newly issued shares are subject to a lock up agreement of one year, which expires on 13 February 2007.

GROUP ENTERPRISES

as at 1 March 2006

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DK-2630 Taastrup

DLH Skov- & Miljøafdeling

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DLH Nordisk A/S

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Tropical Timber France S.à.r.l.

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SN DLH Nordisk S.A.R.L.

Zone Portuaire D'Owendo
Immeuble Armement Secam
B.P. 935 Libreville, **the Gabon**

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

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

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Asbestosstrasse 1, 26954 Nordenham, **Germany**

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VT 05301, **USA**

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Georgia Timber International Inc.
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Sales centre Kolding

Nordkajen 21, 6000 Kolding, Denmark

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C&N Vinderup

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C&N Tim

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Møller Lee Tommerhandel A/S

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9800 Hjørring

Region Jutland South and Funen

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Træ & Byg

Kløvermarken 17, 7190 Billund

Træ & Byg

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Træ & Byg

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Træ & Byg

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ProTræ Vamdrup

Bavnevej 32, 6580 Vamdrup

ProTræ Vejle

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ProTræ Odense

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ProTræ Lendemark

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ProTræ Skodborg

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A/S Holten Langes Trælasthandel

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A/S Holten Langes Trælasthandel

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LEGAL STRUCTURE

as at 1 March 2006

DLH Group	Share capital		Ownership
Dalhoff Larsen & Horneman A/S, Høje Taastrup	DKK	183,622,000	
Tropical Timber (France) S.A.S.U., La Rochelle, France	EUR	0.02 million	100%
tt Timber International AG, Basle, Switzerland	CHF	1.4 million	100%
CFA-Abeilles Holding S.A., Basle, Switzerland	CHF	1.6 million	100%
tt Timber Benelux BV., Baarn, the Netherlands	EUR	2.0 million	100%
International Haardttræ A/S, Hovedgård, Denmark	DKK	6.0 million	100%
IH Timber Kft., Szokalya, Hungary	HUF	300 million	100%
Timber Trading (UK) Ltd., Hoddesdon Hertz, the United Kingdom	GBP	0.75 million	100%
Inter-Continental Hardwoods Inc., Currie, USA	USD	0.447 million	100%
Georgia Timber International Inc., Savannah, USA	USD	0.001 million	100%
Congolaise Industrielle des Bois SA., Ouessou, the Congo Republic	XAF	2,370 million	100%
Soc. d'Approvisionnements et de Transits SARL., Douala, the Cameroons	XAF	75 million	100%
Soc. Industrielle des Chutes de Lalitié SA., Libreville, the Gabon	XAF	10 million	100%
Commerce et Industrie du Bois SA., Port-Gentil, the Gabon	XAF	1,000 million	100%
Gabonaise Industrielle des Bois SA., Port-Gentil, the Gabon	XAF	2,000 million	100%
Soc. Forestière Tropicale SA., Abidjan, the Ivory Coast	XAF	75 million	100%
DLH Nordisk A/S, Høje Taastrup	DKK	50 million	100%
DLH Timber (UK) Ltd., Westerham, the United Kingdom	GBP	2.3 million	100%
DLH Nordisk Inc., Greensboro, USA	USD	3.6 million	100%
PW Hardwood LLC, Rye, USA	USD	1,0 million	100%
Indufor N.V., Antwerp, Belgium	EUR	2.5 million	100%
DLH Nordisk (Holland) B.V., Rittheim, the Netherlands	EUR	0.1 million	100%
Hout Opslag Maatschappij Vlissingen B.V., Rittheim, the Netherlands	EUR	0.5 million	100%
Indufor GmbH, Hamburg, Germany	EUR	1.0 million	100%
Nordisk Bois S.A.R.L., Nantes, France	EUR	0.8 million	100%
Indubois S.A.S., Sète, France	EUR	3.0 million	100%
DLH Drewno Sp. z o.o., Ostrów, Poland	PLN	2.4 million	100%
DLH Nordisk Sp. z o.o., Karlino, Poland	PLN	2.0 million	100%
DLH Nordisk s.r.o., Prague, the Czech Republic	CZK	0.2 million	100%
DLH Nordisk s.r.o., Bratislava, Slovakia	SKK	0.2 million	100%
DLH Nordisk Derevo, Uman, the Ukraine	UAH	0.2 million	100%
DLH Nordisk Kft., Szigetszentmiklos-Lakihegy, Hungary	HUF	3.0 million	100%
Nordisk Timber Ltda., Belém, Brazil	BRL	33.1 million	100%
DLH Nordisk S.A.R.L., Abidjan, the Ivory Coast	XOF	50 million	100%
Nordisk Gabon S.A., Libreville, the Gabon	XAF	10 million	100%
Société Nouvelle DLH Nordisk, Libreville, the Gabon	XAF	2.0 million	100%
DLH Nordisk S.A.R.L., Douala, the Cameroons	XAF	50 million	100%
Carl Ronnow (Malaysia) Sdn. Bhd, Kota Kinabalu, Malaysia	MYR	2.5 million	100%
AB Bohmans Fanerfabrik, Oskarshamn, Sweden	SEK	0.5 million	100%
AB Fanerkompaniet, Stockholm, Sweden	SEK	0.5 million	100%
OY Viilukeskus, Turku, Finland	EUR	0.003 million	100%
Väärispuu & Spooni, Tallin, Estonia	EEK	0.4 million	100%
Bohmans Finieri SIA, Riga, Latvia	LVL	0.002 million	100%
Bohmans Ltd., Vilnius, Lithuania	LTL	0.2 million	100%
Bohmans KU, Kiev, the Ukraine	UAH	0.01 million	100%
OOO Bohmans, Khimki, Russia	RUB	0.05 million	100%
Bohmans Furnier GmbH, Himmelstadt, Germany	EUR	0.3 million	100%
Okleiny i Tarcica Sp. z o.o., Swarzedz-Garby, Poland	PLN	0,05 million	100%
Bohmans Hardwood Inc., Prospect KY, USA	USD	0.2 million	100%
DLH A/S, Høje Taastrup	DKK	25.5 million	100%
Nordic Wood & Board AB, Bunkeflostrand, Sweden	SEK	0.1 million	100%
DLH Russia ooo, Arkhangelsk, Russia	RBL	0.06 million	100%
DLH Træ & Byg A/S, Høje Taastrup	DKK	40 million	100%
C & N Nuuk A/S, Nuuk, Greenland	DKK	1.0 million	100%
A/S Holten Langes Trælasthan, Ringsted	DKK	1.0 million	100%
MLT A/S, Hjørring	DKK	0.5 million	100%