

Annual Report 2004

Dalhoff Larsen & Horneman A/S



Contents

3	Summarised operating review for the DLH Group 2004
4	Financial highlights and financial ratios for the DLH Group
5	Best year ever in the history of DLH
6	Profile of the DLH Group
9	Developments in the DLH Group in 2004
12	Hardwood Division
15	Timber & Board Division
18	Building Materials Division
21	Objectives and forecast
22	Risk profile
24	A responsible enterprise
27	Shareholders
30	Supervisory and executive boards
32	Management statement and auditors' report
33	Accounting policies applied
35	Income statement
36	Balance sheet as at 31 December
38	Statement of changes in equity
39	Consolidated cash flow statement
40	Notes
49	Group enterprises
50	Legal structure

Summarised operating review for the DLH Group 2004

2004 was DLH's best year ever.

The group realised its shareholder value target.

The revenue of DLH grew by 13 per cent to more than DKK 5 billion in 2004. Pre-tax profit rose by 78 per cent to DKK 132 million. Favourable market conditions along with internal improvements secured growth in almost all business areas. DLH expects to maintain the current level of revenue and profit in 2005 while reducing investments slightly.



- 2004 saw progress in almost all markets, making 2005 the best year in the history of DLH.
- The group produced total revenue of DKK 5,036 million, a 13 per cent increase on the previous year.
- Operating profit before goodwill amortisation (EBITA) was DKK 183 million, a DKK 36 per cent improvement on 2003. The improvement applies to all three divisions.
- Pre-tax profit (EBT) was DKK 132 million, which represents an improvement of DKK 78 per cent on the year before.
- The group's growth in revenue has been brought about by a modest 2 per cent increase in investments to DKK 1,703 million.
- In 2004 DLH's return on invested capital was 7.5 per cent after tax, which complies with the shareholder value target established by the group.
- The market growth in 2004 is expected to continue throughout 2005, where the group expects total revenue of approximately DKK 5.0 billion excluding the effect of acquisitions, if any, and a pre-tax profit of approximately DKK 130 million at a slightly reduced level of investments.
- The supervisory board recommends to the general meeting that a dividend amounting to DKK 17.2 million is distributed for 2004, corresponding to DKK 10 per issued share, which represents an increase of DKK 4 per share relative to 2003.
- The annual general meeting will be held on 7 April 2005 at 3 p.m. at the Quality Hotel Høje Taastrup A/S, Carl Gustavsgade 1, 2630 Taastrup.

Financial highlights and financial ratios for the DLH Group

(million DKK)	2004	2003	2002	2001	2000
Income statement					
Revenue	5,036	4,451	4,549	4,188	4,463
Gross profit	825	724	730	678	716
Costs excluding goodwill amortisation	642	589	604	558	533
Earnings before interest, tax, depreciation and amortisation (EBITDA)	235	180	174	166	236
Earnings before interest, taxes and goodwill amortisation (EBITA)	183	135	126	120	183
Operating profit (EBIT)	175	127	117	112	176
Financial items	(43)	(53)	(58)	(54)	(67)
Profit from continuing operations	132	74	59	59	109
Profit from discontinued operations before tax	-	-	-	(18)	(9)
Profit before tax (EBT)	132	74	59	41	100
Profit for the year	84	45	33	23	84
Balance sheet details					
Total assets	1,991	1,934	2,026	1,943	2,074
Equity	713	636	612	612	603
Average invested capital including goodwill	1,703	1,677	1,756	1,682	1,693
Investments					
Gross investments, excluding acquisitions	55	50	61	59	74
Gross investments, including acquisitions	55	56	91	89	105
Net investments, excluding acquisitions	9	30	54	46	63
Cash flows					
Cash flow from operating activities (CFFO)	62	197	118	214	(39)
Cash flow from operating activities after investments (excluding acquisitions)	53	171	78	165	(58)
Cash flow from operating activities after investments (including acquisitions)	53	150	(29)	161	(99)
Performance ratios					
Gross margin (continuing operations)	16.4%	16.3%	16.0%	16.2%	16.0%
Operating margin (EBIT margin) (continuing operations)	3.5%	2.8%	2.6%	2.7%	3.9%
Net operating profit less adjusted taxes (NOPLAT) ¹⁾	128	94	88	84	128
Return on equity (ROE)	12.5%	7.2%	5.4%	3.8%	12.1%
Equity ratio	35.8%	32.9%	30.2%	31.5%	29.1%
Return on invested capital including goodwill (ROIC including goodwill)	10.7%	8.0%	7.2%	7.1%	10.8%
Average number of employees					
	1,695 ²⁾	1,414	1,402	1,250	1,226
Stock market ratios					
Book value per share of DKK 100 (BVPS)	415	370	356	356	352
Share price at 31 December (P)	393	262	157	168	208
Price / book value (P/BV)	0.95	0.71	0.44	0.47	0.59
EPS Basic (per share of DKK 100)	DKK 49.0	DKK 26.3	DKK 19.2	DKK 13.4	DKK 40.2
Average number of shares (1,000 shares) ³⁾	1,716	1,716	1,716	1,716	1,692
Cash flow per share of DKK 100 (CFPS)	DKK 36	DKK 115	DKK 69	DKK 125	DKK (23)
Dividend per share of DKK 100 (DPS)	10.0	6.0	6.0	6.0	10.0
Price Earnings Basic (P/E Basic)	8.0	10.0	8.2	12.5	5.2

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

- 1) Calculated on the basis of a company tax rate of 30 per cent. For 2004 the tax rate for tax paid was 23.8 per cent, corresponding to a NOPLAT of DKK 139 million.
- 2) In 2004 220 hourly paid workers in Malaysia and Brazil changed from being insourced to being employed by the group.
- 3) The number of shares has not been adjusted for own shares, which amounted to 1.4 per cent of the share capital at year-end 2004, corresponding to 24,515 shares.

Best year ever in the history of DLH



Chairman
Asbjørn Børsting

President & C.E.O.
Jørgen Møller-Rasmussen

For DLH the year 2004 was characterised by dramatic improvements on all fronts. Revenue grew considerably relative to the year before, and profit kept up with revenue - and did more than that. 2004 thus turned out to be the best year in the history of DLH.

One of the key drivers of this favourable trend was the market upswing seen almost world-wide, but particularly in the USA, France and Poland. The Danish market also pulled in the right direction, helped along by growing consumption in the wake of tax cuts, lower rates of interest and instalment-free loans, all of which increased the level of activity in the private sector building industry.

However, our own focus on exploiting opportunities created by market developments in 2004 also contributed to the progress. While DLH continues to concentrate on its western European operations, the geographical scope has been expanded in the past year. In 2004 the demand for sheet materials was so great that we experienced an actual shortage of certain product types. Our global network came to our aid and enabled us to establish new sources of supply, such as plywood plants in China and South America.

Some of our supply countries experienced political unrest in 2004. Liberia continues to be subject to a UN embargo, and the Ivory Coast was crippled by unrest for parts of 2004. The wide geographical spread of the operations of DLH enabled us to compensate with supplies from other regions.

The universal globalisation has resulted in a new international division of labour, also in the timber trade. First and foremost, this has resulted in increased cross-border trade, which naturally also benefits DLH as international trade is our bread and butter business. Secondly, there is a trend towards having timber processed in the countries of origin. DLH is also active in this development. Firstly, we have increased our trade in processed goods, and secondly, we have increased the group's own processing capacity.

DLH devotes special attention to being a responsible enterprise. With this in mind, we launched a new environmental policy at the end of last year, which will enhance the group's own profile in the environmental field, and which will also bring our environmental policy into line with the latest environmental regulations both in Europe, where the EU has launched the so-called FLEGT-programme, and in Denmark, where environmental guidelines concerning the use of tropical timber for public sector construction have now been introduced.

DLH concentrated its efforts on enhancing the effectiveness of the organisation in 2004. Making shareholder value considerations a priority in all our operations, we have implemented a number of efficiency measures based on information technology and logistics. In this way, we have secured improved operations and a more effective use of the capital invested.

DLH achieved three out of four of its long-term financial targets in 2004 - ahead of schedule. While we did not quite attain the targeted operating margin of 4 per cent (it was 3.5 per cent), we realised revenue growth of 13 per cent, which is somewhat in excess of our targeted 10 per cent. In addition, we ended the year with an equity ratio of 35.8 per cent, exceeding the targeted 30 per cent. And most importantly of all: the group delivered a return on invested capital covering the calculated capital costs according to the Economic Value Added model, the basis on which the group establishes priorities of resource consumption.

However, we are convinced that the potential of DLH is even greater still. With this in mind, we will continue our efforts to create growth - both organically and through acquisitions. Moreover, we will continue the development and efficiency enhancements we have already set in motion to ensure increased profitability and an even better exploitation of the capital invested. In 2004 DLH created a powerful financial and operational platform for future expansion. We look forward to taking on the challenge in the years ahead.

Asbjørn Børsting
Chairman

Jørgen Møller-Rasmussen
President & C.E.O.

Profile of the DLH Group

Mission statement

– based on the requirements of our customers, it is our mission as an international business intermediary to procure, process and distribute timber and timber-based products as well as builders' materials.

The DLH Group in brief

One of the world's major timber wholesalers and a leading Danish building materials distributor

- Group revenue 2004 of DKK 5 billion
- 59 per cent of DLH's revenue is generated outside Denmark
- Presence in 25 countries with offices, warehouses or processing plants
- 20 timber merchant companies in Denmark and Greenland, ten of which have do-it-yourself markets
- Approx. 1,700 employees

Principal activities

- International trade in hardwood
- Trade in softwood and sheet materials in Europe
- Sale of building materials in Denmark

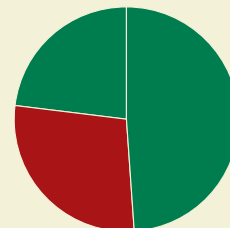
Ownership

- DLH is listed on the Copenhagen Stock Exchange
- DLH-Fonden owns 28 per cent of the company's share capital carrying 63.7 per cent of the votes

BUSINESS ACTIVITIES

In terms of ownership, DLH is independent of manufacturers' and retailers' interests and thus the largest enterprise of its kind in the international hardwood trade.

Break-down of revenue



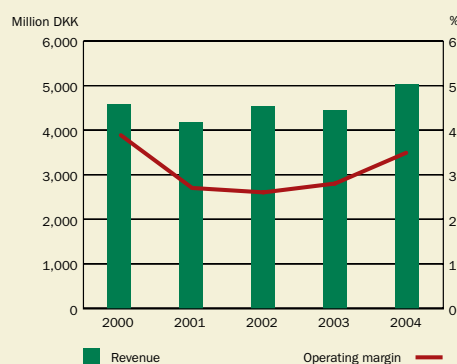
● International trade in timber

49% Hardwood
22% Softwood and sheet materials

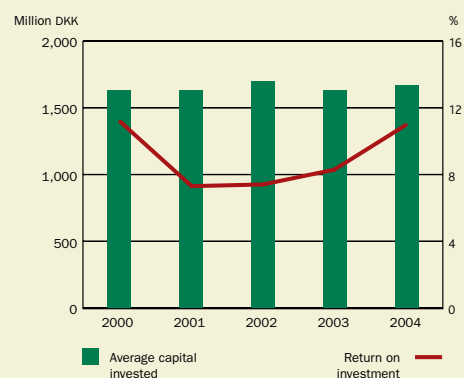
● Trade in building materials in Denmark

29% Building materials

Revenue and operating margin (EBIT margin)



Average capital invested and return on investment





OBJECTIVES

It is the objective of the DLH Group to maintain and expand its position as the dominant player in the business areas that constitute the core competencies of the group. 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.

The group has established the following financial objectives:

- 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)
In 2004 the return on invested capital was 7.5 per cent, meeting the group's WACC-target exactly
- Average annual revenue growth of 10 per cent
DLH's revenue grew by 13 per cent in 2004
- An operating margin of 4 per cent
In 2004 DLH realised an operating margin of 3.5 per cent
- An equity ratio in excess of 30 per cent
At year-end 2004 the equity ratio of DLH was 35.8 per cent

DLH aims to meet its financial objectives on average during each trade cycle.

For further details please refer to the objectives and forecast of DLH on page 21.

A RESPONSIBLE ENTERPRISE

If managed responsibly, timber is a self-renewing resource. The DLH Group acknowledges its responsibility to contribute to the sustainable development of global forestry. To this end, the group co-operates with both manufacturers and local authorities with a view to improving forestry and reducing any potential strain on the environment. Concurrently with this, DLH conducts an ongoing dialogue with local and international environmental and human rights organisations concerning initiatives to improve conditions for nature and humans in the areas which are, or may be, threatened by aggressive forestry.

The attitudes of DLH concerning the environment and human rights issues are described in the DLH Basic Value Statement, which also incorporates a third area, being social values. In addition, DLH has adopted a set of corporate governance rules as a yardstick for the responsible management of the company. This set of rules together with the basic values and a number of operational policies are outlined on page 24.

GROUP MANAGEMENT

Group management is composed of the President & C.E.O., the Executive Vice President for Finance & IT and the Executive Vice Presidents for the three principal activities.

INTERNATIONAL TRADE IN TIMBER

The supply chain

As an international timber wholesaler DLH plays the important role of bringing together manufacturers and consumers. The supply chain of DLH covers the entire path from suppliers of timber and timber products in the world's timber-producing areas to customers in Western Europe, North America and the emerging markets (the Far East, the Middle East, South Africa and Eastern Europe).

The supply chain of DLH offers customers considerable advantages in the form of great reliability of delivery, effective quality assurance, logistics and the elimination of prepayment risks in respect of suppliers. The trading relationship with DLH also provides customers with the best information available on the market as to the products and their origin.

Suppliers, too, stand to benefit greatly from the supply chain of DLH, which provides financial security and secures well-organised and simplified access to the global market. Furthermore, suppliers have access to DLH's extensive knowledge about sustainable forestry and certification procedures.

Products

The group's international trading activities have been divided into two divisions: the

Hardwood Division and the Timber & Board Division.

The function of the *Hardwood Division* is primarily to buy and sell tropical hardwood from the major supply areas in South America, Asia and Africa. The division's main products are sawn timber, components and finished products, and, to a lesser degree, logs. The general trend in the market is for a growing share of the timber processing to take place in the supply countries, for which reason the group's sales of components and finished products are increasing. The Hardwood Division sells its products from stockholding sales units in a number of countries in Europe and the USA. Approximately 41 per cent of the division's revenue is generated by trading, which implies direct sales from the manufacturer to the customer without involving the depots of DLH.

The *Timber & Board Division* distributes timber-based sheet materials and softwood such as pine, spruce and larch. The softwood products are primarily sawn timber in the form of planks and boards as well as finished products, such as deckings. The division trades in softwood and sheet materials throughout Europe and exports considerable quantities of sheet materials to the USA. In Denmark

the division acts as importer and stockholding wholesaler, stocking a wide range of products from Scandinavia and eastern Europe, in particular Russia. In the rest of Europe the division primarily acts as a trader direct to the timber-consuming industry.

Customers

The group's customers in the international timber trade are typically timber merchant companies and timber merchant company chains as well as the timber-consuming industry, such as kitchen and floor manufacturers, furniture manufacturers, the packaging industry etc.

Suppliers

The suppliers of sawn hardwood are small and medium-sized sawmills. Processed goods are supplied by a number of manufacturers in the supply areas and from the group's own factories in Brazil, Poland and Malaysia. Scandinavian softwood and sheet materials are typically supplied by large sawmills and manufacturers of sheet materials.

For further details on the Hardwood Division please turn to page 12.

For further details on the Timber & Board Division please turn to page 15.

Value chain for the international timber trade



The business of DLH supports the entire supply chain from sawmill to end customer (industry and distributors with sales to professional and private customers). One of the tasks of DLH is the efficient handling of processing, storage, transportation and distribution.

DISTRIBUTION OF BUILDING MATERIALS

The building materials operations of DLH consist of 20 timber merchant companies in Denmark and Greenland, half of which have an adjacent do-it-yourself market. All the timber merchant companies are members of the purchasing organisation Ditas, and approximately 50 per cent of the division's purchases are made through this purchasing organisation. The remaining purchases are made from manufacturers

and importers, mostly Danish. With effect from the end of 2004 the division's do-it-yourself markets joined the RÅD&DÅD concept of Ditas.

The Building Materials Division distributes softwood, sheet materials, building materials and a vast number of related products, such as tools, fittings, work clothes etc. The Building Materials Division serves a wide range of customers,

primarily builders, contractors, institutions and the small industry, accounting for approximately 80 per cent of the division's revenue. Sales to private customers via the do-it-yourself markets account for approximately 20 per cent of revenue.

For further details on the Building Materials Division please turn to page 18.

Developments in the DLH Group in 2004



GROUP DEVELOPMENTS

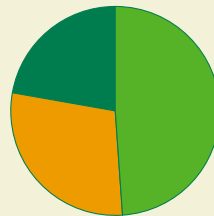
Market developments

The group has enjoyed a boost in revenues in most of its markets. As had been expected, progress resulting from improved macroeconomics was most pronounced in the emerging markets (the Far East, the Middle East, South Africa, Eastern Europe) and in the USA. These two markets contributed 17 and 10 per cent respectively to the revenue of the year. Following the economic tightening measures in China combined with a certain amount of slowdown in a number of the Hardwood Division's sales markets the market returned to normal again in the fourth quarter.

The Western European market outside Denmark, which contributed 32 per cent to the revenue for the period, has also enjoyed satisfactory growth in respect of both hardwood and sheet materials, boosted by the operations in France in particular, which continues to be one of the most important markets of the DLH Group.

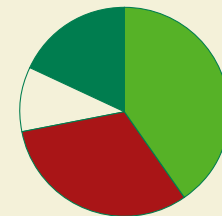
The satisfactory development in Europe is also reflected in the Danish market, which has performed slightly better than expected, partly due to tax cuts, lower rates of interest and instalment-free loans, having made a 41 per cent contribution to revenues.

Total sales by



Product groups

- 49% Hardwood
- 29% Building materials
- 22% Softwood and sheet materials



Sales markets

- 41% Denmark
- 32% Western Europe outside Denmark
- 10% North America
- 17% Emerging markets

Total sales outside Denmark accounted for 59 per cent compared to 60 per cent in 2003.

Inventory rationalisation

In 2004 the Timber & Board Division moved its central warehouse at Hedensted to warehousing facilities at the quayside in Kolding, thereby rationalising logistics and reducing investments. For the same reason the division's central ware-

house on Zealand was put up for sale in 2004.

Efficiency measures

The efficiency measures, which were launched in the Building Materials Division in 2003, have been continued in 2004. During the past years the activities of the 20 timber merchant companies have been centralised so that they share one IT-platform and are organised as one



Group operations during 2004

(million DKK)	Realised	Change from last year	
Revenue	5,036	585	13%
Gross profit	825	101	14%
<i>i % af omsætning?</i>	16.4%		
Costs	(642)	(53)	(9)%
EBITA	183	48	36%
Goodwill amortisation	(8)	0	0%
EBT	175	48	38%
Financial items	(43)	10	19%
Pre-tax profit	132	58	78%
Tax	(48)	(19)	(65)%
Profit after tax	84	39	87%

legal entity. This process was continued during 2004 by centralising the procurement and a number of administrative functions as well as the inventory/logistics function.

In addition, the Building Materials Division has continued to trim its business portfolio. As a result, the division's Lunderskov branch has been closed down, and the Holten Lange group, which was acquired in late 2003, is now fully integrated into the group. Lastly, the business at Ringsted, which was taken over in 2004, is subject to drastic modernisation.

New ERP platform of DLH

The GTS (Global Trade and Supply Chain System), which was scheduled to be implemented in the international trading activities in 2004, suffered additional delay so that thorough testing with a satisfactory result could not take place until January 2005. These tests have fully demonstrated the system's potential, the target of which is to considerably improve EBITA and reduce investments significantly.

Training of the users has now begun, and the system is expected to be imple-

mented in the second quarter of 2005. Over the next two years it is to be fully incorporated into the international divisions.

Revenue and gross profit

Total group revenue was DKK 5,036 million in 2004, up 13 per cent compared to last year and in line with the most recent forecast. The lion's share of the said growth – in excess of 10 percentage points – was due to the group's organic growth even though declining conversion rates for the US dollar caused a DKK 67 million decline in revenues.

The gross profit was DKK 825 million, representing a DKK 101 million increase on 2003. The gross margin remained unchanged at 16.4 per cent.

Costs

Costs were DKK 642 million in 2004. That represents a DKK 53 million increase on 2003. This increase includes the acquisition of A/S Holten Langes Trælasthandel in the amount of DKK 31 million. The remaining increase in costs was 4 per cent.

In 2004 costs were favourably influ-

enced by the decline in the US dollar rate in the amount of DKK 6 million and by lower losses on debtors of DKK 7 million.

In addition, proceeds from the sale of properties in the amount of DKK 13 million (DKK 9 million in 2003) had a favourable impact on costs.

Leaving the said factors out of the equation, this represents a 7 per cent increase in costs from 2003 to 2004, which should be seen in the context of the increased level of activity.

Profit

EBITA (operating profit before goodwill amortisation) was DKK 183 million compared to DKK 135 million in 2003, a 36 per cent improvement. The progress is attributable to all three divisions. The DLH Group thus realised an EBITA margin of 3.6 per cent, up 0.6 percentage points. EBITA may be broken down by business division as follows:

DKK million	2004	2003
Hardwood Division	110.5	93.2
Timber & Board Division	50.3	25.4
Building Materials Division	41.6	24.2
Group overheads	(19.6)	(8.1)
Total	182.8	134.7

After unchanged goodwill amortisation of DKK 8 million the group's profit before financial items (EBIT) was DKK 175 million.

The operating margin (EBIT margin) grew by 0.7 percentage points to 3.5 per cent.

Financial items were improved by DKK 10 million relative to 2003. The improvement is primarily attributable to exchange losses on Polish Zloty in 2003. Today the Polish currency is fully integrated into the group's foreign exchange hedging policy.



The group's pre-tax profit was DKK 132 million, which represents a dramatic improvement of 78 per cent on the year before and is DKK 4 million better than expected according to the most recent forecast.

The profit after tax was DKK 84 million, which is almost double the figure from 2003. Tax on the result for the year amounts to DKK 48 million, which includes writing down the net tax asset by DKK 20 million and taxes payable for the year by DKK 28 million.

Balance sheet total and cash flow etc.

The group's balance sheet total was DKK 1,991 million at year-end 2004, a 3 per cent (DKK 57 million) increase on 2003. The increase is largely the result of additional stockpiling due to increased activity and sales of seasonal goods, such as deckings. In 2004 fixed assets were reduced by DKK 68 million net despite new fixed asset investments of DKK 55 million. Of the net decline in fixed assets DKK 41 million was due to the transition to operating leases in respect of rolling stock and the sale of two properties in Denmark, while DKK 18 million stem from a reduction in the gross tax asset.

Invested capital was DKK 1,693 million at year-end 2004, a 3 per cent increase on 2003. Loan financing of the invested capital fell by DKK 42 million to DKK 986 million during the same period.

The combination of increased earnings and reduced loan financing enabled the group to realise a ratio between net interest-bearing debt and EBITDA of 4.2 in 2004 (5.7 in 2003).

Average invested capital was DKK 1,703 million, a 2 per cent increase on

2003. The development of the US dollar rate has held back the increase by DKK 24 million. Equity was DKK 713 million at year-end, representing a DKK 77 million increase on 2003. The return on equity was therefore 12.5 per cent in 2004 (7.2 per cent in 2003).

At year-end, the equity ratio was 35.8 per cent compared to 32.9 per cent the year before.

Cash flow from operations after investments was DKK 53 million compared to DKK 150 million the year before.

APPROPRIATION OF THE RESULT FOR THE YEAR

Pre-tax profits of the parent company amounted to DKK 132 million and profits after tax amounted to DKK 84 million in 2004.

The supervisory board recommends to the general meeting that a dividend amounting to DKK 17.2 million is distributed for 2004, corresponding to DKK 10 per issued share, which represents an increase of DKK 4 per share relative to 2003.

THE TRANSITION TO IAS/IFRS REPORTING AS FROM 2005

As a result of the adoption of the IAS/IFRS regulation all listed companies in the EU must present their consolidated financial statements for 2005 in accordance with the International Financial Reporting Standards (IFRS), approved by the EU. For this reason the parent company, Dalhoff Larsen & Horneman A/S, will also present its financial statements in accordance with IFRS as from 2005.

The transition to IFRS-based reporting will result in changes in the following areas:

- Goodwill will no longer be amortised systematically, but will be subject to an annual impairment test. The carrying amount of goodwill as at 1 January 2004 of DKK 42 million will equal the new cost price. This means a write-back of the DKK 8 million amortised for goodwill in 2004.
- In future the fair value of share-based remuneration schemes will be recognised in the income statement for the period to which conditions attach to the final entitlement of rights. Previously such schemes were not recognised in the income statement. Due to the transitional provisions of IFRS 2 schemes allotted before 1 January 2005 will have no impact on the result for 2005.
- The parent company's investments in subsidiaries will in future be measured at cost in the parent company's annual financial statements. Until now investments have been measured according to the equity method.

Other than that, the transition to IFRS-based reporting is not expected to result in material changes to the accounting policies applied and thus in the statement of the group's and the parent company's assets, equity and liabilities, financial position and the profit from the group's and the parent company's operations and cash flows.

Generally, changes are expected in relation to presentation and disclosure.

Hardwood Division



The division is headed by
Martin Grome
Executive Vice President

It is the objective of the Hardwood Division to be a market leader in the trade and distribution of hardwood in selected markets worldwide.

Profile

The Hardwood Division trades in timber from all major tropical forest producing regions in South America, Africa and South East Asia as well as in temperate hardwood, primarily from Eastern Europe and North America. The suppliers are generally small or medium-sized sawmills and manufacturers of components. In the supply countries the division purchases and sorts timber from various markets. In addition, the division increasingly processes the timber in the said countries, for instance in the form of drying and manufacturing flooring strips, wooden tiles and deckings.

The typical customers are small and medium-sized businesses in the wood-consuming industry (manufacturers of flooring and kitchens, furniture factories etc.) distributors, and retailers (timber merchant companies, do-it-yourself markets etc.). In addition, the division provides large industrial customers with niche goods. The division has a number of major regional competitors as well as a considerable number of local competitors.

With the exception of the emerging markets (the Far East, the Middle East, South Africa and Eastern Europe), which are characterised by a rapidly growing demand, the division operates in mature markets, which are favoured by increasing cross-border trade in timber due to the globalisation.

59 per cent of revenues are generated by stockholding sales units in a number of countries in Europe and the USA. This form of distribution has a relatively stable earnings profile, and this has been reflected in both the division's and the group's earnings over the past few years.

The remaining 41 per cent of the division's revenue is created by trading, which means sale directly from manufacturer to customer without involving the depots of DLH. Trading 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.



DEVELOPMENTS IN 2004

In 2004 the market was characterised by a strong building industry generally for some of the year as well as a low US dollar rate. Until May 2004 sales in Poland were helped along by an imminent increase in value added tax on building materials, leading to an extraordinarily high level of activity during that time. Even though the demand subsequently returned to normal, Poland continues to be a growth market with a high level of activity.

The American market also experienced a powerful boost. The French market, too, has been strong during the year and continues to be one of the most important markets of the Hardwood Division.

The situation with the shortage of ships' tonnage, which affected supplies in some areas in the first months of the year, has returned to normal, albeit at freight rates which are still high. The latter part of the year saw an increased seasonal accumulation of inventories in France and the USA together with an accumulation of goods in Brazil and the Ivory Coast.

In 2004 the division achieved revenue of DKK 2,528 million, up 13 per cent on last year.

Costs were DKK 248 million in 2004, up by DKK 18 million. Adjusted for the de-

cline in the US dollar rate, this represents an increase of DKK 24 million or 10 per cent. The improvement is due to an increase in the level of activity during that period. In Brazil and Malaysia the manpower in the production facility has been increased by 220. However, this increase is primarily due to a change in the employment status of the hourly paid workers, who have changed from being in-sourced from employment agencies to becoming the group's own employees.

Operating profit (EBITA)

In 2004 the division achieved an EBITA of DKK 111 million, up DKK 18 million or 19 per cent on last year.

Capital invested

Average invested capital was DKK 1,012 million in 2004, which represents an increase of DKK 71 million on 2003. The increase is attributable to an increased level of activity, shipping problems during the year as well as increased stockpiling of seasonal inventories for sale in 2005. Return on the average invested capital was 10.9 per cent compared to 9.9 per cent last year.

STRATEGY

The wide product range of the division, originating from various supply regions,

together with a very extensive sales and distribution network has in-built potential for exploiting commercial, financial and administrative synergies across the group.

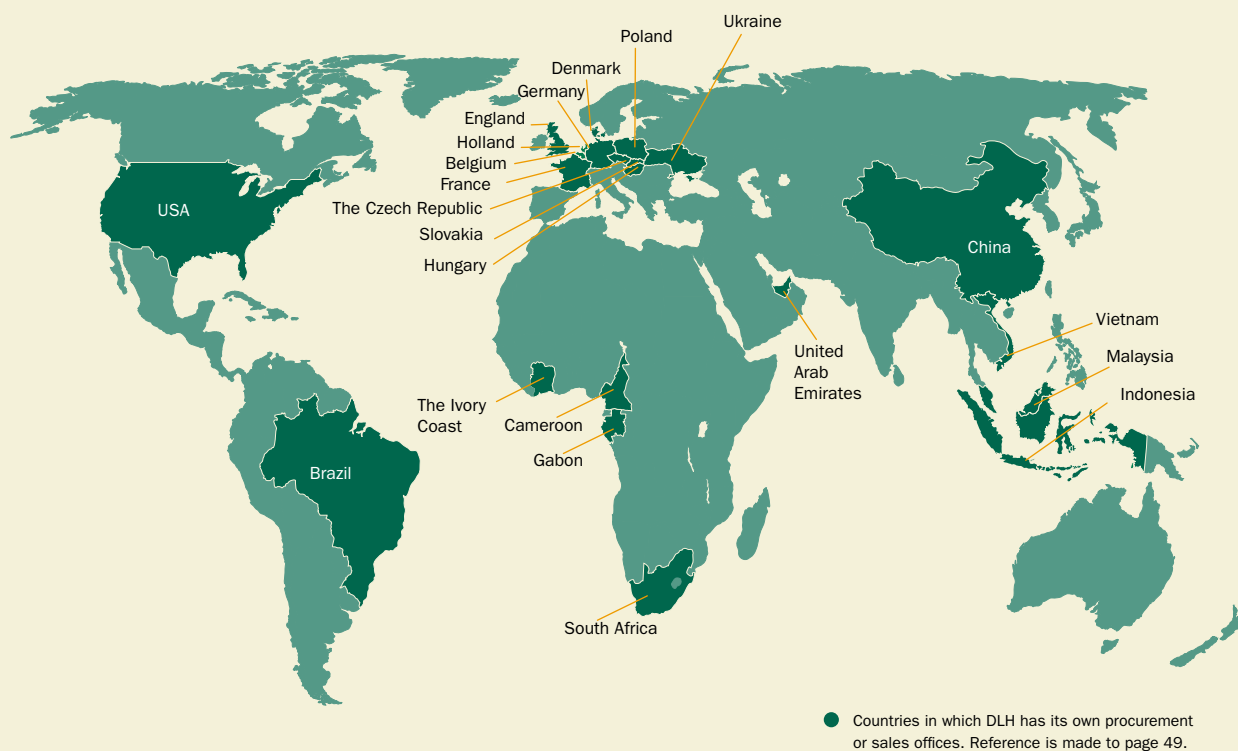
Expanding business on the sales side, for instance, would enable the marketing of the entire product range of DLH from the supply areas, which in turn would increase their sales potential. Similarly, growth on the supply side would immediately be strengthened by the sales power inherent in the sales network of DLH.

These potential synergies are the rationale behind the division's long-term growth objectives. The growth potential is additionally strengthened by DLH's internal efficiency enhancement project, which is to ensure cost-effective business routines, including logistics, administration and use of capital by means of the implementation of a shared IT-platform (the GTS system).

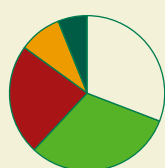
In the time ahead the Hardwood Division will spend its resources on creating increased growth in the sales area, emerging markets. In addition, the division will continue to develop and secure sources of supply which comply with the requirements to best practice in forestry with a view to increasing supplies and the spread of certified timber.



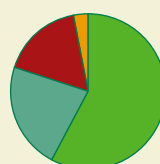
Hardwood Division



Total sales by



- Origin of goods**
- 31% South East Asia
 - 31% South America
 - 23% Africa
 - 9% North America
 - 6% Europe



- Sales markets**
- 58% Europe
 - 22% Emerging markets
 - 17% North America
 - 3% Denmark

Financial highlights in DKK million	2004		2003		2002	
Revenue	2,528		2,238		2,372	
Gross profit / as a percentage of revenue	359	14.2%	323	14.4%	333	14.0%
Costs excluding goodwill amortisation	(248)		(230)		(236)	
Earnings before interest, taxes and amortisation (EBITA)	111		93		97	
Earnings before interest and taxes (EBIT) / operating margin	106	4.2%	89	4.0%	92	3.9%
Average invested capital	1,012		941		974	
Return on average invested capital including goodwill (ROIC including goodwill)		10.9%		9.9%		10.0%
Total assets at year-end	1,189		1,065		1,109	
Total liabilities at year-end	807		719		785	

Timber & Board Division



The division is headed by
Jørgen Ipsen,
Executive Vice President

The objective of the Timber & Board Division, which already has a firm base as a market leader in the Danish market, is expansion in the international sheet materials and softwood markets.

Profile

The Timber & Board Division trades in sheet materials, (plywood, particle boards, MDF etc.), primarily purchased in Russia and Northern Europe. In addition, the division trades in softwood, i.e. sawn timber and components (floors etc.) of coniferous wood, such as pine, spruce and larch, primarily from Russia and Scandinavia. Revenue from sheet materials accounts for three quarters of total revenues, while softwood accounts for the remainder. The division's principal market is Denmark (52 per cent of revenues) followed by the rest of Europe (38 per cent) and the USA (10 per cent).

Customers are primarily timber merchant companies and the Building Materials Division's own companies as well as the timber-consuming industry, such as kitchen and floor manufacturers.

The division undertakes some light processing in the form of compregnation, planing work and cutting of sheet materials (cut-to-size) for its Danish customers.

The competitors are small independent agents and wholesalers as well as large sawmills in the supply countries, which also sell to customers direct.

Today the division is one of the major stockholding wholesalers in Denmark.



DEVELOPMENTS IN 2004

In the sheet materials area, the division's major business area, demand has remained high throughout the year, and for some product types this has led to a global shortage of goods at certain times. This shortage has interfered with potential revenue growth, but conversely ensured a satisfactory level of prices and thus strengthened gross profits. The softwood market has had to face tough competition both in Denmark and the exporting countries during 2004. The situation has subsequently been affected by the windfalls in the Swedish forests in January 2005.

In 2004 the division achieved revenue of DKK 1,117 million, up 5 per cent on last year.

Costs were DKK 111 million in 2004, down 5%. The decline is attributable to the division's restructuring of its business operations, involving the divestment of the central warehouse at Hedensted and a relocation of operations to warehousing facilities at the quayside in Kolding. The

relocation improved logistics and reduced investment west of the Great Belt. For this reason the division's central warehouse on Zealand was put up for sale in 2004.

Operating profit (EBITA)

In 2004 the division achieved an EBITA of DKK 50 million, a doubling relative to last year.

Capital invested

Average invested capital was DKK 210 million in 2004, compared to DKK 273 million last year. The decline is attributable to considerably reduced inventories.

Return on the average invested capital was 23.9 per cent compared to 9.3 per cent last year.

STRATEGY

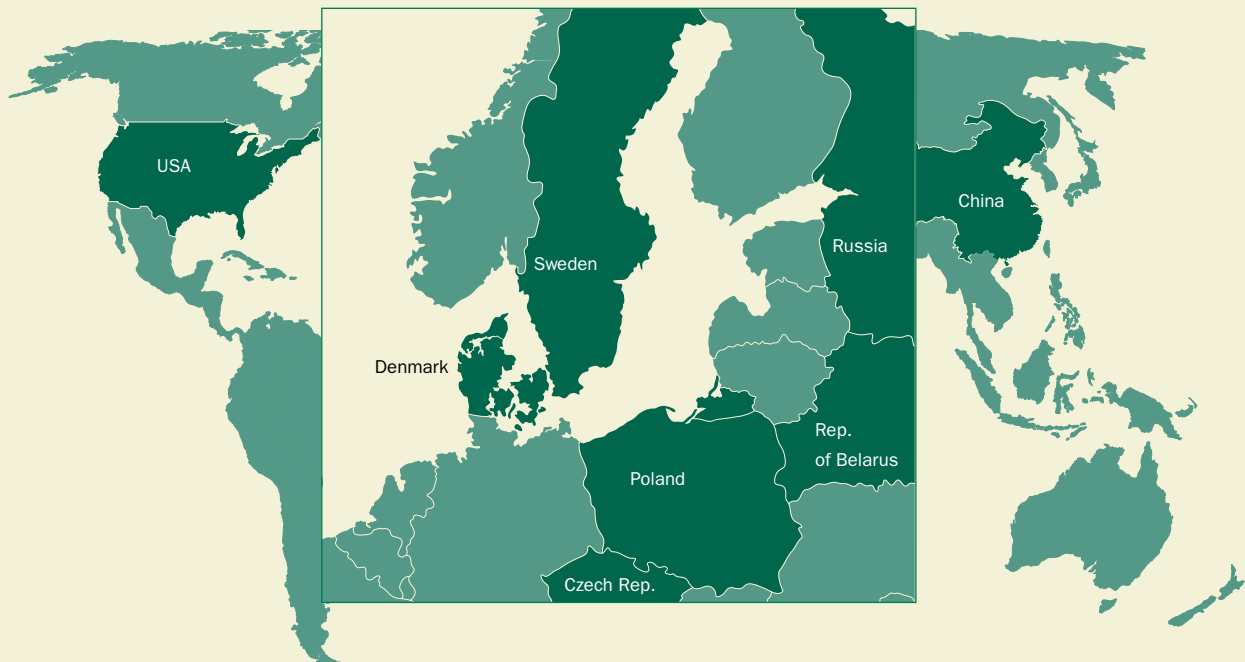
Over the past few years the division has dramatically improved earnings, among other things, by getting rid of low margin product areas and by making distribution direct from quayside warehouses a prior-

ity. In addition, the division has made its capital equipment more effective by considerably reducing inventories. The progress thus made must be maintained and expanded, for instance, through increased sales to distributors and to the industry with special focus on growth abroad. At the same time, the division is involved in DLH's organisational project, which is to ensure cost effective business routines, including logistics, administration and use of capital by means of the introduction of one IT-platform (the GTS system) to be shared by the entire group.

In order to meet the continuously increasing demand world-wide the division must develop new supply areas for sheet materials, as has just been done in China and South America. As regards softwood the traditional sources of supply from Finland and Sweden are to be retained. In addition, supplies from Russia must be expanded, including the supply of processed goods.

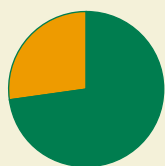


Timber & Board Division



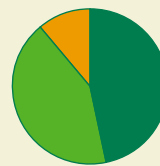
● Countries in which DLH has its own procurement or sales offices. Reference is made to page 49.

Total sales by



Product groups

- 73% Sheet materials
- 27% Softwood



Channels of sales and distribution

- 47% Timber merchant companies (DK)
- 42% Exportation
- 11% The industry (DK)

Financial highlights in DKK million	2004		2003		2002	
Revenue	1,117		1,062		1,061	
Gross profit / as a percentage of revenue	161	14.4%	142	13.4%	140	13.1%
Costs excluding goodwill amortisation	(111)		(117)		(128)	
Earnings before interest, taxes and amortisation (EBITA)	50		25		12	
Earnings before interest and taxes (EBIT) / operating margin	50	4.5%	25	2.4%	12	1.1%
Average invested capital	210		273		304	
Return on average invested capital including goodwill (ROIC including goodwill)		23.9%		9.3%		3.8%
Total assets at year-end	244		267		348	
Total liabilities at year-end	87		134		222	

Building Materials Division



The division is headed by **Arnold D. Johansen,**
Executive Vice President

It is the objective of the Building Materials Division to restructure the industry, among other things, by means of acquisitions, thereby consolidating its position as one of the major players in the timber merchant trade in Denmark.

Profile

There are more than 400 timber merchant companies in Denmark, over a third of which are organised into chains consisting of 5 or more outlets. The Building Materials Division of DLH is Denmark's third largest supplier within the industry in terms of revenue and number of outlets.

At the close of the financial year, the Building Materials Division included 20 timber merchant companies, 19 of which are situated in Denmark and 1 in Greenland. The timber merchant companies supply the local market with softwood, sheet materials and builders' materials as well as tools and fittings. Customers are predominantly builders, contractors, institutions and small businesses.

The individual timber merchant company is marketed under the joint DLH logo, but carries its own locally known trading name.

10 of the timber merchant companies have do-it-yourself sections, which also cater for the private sector. Sales to private customers accounted for approximately 20 per cent of revenue in 2004. With effect from the end of 2004 the division's do-it-yourself markets joined the RÅD&DÅD concept.

Similarly, 10 of the companies have an adjacent tool shop, which caters for the trade customers with its extensive range of tools and fittings. These tool shops are marketed under their own joint brand Probeslag. Sales from these shops accounted for approximately 10 per cent of revenue in 2004.



DEVELOPMENTS IN 2004

2004 saw a favourable development in the market, especially as regards residential development and renovation. The development was especially noticeable east of the Great Belt, although it was felt west of the Great Belt, too, in the second half of the period.

Revenue was DKK 1,496 million in 2004, up 18 per cent on last year. Well over half that increase is attributable to the acquisition of A/S Holten Langes Trælasthandel in 2003. The closing down of the branch in Lunderskov in 2004 with a view to improving the creation of value in the division pulled in the opposite direction. The division's supplier concept to DIY chains in Denmark has been further expanded in 2004, and this has contributed to the improvement in revenue.

Costs were DKK 263 million in 2004, up by DKK 28 million. Leaving acquisitions in 2003 out of the equation, this represents a DKK 3 million, or 1%, decline in costs.

Operating profit (EBITA)

In 2004 the division achieved an EBITA of DKK 42 million, up DKK 18 million or 72 per cent on last year.

Capital invested

Average invested capital was DKK 482 million. This is a DKK 18 million increase which is attributable to the acquisition of A/S Holten Langes Trælasthandel (DKK 36 million).

Adjusted for the effect of the acquisition, the division has reduced investments in the amount of DKK 18 million by reducing inventories and increasing financing by suppliers. Return on the average invested capital was 8.6 per cent compared to 5.2 per cent last year.

The division is in the process of making efficiency enhancements, and this process will be continued in the years ahead. As part of this process the organisational structure was simplified in 2004. As a result, the division has now been organised into three regional groups as opposed to five previously, and a number of back office functions have been centralised, for

instance bookkeeping, product files, IT and procurement management.

STRATEGY

The Building Materials Division focuses on consolidating its current position as one of the leading chains in Denmark.

The consolidation must take place through efficiency enhancements and a continued improvement in earnings and investments as well as through acquisitions. The division will continue to pare down the product range in order to reduce inventories and the number of suppliers and thus improve its purchasing power. To the extent that this is in line with the group's financial objectives, adjustments can be made in the number of businesses in future, for instance through the sale of outlets.

Prospective acquisitions would be major timber merchant companies that have their focus on trade customers in major cities and their catchment areas as well as in selected geographical regions of Denmark in which the DLH Group is not yet represented.

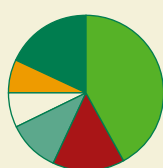


Building Materials Division

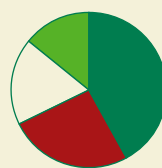


Reference is made to page 49.

Total sales by



- Product groups**
- 42% Building materials
 - 15% Softwood
 - 11% Bricklayer's materials
 - 7% Sheet materials
 - 7% Tools and fittings
 - 18% Others



- Sales markets**
- 42% Zealand
 - 26% Jutland South/Funen
 - 18% Jutland North
 - 14% Other cross-regional

Financial highlights in DKK million	2004		2003		2002	
Revenue	1,496		1,273		1,236	
Gross profit / as a percentage of revenue	305	20.4%	259	20.3%	258	20.9%
Costs excluding goodwill amortisation	(263)		(235)		(226)	
Earnings before interest, taxes and amortisation (EBITA)	42		24		32	
Earnings before interest and taxes (EBIT) / operating margin	38	2.5%	20	1.6%	28	2.3%
Average invested capital	482		464		462	
Return on average invested capital including goodwill (ROIC including goodwill)		8.6%		5.2%		6.9%
Total assets at year-end	535		580		514	
Total liabilities at year-end	352		403		335	

Objectives and forecast

FINANCIAL OBJECTIVES

DLH has established the following financial objectives:

	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	10.0%	10.0%	10.0%	10.0%
Operating margin	4.0%	5.0%	3.5%	3.5%
Equity ratio	30.0%			

*) Creation of shareholder value, i.e. a return on the capital invested which exceeds capital costs (Weighted Average Cost of Capital, WACC of currently 7.5%) at variable rates for the three divisions.

DLH aims to meet the above financial objectives on average during each trade cycle by means of continued efficiency enhancements in its operations and investments.

FORECAST FOR 2005

DLH anticipates the global market to maintain the level from 2004, while the growth in Western Europe and the emerging markets is expected to decline slightly.

Forecast for market developments in 2005:

Geographical region	Market prospects 2005	Market stability	Share of group revenue 2005
Denmark	Continuation of favourable market	Stable	Approx. 43%
Western Europe	Slightly weaker market than in 2004	Stable	Approx. 30%
USA	Continuation of favourable market	Stable	Approx. 10%
Emerging markets	Revenue level of second half of 2004 retained	Volatile	Approx. 17%

Subject to unchanged foreign exchange rates, i.e. a continued low US dollar rate relative to Danish Kroner and Euro and unchanged rates of interest DLH expects to maintain the level from 2004, which saw dramatic progress in revenue and earnings, also in 2005. The group expects unchanged revenue of approximately DKK 5.0 billion and pre-tax profits of approximately DKK 130 million including proceeds from the sale of properties. We expect to reduce investments by various means, thus creating shareholder value in 2005. The forecast takes into account that the financial statements for 2005 are presented according to IFRS which implies that goodwill is not amortised (DKK 8 million).

At division level all divisions are expected to produce revenue in 2005 that matches the 2004-level. Pre-tax profits in the Hardwood Division and in the Building Materials Division are expected to increase in line with the missing goodwill amortisation. The pre-tax profit in the Timber & Board Division is expected to be somewhat lower following the unusually favourable market conditions for sheet materials experienced in 2004.

It is expected that investments in all divisions, and as a result also at group level, will be slightly lower in 2005 than it was in 2004.

The creation of value is expected to be positive for all divisions and for the group as a whole, calculated at a tax rate of 30 per cent.

The above forecast applies to all existing operations, i.e. with the exception of any acquisitions. Acquisitions may be made in all divisions, and as regards the international timber trade operations, in all geographical regions.

Risk profile



Finance & IT
Carsten Vindnæs
Executive Vice President

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

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

In addition to global economic trends, DLH is affected by local 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 two thirds of group revenue is generated by the company's own stock-holding distribution centres, whilst the remaining third is generated via trading. Trading is far more sensitive to market fluctuations than distribution.

Market and customer risks

The Danish market is the group's largest with a market share of approximately 41 per cent. Western Europe, excluding Denmark, accounts for 32 per cent of sales, North America for 10 per cent and the emerging markets for 17 per cent of total sales. 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 per cent of the revenue.

Political risks and other supply risks

Many of the major supply areas worldwide are located in countries in which po-

litical 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 interfere with 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.

The suppliers of DLH are generally small. 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 16 per cent of the goods purchased by the Timber & Board Division. No single supplier handles more than 2 per cent of the goods purchased by the Hardwood Division. The Building Materials Division makes many of its purchases (approximately 50 per cent) from the purchasing organisation Ditas.

FINANCIAL RISKS

Currency

60 per cent 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 the Pounds Sterling. The major, and also the most complex, foreign currency risk is related to the US Dollar and may be subdivided into the following three elements:

Trading risk. Approximately 25 per cent of revenues and approximately 40 per cent of goods purchased are denominated in US Dollar or currencies pegged to the US Dollar, such as the Malay Ringgit or the Brazilian Real. 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 change in the US Dollar at group level depends on the scope of and rate at which sales prices are adjusted and this is in turn 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 would have a detrimental effect on the sales potential from the Euro-based supply regions, such as West Africa and Europe, while it would boost the sales potential in the US Dollar-based regions, such as South America, North America, and South East Asia and, to some extent, Russia.

The net effect of a decline in the US Dollar at group level will be positive in the short term, 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 that the group runs on inventories in connection with changes in the US Dollar rate. The counter value of the group's US Dollar-exposed inventories is approx. DKK 440 million. An exchange rate drop 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 profit 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 fell by 9 per cent from 2003 to 2004, which had a negative impact on revenue and profit before tax in the amount of DKK 67 million and DKK 4 million respectively.

Foreign exchange hedging policy

The group's policy is to hedge receivables and payables in foreign currencies. The DLH Group's net investments in subsidiaries abroad are hedged unless the costs incurred are deemed to considerably exceed the risk of losses. The only exception is the Euro to which the Danish Kroner is closely pegged. In 2004 all capital interests denominated in foreign currencies except the Euro had been hedged. This foreign exchange policy may result in corrections in equity since the tax base of the foreign exchange hedging cannot be included in the cover itself.

By far the majority of the foreign exchange management and cover of DLH are handled by our internal bank. The internal bank is not authorised to take up speculative positions.

Interest rates and financing

At year-end DLH's interest-bearing debt net amounted to approximately DKK 1 billion. The debt is primarily denominated in the group's principal foreign currencies, viz: Danish Kroner (DKK 175 million) Euro (DKK 360 million) and US Dollar (DKK 360 million). Loans denominated in foreign currencies are included in the overall balancing of the currency position of the DLH Group.

Of the total loan portfolio at year-end 2004 DKK 359 million represent long-term commitments, DKK 68 million of which are mortgages. The loans are primarily based on short-term interest rates. The resulting interest rate risk is matched by interest swaps with a maturity of 1-3 years, corresponding to DKK 357 million. Of the interest swaps the counter value of DKK 253 million is denominated in Euro and DKK 104 million is denominated in US Dollar.

On an annual basis, an increase in the interest rate of 1 percentage point would reduce the result of the group by just under DKK 6 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 932 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 535 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 per cent 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, credit to timber merchant companies in Denmark 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 50 per cent of the trade receivables of the DLH Group are covered

by credit insurance, letters of credit or payment against documents. The group's maximum risk on trade receivables was DKK 186 million excluding value added tax as at 31 December 2004, please see note 16.

Prepayments to suppliers

Prepayment of 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 at the suppliers.

At year-end the group's prepayments to suppliers was DKK 60 million, an amount for which security had been provided in part.

OTHER MATTERS

Insurance policy

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/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.).

As regards general insurance, DLH has joined forces with an international insurance broker.

Environmental matters

The activities of the DLH Group do not have a particularly negative environmental impact. Only such agents as are approved by the local environmental authorities, in Denmark the Danish Environmental Protection Agency, are used for the compregation of wood.



A responsible enterprise

Basic values of DLH

Ethical, environmental and social values are central to the mission and operations of the DLH Group. The basic values are to ensure the responsible management of the group, thereby deserving the credit of customers, suppliers, employees and society at large.

For further details of our Basic Value Statement please refer to the website of DLH at www.dlh-group.com.

CORPORATE GOVERNANCE

The supervisory board and group management of DLH are closely monitoring developments in the corporate governance debate. DLH first described the company's attitudes to the Nørby committee's original recommendations in its annual financial statements for 2002. In November 2002 the Copenhagen Stock Exchange appointed a committee with the objective of promoting good corporate governance in listed Danish companies. The committee published a report in December 2003 with suggestions to amend the recommendations of the Nørby Committee. Once the finally revised recommendations were available in 2004, DLH published its attitudes accordingly.

At the company's website, www.dlh-group.com, interested parties may find an updated overview in tabled form showing how the supervisory board intends to act on the most recent recommendations for good corporate governance in Denmark.

ENVIRONMENT AND HUMAN RIGHTS

DLH's impact on the external environment is mainly indirect as it is related to DLH's suppliers of timber in distant countries. The following sections will deal with this issue.

New environmental policy

A great many of the stakeholders of DLH are interested in DLH's environmental policy. One reason for their interest is the ongoing debate about tropical timber and the problems of illegal logging. As one of

the first companies in the timber industry DLH established its environmental policy back in 1992, a policy which has been subject to several reviews. In 2004 the environmental policy was once again evaluated and adjusted, and the group is convinced that the new policy, which is the outcome of an extended process both inside and outside DLH, will be welcomed by the outside world.

For obvious reasons, the environmental policy has to be a compromise between commercial viability and idealistic environmental considerations. The environmental policy contains a number of specific short-term and long-term objectives which DLH has set itself while focusing on the origin of the timber and certification. The aim of the environmental policy is to clearly describe what DLH will do to attain its objectives. The first task will be to make the objectives operational in relation to the many departments of DLH, so that intermediary goals can be established, and progress can be measured. Please refer to the company's website at www.dlh-group.com.

In connection with this new environmental policy an internal plan of action was drafted for Indonesia in 2004. The reason for this is that the environmental challenges in Indonesia are particularly great and require special attention. An internal "environmental fund" has been set up to finance operations in Indonesia, which includes co-operating with selected suppliers as to verification and certification of timber supplied to DLH.

Good Supplier Project (GSP)

The Good Supplier Project is DLH's tool to assess suppliers in relation to environmental and human rights issues. At the same time GSP is used as a means to start a dialogue with suppliers concerning environmental improvements, which will benefit both parties. GSP is used in countries with a particularly difficult environmental situation, such as the tropical countries and Russia. The main function of GSP, which has been used for approximately two years, has been to give DLH better insight into the circumstances of suppliers and the potential for improvement.

The work with GSP in 2004 has been concentrated on the origin of the timber purchased by DLH from its suppliers. The working environment of suppliers has received less attention.

During the year steps have been taken for the independent evaluation of GSP in order to make the necessary adjustments so that GSP is future-oriented and more in line with the new environmental policy. The evaluation will be handled by a firm of consultants in the first half of 2005.

Environmental projects

In order to implement DLH's environmental policy it is necessary to bring about environmental improvements that have a direct impact on the timber products we purchase from our suppliers. It is therefore in the interests of DLH to initiate a trading relationship with selected suppliers for the benefit of both parties. In 2004 we worked together with suppliers



in Malaysia and Cameroon, and the group expects to launch new projects in Brazil, Indonesia, Ghana and Russia in 2005.

DLH is still the owner of the forestry project Pataua in the Amazons region of Brazil. We are co-operating with a local NGO for the protection of the fauna, and schools visit the forest to learn about the preservation of nature.

In the teak plantation, Caceres Florestal, co-owned by DLH and the IFU (the Industrialisation Fund for Developing Countries), the work with environmental certification is still in progress.

Human rights

The media and several of DLH's stakeholders have looked at DLH's trade with

controversial countries, such as Burma/Myanmar and Liberia, with some interest.

Conditions in Burma/Myanmar have been debated by the Danish Parliament and the EU in 2004, and the Danish Burma Committee urged DLH to stop purchasing teak from the country in 2004. DLH is against an actual boycott at company-level as, in DLH's view, this would have no effect and it might even distort competition. However, DLH has complied with the maximum quota allocated for the purchase of teak from Burma/Myanmar in 2004 that was also applied in 2002 and 2003, a scheme which was introduced on the basis of a resolution by the ILO and talks with the major shareholders. DLH agrees that the case should be

evaluated by the EU, but so far no decisions or recommendations have been made by the EU.

Sale of timber in Liberia was also subject to a UN embargo in 2004, and DLH respects this. DLH has suggested to the Danish Ministry of Foreign Affairs that Liberia is supported actively by the UN in its efforts to control forestry.

In 2004 a new Internet-based tool, the "Human Rights & Business Project" (developed by the Danish Institute for Human Rights) was completed. It allows companies to make a so-called "Quick Check" of human rights in relation to the company's activities. DLH has been instrumental in the development of this tool.



DLH is a member of the Amnesty Business Forum, which is a forum for debate concerning human rights issues.

Political initiatives of importance to the operations of DLH

In a number of countries procurement guidelines have been prepared for the public sector in order to reduce the risk of purchasing timber products that may be of illegal origin. Efforts are being made in the EU as well to prevent the importation of illegally logged timber into the EU. The aim of the EU initiative FLEGT (Forest Law Enforcement Governance and Trade) is to assist a number of producer countries and increase import control in the EU. These initiatives, which are welcomed by DLH, have increased the group's customers' call for documentation of the origin of the timber.

DLH takes the view that the group is in a good position to comply with the growing environmental requirements to the products.

Furthermore, it is possible that the trend will be towards substituting timber from the tropics with timber from plantations, for example. DLH follows this development and provides customers with various products from plantations.

Communication and dialogue with stakeholders

As the stakeholders of DLH to a wide extent are interested in environmental and human rights issues, it is important that the attitudes of DLH are apparent to the outside world. The website of DLH is still the key location for information of this kind and the most important news. Apart from this information service, the DLH Group keeps in touch with various NGOs, both in Denmark and abroad.

DLH AND ITS EMPLOYEES

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 practical framework to develop and retain such skills as are vital in the face of the toughened competition.

Formal education and training

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.

Information and co-operation

The Intranet of the DLH Group 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 group. The DLH Group is thus well equipped to comply with the new Danish act, "Information og høring af medarbejdere" (Information and Consultation of Employees).

The social dimension

DLH adheres to some fundamental values dating back to the time of 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 have various flexible working arrangements.

Each year DLH-Fonden grants legacies to members of staff, pensioners and their dependants with special needs of financial support.

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 in the staff associations of the units. These activities receive financial support from the group.

Shareholders



SHAREHOLDERS

Share capital

The company's share capital amounts to 1,716,220 shares in denominations of DKK 100, divided into 187,500 Class A shares, and 1,528,720 Class B shares. The Class B shares are listed on the Copenhagen Stock Exchange in the Small-Cap+ segment. The Class A shares are owned by DLH-Fonden and unlisted.

DLH-Fonden, which is the major 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 of 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.

The past year at the Stock Exchange

The favourable trend in the Danish share market continued in 2004, and once again, the small and medium-sized com-

Major shareholders

Pursuant to Section 29 of the Danish Securities Trading Act the following shareholders have notified the company of their shareholdings in the company as at 8 March 2005.

Shareholder and domicile	Share of	
	share capital	votes
DLH-Fonden, Ved Stranden 18, P.O. Box 2034, 1012 Copenhagen K	28.0%	63.7%
Labour Market Supplementary Pension, Kongens Vænge 8, 3400 Hillerød	6.9%	3.5%
Ellen & Knud Dalhoff Larsen's Fond, Ved Stranden 18, P.O. Box 2034, 1012 Copenhagen K	6.5%	3.3%
TeleFinans A/S, Slotsalleen 1, 2930 Klampenborg	>5.0%	>2.5%

panies performed best. The price of the DLH share rose by 50 per cent in 2004, and closed at a market price of DKK 393 at year-end. In comparison, the Small-Cap+ Index rose by 32 per cent, the Mid-Cap+ Index rose by 51 per cent while the KFX-Index only rose by 17 per cent during the same period.

The considerable interest in small and medium-sized companies resulted in increased trading in the shares of DLH. On average DLH shares were daily traded for DKK 1.3 million in 2004 - four times the amount traded in 2003. This favourable trend has certainly been helped along by professional portfolio managers and private investors. In 2004 there was a daily

influx of new shareholders, and there are now more than 1,000 registered shareholders corresponding to an increase of just under 40 per cent on early 2004.

Portfolio of own shares

The general meeting has given DLH authority to acquire own shares for a maximum of 10 per cent of the share capital or 171,622 shares. The objective of the purchase is, among other things, to be able to hedge and honour the group management incentive scheme. In 2004 2,500 own shares net were acquired, and the stockholding at year-end amounts to 24,515 shares or 1.4 per cent of the share capital.

Dividend policy

The supervisory board intends for a dividend payment to shareholders annually at the rate of approximately 25 per cent 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 dividend of DKK 17.2 million in total is paid for 2004, corresponding to DKK 10 per issued share of DKK 100.

Distributed	2004	2003	2002	2001	2000
Dividend in DKK per share of DKK 100	10	6	6	6	10
Total dividend in million DKK	17.2	10.3	10.3	10.3	17.2
Pay-out ratio	20%	23%	31%	45%	20%



Insider shareholdings

As at 8 March 2005 the supervisory and executive boards held a total of 8,884 shares in Dalhoff Larsen & Horneman A/S, corresponding to 0.5 per cent of the share capital. All insiders hold 56,706 shares in the company, corresponding to 3.3 per cent of the share capital.

Management share option scheme

With a view to highlighting the company's long-term share price development, a revolving share-based remuneration scheme was set up for group management in 2002. The share options replace existing bonus schemes.

The share options allotted from 2002 to 2004 are taken to equity.

Group management exercised its options in 2002 by purchasing 4,256 shares at an average exercise price of 199. The difference between the settlement price and the exercise price upon exercising the options has been charged to the income statement.

With effect from 2005 no such difference will be charged to the income statement. Due to the transition to IFRS the fair value of share-based remuneration schemes will in future be recognised in the income statement for the period to which conditions attach to the final entitlement of rights.

The share options allotted have been fully hedged by the acquisition of own shares. Allotments of options in 2002,

2003 and 2004 have been described in note 23 to the consolidated financial statements. For 2005 an allotment of 7,477 share options are envisaged at a preliminary allotment price of 430. The final allotment price and thus the number of share options for this year will not be determined until 1 April 2005. Carnegie Bank A/S has calculated the market value of the allotment to 14 per cent of the current share price, corresponding to DKK 0.5 million.

The share options may be exercised unconditionally from 3-6 years after the allotment, within the usual trading windows, with the exception of the period from the publication of the notification of the annual report until 1 April 2005, subject to the usual provisions governing insider trading. The striking price will be the allotment price indexed to an increase of 3 per cent p.a.

Investor relations

DLH aims to keep the lines of communication to investors, financial analysts and other stakeholders open and dynamic. The aim of this is to provide the share market with the best information available in order to create an objective basis for the price formation of the shares of DLH.

DLH is happy to participate in meetings with investors, analysts and others with a view to explaining in further detail the company's development within the framework of the Stock Exchange Code of

Ethics. No investor or similar meetings are held immediately before the publication of financial results or similar vital announcements. In order to accommodate those stakeholders who are unable to participate in the investor meetings we publish video presentations at suitable intervals so that all stakeholders can follow the company's development at the website of DLH.

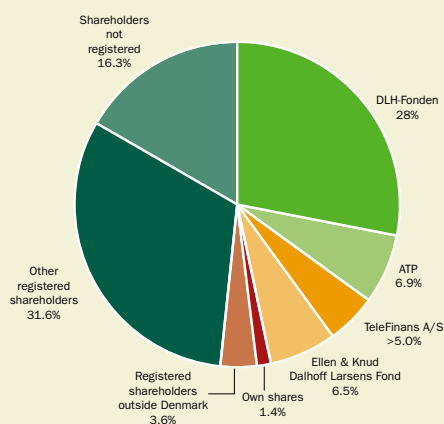
The company encourages shareholders to have their shares registered. Registered shareholders will receive relevant information direct in the mail. Interested parties may subscribe to a mailing list and receive information electronically. This service is open to everybody, not just shareholders.

It is one of the criteria of success for DLH to remain in the SmallCap+ Index of the Copenhagen Stock Exchange until market value and daily trading volume allow inclusion in the MidCap+ Index. With the exception of the said two criteria, DLH fulfils all the requirements of the Copenhagen Stock Exchange for inclusion in the MidCap+ Index at present.

For further details, please refer to the website of DLH, for instance the section on investor relations policy. You are also invited to visit the website www.plus-portal.dk, containing useful information about all the companies in the plus segments.

Insider shareholdings

Shareholder	Number of shares
Morten Bergsten	112
Asbjørn Børsting	820
Stig Christensen	1,000
Benny Hermann	112
Niels Oluf Kyed	100
Uffe Steen Mathiesen	550
Lau N. Nygaard	590
Erik Søndergaard	400
Arne Vierø	3,200
Supervisory board in total	6,884
Jørgen Møller-Rasmussen	2,000
Supervisory and executive boards in total	8,884
Other insiders	47,822
All insiders	56,706

Share of share capital 21-02-2005**Analysts monitoring DLH:**

Carnegie, Christian Reinholdt	+45 32 88 02 73
Danske Equities, Michael West Hybholt	+45 33 44 04 44
Enskilda Securities, Niels Granholm-Leth	+45 36 97 75 31
HSH GUDME, Jesper Ilsøe	+45 33 44 90 92

Investor inquiries

Please direct any inquiries relating to the DLH Group and its fields of business or the annual accounts to Jørgen Møller-Rasmussen, President and C.E.O. Any inquiries relating to shareholder matters should be addressed to Claus Mejlbj Nielsen, Investor Relations Manager.

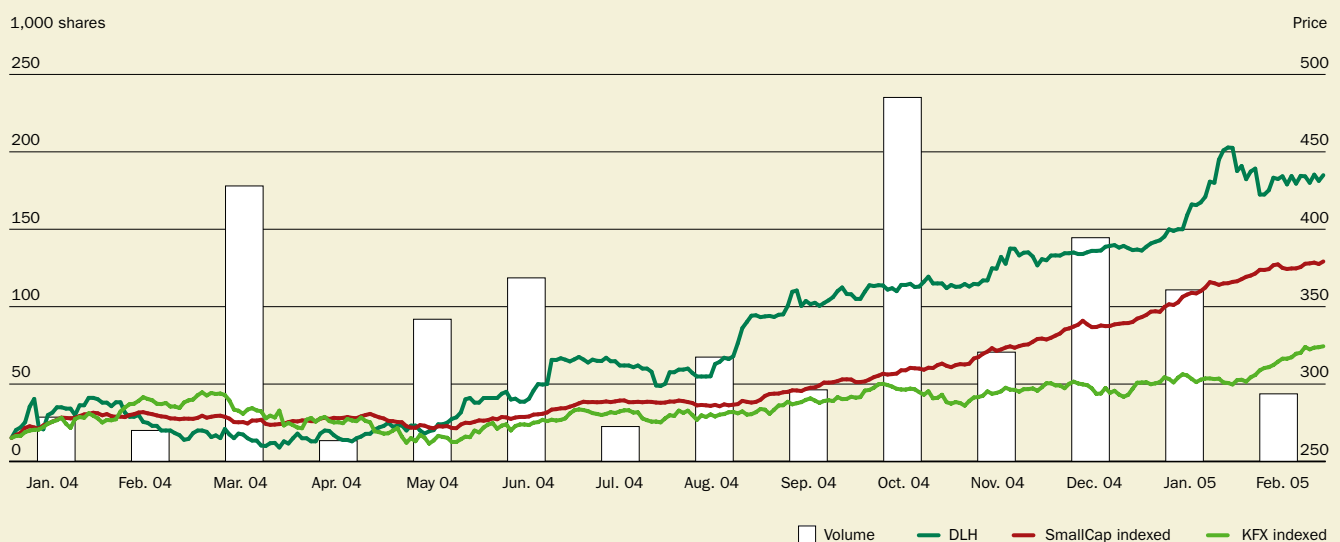
Stock exchange notifications

The following important notices have been submitted to the Copenhagen Stock Exchange and to all registered shareholders in 2004:

08-03-2004	Notification of annual report 2003
14-04-2004	Annual general meeting
18-05-2004	Report for the three months ended 31 March 2004
20-08-2004	Report for the six months ended 30 June 2004
10-11-2004	Report for the nine months ended 30 September 2004
28-12-2004	DLH sells two properties

Timetable for 2005 of stock exchange notifications

08-03-2005	Notification of annual report 2004
23-05-2005	Report for the three months ended 31 March 2005
17-08-2005	Report for the six months ended 30 June 2005
17-11-2005	Report for the nine months ended 30 September 2005

Movements in share price and trading volume

Supervisory and executive boards



1

2

3

4

5

Supervisory board:

1 | Asbjørn Børsting

Chairman

Joined the supervisory board in 2002

Born: 1955

Positions of trust: C.E.O. of DLG a.m.b.a. Chairman of the supervisory boards of Innovations- og Driftsselskabet for Forskerpark Foulum A/S and the Danish Research Institute of Food Economics. 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.

2 | Arne Vierø

Deputy chairman

Joined the supervisory board in 1993

Born: 1938

Positions of trust: C.E.O. and member of the supervisory board of AV-Byggeentreprise A/S. Chairman of the supervisory boards of Micro Clean A/S, Skimmel Rens ApS and KTN A/S. Member of the board of governors of Statistics Denmark. Member of the supervisory board of DLH-Fonden.

3 | Erik Søndergaard

Joined the supervisory board in 2004

Born: 1945

Positions of trust: Chairman of the supervisory boards of DENERCO OIL A/S, DENERCO Petroleum A/S, FORCE Technology and Monberg & Thorsen Oil A/S. Deputy chairman of the supervisory board of MT Højgaard a/s. Member of the supervisory board of Dansk Erhvervsinvestering A/S.

4 | 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, Wormald A/S and E. Michaelis & Co. A/S. Deputy chairman of Danske Invest Administration A/S. Member of the supervisory boards of Advis Advokater A/S, Advokataktieselskabet Kyed & Jybæk og Stevnhoved & Søgaard A/S.

5 | Lau N. Nygaard

Joined the supervisory board in 1994

Born: 1958

Elected by the employees of the group.



6

7

8

9

10

6 | 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. Deputy chairman of the supervisory board of Zensys A/S. Member of the supervisory board of Martin Gruppen A/S.

7 | Benny Hermann

Joined the supervisory board in 1998

Born: 1951

Elected by the employees of the group.

8 | Uffe Steen Mathiesen

Joined the supervisory board in 2000

Born: 1947

Positions of trust: C.E.O. of Pertima Holding ApS.

Chairman of the supervisory board of Foras Holding A/S. Member of the supervisory boards of Baresso Coffee A/S and Borg & Bigum Danmark A/S.

9 | Morten Bergsten

Joined the supervisory board in 2002

Born: 1966

Elected by the employees of the group.

Executive board:

10 | Jørgen Møller-Rasmussen

President, C.E.O.

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.

Meetings of the supervisory board

Normally 7 ordinary board meetings are held a year, and in addition there is the statutory board meeting and a board and strategy conference.

Supervisory board committee:

No supervisory board committee has been established.

Management statement and auditors' report

Management statement and auditors' report

The supervisory and executive boards have today considered and adopted the annual report for 2004 for Dalhoff Larsen & Horneman A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the requirements laid down by the Copenhagen Stock Exchange

for the presentation of accounts of 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 equity, financial position, cash flows and profit.

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

Høje Taastrup, 8 March 2005

Executive board:

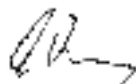


Jørgen Møller-Rasmussen

Supervisory board:



Asbjørn Børsting
(Chairman)



Arne Vierø
(Deputy chairman)



Morten Bergsten



Stig Christensen



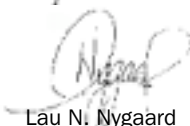
Benny Hermann



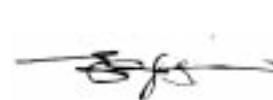
Niels Oluf Kyed



Uffe Steen Mathiesen



Lau N. Nygaard



Erik Søndergaard

Audit opinion

To the shareholders in 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 2004, which has been presented in accordance with the provisions of the Danish Financial Statements Act, Danish Accounting Standards and the requirements laid down by the Copenhagen Stock Exchange for the presentation of accounts of 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 a high degree of assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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 equity and financial position at 31 December 2004 and of the results of the group's and the company's operations and cash flows for the financial year ended 31 December 2004 in accordance with the Danish Financial Statements Act, Danish Accounting Standards, and the requirements laid down by the Copenhagen Stock Exchange for the presentation of accounts of listed companies.

Copenhagen, 8 March 2005

KPMG C.JESPERSEN
Statsautoriseret Revisionsinteressentskab




Jørgen W. Laursen
State Authorised Public Accountant



J. Skovbæk Johansen
State Authorised Public Accountant

ERIK LUND
Statsautoriseret Revisionsvirksomhed



ERIK LUND
State Authorised Public Accountant

Accounting policies applied

The annual report of Dalhoff Larsen & Horne-man A/S for 2004 has been presented in accordance with the provisions of the Danish Financial Statements Act pertaining to Class D enterprises, Danish Accounting Standards and the requirements laid down by the Copenhagen Stock Exchange for the presentation of accounts of listed companies.

No changes have been made to the accounting policies relative to the year before.

Recognition and measurement generally

Assets are recognised in the balance sheet where future economic gains are likely to flow to the group and where the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet where future economic gains are likely to flow from the enterprise and where the value of the liabilities can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are remeasured as described against each individual accounting item below.

In the recognition and measurement process, gains, losses and risks arising before the annual report is being presented and which substantiate or invalidate events existing on the balance-sheet date must be taken into account.

In the income statement, income is recognised as it is earned and includes value adjustments of financial assets and liabilities, which are measured at fair value or amortised cost. In addition, all costs incurred to generate earnings for the year, including depreciation, write-downs and provisions as well as the effect of changes of accounting estimates of amounts that have previously been recognised in the balance sheet are now recognised in the income statement.

Consolidated financial statements

The consolidated financial statements include the parent enterprise Dalhoff Larsen & Horne-man A/S as well as group enterprises in which the parent enterprise holds more than 50 per cent of the votes, directly or indirectly, or in any other way exercises a controlling influence. Enterprises in which the group holds between 20 and 50 per cent of the votes and over which it exercises a considerable, albeit not controlling influence, are considered associates.

The consolidated financial statements are the consolidation of the financial statements of the parent enterprise and group enterprises in accordance with the accounting policies applied by the group.

In the consolidation process inter-company income and costs, shareholdings, inter-company balances and dividends, as well as realised and unrealised gains and losses on transactions between the consolidated enterprises are eliminated.

Upon consolidation, the carrying amount of the parent enterprise's investment in group enterprises is eliminated by the proportionate share of the equity of the group enterprises.

Newly acquired enterprises are included in the consolidated financial statements as from

the date of acquisition. Comparative figures are not restated to take into account newly acquired businesses.

Acquisitions are accounted for under the acquisition method, according to which the assets and liabilities of newly acquired businesses are measured at fair value at the time of acquisition. Positive differences (goodwill) between cost and fair value of the assets and liabilities identified are recognised under intangible fixed assets and amortised via the income statement according to an individual assessment of the economic life of the asset or liability, the upper limit being 20 years.

Currency retranslation

Transactions denominated in foreign currencies are initially translated at the rate of exchange prevailing at the transaction date. Foreign currency balances arising between the rate prevailing on the date of transaction and the rate prevailing on the date of settlement are recognised as financial items in the income statement.

Receivables, debt and other monetary items in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Foreign currency balances arising between the rate prevailing on the balance sheet date and the date of transaction or recognition in the most recent financial statements are recognised as financial items in the income statement.

The income statements of foreign group enterprises, which are independent units, are recognised at average exchange rates, and balance sheet items are recognised at the rate prevailing on the balance sheet date. Exchange differences arising on the conversion of the equity of foreign group enterprises from the rate prevailing at the beginning of the year to the rate prevailing on the balance sheet date and on the conversion of income statements from average rates of exchange to the rates prevailing on the balance sheet date are recognised directly in the equity.

Exchange equalisation of loans to independent foreign subsidiaries, which are considered part of the total investment in the subsidiary, is recognised directly in the equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are entered as assets or liabilities respectively under the accruals concept of accounting.

Changes in the fair value of derivative financial instruments, which qualify as fair value hedges of a recognised asset or liability, are included in the income statement together with the change in value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified and qualifying as hedging instruments for future expected transactions relating to purchases or sales in a foreign currency are recognised in the accruals

and the equity. Income and costs incidental to such hedging transactions are transferred from the equity and included with the hedged item upon realisation.

For derivative financial instruments which do not qualify as hedging instruments, any changes in fair value are included in the income statement as they arise.

Changes in the fair value of derivative financial instruments, which are used as fair value hedges of net investments in independent foreign enterprises, are recognised directly in the equity.

Income statement:

The pro rata share of the pre-tax results of group enterprises is included in the parent enterprise's income statement under the item "profit/loss before tax in group enterprises" while the pro rata share in the group enterprises' tax is included in the item "tax on the profit for the year".

The pro rata share of the pre-tax results of associates is included in the income statement of the group and the parent enterprise under the item "profit/loss before tax in associates" while the pro rata share in the associates' tax is included in the item "tax on the profit for the year".

Revenue derived from the sale of manufactured goods and goods for resale is recognised in the income statement, provided that the general criteria have been met, e.g. that delivery has been effected and the risk has passed to the purchaser before year-end, and the income can be reliably determined and is likely to be received. Revenue is measured exclusive of VAT, taxes and discounts in connection with the sale.

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

Other operating income includes accounting items of a secondary nature relative to the enterprises' main activities, including gains and losses on the sale of property, plant and equipment.

Financial items

Financial income and expenses include interest, financial expenses payable under finance leases as well as realised and unrealised foreign exchange adjustments.

Income taxes and deferred tax

The parent enterprise is jointly taxed with the majority of the wholly owned Danish subsidiaries and with some of the wholly owned foreign subsidiaries. The tax effect of the joint taxation is distributed on the profit-making Danish enterprises in proportion to their taxable income. The jointly taxed enterprises participate in the on account tax scheme.

Tax for the year, which consists of current tax and changes in deferred tax from the beginning of the year to year-end, is recognised in the income statement in the proportion that is attributable to the result for the year and is included directly under the equity in the proportion which is attributable to items under the equity.

Current tax and tax receivable is recognised in the balance sheet as receivables in the case of an excess amount of tax paid, and as debt in the case of a deficit.

Apart from investments in group enterprises and associates, deferred tax is measured according to the balance-sheet liability method of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax value of tax deficits that may be carried forward, are measured at the expected value of the asset upon realisation either by offsetting it against future earnings or other tax liabilities within the same taxable unit.

Deferred tax is measured on the basis of the tax regulations and at the rates of tax that apply in the relevant countries on the balance sheet date when the deferred tax is expected to become payable.

Balance sheet:

Fixed assets

Intangible fixed assets are measured at cost less accumulated depreciation and write-downs or recoverable amount, whichever is the lower.

Depreciation is charged according to the straight line method over the expected useful life of the asset as follows:

IT projects	0-5 years
-------------	-----------

Goodwill is amortised on a straight-line basis over the expected useful life of the asset, which is fixed on the basis of the experience gained by the management within the individual business segments.

Depreciation period	5-20 years
---------------------	------------

Property, plant and equipment is measured at cost less accumulated depreciation. The 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 basis of depreciation is cost less estimated residual value, provided according to the straight line method over the useful life of the asset as follows:

Office buildings	20-50 years
Other buildings and plant	20-25 years
Plant and machinery	5-10 years
Rolling stock and equipment	3- 7 years
IT equipment	0-5 years

No depreciation is charged for building sites.

Leasing

Leases relating to property, plant and equipment in which the individual group enterprises have all the material risks and rewards of ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset, if known. Alternatively, and if this is lower, the present value of future leasing payments at the time of acquisition will be applied.

Assets under finance leases are written down and off like the group's other property, plant and equipment.

The capitalised residual commitment under the lease is recognised as a liability in the balance sheet, and the interest part of the lease payment is charged to the income statement as it is incurred.

Any other leases are considered operating leases. Payments under operating leases are recognised in the income statement over the term of the lease. Leasing commitments are stated under contingent liabilities.

Investments

Investments in group enterprises and associates are recognised and measured under the equity method in the annual report of the parent enterprise.

The pro rata share of the enterprise's net asset value in accordance with the accounting policies applied by the Group with the addition or deduction of unrealised intra-group profits and losses and with the addition or deduction of positive/negative differences (goodwill/negative goodwill) is recognised under the items "investments in group enterprises" and "investments in associates" in the balance sheet.

Total net revaluation of investments in group enterprises and associates is transferred to equity as appropriation of the profit of the parent enterprise under the item "net revaluation reserve according to the equity method".

Other investments are measured at fair value.

Inventories are recognised under the FIFO method at cost, average cost, production cost or net realisable value, whichever is the lower. The cost of goods for resale is comprised of the cost and landed cost. The cost of manufactured goods includes the cost of raw materials and consumables, direct wages and indirect production costs. Indirect production costs include indirect materials and wages as well as maintenance and depreciation of the plant and machinery applied in the production process as well as the cost of administration and management.

Receivables are measured at amortised cost. Depreciation is charged to provide for expected losses.

Own shares acquired by the parent enterprise will be deducted directly in the equity at cost and entered under retained earnings.

Dividend is recognised as a liability at the time of approval by the general meeting. Dividend which is expected to be distributed for the year is shown as a separate item under the equity.

Provisions are recognised where the enterprise has a legal or construed obligation arising from a previous event as at the balance sheet date and where the settlement is likely to burden the enterprise's financial resources and where the commitment can be reliably measured.

Financial liabilities

Fixed-rate loans, such as mortgages and loans from credit institutions, which are expected to be held to maturity, are recognised in the proceeds received less transaction costs at the time of raising the loan. Loans are subsequently measured at amortised cost.

Other payables are measured at amortised cost, which essentially corresponds to the nominal value.

Prepayments, entered as assets, include expenses paid relating to the following financial year, including adjustment to fair value of derivative financial instruments of positive value. Deferred income entered as liabilities includes payments received relating to the following financial year and adjustment to fair value of derivative financial instruments of negative value.

The cash flow statement shows the

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

Cash flow from operations comprises cash flow from the operating activities adjusted for non-cash items and the year's changes in working capital and income taxes paid.

Cash flow from investments comprises cash flow from the acquisition and sale of enterprises and of fixed assets. Cash flow from the acquisition and sale of enterprises is presented separately.

Cash flow from financing comprises cash flow from the raising of loans and instalments on interest-bearing loans as well as share issues and dividend to shareholders.

Cash includes bank deposits.

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

Segment information

Information is provided on business segments (divisions). The sections dealing with the divisions provide a break-down of revenue according to product groups and geographical markets in the annual report.

The segmented information follows the group's accounting policies and reflects group risks and internal financial control.

Fixed and current assets include assets that are used directly in the operations of the segment.

The obligations of the segment include interest-bearing and non-interest-bearing debt derived from the operations of the segment.

Invested capital is defined as the sum total of fixed and current assets less non-interest-bearing debt. 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 are defined in connection with the financial highlights and financial ratios.

Income statement

Note	(million DKK)	Group		Parent company	
		2004	2003	2004	2003
1,2	Revenue	5,036.3	4,451.1	-	-
	Cost of sales	(4,211.4)	(3,727.3)	-	-
	Gross profit	824.9	723.8	-	-
	Costs:				
3	Staff costs	(377.4)	(352.3)	(28.7)	(23.4)
4	Other distribution and administrative costs	(232.1)	(211.0)	(23.5)	(12.9)
5	Amortisation, depreciation and write-downs for fixed assets	(60.2)	(53.8)	(10.8)	(9.2)
	Other operating income	19.3	19.9	39.6	36.9
	Costs, net	(650.4)	(597.2)	(23.4)	(8.6)
	Operating profit	174.5	126.6	(23.4)	(8.6)
	Financial items:				
	Profit before tax in group enterprises	-	-	154.7	83.6
6	Income from investments	-	-	20.4	21.9
7	Financial income	9.2	9.7	11.9	13.7
8	Financial expenses	(51.7)	(62.2)	(31.6)	(36.5)
	Net financials	(42.5)	(52.5)	155.4	82.7
	Profit before tax	132.0	74.1	132.0	74.1
9	Tax on profit for the year	(47.9)	(29.0)	(47.9)	(29.0)
	Profit for the year	84.1	45.1	84.1	45.1
	Recommended appropriation of profits:				
	Proposed dividend in DKK 10 per share of DKK 100 (2003: DKK 6 per share of DKK 100)			17.2	10.3
	Retained profit			66.9	34.8
				84.1	45.1

Balance sheet as at 31 December

Assets		Group		Parent company	
		2004	2003	2004	2003
Note	(million DKK)				
	Fixed assets:				
10	Intangible fixed assets:				
	Goodwill	34.3	41.9	-	-
	IT projects	14.1	16.6	14.1	16.6
		48.4	58.5	14.1	16.6
10	Property, plant and equipment:				
	Land and buildings	214.8	229.7	12.1	12.8
	Plant and machinery	38.3	36.9	-	-
	Rolling stock and equipment	39.8	64.7	4.3	8.4
	Property, plant and equipment in progress	3.5	5.3	-	-
		296.4	336.6	16.4	21.2
	Investments:				
11	Investments in group enterprises	-	-	712.8	632.5
	Receivables from group enterprises	-	-	346.4	338.2
12	Other securities and investments	5.6	5.4	-	-
13	Deferred tax asset	22.7	40.4	-	8.3
		28.3	45.8	1,059.2	979.0
	Total fixed assets	373.1	440.9	1,089.7	1,016.8
	Current assets:				
	Inventories:				
	Manufactured goods and goods for resale	932.0	854.8	-	-
	Prepayment for goods	60.3	37.1	-	-
		992.3	891.9	-	-
	Receivables:				
	Trade receivables	534.5	498.1	-	-
	Receivables from group enterprises	-	-	463.9	411.4
	Other receivables	61.4	81.8	1.4	1.3
	Prepayments	12.1	10.3	3.5	3.5
		608.0	590.2	468.8	416.2
	Cash	17.9	11.2	0.1	0.1
	Total current assets	1,618.2	1,493.3	468.9	416.3
	Total assets	1,991.3	1,934.2	1,558.6	1,433.1

Balance sheet as at 31 December

Liabilities and equity		Group		Parent company	
		2004	2003	2004	2003
Note	(million DKK)				
	Equity:				
14	Share capital	171.6	171.6	171.6	171.6
	Share premium account	102.9	102.9	102.9	102.9
	Net revaluation reserve according to the equity method	-	-	259.5	179.2
	Retained earnings	421.2	350.8	161.7	171.6
	Proposed dividend for the financial year	17.2	10.3	17.2	10.3
		712.9	635.6	712.9	635.6
	Provisions:				
13	Provisions for deferred tax	9.4	7.4	1.1	0.0
	Long-term debt:				
15	Mortgage credit institutions	68.2	80.4	12.7	13.4
	Banks	289.6	292.7	278.8	279.2
	Leasing commitment	0.8	1.6	0.4	1.2
		358.6	374.7	291.9	293.8
	Short-term debt:				
	Banks	634.7	653.0	149.7	199.6
	Trade payables	141.3	135.3	12.1	6.6
	Current portion of long-term debt	10.6	11.8	3.3	3.6
	Payables to group enterprises	-	-	366.0	264.0
13	Income taxes	12.7	16.8	-	3.1
	Other payables	101.1	81.2	11.4	9.4
	Deferred income	10.0	18.4	10.2	17.4
		910.4	916.5	552.7	503.7
	Total debt	1,269.0	1,291.2	844.6	797.5
	Total liabilities and equity	1,991.3	1,934.2	1,558.6	1,433.1
16	Financial instruments				
17	Assets charged				
18	Contingent liabilities				
22	Related parties				
23	Management share option scheme				

Statement of changes in equity

Group

Note	(million DKK)	Share capital	Share premium account	Retained earnings	Dividend proposed	Total
	Equity as at 1 January 2003	171.6	102.9	326.8	10.3	611.6
	Dividend paid to shareholders				(10.3)	(10.3)
	Acquisition of own shares less dividend			(0.3)		(0.3)
	Foreign exchange rate adjustment relating to independent foreign entities			(10.8)		(10.8)
	Fair value adjustments via equity			0.3		0.3
	Profit for the year			34.8	10.3	45.1
	Equity as at 31 December 2003	171.6	102.9	350.8	10.3	635.6
	Dividend paid to shareholders				(10.3)	(10.3)
	Acquisition of own shares less dividend			(0.6)		(0.6)
	Foreign exchange rate adjustment relating to independent foreign entities			(1.4)		(1.4)
	Fair value adjustments via equity			5.5		5.5
	Profit for the year			66.9	17.2	84.1
	Equity as at 31 December 2004	171.6	102.9	421.2	17.2	712.9

Parent company

	Share capital	Share premium account	Net revaluation according to the equity method	Retained earnings	Dividend proposed	Total
Equity as at 1 January 2003	171.6	102.9	155.2	171.6	10.3	611.6
Dividend paid to shareholders					(10.3)	(10.3)
Acquisition of own shares less dividend				(0.3)		(0.3)
Foreign exchange rate adjustment relating to independent foreign entities				(10.8)		(10.8)
Fair value adjustments via equity				0.3		0.3
Transferred to net revaluation reserve			24.0	(24.0)		0.0
Profit for the year				34.8	10.3	45.1
Equity as at 31 December 2003	171.6	102.9	179.2	171.6	10.3	635.6
Dividend paid to shareholders					(10.3)	(10.3)
Acquisition of own shares less dividend				(0.6)		(0.6)
Foreign exchange rate adjustment relating to independent foreign entities				(1.4)		(1.4)
Fair value adjustments via equity				5.5		5.5
Transferred to net revaluation reserve			80.3	(80.3)		0.0
Profit for the year				66.9	17.2	84.1
Equity as at 31 December 2004	171.6	102.9	259.5	161.7	17.2	712.9

Consolidated cash flow statement for the group

Note	(million DKK)	Group	
		2004	2003
	Operating profit	174.5	126.6
	Amortisation, depreciation and write-downs for fixed assets	60.2	53.8
	Provisions and other items not involving cash movements	(3.7)	1.1
		231.0	181.5
	Change in working capital:		
19	Inventories	(100.4)	33.5
20	Trade receivables	(36.4)	82.7
21	Trade payables	6.0	(33.1)
	Other operating debt, net	35.8	0.9
	Cash flow from operations before financial items	136.0	265.5
	Financial income	9.2	9.7
	Financial expenses	(51.7)	(62.2)
	Income taxes paid	(31.4)	(16.5)
	Cash flow from operating activities	62.1	196.5
21	Acquisition of companies	-	(21.0)
	Discontinued activities	-	5.7
	Investment in and replacement of fixed assets	(8.6)	(30.3)
	Other fixed asset investments	(0.2)	(1.3)
	Cash flow from investment activities	(8.8)	(46.9)
	Cash flow from operations and after investments	53.3	149.6
21	Repayment of debt to mortgage credit institutions and servicing of leasing commitment	(14.2)	(34.9)
	Repayment of bank debt	(21.5)	(105.8)
	Acquisition of own shares	(0.6)	(0.3)
	Dividend distributed	(10.3)	(10.3)
	Cash flow from financing activities	(46.6)	(151.3)
	Change in cash	6.7	(1.7)
	Cash as at 1 January	11.2	12.9
	Cash as at 31 December	17.9	11.2

Notes

Note (million DKK)

1 Segment information:

Activities – primary segment

	Hardwood Division		Timber & Board Division		Building Materials Division		Non allocated incl. parent company		Group eliminations		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue	2,528.4	2,238.0	1,116.8	1,062.4	1,495.8	1,272.5			(104.7)	(121.8)	5,036.3	4,451.1
Gross profit	358.9	323.0	161.1	142.1	304.9	258.7					824.9	723.8
Costs excluding goodwill amortisation	(248.4)	(229.8)	(110.8)	(116.7)	(263.3)	(234.5)	(19.6)	(8.1)			(642.1)	(589.1)
Earnings before interest, taxes and amortisation (EBITA)	110.5	93.2	50.3	25.4	41.6	24.2	(19.6)	(8.1)			182.8	134.7
Goodwill amortisation	(4.8)	(4.3)	0.0	0.0	(3.5)	(3.8)	0.0	0.0			(8.3)	(8.1)
Earnings before interest and taxes (EBIT)	105.7	88.9	50.3	25.4	38.1	20.4	(19.6)	(8.1)			174.5	126.6
Financial items, net	(25.6)	(29.6)	(6.5)	(9.8)	(11.2)	(12.2)	0.8	(0.9)			(42.5)	(52.5)
Profit/loss before tax	80.1	59.3	43.8	15.6	26.9	8.2	(18.8)	(9.0)			132.0	74.1
Fixed assets	167.5	176.5	12.2	41.3	170.2	197.6	1,089.7	1,016.8	(1,066.5)	(991.3)	373.1	440.9
Current assets	1,021.5	888.7	231.4	225.5	365.0	382.4	468.9	416.3	(468.6)	(419.6)	1,618.2	1,493.3
Liabilities	(807.1)	(718.6)	(87.1)	(133.9)	(351.8)	(403.3)	(845.7)	(797.5)	813.3	754.7	(1,278.4)	(1,298.6)

Note	(million DKK)	Group		Parent company	
		2004	2003	2004	2003
2	Revenue:				
	Revenue outside Denmark	59%	60%		
3	Staff costs:				
	Salaries and wages	337.8	321.5	104.7	107.5
	Pension contributions	19.3	16.0	6.8	6.0
	Social security costs	20.3	14.8	0.4	(0.2)
		377.4	352.3	111.9	113.3
	Reimbursement for employees of the parent company who are working for the following group enterprises: DLH Nordisk A/S, DLH A/S and DLH Træ & Byg A/S			(83.2)	(89.9)
				28.7	23.4
	Number of employees on average for the year	1,695	1,414	249	275
	Number of these employed in group enterprises			(195)	(229)
	Employed in Dalhoff Larsen & Horneman A/S			54	46
	Remuneration to the parent company's supervisory and executive boards:				
	Supervisory board	1.3	1.1	1.3	1.1
	Executive board	3.1	2.6	3.1	2.6
		4.4	3.7	4.4	3.7

The management share option scheme is mentioned in note 23.

Note	(million DKK)	Group		Parent company	
		2004	2003	2004	2003
4	Fees to the auditors elected by the general meeting:				
	Audit:				
	KPMG	3.4	4.2	0.4	0.4
	Erik Lund, State Authorised Public Accountant	0.1	0.1	0.1	0.1
	Others	0.4	0.4	-	-
		3.9	4.7	0.5	0.5
	Other services:				
	KPMG	0.3	0.4	0.4	0.2
	Others	0.1	0.1	0.0	0.0
		0.4	0.5	0.4	0.2
		4.3	5.2	0.9	0.7
5	Amortisation, depreciation and write-downs for fixed assets:				
	IT projects	5.0	0.7	5.0	0.7
	Goodwill	8.3	8.1	-	-
	Intangible fixed assets	13.3	8.8	5.0	0.7
	Land and buildings	12.2	11.5	0.8	0.9
	Plant and machinery	11.5	8.0	-	-
	Rolling stock and equipment	23.2	25.5	5.0	7.6
	Property, plant and equipment	46.9	45.0	5.8	8.5
	Total depreciation and amortisation	60.2	53.8	10.8	9.2
6	Income from investments:				
	Interest income from group enterprises	-	-	20.4	21.9
7	Financial income:				
	Interest income from group enterprises	-	-	11.3	12.8
	Other financing income	9.2	9.7	0.6	0.9
		9.2	9.7	11.9	13.7
8	Financial expenses:				
	Interest paid to group enterprises	-	-	7.8	5.6
	Other financing costs	51.7	62.2	23.8	30.9
		51.7	62.2	31.6	36.5
9	Tax on the profit for the year:				
	Current tax	27.3	24.1	(6.5)	3.1
	Adjustment of deferred tax	20.6	4.9	10.8	10.5
	Tax in group enterprises	-	-	54.7	24.5
	Joint tax contribution from Danish group enterprises	-	-	(11.1)	(9.1)
		47.9	29.0	47.9	29.0
	Adjustment of effective tax rate:				
	Tax rate in Denmark.	30.0%	30.0%		
	Non-deductible costs, Danish companies	1.6%	2.0%		
	Higher tax rates etc. abroad	4.7%	7.1%		
		36.3%	39.1%		

Note	Group (million DKK)	Goodwill	IT projects	Land and buildings	Plant and machinery	Rolling stock and equipment	Property, plant and equipment in progress	Total property, plant and equipment
10	Fixed assets:							
	Cost as at 1 January 2004	83.7	16.6	359.9	92.7	178.8	5.3	636.7
	Exchange rate adjustment	(0.5)	-	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 December 2004	84.1	19.8	345.6	95.8	150.5	3.5	595.4
	Amortisation, depreciation and write-downs as at 1 January 2004	41.8	-	130.2	55.8	114.1	-	300.1
	Exchange rate adjustment	(0.3)	-	0.3	(1.2)	(0.5)	-	(1.4)
	Reclassifications	-	0.7	0.5	-	(1.2)	-	(0.7)
	Amortisation, depreciation and write-downs for the year	8.3	5.0	12.2	11.5	23.2	-	46.9
	Reversal of depreciation on assets sold	-	-	(12.4)	(8.6)	(24.9)	-	(45.9)
	Amortisation, depreciation and write-downs as at 31 December 2004	49.8	5.7	130.8	57.5	110.7	0.0	299.0
	Carrying amount as at 31 December 2004	34.3	14.1	214.8	38.3	39.8	3.5	296.4

Carrying amount of fixed assets under finance leases amounted to DKK 2.4 million as at 31 December 2004. According to the most recent official assessment, properties in Denmark were valued at DKK 234 million (carrying amount as at 31 December 2004: DKK 130.1 million).

Parent company

	IT projects	Land and buildings	Rolling stock and equipment
Fixed assets:			
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
Amortisation, depreciation and write-downs as at 1 January 2004	-	21.5	44.9
Reclassifications	0.7	-	(0.7)
Amortisation, depreciation and write-downs for the year	5.0	0.8	5.0
Reversal of depreciation on assets sold	-	-	(5.5)
Amortisation, depreciation and write-downs as at 31 December 2004	5.7	22.3	43.7
Carrying amount as at 31 December 2004	14.1	12.1	4.3

Carrying amount of fixed assets under finance leases amounted to DKK 0.7 million as at 31 December 2004. The properties, which are all situated in Denmark, were valued at DKK 45 million at the most recent official property assessment (carrying amount as at 31 December 2004: DKK 12.1 million).

Parent company

Note	(million DKK)	2004	2003
11	Investments in group enterprises:		
	Cost as at 1 January and 31 December	453.3	453.3
	Value adjustment at 1 January	179.2	155.2
	Profit for the year before tax	154.7	83.6
	Tax on profit for the year	(54.7)	(27.6)
	Exchange rate adjustments and adjustments of forward exchange transactions	0.3	(12.0)
	Dividend paid	(20.0)	(20.0)
	Value adjustment as at 31 December	259.5	179.2
	Carrying amount as at 31 December	712.8	632.5

Investments in group enterprises include:

(All companies are wholly 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

	2004	2003
12	Other securities and investments:	
	Cost as at 1 January	5.4 4.0
	Additions during the year	0.2 2.4
	Disposals during the year	- (1.0)
	Cost as at 31 December	5.6 5.4

Note	(million DKK)	Group		Parent company	
		2004	2003	2004	2003
13	Tax in the balance sheet:				
	Income taxes due				
	Beginning of year	16.8	9.2	3.1	-
	Charge for the year	27.3	24.1	(6.5)	(3.1)
	Tax paid	(31.4)	(16.5)	(6.9)	-
	Year-end	12.7	16.8	(10.3)	(3.1)
	Deferred tax, net asset:				
	Beginning of year	33.0	41.7	8.3	18.1
	Taken over in connection with acquired company	-	1.4	-	-
	Financial instruments, equity	0.9	(5.2)	1.4	0.7
	Adjustment for the year, income statement	(20.6)	(4.9)	(10.8)	(10.5)
	Year-end	13.3	33.0	(1.1)	8.3
	Consists of:				
	Deferred tax asset	22.7	40.4	0.0	8.3
	Deferred tax liability	(9.4)	(7.4)	(1.1)	0.0
		13.3	33.0	(1.1)	8.3
	The deferred tax asset is attributable to temporary differences relating to:				
	Fixed assets	4.1	4.8	6.2	6.8
	Current assets	4.2	12.4	(7.3)	1.5
	Losses carried forward	5.0	15.8	0.0	0.0
		13.3	33.0	(1.1)	8.3
14	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
	Class B shares: 1,528,720 shares at a nominal value of DKK 100	-	-	152.8	152.8
		-	-	171.6	171.6

Capital increases during the past 5 years:
2000 nominally 52,631,600 at a market price of 190

	Number of shares		Nominal value (DKK '000)		% of share capital	
	2004	2003	2004	2003	2004	2003
Portfolio of own shares:						
Balance as at 1 January	22,015	20,000	2,202	2,000	1.3	1.2
Acquisition	2,500	2,015	250	202	0.1	0.1
Sale	-	-	-	-	-	-
Own shares as at 31 December	24,515	22,015	2,452	2,202	1.4	1.3

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.

During 2004 the net acquisition amounted to 2,500 shares at the price of 293, corresponding to DKK 733,000 in total. The value has been written off directly against the equity.

Note	(million DKK)	Group		Parent company	
		2004	2003	2004	2003
15	Long-term debt:				
	Debt falling due after more than 5 years:				
	Mortgage credit institutions	48.7	58.6	9.3	10.2
	Banks	0.4	3.8	0.0	0.0
	Leases	0.0	0.0	0.0	0.0
		49.1	62.4	9.3	10.2
	Debt falling due in the next 1-5 years	309.7	312.3	282.6	283.6
	Long-term debt in total	358.6	374.7	291.9	293.8
	Finance leases:				
	Maturity within 1 year	0.8	1.7	0.7	0.9
	Maturity in the next 1-5 years	0.8	1.6	0.4	1.2
	Maturity after 5 years	0.0	0.0	0.0	0.0
		1.6	3.3	1.1	2.1

The finance leases of the group are primarily related to IT equipment (hardware).

16 Financial instruments:

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

Interest risk:

The group's foreign exchange risk is related to the following items (consolidated from loans in various currencies).

	Re-evaluation time or maturity, whichever occurs first				Broken down by interest rate intervals				
	0-1 years	1-5 years	>5 years	Total	0%-2%	2%-4%	4%-6%	6%-8%	+8% up
Financial liabilities:									
Mortgage debt	5.2	19.5	48.7	73.4	-	-	69.0	4.1	0.3
Bank loans, long-term	4.6	289.2	0.4	294.2	-	274.5	13.5	6.2	-
Short-term bank loans including discounted bills of exchange	634.7	-	-	634.7	-	575.2	46.3	13.2	-
	644.5	308.7	49.1	1,002.3	-	849.7	128.8	23.5	0.3
Leasing debt/commitments	0.8	0.8	-	1.6	-	0.2	0.3	1.1	-
	645.3	309.5	49.1	1,003.9	-	849.9	129.1	24.6	0.3
Financial instruments (included in the balance sheet under prepayments and deferred income):									
Interest swap agreement () = asset	1.0	6.3	-	7.3	-	-	7.3	-	-
Forward exchange contracts () = asset	(1.5)	-	-	(1.5)	-	(1.5)	-	-	-
	(0.5)	6.3	-	5.8	-	(1.5)	7.3	-	-

Note (million DKK)**16 Financial instruments (continued):****Foreign exchange risks:**

The group's foreign exchange risks are related to the following items (carrying amount).

Currency	Receiv- ables	Payables	Net asset in sub- sidiaries	Forward exchange contracts	Net position
EUR	348	(330)	93	(1)	110
USD	249	(263)	102	(104)	(16)
GBP	10	(12)	68	(56)	10
PLN	3	(1)	29	(26)	5
Others	8	(16)	-	6	(2)

As the Malaysian Ringgit is pegged to the US Dollar, it has been treated as such in the listing of the group's foreign exchange risks. Net risk exposure in the event of the Malaysian Ringgit being decoupled from the US Dollar amounts to DKK 31 million. The US Dollar exposure reduces the risk on the group's inventories purchased in US Dollar, but recognised in the local currency.

	2004		2003	
	Carrying amount	Maximum credit risk excluding VAT	Carrying amount	Maximum credit risk excluding VAT
Credit risk:				
Trade receivables	534.5	185.5	498.1	195.4
Prepayment for goods	60.3	60.3	37.1	37.1

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:

For the financial instruments below the commercial value deviates from the value that is included in the consolidated balance sheet as at 31 December 2004.

	2004		2003	
	Carrying value	Commercial amount	Carrying value	Commercial value
Mortgage debt 1)	73.4	74.8	85.7	85.8

All primary financial assets have been recognised at the market value as at the balance sheet date.

1) The portfolio of loans is regularly assessed with a view to possible conversion.

Note	(million DKK)	Group		Parent company	
		2004	2003	2004	2003
17	Assets charged:				
	Properties:				
	In addition to the mortgages in the group and parent company, mortgages have been secured against properties for:	9.2	24.3	6.2	8.1
	Letters of indemnity registered on properties, free of any charges	10.0	10.0	0.0	0.0
	Bills receivable discounted with foreign banks	44.2	49.1	0.0	0.0
18	Contingent liabilities:				
	Guarantee commitments in favour of group enterprises in addition to the bank loans stated in the balance sheet, maximum	-	-	433.5	438.3
	Guarantee commitments in favour of others, maximum	11.0	4.0	9.4	4.0
	Leasing commitment:				
	In the parent company and group enterprises real property has been leased under operating leases:				Nominal value of leasing commitment (million DKK)
		Lease concluded	Term	Call option may be exploited	
	Head office building, Skagensgade 66, 2630 Taastrup	2000	20 years	2007	62.1
	Office building/warehouse, Nydamsvej 22, 8362 Hørning	2004	15 years	2013	27.9
	Office building/warehouse, Tulipvej 2, 7100 Vejle	2004	15 years	2013	12.8
	Do-it-yourself market, Ørnumvej 10, 4220 Korsør	2003	8 years	2011	10.3

The lease expires upon the exercise of the share option. As regards the property in Korsør DLH has a pre-emptive right, but no obligation, to acquire the property at the market price once the lease has expired. The other properties may be acquired at firm prices via call options.

In addition, a framework agreement has been concluded for an operating lease 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 the usual market terms. The net present value of the leasing commitments amounts to DKK 15.3 million.

Operating lease, nominal value, maturity	Group				Parent company			
	0-1 year	1-5 years	>5 years	Total	0-1 year	1-5 years	>5 years	Total
Properties	6.9	29.5	76.7	113.1	3.2	13.8	45.1	62.1
Passenger cars	4.7	8.7	0.0	13.4	0.3	0.2	0.0	0.5
Lorries	0.5	1.3	0.1	1.9	0.0	0.0	0.0	0.0
	12.1	39.5	76.8	128.4	3.5	14.0	45.1	62.6

Note	(million DKK)	Group				
		2004	2003			
19	Changes in inventories:					
	Inventories as at 1 January	891.9	896.7			
	Acquired enterprises	-	28.7			
	Inventories as at 31 December	(992.3)	(891.9)			
		(100.4)	33.5			
20	Change in trade receivables:					
	Receivables as at 1 January	498.1	558.7			
	Acquired enterprises and provisions	-	22.1			
	Receivables as at 31 December	(534.5)	(498.1)			
		(36.4)	82.7			
21	Acquisition of businesses:					
	Fixed assets	-	(5.9)			
	Current assets	-	(83.1)			
	Trade payables	-	10.6			
	Bank loans	-	53.6			
	Other debt	-	3.8			
		-	(21.0)			
22	Related parties with a controlling influence:					
	DLH-Fonden, Ved Stranden 18, P.O. Box 2034, 1012 Copenhagen K.					
	No transactions have been conducted with DLH-Fonden in 2004 apart from the payment of dividend.					
	For further particulars reference is made to pages 27 under the section "Shareholders".					
	Related parties with a significant influence:					
	Comprises the company's supervisory and executive boards and group enterprises as outlined in the group structure on page 49.					
	Apart from intra-group transactions, which have been eliminated in the consolidated financial statements, and the customary remuneration of the supervisory board and the executive board, no transactions have been conducted 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 29 under "Shareholders".					
	Please also refer to page 30, outlining positions of trust held by members of the supervisory and executive boards.					
23	Management share options scheme:					
		Share options allotted			Exercised	
	Share options for group management	2004	2003	2002	Total	Total
	Allotment/exercise price	265	155	188		199
	Executive board	3,145	6,912	5,319	15,376	0
	Other members of group management					
	for allotment in equal shares	2,516	5,528	4,256	12,300	4,256
		5,661	12,440	9,575	27,676	4,256
						8,044
						23,420

Share options which have been allotted between 2002 and 2004 may be exercised between 2 to 5 years after the allotment. The exercise of options is subject to no conditions during the traditional trading windows, with the exception of 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. Group management's entitlement to the share options are acquired over a 12 months-period from 1 April to 31 March.

The fair value of issued, but not exercised, share options amounted to DKK 2.9 million for the executive board and DKK 1.6 million for the other members of group management as at 31 December 2004. The value has been calculated on the basis of a level of volatility of 20%, a dividend yield of 2.6% and a risk-free rate of interest of 3%.

Group enterprises

as at 1 March 2005

Dalhoff Larsen & Horneman A/S
Skagensgade 66
DK-2630 Taastrup

DLH Forestry & Environment Department
Skagensgade 66
DK-2630 Taastrup

HARDWOOD DIVISION

DLH Nordisk A/S

Skagensgade 66, 2630 Taastrup

Nydamsvej 22, 8362 Hørning

DLH Timber (UK) Ltd

The Crown, London Road, Westerham
Kent TN16 1DL, England

DLH Nordisk, Inc.

2307 W. Cone Blvd., Suite 200, Greensboro
NC 27408, USA

PW Hardwood, LLC

411 Theodore Fremd Ave., Ste. 108, Rye
NY 10580-1410, USA

11424 Route 36, Brookville
PA 15825-0459, USA

36 Frost Street, Brattleboro, VT 05301, USA

INDUFOR N.V.

Noorderlaan 125, 2030 Antwerp, Belgium

DLH Nordisk (Holland) B.V.

Denemarkenweg 1, 4389 PE Ritthem, Holland

Hout Opslag Maatschappij Vlissingen B.V.

Denemarkenweg 1, 4389 PE Ritthem, Holland

Indufor GmbH

c/o Ernst & Young, Wirtschaftsprüfungsgesellschaft, Düsternstrasse 1,
20355 Hamburg, Germany

Nordisk Bois S.A.R.L.

Rue de l'Île Botty, Zone Industrielle de
Cheviré, 44340 Bouguenais, France

Indubois S.A.S. (Sète)

1, Zone d'Activités de l'Ancien Pont
La Peyrade, 34110 Frontignan, France

Rue de l'Île Botty, Zone Industrielle de
Cheviré, 44340 Bouguenais, France

DLH Nordisk Sp. z o.o.

ul. Kolobrzeska 3, 78-230 Karlino, Poland

DLH Nordisk Sp. z o.o.

Oddział w Ostrowie Wilk. ul. Chlapowskiego
45, 63-400 Ostrów Wielkopolski, Poland

DLH Drewno Sp. z o.o.

ul. Chlapowskiego 45, 63-400 Ostrów
Wielkopolski, Poland

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

ul. Modlinska 231, 03-120 Warsaw, Poland

ul. Struga 42, 70-784 Szczecin, Poland

ul. Rozdzińskiego 95, 40-203 Katowice, Poland

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

ul. Dabrowskiego 399, 60-425 Poznan, Poland

ul. Swietoja ska 4/8, 81-368 Gdynia, Poland

ul. Fordonska 135, 85-739 Bydgoszcz, Poland

ul. Wyscigowa 58, 53-012 Wroclaw, Poland

Nordisk Timber Ltda.

Rodovia Augusto Montenegro, km 11 –
Icoaracy, CEP 66.820.000 Belém, Pará,
Brazil

Alameda Frei Romon no 1010, Bairro:
Centro, CEP 68.800-000, Breves, Pará, Brazil

Rua Carneiro Lobo no 468
Sala 1304, Bairro: Batel, CEP 80.240-240
Curitiba, Paraná, Brazil

DLH Nordisk S.A.R.L.

Rue Saint Jean, Cocody, 01 B.P. 2648
Abidjan 01, the Ivory Coast

01 B.P. 391, San Pedro, the Ivory Coast

DLH Nordisk S.A.

B.P. 18003, Libreville/Owendo, the Gabon

DLH Nordisk Cameroun, S.A.R.L.

B.P. 4144, Douala, Cameroon

DLH Nordisk A/S

Representative Office, 7 Baviaanskloof
Mountain Retreat, Baviaanskloof Road,
Hout Bay 7806, South Africa

Merani Trading LLC/DLH Nordisk A/S

Sheikh Zayed Road, City Tower 1
Office No. 310, P.O. Box 28049, Dubai
United Arab Emirates

DLH Nordisk A/S

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

DLH Nordisk A/S

Suite 1202, Building K, 343 Huaihai West
Road, 200030 Shanghai, China

DLH Nordisk A/S

Vietnam Representative Office, Unit 704, 7th
Floor, Me Linh Point Tower, 2 Ngo Duc Ke
Street, District 1, Ho Chi Minh City, Vietnam

DLH Nordisk Indonesia

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

DLH Nordisk A/S

Representative Office, 2A, Persiaran Raja
Muda Musa Bangunan NTS, Ground Floor,
42000 Port Kelang, Selangor Darul Ehsan,
Malaysia

Carl Ronnow (Malaysia) Sdn. Bhd.

1st Floor, Bangunan Tam Kan, Lorong Burung
Keleto, Off Mile 5½, Jalan Tuaran, Inanam,
88100 Kota Kinabalu, Sabah, Malaysia

Representative Office, Lorong Burung Keleto,
Off Mile 5½, Jalan Tuaran, Inanam, 88100
Kota Kinabalu, Sabah, Malaysia

DLH Nordisk s.r.o.

U Priorsu 1, 161 01 Prague 6
the Czech Republic

DLH Nordisk Slovakia s.r.o.

Kozusnicka 3
851 10 Bratislava – Jarovce, Slovakia

Prachaticka Street 27
96001 Zvolen, Slovakia

DLH Nordisk Derevo Ltd.

Ukrainska st., 5, Potash station, Man'kivka
area, Cherkassy Oblast, the Ukraine

Representative Office in Ukraine,
Grabovsky 11/316, 79000 Lviv, the Ukraine

DLH Nordisk Kft.

HU-1094 Budapest, Tompa u. 10. l/3.
Hungary

TIMBER & BOARD DIVISION

DLH A/S

Skagensgade 66, 2630 Taastrup

Sales centre Gadstrup

Finervej 7, 4621 Gadstrup

Sales centre Hørning

Nydamsvej 22, 8362 Hørning

Sales centre Kolding

Nordkajen 21, 6000 Kolding

Nordic Wood & Board AB

Ollebterminalen, 230 44 Bunkeflostrand
Sweden

DLH Russia 000

96, Obvodniy Kanal Ave.
163045 Archangel, Russia

DLH A/S

Bolshevistskaya str. 64, Perm 614000
Russia

DLH A/S

Pyatnitskaya str., 39/1, Office No. 26
156000 Kostroma, Russia

DLH A/S

9th Of May Str. 40, Flat 45,
660125 Krasnoyarsk, Russia

DLH Drewno sp. z o.o.

Ul. Chlapowskiego 45, 63-400 Ostrów
Wielkopolski, Poland

DLH Drewno sp. z o.o.

Ul. Sosnkowskiego 1 D, 02-495 Warsaw
Poland

DLH A/S

4, Oktyabrskaya Str., 220023 Grodno
the Republic of Belarus

DLH A/S

Zenklova 28, 180 00 Prague 8
the Czech Republic

DLH A/S

Suite 1202 Building K,
343 Huaihai West Road
200030 Shanghai, China

DLH A/S c/o DLH Nordisk, Inc.

2307 W. Cone Blvd., Suite 200
Greensboro, NC 27408, USA

BUILDING MATERIALS DIVISION

DLH Træ & Byg A/S

Skagensgade 66, 2630 Taastrup

Region Jutland North

C&N Trælasthandel
Mineralvej 10-16, 9100 Aalborg

C&N Vinderup

Parallevej 1, 7830 Vinderup

C&N Tim

Svensgaardsvej 9, 6980 Tim

C&N Nuuk A/S

Industrivej 14, 3900 Nuuk, Greenland

Region Jutland South and Funen

Træ & Byg
Odinsvej 2, 7200 Grindsted

Træ & Byg

Kløvermarken 17, 7190 Billund

Træ & Byg

Industrivej 2, 6840 Oksbøl

Træ & Byg

Vesterhavsvej 37, 6830 Nr. Nebel

Træ & Byg

Gytjevej 10, 6960 Hvide Sande

ProTræ Vamdrup

Bavnevej 32, 6580 Vamdrup

ProTræ Vejle

Tulipvej 2, 7100 Vejle

ProTræ Odense

Energivej 17, 5260 Odense S

ProTræ Lendemark

Lendemark 42, 6372 Bylderup-Bov

ProTræ Skodborg

Røddingvej 8, Skodborg, 6630 Rødding

Region Sealand

Walter Jessen
Sdr. Ringvej 27, 2605 Brøndby

Karlsunde Trælast

Motorgangen 1-5, 2690 Karlsunde

Tune Trælasthandel

Industrisvinget 1-5, Tune, 4000 Roskilde

A/S Holten Langes Trælasthandel

Industrivangen 1, 4550 Asnæs

A/S Holten Langes Trælasthandel

Mellem Broerne 10, 4100 Ringsted

A/S Holten Langes Trælasthandel

Ørnvej 10, 4220 Korsør

Legal structure

DLH Group	Share capital		Ownership
Dalhoff Larsen & Horneman A/S, Høje Taastrup	DKK 171,622.000		
DLH Nordisk A/S, Høje Taastrup	DKK	50 million	100%
DLH Timber (UK) Ltd., Westerham, England	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., Ritthem, Holland	EUR	0.1 million	100%
Hout Opslag Maatschappij Vlissingen B.V., Ritthem, Holland	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%
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, Gabon	XAF	10.0 million	100%
DLH Nordisk S.A.R.L., Douala, Cameroon	XAF	50 million	100%
Carl Ronnow (Malaysia) Sdn. Bhd, Kota Kinabalu Malaysia	MYR	2.5 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, Archangel, Russia	RBL	0.06 million	100%
Støvring Tømmerhandel A/S in liquidation, Høje Taastrup	DKK	3.1 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 Trælasthandel, Ringsted	DKK	1.0 million	100%

Dalhoff Larsen & Horneman A/S

Skagensgade 66
DK-2630 Taastrup

CVR no. 34 41 19 13

Tel. +45 43 50 01 00

Fax +45 43 50 01 90

www.dlh-group.com

dlh@dlh-group.com

