



Announcement 2011 no. 01

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Sanistål A/S plans a DKK 550 million share issuance and enters into a new bank agreement contingent on this.

Update of expectations for the year 2010 and expectations for the year 2011.

Background

Sanistål A/S (“Sanistål” or “the Company”) has credit facilities which, as stated in the 2009 annual report, expire on 31 March 2011. As stated after presentation of the Q3 2010 Interim Report on 25 November 2010, the Company is in ongoing contact with the banks regarding an extension of these.

Based on Sanistål’s financial situation and budget for 2011, Sanistål will not in the opinion of the banks and Sanistål be able to repay subordinated loans when payments are due. Neither will the Company, within the foreseeable future, be able to finance its business on ordinary commercial terms, nor be able to significantly reduce its interest-bearing debts as at the end of 2010 of DKK 2,338 million. It is also unlikely that Sanistål could obtain alternative financing from other lenders on acceptable conditions. In the opinion of Sanistål, with current indebtedness, a public issue of shares would not provide sufficient proceeds for ongoing operation without a solution model (as described below), and Sanistål will therefore not be able to obtain liquidity to continue operating unless the current credit facilities are maintained and extended.

Solution model

Based on the above, Sanistål, the lending A-shareholders and the banks have agreed a solution model that covers extension of the credit facilities provided that a longer-term solution to Sanistål’s capitalisation and capital structure is also found. The solution means increasing equity by approximately DKK 550 million, increasing solvency from -3% to 17%, removing the uncertainty surrounding the Company’s financial backing and saving Sanistål approximately DKK 35 million in annual interest payments.

The board of directors will present the intended solution model for approval by the shareholders at an extraordinary general meeting to be held on 18 March 2011 at Aalborg Congress & Culture Centre. The board of directors refers to the notice convening the general meeting which will be made public following on from the present stock exchange report as stock exchange report 2011 no. 02 (not available in English).

The solution model covers the following interdependent main points:

- a) The classes of shares will be cancelled and, as a result, the difference in voting rights between A and B shares will be cancelled.
- b) The share capital will be decreased from nominal DKK 192,378,400 to DKK 1,923,784 by a capital reduction to cover losses, and there will be a reduction in the nominal value of each share from DKK 100 to DKK 1 per share. The capital decrease does not change the equity interest of each individual shareholder.
- c) A capital increase of nominal DKK 10,000,000 from nominal DKK 1,923,784 to nominal DKK 11,923,784 will be completed by conversion of debt totalling DKK 550 million by conversion of the subordinated loans by the banks and the lending A-shareholders to share capital. The lending A-shareholders will convert a total of DKK 50 million, and the banks will convert a total of DKK 500 million. An agreement has been entered into between the Company, the banks and the lending A-shareholders whereby the capital increase will be completed by an issue of shares with direct placing without pre-emptive rights to the Company's existing shareholders at a price of DKK 55 per share of nominal DKK 1. An application will be made for admission to trading and official listing of the new shares and the existing A shares (the share class will be cancelled) as soon as possible after completion of the issue of shares with direct placing in connection with the Company's publication of a prospectus.
- d) If at the time of the extraordinary general meeting the board of directors is of the opinion that the market price of the Company's existing B shares is higher than DKK 55, the proposal for the issue of shares with direct placing will not be addressed at the extraordinary general meeting. Instead, the board of directors will propose a guaranteed rights issue at a price of DKK 55 per share of nominal DKK 1 for total gross proceeds of DKK 550 million and a capital increase of nominal DKK 10,000,000 from nominal DKK 1,923,784 to nominal DKK 11,923,784. A contingent agreement has been entered into with the banks and the lending A-shareholders that the banks and the lending A-shareholders guarantee a pre-emptive rights issue totalling DKK 550 million. The guaranteed pre-emptive rights issue is conditional on (i) the banks and the lending A-shareholders being able to convert their subordinated loans into share capital by means of share subscriptions pursuant to the guarantee; and (ii) that a final guarantee agreement is entered into with the banks and the lending A-shareholders. With regard to the lending A-shareholders, subscription will be via exercising pre-emptive rights and the guarantee will not exceed a total of DKK 50 million. There can be no certainty that a guaranteed pre-emptive rights issue can be implemented.
- e) The banks extend the credit facilities with unchanged interest terms, irredeemable until 30 June 2012. The credit facilities agreement includes quarterly covenants which, in the opinion of the management, the Company is able to meet within the Company's budget. The agreement to extend the credit facilities is conditional on the general meeting's approval of the capital increase as described above.

Future ownership structure

If the capital increase is completed by a rights issue, cf. item c) above, the shareholder structure after the capital increase will be as shown in the table below:

	Existing structure				After debt conversion	
	Shares	%	Votes	%	Shares/Votes	%
Existing A shares	203,784	10.6%	2,037,840	54.2%	203,784	1.7%
Existing B shares	1,720,000	89.4%	1,720,000	45.8%	1,720,000	14.4%
Lending A-shareholders	0	0.0%	0	0.0%	909,091	7.6%
Banks	0	0.0%	0	0.0%	9,090,909	76.3%
Total	1.923,784	100.0%	3,757,840	100.0%	11,923,784	100.0%

The lending A-shareholders are Sast ApS, Niels Kaj Strøyberg, Max Schön Verwaltungsgesellschaft mbH, Torben Strøyberg and Christian Strøyberg. The banks are Danske Bank A/S, Nordea Bank Danmark A/S, Jyske Bank A/S and Nykredit Bank A/S.

If a pre-emptive rights issue is completed, it will not be possible to pre-determine the ownership structure.

Exemption by the Danish Financial Supervisory Authority from the obligation to takeover bid

The banks have applied the Danish Financial Supervisory Authority for an exemption from the obligation to make a takeover bid on identical terms to minority shareholders pursuant to Section 31 of the Danish Securities Trading Act. The Danish Financial Supervisory Authority informed the banks on 23 February 2011 that exemption from the obligation to takeover bid can be expected to be granted, when the obligation is due.

Issuance costs

If the capital increase is completed as a issue of shares with direct placing, cf. item c) above, the costs are expected to be approx. DKK 5 million. If an issue is completed instead, cf. item d) above, the costs are expected to be approx. DKK 15 million. These costs will be deducted the gross proceeds and will thus not influence results produced in 2011, should a capital increase be completed.

Update of expectations for the year 2010

As a basis for the imminent decision-making process, the board of directors has resolved to publish updated expectations in the form of provisional accounting figures for 2010. It is emphasised that:

- These expectations are contingent on it being possible to prepare the accounts on a going concern basis;
- These expectations are unaudited;
- These expectations do not take into account the Q4 effect of associated company Brødrene A & O Johansen A/S (accounting material for this company is yet to be published); and
- These expectations, by their very nature, do not take account of matters arising in the period between issuing this stock market report and distribution of the financial statements

Provisional key figures and ratios for 2010 are given in Appendix 1.

Updated expectations in relation to previously reported expectations

Based on the provisional accounting figures, EBITDA for 2010 is expected to be DKK 110.5 million. This includes profit from real property sales of DKK 13.0 million, whereby EBITDA before profit from the sale of real property is DKK 97.5 million. Since the last half-year interim report in 2009, distributed on 28 August 2009, the expectation has been that EBITDA in 2010 before profit from the sale of real property would be between DKK 50 million and DKK 100 million, and accordingly the result is at the upper end of the previously anticipated outcome.

The Q3 2010 interim report stated that a property sale had been realised which would bring in approximately DKK 13 million in Q4. No further significant effect on the result is anticipated from disposals or winding up. In 2010 there is realised a gain of DKK 13 million from property sale.

Details of the result and balance sheet

The result for the year was a loss of DKK 133.7 million compared to a loss of DKK 322.7 million in 2009. The result before tax from continuing operations is DKK -48.1 million compared to DKK -312.2 million in 2009. Continuing operations produced a profit before tax in Q3 and Q4 2010.

Turnover in 2010 was DKK 3,821.6 million, a decrease of 1.9% compared to 2009. Q1 of the year was overshadowed by the long, harsh winter, which resulted in a 24.1% reduction in turnover. The three subsequent quarters produced positive growth with a rising trend. Thus, turnover in Q4 increased by 9.4% compared to 2009. The Industry Division turned the trend around during the year, returning to growth. The Construction Division continues to experience stagnation in the domestic market, but achieved healthy growth (31.5%) in second half of 2010 in the Baltic States compared to the same period in 2009.

From 2009 to 2010, gross profit increased by DKK 85.9 million (8.7%) to stand at DKK 1,074.1 million. For the second year in a row, gross earnings margin increased significantly in 2010 to 28.1% compared to 25.4% in 2009. In 2010, a margin on stocks of steel of approx. DKK 41 million was realised due to rising steel prices in the spring and summer months, constituting 1.1 percentage points of the 2.7% percentage point rise in gross margin. Gross margin on other product categories increased by focusing on profitable sales.

Among other operational income in 2010, property gains of DKK 13.0 million were realised compared to DKK 27.8 million in 2009.

Costs were reduced by DKK 117.7 million to DKK 981.9 million. Staff costs were reduced by DKK 136.7 million compared to 2009. Part of this reduction is due to outsourcing of distribution, and for this reason, other external costs have increased. Other external costs amounted to DKK 428.6 million, which is an increase of DKK 19.0 million. Other external costs include losses and write-downs on receivables which, due to the financial crisis, were at a level of DKK 25 million in 2010 despite enhanced risk management.

Depreciation amounted to DKK 72.2 million compared to DKK 78.6 million in 2009. The conversion of logistics in the parent company, now based at two central warehouses, and outsourcing of distribution have resulted in a reduction in capital equipment, which reduces depreciation. Write-downs amounted to DKK 2.6 million in 2010, and pertain to a property intended for sale. 2009 saw a write-down of trade marks associated with Carl F International A/S in the amount of DKK 66.6 million.

The associated company Brødrene A & O Johansen A/S contributed DKK -1.1 million to losses in 2010 (9 months) compared to an effect of DKK 1.1 million in 2009. In 2010, other financial costs amounted to net costs of DKK 82.6 million compared to DKK 89.7 million in 2009. The reduction in interest paid was achieved mainly as a consequence of the reduction in debts attracting interest.

Tax was charged to the statement of income at DKK 7.6 million in respect of continuing activities against revenue of DKK 73.6 million in 2009. The planned debt conversion means it was found necessary to write down the deferred tax asset by DKK 16.0 million.

The discontinuing operation, Carl F International A/S, made a loss of DKK 78.1 million compared to a loss of DKK 84.1 million in 2009. There were four sell-offs in 2010 – including the sale of the d line project business in June 2010. The loss for the year from non-continuing activities was essentially attributable to write-downs and losses from selling and winding up.

Total assets amounted to DKK 2,709.3 million, which is a reduction of DKK 271.4 million (9.1%) compared to the end of 2009. Discontinuing operations and assets intended for sale were reduced by DKK 220.4 million to DKK 229.5 million, due primarily to selling off and winding up Carl F International A/S. This includes real property intended for sale in the parent company (DKK 165.2 million). With current property prices, these properties are expected to bring in a potential profit of the order of DKK 75 million.

During the year, stocks were reduced by a further DKK 65.2 million to DKK 553.2 million. Receivables increased by DKK 41.2 million, which reflects the high level of activity of the concluding months of the year. This is partially balanced by an increase in trade creditors.

On the liability side, the most significant changes related to a reduction in equity of DKK 124.9 million and a reduction in debts attracting interest of DKK 124.4 million.

Outlook for the year 2011

Modest actual growth in group turnover is anticipated in 2011. The Construction Division is likely to see completely flat development of activities in the main Danish market, and healthy growth in the Baltic States. The Industry Division should see moderate growth in all business units. Overall nominal growth is expected to be of the order of 5%.

Gross earnings margin is expected to show a modest decrease compared to 2010 because it was extraordinarily boosted in 2010 due to margin on steel amounting to approximately DKK 41 million. No such extraordinary margin is anticipated in 2011. Work is ongoing with initiatives to improve profitability, and this will also produce a positive effect in 2011.

Sundry operating costs will be reduced marginally compared to 2010. Outsourcing of distribution in the parent company will show its full effect on costs in 2011, and further improvements and efficiency enhancements are expected in 2011.

On this basis, EBITDA in 2011 is expected to be between DKK 100 and DKK 140 million before any gains from the sale of real property.

Financial costs will be reduced by approximately DKK 35 million annually as a result of the proposed debt conversion. If the general meeting resolves to implement the directed offering, the saving will take effect from 18 March 2011. Interest costs can then be expected to be between DKK 55 and DKK 65 million before inclusion of the contribution to results from Brødrene A & O Johansen A/S. Interest costs will increase by approximately DKK 9 million if the debt conversion is instead implemented as a pre-emptive rights issue, because implementation of this type of issue could be expected approximately 3 months after the extraordinary general meeting.

Based on the above prerequisites, and depending on the development of associated company Brødrene A & O Johansen A/S, a result of between DKK -10 and DKK 30 million is anticipated.

There is a focus on working capital, but the potential for improvement has been reduced considerably in the wake of the results achieved in recent years, and accordingly working capital is not expected to follow the development of activities and seasonal trend. A significant prerequisite for this is that steel prices in 2011 will remain similar to the average for 2010.

The group's capital structure will be considerably enhanced as a result of the proposed debt conversion. Once this has been implemented, equity is expected to be of the order of DKK 465 million, and interest-bearing debts are expected to be of the order of DKK 1,800 million.



As of the beginning of 2011, the non-continuing activity, Carl F International A/S, comprises two small companies which have not yet been wound up, as well as the final winding up of other activities. No significant effect on operations is expected here, but winding up is expected to impact cash flow in 2011 in the amount of approximately DKK 10 million.

The group's free cash flows are expected to be positive although less than in 2010, since nominal growth will increase working capital.

Sanistål has six Danish properties intended for sale – including the Company's property in Silkeborg. This property is affected by the motorway works in Silkeborg, and a decision is due in March 2011 concerning expropriation of the property in its entirety or alternatively partial expropriation. The margin and the effect on the balance sheet from realisation of this property or from the possible sale of the properties offered are not included in the above projections.

Summary

The financial crisis at the end of 2008 affected Sanistål's main markets particularly severely, and turnover fell dramatically from January 2009. Thus, from 2008 to 2010, turnover was reduced by DKK 2.5 billion, corresponding to 40%. The management reacted and from 2008 to 2010 reduced staffing by 1,319, corresponding to 46%; costs were reduced by DKK 465 million, corresponding to 32%, and working capital was reduced by DKK 771 million, corresponding to 55%. At the same time as implementing these necessary reductions, Sanistål's entire logistics system was made more efficient by centralisation of warehousing and outsourcing of distribution. Overall, this has meant that, although turnover reduced by 40%, Sanistål's core business in the second half of 2010 was profitable once again, and the logistics systems were brought up to date in order to be capable of handling increased turnover without investment when the markets return to normal.

As part of focusing on the core business, the decision was made to sell off and wind up activities in the subsidiary Carl F International A/S. Overall, this activity produced a significant loss, but winding up is now more or less concluded. The overall loss from the acquisition of Carl F International A/S is of the order of DKK 475 million, including investment interest.

Investment in associated company Brødrene A & O Johansen A/S since its acquisition in 2007 has led to accounting losses of approximately DKK 270 million, including investment interest.

Accordingly, Sanistål has suffered considerable capital losses and is therefore burdened by insufficient capitalisation and an inappropriate capital structure. Therefore, a combined solution model has been put together to provide considerably improved capitalisation (with an increase in solvency from -3% to 17%), to remove the uncertainty concerning financial support to the Company and to produce annual interest savings of approximately DKK 35 million.

The solution model is the result of working with the Company's bankers and the lending A-shareholders concerning the Company's future capital structure and financing. In the opinion of the board of directors, this is the best solution model for both the Company and the shareholders that the board of directors has been able to negotiate with the banks and the



lending A-shareholders. The new shares will be issued at a price of DKK 55 per share of nominal DKK 1, which has been the list price level of the Company's present B shares for five months, and in future there will be only one class of shares.

The board of directors has clarified the future strategic foundation with the banks, and there is agreement that, going forward, Sanistål must focus on its core business.

Commenting on the agreement, Per Skovhus, member of the executive board of Danske Bank, says on behalf of the banks:

“The banks have a natural interest in ensuring that Sanistål improves its capital structure and in ensuring an atmosphere of calm and confidence in the Company for its customers, employees and suppliers, to enable the Company to recover from its predicament. Accordingly, the banks have chosen to support a solution whereby we convert subordinate loan capital into share capital.

If the agreement is implemented as described, the banks will become the new majority shareholder in Sanistål, but in this regard we wish to emphasise that we have full confidence in the Company's current board of directors and management. The banks are not the long-term owners of Sanistål, and the plan is to sell our shares in Sanistål when conditions permit.”

If the general meeting on 18 March 2011 does not adopt the proposed capital increase, the board of directors will continue to work to ensure the Company's ongoing operations. The banks have informed the Company that they, should this occur, will extend existing credit facilities until 30 June 2011.

Aalborg, 24 February 2011

Important Announcement:

This announcement may contain forward-looking statements or events, including statements about future profit/loss, growth or other expectations concerning developments and benefits associated with the Company. Such statements can generally, but not always, be recognised by the use of terms such as “predict”, “assume”, “expect”, “plan”, “will”, “intend”, “assess”, “estimate” or similar terms. Forward-looking statements are by their nature subject to risks and uncertainty because they concern events and depend on circumstances that will occur in the future. No assurance can be given that the actual results will not deviate, perhaps significantly, from those that are expressly or implicitly embodied in such forward-looking statements, as a result of several factors, many of which are beyond the Company's control, including the results of changes in general economic conditions, interest levels, fluctuating demand for the Company's products, matters of competition, technological developments, employee aspects, legislation, exchange rates and the possibility of the need for increased investments.

Appendix 1: Provisional key figures and ratios for Sanistål A/S 2010

FINANCIAL HIGHLIGHTS FOR THE GROUP (2010 IS UNAUDITED)

DKK millions	2006	2007	2008	2009	Provi- sional 2010
Key figures					
Profit/loss:					
Net turnover	4,819.6	5,950.6	6,335.3	3,896.2	3,821.6
Gross margin	1,155.8	1,431.5	1,452.8	988.2	1,074.1
Other operational income	27.5	4.8	19.4	33.0	18.3
Costs	-898.5	-1,257.2	-1,447.3	-1,099.6	-981.9
Operating profit (EBITDA)	284.8	179.1	24.9	-78.4	110.5
Operating profit (EBIT)	222.8	119.6	-152.0	-223.5	35.6
Profit/loss on financial items	-8.2	-52.4	-321.8	-88.7	-83.7
Earnings from continuing operations before tax	214.6	67.2	-473.8	-312.2	-48.1
Profit/loss for the year from continuing operations	158.6	50.7	-458.3	-238.6	-55.6
Profit/loss for the year from discontinuing operations	-	-12.5	-93.2	-84.1	-78.1
Profit/loss for the year	158.6	38.2	-551.5	-322.7	-133.7
Cash flows:					
Cash flow from operations	-80.8	-97.2	145.4	345.1	86.3
Cash flow from investments	-153.7	-1,326.8	-269.3	33.6	12.2
Free cash flows	-234.5	-1,424.0	-123.9	378.7	98.5
Investments in tangible fixed assets	164.2	405.8	284.7	37.3	11.5
Balance Sheet:					
Non-current assets	541.9	1,872.1	1,434.4	1,402.1	1,395.8
Current assets	1,646.6	2,235.2	2,468.2	1,578.6	1,313.5
Total assets	2,188.5	4,107.3	3,902.6	2,980.7	2,709.3
Equity	978.3	972.1	378.6	45.5	-79.5
Subordinate loan capital	-	-	-	550.0	550.0
Other interest-bearing debt	694.4	2,486.9	2,831.2	1,912.7	1,788.3
Non-interest-bearing debt	515.8	648.2	692.8	472.5	450.5
Total liabilities	2,188.5	4,107.3	3,902.6	2,980.7	2,709.3
Share capital	192.4	192.4	192.4	192.4	192.4

RATIOS FOR THE GROUP (2010 IS UNAUDITED)

DKK millions	2006	2007	2008	2009	Provi- sional 2010
Ratios					
EBITDA margin %	5.9	3.0	0.4	-2.0	2.9
EBIT margin (profit margin) %	4.6	2.0	-2.4	-5.7	0.9
Earnings per share after tax (EPS), DKK, basic	83.7	20.1	-293.6	-174.5	-72.6
Earnings per share after tax (EPS), DKK, diluted	83.5	20.0	-289.0	-174.3	-72.6
Cash flow per share (CFPS), DKK	-42.5	-50.9	76.2	186.4	46.9
Return on invested capital (ROIC) %	15.4	5.5	-4.7	-8.2	2.2
Return on equity %	17.4	3.9	N/A	N/A	N/A
Payout ratio %	24.0	24.6	-	-	-
Dividend per share, DKK	20.0	5.0	-	-	-
Price/Earnings ratio (PE)	10.2	31.2	neg.	neg.	neg.
Price/book value ratio	1.7	1.2	0.4	2.7	neg.
Market price per DKK 100 share	854.8	626.5	89.7	67.7	55.0
Book value per DKK 100 share	515.0	517.5	201.5	24.7	neg.
Equity ratio %	44.7	23.7	9.7	1.6	neg.
Equity and subordinated loans as a % of the	44.7	23.7	9.7	20.0	17.4
Number of full-time employees at year-end	1,848	2,776	2,866	1,942	1,547

Key figures and ratios have been adjusted to take account of discontinuing operations.

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

Definitions according to "Recommendations & Financial Ratios 2010" by The Danish Society of Financial Analysts.