

EXTRACT FROM

ANNUAL REPORT 2014

COMPANY INFORMATION

COMPANY

Sanistål A/S
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CVR-no.: 42 99 78 11
Founded: 18 June 1926
Residency: Aalborg

AUDIT COMMITTEE

Walther V. Paulsen, Chairman
Jens Jørgen Madsen
Peter Vagn-Jensen

BOARD OF MANAGEMENT

Christian B. Lund, CEO
Flemming Glamann, CFO

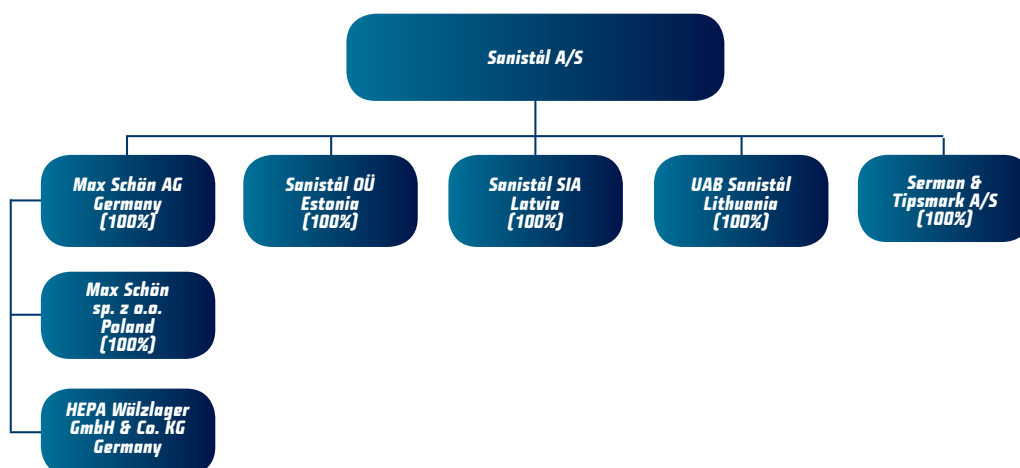
AUDIT

KPMG
Statsautoriseret Revisionspartnerselskab
Vestre Havnepromenade 1A
Postboks 710
9100 Aalborg

BOARD OF DIRECTORS

Ole Steen Andersen, Chairman
Jens Jørgen Madsen, Deputy Chairman
Per Gammelgaard, elected by the employees
Steen Gede
Ole Enø Jørgensen, elected by the employees
Benny Kirkeby, elected by the employees
Walther V. Paulsen
Matthias Max Schön
Peter Vagn-Jensen

GROUP CHART



In addition, Sanistål A/S wholly owns Carl F International A/S. The company's operations are held for sale (discontinuing operations) and the company is therefore not a part of the chart above.

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FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR THE GROUP

DKK million	2006	2007	2008	2009	2010
Financial highlights					
Profit/loss:					
Net revenue	4,819.6	5,950.6	6,335.3	3,896.2	3,821.6
Gross profit	1,155.8	1,431.5	1,452.8	988.2	1,074.1
Other operating 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/loss before depreciation (EBITDA)	284.8	179.1	24.9	-78.4	110.5
Operating profit/loss (EBIT)	222.8	119.6	-152.0	-223.5	35.6
Net financial items	-8.2	-52.4	-321.8	-88.7	-80.2
Profit/loss before tax, continuing operations (EBT)	214.6	67.2	-473.8	-312.2	-44.6
Profit/loss for the year, continuing operations	158.6	50.7	-458.3	-238.6	-52.2
Profit/loss for the year, discontinuing operations	-	-12.5	-93.2	-84.1	-78.1
Profit for the year	158.6	38.2	-551.5	-322.7	-130.2
Cash flows:					
Cash flow from operating activities	-80.8	-97.2	145.4	345.1	86.3
Cash flow from investment activities	-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
Investment 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	1,400.4
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	2,713.9
Shareholders' equity	978.3	972.1	378.6	45.5	-74.9
Subordinated 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 and shareholder's equity	2,188.5	4,107.3	3,902.6	2,980.7	2,713.9
Share capital	192.4	192.4	192.4	192.4	192.4
Key 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	-70.7
Earnings per share after tax (EPS), DKK, diluted	83.5	20.0	-289.0	-174.3	-70.3
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/Earning (PE)	10.2	31.2	neg.	neg.	neg.
Price/book value ratio	1.7	1.2	0.4	2.7	neg.
Market price per share	854.8	626.5	89.7	67.7	55.0
Book value per share	515.0	517.5	201.5	24.7	neg.
Solvency	44.7	23.7	9.7	1.6	-2.8
Equity and subordinated loans as a % of the balance sheet	44.7	23.7	9.7	20.0	17.5
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 non-continuing activities.

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, cf. page 7.

The number of full-time employees is measured as the number of employees on the payroll, irrespective of whether they have been terminated.

FINANCIAL HIGHLIGHTS

2010 – RESULTS FOR THE YEAR

- EBITDA before profit from the sale of real property is DKK 97.5 million, whereby profit is at the upper end of reported expectations.
- Q1 of the year was affected by the long, severe winter, which resulted in a reduction in net revenue. The three subsequent quarters produced positive growth with a rising trend.
- From 2009 to 2010, gross profit increased by DKK 85.9 million (8.7%).
- During 2010, further cost reductions of DKK 117.7 million were made.
- The continuing operations produced a profit before tax in Q3 and Q4 2010.
- The discontinuing operation, Carl F International A/S, shows a loss before tax of DKK 78.1 million compared to a loss of DKK 84.1 million for 2009.
- The loss for the year was DKK 130.2 million compared to a loss of DKK 322.7 million in 2009.
- The balance sheet total amounted to DKK 2,713.9 million at the end of 2010, compared to DKK 2,980.7 million at the end of 2009.
- Free cash flows are positive at DKK 98.6 million.

2011 – CAPITAL STRUCTURE

- At an Extraordinary General Meeting on 18 March 2011 a share issuance of DKK 550 million by conversion of subordinated loans was implemented.
- This improved capitalisation considerably. Equity is at a level of DKK 470 million, and solvency increased from -2.8% to 17.5%.

2011 – EXPECTATIONS

- Overall nominal growth in revenue is expected to be of the order of 5%.
- EBITDA in 2011 is expected to be between DKK 100 and 140 million before any gains from the sale of real property.
- Profit/loss of between DKK -10 and DKK 30 million is expected.
- The Group's free cash flows are expected to be positive although less than in 2010, since nominal growth will increase working capital.

Definitions according to “Recommendations & Financial Ratios 2010” by The Danish Society of Financial Analysts:

EBITDA-margin	$(\text{EBITDA}/\text{net revenue}) \times 100$
EBIT margin (profit margin)	$(\text{EBIT}/\text{net revenue}) \times 100$
EPS (Earnings per share), basic	Profit after tax/average number of shares, basic
EPS (Earnings per share), diluted	Profit after tax/average number of shares, diluted (For information on the calculation of the number of diluted shares, see note 11)
CFPS (Cash flow per share)	Cash flow from operating activities/average number of shares, diluted
Return on invested capital (ROIC including goodwill)	$(\text{EBITA}/\text{average capital invested including goodwill}) \times 100$ Capital invested includes tangible and intangible assets, inventories, receivables minus non-interest-bearing liabilities
Return on equity	$(\text{Profit after tax}/\text{average equity}) \times 100$
Payout ratio	$(\text{Dividend}/\text{profit after tax}) \times 100$
Direct return	$(\text{Dividend per share}/\text{market price}) \times 100$
P/E ratio	Market price/annual earnings per share
Price/book value ratio	Market price/book value ratio
Book value	Equity/number of shares at year-end
Solvency	$(\text{Equity}/\text{total assets}) \times 100$

MANAGEMENT REPORT

The financial crisis at the end of 2008 affected Sanistål's main markets particularly severely, and revenues decreased dramatically from January 2009. Thus, from 2008 to 2010, revenues were reduced by DKK 2.5 billion, corresponding to 40%. The management reacted and from 2008 to 2010 reduced staffing by 1,319 employees 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 revenues 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 revenues 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. This challenge was resolved with the share issuance of DKK 550 million implemented at the Extraordinary General Meeting on 18 March 2011. This improved capitalisation considerably (with an increase in solvency from -2.8% to 17.5%), removed the uncertainty concerning financial support to the Company and produced an annual interest savings of approximately DKK 35 million.

Following the share issuance, equity was at the level of DKK 470 million, and the level of debts attracting interest was DKK 1,800 million. An agreement was entered into with the Group's banks, which have extended the credit facilities on unchanged interest terms, irrevocable 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.

GOING CONCERN

In connection with the preparation of accounts, the Management considered whether it was justified to proceed on the going concern basis.

The Board of Directors and the Board of Management concluded that it is reasonable, factual and justified to present the accounts on the basis of a going concern.

This conclusion was drawn bearing in mind familiarity with the Group and the company, estimates of future prospects and identified associated uncertainties and risks, as well as a review of budgets, including expectations of increasing liquidity and the credit facilities.

UPDATED EXPECTATIONS IN RELATION TO PREVIOUSLY REPORTED EXPECTATIONS

EBITDA for 2010 is 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. In February 2011, in connection with the announcement of the share issuance, updated expectations were published in the form of provisional key figures and ratios. EBITDA for 2010 is unchanged in relation to that.

The Q3 2010 interim report and February 2011 report stated that a property sale had been realised which would bring in approx. 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.

RESULT FOR THE YEAR

The result for the year was a loss of DKK 130.2 million compared to a loss of DKK 322.7 million in 2009. The result before tax from continuing operations is DKK -44.6 million compared to DKK -312.2 million in 2009. Continuing operations produced a profit before tax in Q3 and Q4 2010.

Revenues in 2010 were DKK 3,821.6 million, a decrease of 1.9% compared to 2009. Q1 of the year was over-shado-

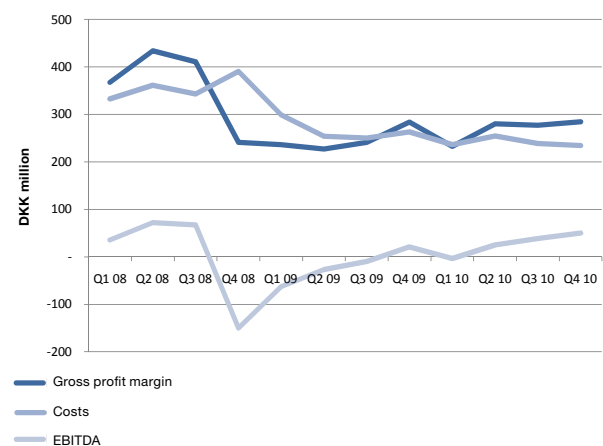
wed by the long, harsh winter, which resulted in a 24.1% reduction in revenues. The three subsequent quarters produced positive growth with a rising trend. Thus, revenues in Q4 increased by 9.4% compared to 2009. The Industry Division turned the trend around during the year, returning to growth. The Construction Division continues to experience stagnation in the domestic market, but achieved healthy growth (31.5%) in second half 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 DKK 1,074.1 million. For the second year in a row, gross profit margin increased significantly in 2010 to 28.1% compared to 25.4% in 2009 and 22.9% in 2008. 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 profit margin. Gross margin on other product categories increased by focusing on profitable sales.

As an effect of the centralisation of the Group's warehousing, a number of properties have become surplus to requirements and are to be sold (assets held for sale). Under other operating income, one property was sold in 2010 to realise a gain of DKK 13.0 million, compared to three properties sold in 2009 to realise a gain of DKK 27.8 million.

The Group's expenses remain in the spotlight. 2010 saw a further reduction in costs of 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, increased from DKK 19.8 million to DKK 27.7 million despite enhanced risk management.

Quarterly trends throughout the economic crisis for continuing operations.



As the diagram shows, the EBITDA trend remained positive in the quarterly operating trend for the period Q1 2008 – Q4 2010 for continuing operations. With the exception of Q1 2010, overshadowed by the unusually harsh, long winter, eight successive quarters have showed positive growth. Growth in Q3 and Q4 2010 was driven by cost reductions. The full-year effect of the cost reductions for the period 2008–2010 amounts to approx. DKK 465 million.

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.

In 2010, the parent company's distribution was outsourced to Danske Fragtmænd. As a result, Sanistål has been able to focus its energies on its core business, while achieving extremely reliable, accurate deliveries. This has also enabled great flexibility in terms of costs, and has facilitated access to new customer concepts that Sanistål is able to offer to the market. The implementation process was extremely satisfactory. As a result of the LEAN process, the two large, central warehouses have achieved a high level of efficiency, reliability and accuracy of delivery.

The associated company Brødrene A & O Johansen A/S contributed DKK 2.4 million in 2010 compared to 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 interest-bearing debt.

Tax was charged to the income statement at DKK 7.6 million in respect of the continuing operations against revenue of DKK 73.6 million in 2009. The debt conversion undertaken means that, as a result of restrictions in bringing forward the deficit, 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 discontinuing operations was essentially attributable to write-downs and losses from selling and winding up.

BALANCE SHEET

The balance sheet total amounted to DKK 2,713.9 million at the end of 2010, compared to DKK 2,980.7 million at the end of 2009.

Non-current assets reduced by DKK 1.8 million to DKK 1,400.3 million. Depreciation and amortisation exceeded investments, and this applied to both tangible and intangible assets, but the book value of land and buildings increased due to reclassification of a property from assets held for sale. The deferred tax asset also increased from DKK 81.9 million to DKK 95.0 million.

Current assets reduced by DKK 44.7 million to DKK 1,084.0 million. This reduction was primarily attributable to a further reduction in inventories by DKK 65.2 million, while accounts receivable increased by DKK 41.2 million, which is explained by the high level of activity over the concluding months of the year. Discontinuing operations and assets held for sale reduced significantly by DKK 220.4 million to DKK 229.5. This reduction was primarily attributable to the winding up of activities in Carl F International A/S as well as disposal of the aforementioned property.

At the end of the year, equity was DKK -74.9 million, which is a reduction of DKK 120.3 million compared to 2009. The reduction is mostly due to the loss for the year after tax of DKK -130.2 million. The level of solvency was -2.8% compared to 1.6% at the end of 2009. Equity was supplemented by subordinated loan capital, which was unchanged at the end of the year at DKK 550.0 million. Combined equity and subordinated loan capital amounted to a total of 17.5% of the balance sheet. Subordinated loan capital was converted into equity by the issuance in March 2011.

Interest-bearing debt to credit institutions is DKK 1,788.3 million excluding subordinated loans, corresponding to a reduction of DKK 124.5 million compared to 2009. During the year, increased credit was obtained from suppliers, and for this reason, trade credits increased. Other debt reduced over the year as temporary extensions of payment deadlines to the public sector in Denmark expired.

CASH FLOW STATEMENT

The Group's cash flows from operating activities were DKK 86.3 million. Cash flow was adversely affected by an increase in tied-up working capital, due to the level of activity in the closing months of the year being significantly higher than in December 2009. This led to a seasonal increase in accounts receivable. Cash flow was positively affected by an ongoing reduction in the Group's stocks.

Work to reduce stocks is continuing, but there is less potential now, and the improvements seen are matched by rising steel prices.

Cash flow from investment activities was DKK +12.2 million compared to DKK +33.6 million in 2009. The negative investments are attributable to the sales of property, plant and machinery in connection with outsourcing distribution.

Free cash flows are thus positive at DKK 98.6 million.

Group liquidity and the capital structure of the Group remain strong and, going forward, this plus the rationalisation measures implemented put the Group in a good position for its operations and development. As at 31 December 2010, the Group had substantial untapped credit facilities.

PARENT COMPANY

The consolidated financial statements for 2010 are presented on pages 71–95 (Danish version). The result for the year was a loss of DKK 130.8 million compared to a loss of DKK 278.0 million in 2009. Recognising the subsidiaries in the parent company resulted in expenditure of DKK 88.3 thousands compared to DKK 135.7 thousands in 2009; this is described in more detail in Note 11 in respect of the parent company.

Thus, at the end of the year, equity in the parent company was DKK -4.9 million, which is a reduction of DKK 125.5 million compared to 2009. The reduction is mostly due to the loss for the year after tax of DKK -130.8 million. The level of solvency was -0.2% compared to 4.7% at the end of 2009. Equity was supplemented by subordinated loan capital, which was unchanged at the end of the year at DKK 550.0 million. Combined equity and subordinated loan capital amounted to a total of 22.5% of the balance sheet. Subordinated loan capital was converted into equity by the share issuance in March 2011.

EXPECTATIONS FOR THE GROUP IN 2011

Modest actual growth in group revenues 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 profit 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 a year as a result of the resolution by the Extraordinary General Meeting on 18 March 2011 to implement the

issue of shares with direct placing. Interest costs can thus 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.

Based on the above prerequisites, and depending on the development of associated company Brødrene A & O Johansen A/S, a profit/loss 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.

As of the beginning of 2011, the discontinuing operation, 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 properties in Denmark intended for sale – including the Company's property in Silkeborg. This property is affected by the motorway works in Silkeborg, and in March 2011, the expropriation commission decided on expropriation of the property in its entirety. 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.

SEGMENT REPORTS

The Construction Division

The Construction Division concerns construction activities in the parent company as well as in the three Baltic subsidiaries. The market conditions for the Construction Division are characterised by a division into a construction sector and a maintenance sector, with Sanistål's greatest exposure being in the maintenance sector.

Financial highlights, DKK million	2010	2009
Net revenue	1,702.4	1,798.2
Profit/loss before tax	-55.7	-85.6
Segment assets	1,043.2	1,152.6
Segment liabilities	198.1	176.9

2010 and expectations for 2011

During 2010, the Construction Division continued to experience stagnation in the domestic market, but in the second half of the year, the division achieved healthy growth (31.5%) in the Baltic States compared to the same period in 2009. Market share in Denmark held steady in 2010. Improvements to the gross profit margin and cost reductions compensated for the reduction in activities to bring about improved segment performance of DKK 29.9 million.

For 2011, there is likely to be completely flat development of activities in the main Danish market, and healthy growth in the Baltic States. The focus will continue to be on the core business, including retaining and developing the existing customer base as well as ongoing optimisation of business processes and warehouse turnover rates.

The Industry Division

The Industry Division covers industry activities in the parent company, the three Baltic subsidiaries, Max Schön AG and Serman & Tipsmark A/S. The market for the Industry Division is characterised by division into OEM (Original Equipment Manufacturer), where Sanistål supplies components and raw materials (steel) for incorporation into industrial finished products, and MRO (Maintenance, Repair and Operations), where components and aids are supplied for industrial production processes.

Financial highlights, DKK million	2010	2009
Net revenue	2,119.2	2,098.0
Profit/loss before tax	11.5	-147.5
Segment assets	1,056.6	988.1
Segment liabilities	221.8	217.6

2010 and expectations for 2011

Industrial activity was low at the start of the year, but the

trend turned during the year, with growth realised. Max Schön AG still enjoys reasonable market conditions, since German industry has coped well throughout the crisis. Market conditions for industrial activities in the Baltic States improved gradually during the year. Serman & Tipsmark A/S remains under pressure as a result of the crisis and is adjusting its sales strategy to changing market conditions.

During 2010, the Industry Division realised a small increase in revenues of 1.0% compared to the same period last year. This is because Q1 was exceptionally weak, whereas there was growth in the latter three quarters. Rising steel prices in Q2 were a significant cause of the improvement in net revenues and result. 2009 was characterised by dramatic falls in steel prices, which led to major write-downs and sales with no margin. Significant cost reductions thus contributed to the improvement in segment performance before tax of DKK 159.0 million.

Growth in all business units is anticipated for 2011. Overall nominal growth is expected to be of the order of 8%.

Carl F International (discontinuing operation)

Carl F International is a subsidiary of Sanistål. As part of the Group's drive to focus on core business, the decision was made to sell assets in the company, and for this reason it is recognised as a discontinuing operation.

The following sell-offs occurred in 2010:

- wholly-owned subsidiaries Tidens Låse ApS and Express Låseservice as at 1 April 2010
(cf. Stock Exchange Announcement no. 5 of 9 April 2010)
- d line project business as at 30 June 2010
(cf. Stock Exchange Announcement no. 11 of 18 June 2010)
- wholly-owned subsidiary, Carl F Access AB as at 30 September 2010
(cf. Stock Exchange Announcement no. 14 of 15 September 2010)
- wholly-owned subsidiary, Norsk Nøkkelservice A/S as at 31 December 2010
(cf. Stock Exchange Announcement no. 17 of 21 December 2010)

Financial highlights, DKK million	2010	2009
Net revenue	161.2	292.5
Profit/loss before tax	-88.0	-99.4
Segment assets	64.3	231.9
Segment liabilities	34.5	308.9

2010 and expectations for 2011

The development in net revue for the segment reflects the sell-offs of companies and operations implemented during the year.

Segment performance for 2010 was DKK -88.0 million, essentially attributable to write-downs and losses from selling and winding up.

As a result of selling off, discontinuing operations were reduced considerably and now comprise two small foreign companies, 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.

CORPORATE GOVERNANCE

The Board of Directors/audit committee and the Board of Management have overall responsibility for the Group's internal controls and risk management in connection with the preparation of the financial statements, including compliance with relevant legislation and other regulations in relation to the preparation of the financial statements.

Sanistål has established internal control and risk management systems to ensure that the financial statements are in accordance with IFRS and other accounting regulations applicable to listed Danish companies. These systems are also intended to increase the certainty of internal and external financial reporting giving a fair presentation free of material misstatement.

The audit committee continually monitors the corporate control and risk management systems. This includes ongoing assessment of risks that could be significant to the Group's presentation of financial statements. Risk assessment takes as its starting point the most significant account items as well as other business-critical areas. Ongoing monitoring is in place for the purpose of ascertaining the most significant risks.

Recommendations for good corporate governance

The Board of Directors of Sanistål A/S continually abides by the recommendations for good corporate governance ("Anbefalinger for god selskabsledelse") implemented by NASDAQ OMX Copenhagen in the rules for issuers of shares ("Regler for udstedere af aktier") as well as the Danish Financial Statements Act, Section 107b. The recommendations from April 2010 apply to the financial year commenced 1 January 2010 or later and contains 78 recommendations.

The Board of Directors must prepare a report that contains a description of how the company adheres to the above 78

recommendations. In connection with the preparation of the report on good corporate governance, the company is required to apply the "comply or explain" principle. The "comply or explain" principle means that companies will follow the recommendations for good corporate governance or explain why the recommendations were not followed at all or were only followed in part. Consequently, the company must state which recommendations were not followed; the company must give the reason for this and – where relevant – state what the company has done instead. It is specified that the individual circumstances of the company must be the basis of the extent of compliance with the recommendations or in determining where compliance is not appropriate or desirable; the key is to create transparency in the matter of corporate governance.

Sanistål A/S has prepared such a report on corporate governance, available from the Sanistål website: www.sanistaal.dk/nc/da/aktionaerer/corporate_governance.html

RISK MANAGEMENT

Sanistål has identified the most important business risks which may affect the company's growth, earnings and future financial position. The Group's willingness to accept risk is established taking account of the link between the risk in question and the Group's core competencies. As a starting point, efforts are made to hedge risks in the market where such risks are associated with activities that do not belong under core competencies.

There are no changes to the Group's exposure to risk or risk management compared to 2009.

Acquisitions

Before any acquisitions are carried through, a thorough due diligence including a hedge of the risk profile of the acquired will be carried out.

Business risks

The Group's business segments: The Construction Division and Industry Division are generally fortunate in having limited dependence on individual customers or suppliers. No single major customer or supplier has such a large impact on its own that the Group's total revenue or earnings would be affected significantly if the cooperation were to cease.

The Construction Division

The market conditions for the Construction Division are characterised by a division into a construction sector and a maintenance sector, with Sanistål's greatest exposure being in the maintenance sector. Customers span a range

of sectors – from construction trades in the HVAC sector to major installations businesses for contractors.

This means that Sanistål tends to have smaller fluctuations in its segment performance than its direct competitors in this area. However, competition may be described as intense due to the fact that the market is served by certain large groups.

The carpentry/joinery industry is characterised by the fact that it is relatively easy to start up a company. A significant proportion of the segment's customers are privately-owned businesses, or companies with limited capital. With this in mind, the risk of losses on debtors is greater than in the other customer groups. Other segment risks are considered to be on a par with the risks in the division in general.

The Industry Division

The Industry Division's market can be divided into OEM, where Sanistål supplies components and raw materials (steel) for incorporation into industrial finished products, and MRO, where components and aids are supplied for industrial production processes, including for repairs and maintenance of production equipment. Under normal circumstances, this division means that any decline in industrial production does not fully impact on Sanistål because a reduction in industrial sales and production of machinery naturally entails a greater need for maintenance. This does not apply to the same extent when it comes to steel, however, which is mostly supplied as raw materials/components for industrial finished products.

Steel prices are subject to constant cyclical fluctuations which impact on Sanistål's earnings potential. Generally speaking, when steel prices are rising, inventories and market conditions make increased earnings possible. This applies conversely when prices fall. Because it is not possible (economically viable) to hedge the price of steel, the company's policy is to seek maximum hedging by keeping steel stocks at the right level to ensure satisfactory delivery to the company's customers.

Carl F International (discontinuing operation)

In 2009/2010, the Carl F International segment sold most of its assets, including assets in the field of architect-designed door and window fittings at the upper end of the market segment. The sale was on a well-defined legal basis, so no claims are anticipated in connection with this.

Financial risks

Financial risks include liquidity risks, credit risks, foreign exchange risks and interest risks.

Liquidity risk is the risk that Sanistål A/S will not be able to continue to meet its obligations as a result of inability to generate sufficient revenue, realise assets or achieve sufficient financing.

As described previously, the banks have provided credit facilities until 30 June 2012 on unchanged interest terms. As before, there are financial conditions (covenants) attached to the bank agreement pertaining to the majority of the Group's equity, development of corporate EBITDA and credit facilities. These covenants are tested at the end of each quarter. Failure to comply with covenants could result in the credit facilities being withdrawn by the bank consortium. In the opinion of the management, the company is well placed to adhere to the covenants within the company's budget.

Based on expectations for 2011 as well as the operations and liquidity budget for 2011, in the opinion of the management, there are satisfactory credit facilities throughout the year. The Group's financial risks are described in more detail in Note 33.

Other operational risks

Inventory risk

For stock items, the company continuously monitors the rate of revenues of individual products and writes down the value of goods if the inventories are too large or if sales are stagnating. Beyond this, the Group is exposed to raw materials risks, particularly in relation to steel, where prices of raw materials have fluctuated considerably in recent years.

Damages risk

The Group's risks in terms of insurance claims is covered partly by insurance (buildings, movable property and consequential losses) and partly by excess. The properties in Denmark are fully insured to their replacement value. The total risks are evaluated each year by the Board of Directors.

Product liability

The Group almost exclusively supplies the local markets, and product risks are covered partly by the company's normal commercial rights to make counterclaims against suppliers, and partly via the company's terms of delivery and insurance.

IT risk

Sanistål is dependent on fully functional IT systems. The company's IT infrastructure is managed and operated at corporate level, while business systems are controlled by the individual companies. One focus area is operational reliability, and a high level of operational reliability has been achieved by virtue of equipment, processes and organisation, particularly in the parent company.

CORPORATE SOCIAL RESPONSIBILITY

Sanistål A/S has not as yet prepared a CSR policy, but has appointed a project group to establish Saniståls CSR policies and strategies, going forward.

The purpose of the project group is to address a number of principles and standards for CSR as well as to chart the activities that Sanistål A/S will seek to develop further in the field of CSR. With this in mind, a commercial strategy and action plan for CSR have been prepared, and are to be approved by the Board of Directors.

Sanistål's basic CSR plan covers four different areas:

- Employees
- The environment
- Suppliers
- Society

Sanistål A/S already has specific activities in the above areas to support applicable CSR principles, including the UN Global Compact. Once the company's CSR initiatives have been described in depth, they will be made available on Sanistål's website.

The values on which Sanistål bases its business are a high level of reliability and quality in our products and services. In everything we do in the countries and local communities we operate in – whether in relation to customers, suppliers, employees, shareholders or other stakeholders – the Group wishes to be completely trustworthy and always tries to act in a way which instils respect and confidence.

This basic approach is reflected in contracts and agreements with our partners, for example, where the objective is first and foremost to create the overall framework of a trusting and stimulating working relationship. Social responsibility and awareness are a natural progression of Sanistål's principal values.

In all areas, we endeavour not only to keep the law but to exemplify socially responsible conduct.

Environmental awareness is also a natural part of Sanistål and, as a trading company, the Group cannot be described as environmentally intensive, but tries nonetheless to be conscientious in the choice of products, etc.

The company's outsourcing of distribution activities to Danske Fragtmænd will facilitate an environmental improvement in carbon emissions from fuel consumption of ap-

prox. 28%, corresponding to 976 tonnes per year. Efforts are also ongoing to make energy-aware choices in connection with the company's operations overall.

As stated, Sanistål wishes to abide by legislation and regulations in the countries and communities where the Group operates.

KNOWLEDGE RESOURCES

Sanistål has around 1,550 employees, and their knowledge and resources are the very backbone of the company. Sanistål therefore conducts an extensive employee survey every year to examine the attitude of our employees to their workplace. The most recent analysis showed that the employees are motivated and enjoy their work. Despite the many changes in 2009/2010, job satisfaction is unchanged and remains at a high level.

In order to achieve the ambitious targets described in the Management Report, it is important that all employees understand and demonstrate ownership of Sanistål's strategy and action plans. This will be implemented, amongst other things, with the help of a large number of internal communication activities.

R&D ACTIVITIES

Sanistål A/S does not carry out research, but constantly develops its business and expertise.

INCENTIVE PROGRAMMES

The option programmes are described in more detail in Note 7 in the consolidated financial statements.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The company held an extraordinary general meeting on 18 March 2011 at which it was resolved to issue shares of DKK 550 million by conversion of subordinated loans. On 24 February 2011, a new bank agreement was entered into covering extension of the company's credit facilities. The bank agreement was contingent on the share issuance that was subsequently implemented, thus finalising the bank agreement.

There were no other significant events after the end of the financial year in respect of the consolidated accounts for 2010.

STATEMENT BY THE BOARD OF DIRECTORS AND THE BOARD OF MANAGEMENT

The Board of Directors and the Board of Management have today discussed and approved the Annual Report of Sanistål A/S for 2010.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies.

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

Further, in our opinion the Management's report includes a fair report of the developments in the Group's and the parent company's activities and financial circumstances, the result for the year and of the Group and the parent company's financial position as well as describes the major risks and uncertain factors facing the Group and the parent company.

We recommend that the Annual General Meeting approve the Annual Report.

Aalborg, 24 March 2011

Board of Management:



Christian B. Lund



Flemming Glamann

Board of Directors:



Ole Steen Andersen
Chairman



Jens Jørgen Madsen
Deputy Chairman



Per Gammelgaard



Steen Gede



Ole Enø Jørgensen



Benny Kirkeby



Waither V. Paulsen



Matthias Max Schön



Peter Vagn-Jensen

THE INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sanistål A/S

We have audited the consolidated financial statements and the parent company financial statements of Sanistål A/S for the financial year 2010, pp. 23-95 (Danish version). The consolidated financial statements and the parent company financial statements comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements have been presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for consolidated financial statements and parent company financial statements for listed companies.

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

Management's responsibility

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

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit.

We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consoli-

dated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements and the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

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

Statement on the Management report

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

Aalborg, 24 March 2011

KPMG

Statsautoriseret Revisionspartnerselskab



Britta Bang Mikkelsen

State Authorised
Public Accountant



Allan Terp

State Authorised
Public Accountant

CONSOLIDATED INCOME STATEMENT FOR THE YEAR 1 JANUARY - 31 DECEMBER

DKK thousands	Note	2010	2009
Net revenue	3	3,821,561	3,896,232
Cost of goods sold		-2,747,488	-2,908,070
Gross profit		1,074,073	988,162
Other operating income	4	18,310	33,036
Other external expenses	5	-428,613	-409,610
Staff costs	6/7	-553,302	-690,006
Operating profit/loss before depreciation (EBITDA)		110,468	-78,418
Write-downs	17	-2,623	-66,563
Depreciation	12/13	-72,243	-78,556
Operating profit/loss (EBIT)		35,602	-223,536
Share of profit after tax in associated companies	14	2,406	1,071
Financial income	8	24,606	22,665
Financial expenses	9	-107,211	-112,387
Profit/loss before tax, continuing operations (EBT)		-44,597	-312,187
Tax on profit/loss for the year, continuing operations	10	-7,571	73,619
Profit/loss for the year, continuing operations		-52,168	-238,568
Profit/loss for the year, discontinuing operations	17	-78,045	-84,104
Profit for the year		-130.213	-322,672
Attributable to:			
Shareholders of Sanistål A/S		-130.213	-322,672
Earnings per share (EPS), DKK, basic	11	-70,72	-174.48
Earnings per share (EPS), DKK, diluted	11	-70.27	-174.28
Earnings per share (EPS), DKK, basic, continuing operations	11	-28.33	-129.00
Earnings per share (EPS), DKK, diluted, continuing operations	11	-28.15	-128.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousands	2010	2009
Foreign exchange adjustment, foreign subsidiaries	877	-786
Equity movements in associated companies	3,883	-1,064
Value adjustment of hedging instruments	-10,778	-21,098
Value adjustments transferred to financial items	14,551	12,437
Tax on hedging instruments recognized directly in comprehensive income	-1,002	2,824
Net expenses and income recognized directly in equity	7,531	-7,686
Result for the year	-130.213	-322,672
Total comprehensive income	-122,682	-330,359
Attributable to:		
Shareholders of Sanistål A/S	-122,682	-330,359

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

DKK thousands	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets			
	12		
Goodwill		213,582	213,767
Brands		40,625	43,125
Customer base		15,625	18,125
Software		11,650	12,972
		281,482	287,989
Tangible assets			
	13		
Land and buildings		557,493	533,731
Plant and machinery, fixtures and fittings		218,636	256,373
		776,129	790,104
Other non-current assets			
Investments in associated companies	14	233,537	227,248
Deferred tax	18	95,085	81,886
Property rental deposits		14,097	14,915
		342,719	324,049
Total non-current assets		1,400,330	1,402,142
Current assets			
Inventories	15	553,158	618,375
Accounts receivable	16	503,629	462,385
Prepayments and accrued income		15,968	27,838
Cash and cash equivalents		11,235	20,084
		1,083,990	1,128,682
Discontinuing operations and assets held for sale	17	229,530	449,895
Total current assets		1,313,520	1,578,577
TOTAL ASSETS		2,713,850	2,980,719

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

DKK thousands	Note	2010	2009
LIABILITIES			
Shareholders' equity			
Share capital	24	192,378	192,378
Other reserves		-32,223	-38,998
Retained profit		-235,090	-107,910
Total shareholders' equity		-74,935	45,470
Liabilities			
Non-current liabilities			
Subordinated loan capital	20	299,990	549,959
Credit institutions	21	49,597	972,160
Provisions	19	13,080	-
		362,667	1,522,119
Current liabilities			
Subordinated loan capital	20	250,000	-
Credit institutions	21	1,646,508	609,722
Trade accounts payable and other debt commitments	22	399,074	394,457
Corporation tax	23	671	4,378
Provisions	19	7,784	-
		2,304,037	1,008,557
Provisions related to discontinuing operations and assets held for sale	17/21	122,081	404,573
		2,426,118	1,413,130
Total liabilities		2,788,785	2,935,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,713,850	2,980,719

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands	Note	2010	2009
Profit/loss before tax, continuing operations (EBT)		-44,597	-312,187
Adjustment for non-liquid operating items etc.			
Gain on sale of properties	4	-12,974	27,753
Depreciations and write-downs	12/13	74,866	147,395
Other non-cash operating items, net		-7,990	-33,795
Provisions		1,029	-1,954
Other operating items		2,277	124
Foreign exchange adjustments		735	-874
Share of profit after tax in associated companies		-2,406	-1,071
Financial income		-24,606	-22,665
Financial expenses		107,211	112,387
Cash flow from operating activities before changes in working capital		93,545	-140,393
Changes in accounts receivable		-32,718	216,009
Changes in inventories		73,217	574,210
Changes in trade accounts payable and other debt commitments		35,864	-214,787
Financial income received		24,606	22,665
Financial expenses paid		-107,211	-112,387
Corporate tax paid		-985	-159
Cash flow from operating activities		86,318	345,158
Acquisition of intangible assets		-2,648	-4,349
Acquisition of tangible assets		-11,492	-37,324
Sale of tangible assets		25,560	75,783
Other non-current assets		818	-536
Cash flow from investment activities		12,238	33,574
Free cash flows		98,556	378,732
Debt financing:			
Proceeds from borrowings (subordinated loan capital)		-	550,000
Repayments to credit institutions		-61,796	-264,001
Reduced drawings on operating lines of credit		-45,640	-648,985
Shareholders:			
Acquisition of own shares		-	-2,938
Cash flow from financing		-107,436	-365,924
Cash flow from discontinuing operations	17	-15,044	6,416
Cash flow for the year		-23,924	19,224
Cash and cash equivalents as at 1 January		20,084	19,622
Foreign exchange adjustment of cash and cash equivalents		31	-41
Cash and cash equivalents as at 31 December, discontinuing operations		15,044	-18,721
Cash and cash equivalents as at 31 December		11,235	20,084

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