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FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR THE GROUP

DKK million	2003	2004	2005	2006	2007
Financial highlights:					
Results:					
Net revenue	2,983.1	3,548.4	3,919.3	4,819.6	6,333.3
Gross profit	736.6	917.0	916.5	1,155.8	1,586.9
Earnings before interest, tax and amortisation (EBITA)	115.4	221.3	173.7	227.2	119.5
Operating profit (EBIT)	109.2	207.7	169.8	222.8	110.7
Net financial items	-12.0	-7.5	-7.8	-8.2	-64.5
Profit before tax	97.2	200.2	162.0	214.6	46.2
Profit for the year	68.8	140.0	118.7	158.6	33.0
Cash flows:					
Cash flow from operating activities	18.2	120.6	160.1	-80.8	-104.1
Cash flow from investment activities	-39.2	-38.5	-82.6	-153.7	-1,319.9
Free cash flows	-21.0	82.1	77.5	-234.5	-1,424.0
Investment in tangible fixed assets	45.6	44.0	94.5	164.2	398.8
Balance sheet:					
Non-current assets	455.2	432.8	455.2	541.9	1,865.2
Current assets	964.8	1,116.9	1,199.8	1,646.6	2,235.2
Total assets	1,420.0	1,549.7	1,655.0	2,188.5	4,100.4
Shareholders' equity	663.4	758.0	842.4	978.3	966.9
Interest-bearing debt	479.7	452.1	416.4	694.4	2,486.9
Non-interest-bearing debt	276.9	339.6	396.2	515.8	646.6
Total liabilities and shareholders' equity	1,420.0	1,549.7	1,655.0	2,188.5	4,100.4
Share capital	200.4	200.5	192.4	192.4	192.4
Key ratios:					
EBITA margin %	3.9	6.1	4.3	4.6	1.9
EBIT margin (profit margin) %	3.7	5.9	4.3	4.6	1.7
Earnings per share after tax (EPS), DKK, basic	34.7	72.5	63.0	83.7	17.4
Earnings per share after tax (EPS), DKK, diluted	34.7	72.3	62.9	83.5	17.3
Cash flow per share (CFPS), DKK	9.2	62.3	84.8	-42.5	-54.5
Return on invested capital (ROIC) %	10.3	18.5	13.8	15.4	5.1
Return on equity %	10.7	19.7	14.8	17.4	3.4
Payout ratio %	35.7	26.9	31.8	24.0	28.5
Dividend per share, DKKK	12.5	20.0	20.0	20.0	5.0
P/E ratio	9.4	6.3	11.8	10.2	36.1
Price/book value ratio	1.0	1.1	1.7	1.7	1.2
Market price per DKK 100 nominal share	326.2	459.6	746.2	854.8	626.5
Book value per DKK 100 nominal share	337.5	403.1	446.0	515.0	514.8
Equity ratio %	46.7	48.9	50.9	44.7	23.6
Number of full-time employees at year-end	1,414	1,445	1,586	1,848	2,776

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

Definitions according to "Recommendations & Financial Ratios 2005" by The Danish Society of Financial Analysts, cf. page 5.

FINANCIAL HIGHLIGHTS

2007 – RESULTS FOR THE YEAR

- Profit before tax in 2007 of DKK 46.2 million (2006: DKK 214.6 million).
- Growth in revenue of 31.4%, of which 14.9% was organic.
- Revenue was DKK 6,333.3 million (2006: DKK 4,819.6 million).
- Acquisition of Carl F A/S, which did not live up to profit expectations in 2007.
- Acquisition of 39.12% of the shares in Brødrene A&O Johansen A/S.
- Construction of a central warehouse for Construction Industry, Electrical and Other Industry products in Billund. Extra logistical expenses in the transitional year of 2007 were DKK 80-90 million.
- The Board of Directors proposes a dividend of DKK 5.00 per share (2006: DKK 20.00 per share).

2008 – EXPECTATIONS

- Subdued growth is expected in the construction sector in Denmark.
- Continued growth in revenue in all Danish segments and subsidiaries.
- Logistical expenses expected to be at a similar level to 2007.
- Construction of a central warehouse for steel products in Taulov.
- Profit before tax for 2008 is expected to be in the order of DKK 60-90 million.

Definitions according to “Recommendations & Financial Ratios 2005” by The Danish Society of Financial Analysts:

EBITA margin	$(\text{EBITA} / \text{net revenue}) \times 100$
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 10)
CFPS (Cash flow per share)	Cash flow from operating activities / average number of shares, diluted
Return on invested capital (ROIC incl. goodwill)	$(\text{EBITA} / \text{average capital invested incl. goodwill}) \times 100$ Capital invested includes tangible and intangible assets, inventories and 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
Equity ratio	$(\text{Equity} / \text{total assets}) \times 100$



MANAGEMENT REPORT

Sanistål has experienced a very positive growth in net revenue of 31%, to which all segments and subsidiaries have made a contribution. Despite a subdued market in Denmark, organic growth for the Group was 14.9%. Nevertheless, profits for 2007 were not satisfactory. This is due to the costs of establishing and transferring to a new centralised warehouse structure and also because Carl F did not live up to expectations in 2007.

The reorganisation from 24 decentralised warehouses to two new central warehouses weighed heavily on costs in 2007. The reorganisation resulted in increased personnel costs, while the storage and distribution costs involved in running two structures in parallel during the reorganisation period have been extensive. The first central warehouse, located in Billund, will handle all Sanistål's industrial, HVAC, plumbing, electrical and carpentry/joinery products. This warehouse is gradually being completed and is expected to be fully operational in June 2008. The second central warehouse is located in Taulov and will handle all Sanistål's steel and metal products. It is under construction and will come into operation during the second half of 2008. The development of both warehouses is on schedule. See also a detailed description of logistics in the "Optimisation" section.

In January 2007, Sanistål acquired Carl F A/S. Carl F's Danish sales to the carpentry and joinery industry are being integrated into Sanistål's Danish sales organisation as an independent business segment, but international sales and a number of other activities are separated into the subsidiary Carl F International A/S. The focus at Carl F Denmark this year has been on integrating employees and products into the Sanistål organisation, with all the costs that that brings. Carl F Denmark suffered a fall in activity within the large-scale construction sector and therefore a drop in earnings. Carl F International has been hit by earnings in the Danish lock business and at subsidiary Jørgen Schmidt Trading.

Revenues at Sanistål have been steadily growing, following the trend of previous years. In Denmark, Sanistål's revenue has increased by 14.0% and all business segments have increased their market share. The growth in revenue has been particularly strong in e-commerce.

Sanistål's subsidiaries have also had a successful 2007. Serman & Tipsmark improved its profits by 50% and in Germany and Poland, Max Schön achieved revenue of DKK 404 million, an increase of 19%. Sanistål has also had a particularly successful year in the Baltic region, where revenue increased by 55%.

SANISTÅL'S VISION

In 2001, Sanistål formulated a strategy that has been, and continues to be, the basis of the company's development and growth. The most significant elements of Sanistål's vision are:

- Sanistål shall be the preferred one-stop supplier, and
- Sanistål shall make our customers competitive.

In practice this strategy resulted in the four main customer values, which are the guiding principles in all of Sanistål's areas of activity:

TOTAL SERVICE
Complete product range
Customers have no need to go anywhere else
Knowledge and advice

QUALITY SERVICE
Personal quality
Local, personal sales organisation
Product quality
Brand-name goods

BEING COMPETITIVE
Price/performance
Concepts that make our customers more efficient and therefore more competitive

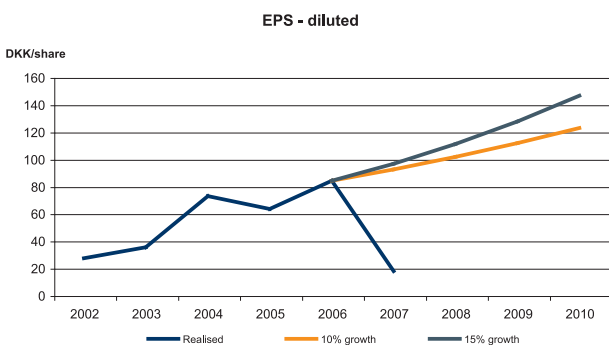
EASY AND EFFICIENT
Extremely reliable in terms of delivery, better than the competition
Close proximity for collection
24-hour service
E-commerce
Supply Chain Management
Easy-supply

FINANCIAL OBJECTIVE

Sanistål's financial objective was formulated by the Board of Directors and the Board of Management in 2006. Although results in 2007 and 2008 may not live up to previously stated expectations, this is no reason to change the targets for subsequent years. The size of the logistical expenses in 2007 and 2008 is of a temporary nature and Carl F activities are still expected to make a positive contribution to the Group's earnings once integration is complete and synergies have been realised.

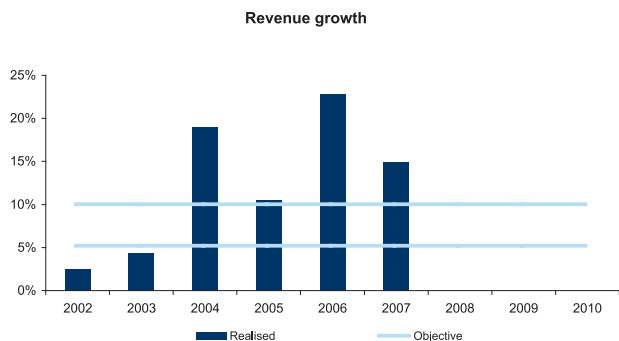
Overall EPS target

It is the Group's overall financial objective, through the continuous development of the business, to realise an average annual growth in earnings per share (EPS) of 10-15%, starting from the profit achieved in 2006. It must be emphasised that this is an average increase over a number of years. When evaluating growth for an individual year, consideration is given to the "Steel price development" and any extraordinary items. We operate on the basis of average profit targets only, because the Group's activities are so dependent on general economic developments and fluctuations in the economic climate that it is only meaningful to operate with a growth target which stretches over several years. It usually takes three or four years to assess growth and it is to be expected that profits will fall in some years.



Growth in revenue

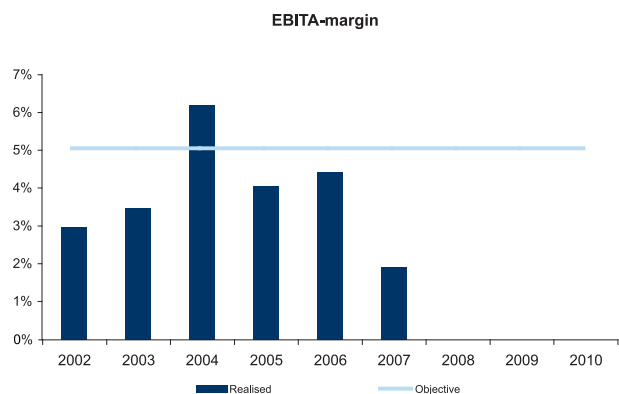
Sanistål's objective for the period from 2006 until 2010 is to realise an annual average organic increase in revenue of 5-10%. In evaluating the annual growth in revenue, it is noted that no growth in volume is expected within the Steel Industry segment and that there may be significant fluctuations in individual years as a consequence of the fluctuation in steel prices. In 2007, organic growth of 14.9% was achieved.



EBITA margin

Against the background of an expectation of significant reductions in the logistical expenses' share of the gross profit from the creation of central warehouses, the expansion of the shop network, the creation of the Electrical Technology segment and the integration of Carl F, the objective for the period from 2006 until 2010 is to increase the EBITA margin to a level of more than 5% and an accelerated increase is expected in the period from 2008 to 2010.

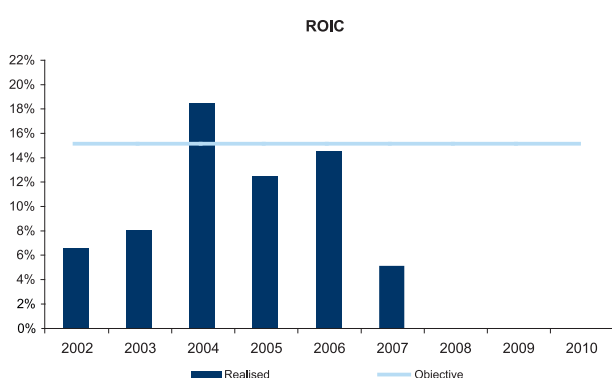
In 2007, an EBITA margin of 1.9% was achieved.





ROIC

As a result of setting up central warehouses and acquiring Carl F A/S, the ROIC in 2007 was reduced. The objective for ROIC (return on average capital invested incl. goodwill) in the period from 2007 until 2010 is to raise the ROIC to a level of over 15%. This is expected to be possible from 2010, as a result of the significant reductions in logistical expenses as a proportion of gross profit with the setting up of central warehouses, expanding the store network, establishing the Electrical Technology segment and integrating Carl F. In 2007, an ROIC of 5.1% was achieved.

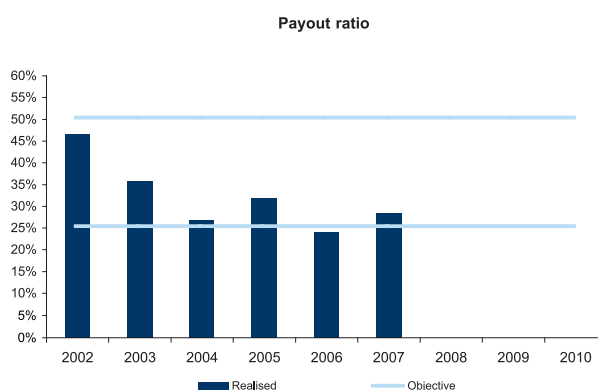


- the reduction of inventories in relation to the reorganisation of the logistics structure. Stocks are expected to be reduced by approximately DKK 150 million by 31 December 2009.

The previously announced increase in share capital has been postponed until further notice.

Payout ratio

The objective for the payout ratio remains at 25 to 50% of the profit for the year after tax, with due reference to the company's expansion plans and its financial and liquidity position. In 2007, the payout ratio was 28.5%.

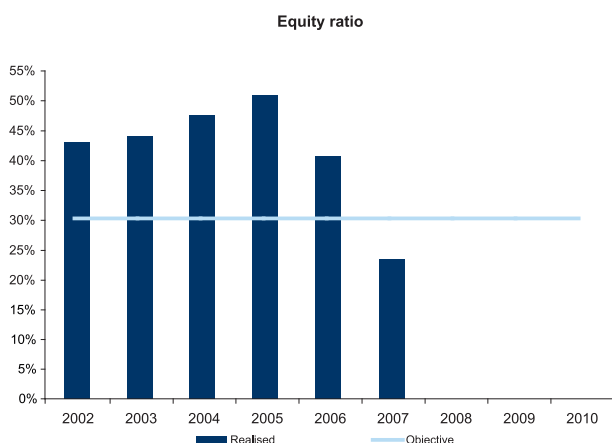


Equity ratio

The intention is that the equity ratio will be maintained at a level of more than 30%. However, it may fall to a lower level over shorter periods in connection with major acquisitions. In 2007 an equity ratio of 23.6% was achieved as a result of major investments and the objective is to bring the ratio above 30% again as quickly as possible.

This will be done by increasing earnings and by trimming the balance sheet, including

- the sale of property that is no longer required following the reorganisation of the logistics structure. Disposals are expected to return around DKK 200 million in the period 2008-9.





WE'VE GOT WHAT YOU NEED

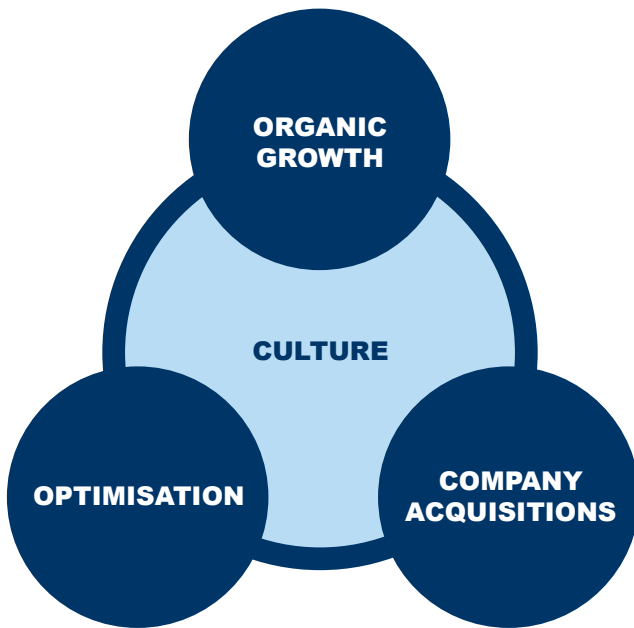
For many years now, Sanistâl has been well-known as a supplier to HVAC tradesmen, plumbers and industry in particular, and in recent years to the contractor sector. With the launch of the new Electrical Technology product segment in 2006 and the acquisition of Carl F in 2007, Sanistâl has become a one-stop supplier for customers. Electrical technology products were launched in earnest in 2007 and have been well received by customers, while

Carl F's strong links to the joinery and carpentry segment have enabled Sanistâl to reach out and provide services to a whole new group of customers.

Today, Sanistâl has "whatever you want" for trades and industry: fittings, tools, HVAC, work clothing, service vehicle interiors, machinery, electrical products, technical goods, and much much more.



SANISTÅL'S GROWTH STRATEGY



Sanistål's business policy and growth strategy are built around the three growth drivers depicted in the diagram above, and the foundation for growth is Sanistål's strong corporate culture.

Sanistål's corporate culture

As mentioned above, Sanistål now has a culture that is firmly accepted by our employees. Both motivation and morale at work are high, and this, among other things, has been evident in the logistics organisation, which was under pressure in 2007 – mainly because of the extensive restructuring and centralisation of the warehouse structure, while at the same time increased sales of goods have created additional pressure. The implementation of Carl F in the Sanistål organisation has also placed great demands on employees and this integration process has been seen by the employees of both Sanistål and Carl F as a joint project.

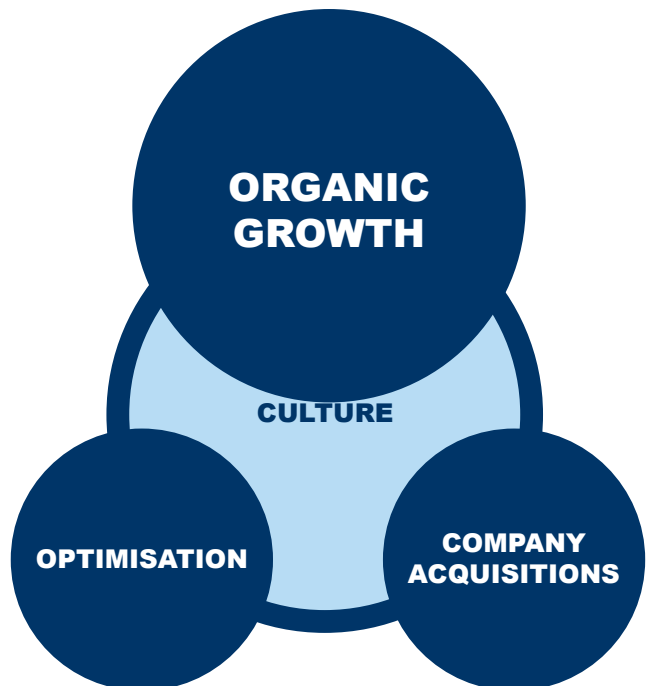
In such situations there is also a positive spirit and a clear determination to achieve a common objective. As an element of internal branding, in 2001 Sanistål adopted a communication strategy based on the Brand Position Statement (BPS) "more than you think". The aim of "more than you think" was, and is, to strengthen self-confidence, esprit de corps and corporate culture, while at the same time being a tool to implement the company's strategy. Externally, "more than you think" ensures that there is a constant focus on giving customers a positive, "more than you think" experience. "More than you think" is now firmly rooted in the corporate culture, and work continues on an ongoing basis to make sure that

employees maintain their focus on the company's BPS. For example, the employee newsletter includes "more than you think" stories, and prizes are awarded to "more than you think" employees. In this case it is the employees who nominate a colleague for the prize.

Sanistål's management philosophy is based on the principles of pro-active management, which provides an informal, open and honest management style as well as visible management, which ensures that problems are raised and solved. Both "more than you think" and pro-active management are keystones in Sanistål's unique culture.

Training and qualifications are also instruments of value creation. For this reason, the extensive and ambitious training programme for Sanistål's employees, which was launched in 2002, has been extended and improved – most recently through the founding of the Sanistål School.

ORGANIC GROWTH



Strong revenue growth

In 2007, Sanistål's revenue grew by 31% compared with 2006, 15% of which was organic growth, even though competition became increasingly tough. All business segments experienced growth and market share was increased in all business areas. See also the individual business segments' sales trends, note 28. In 2007, cross sales to Sanistål's 34,000 or so customers were boosted, due in part to the implementation of Carl F Denmark, which introduced Sanistål to the carpentry and joinery industry, and also to the further

expansion of the Electrical Technology segment. This has strengthened the focus on cross sales throughout the whole organisation.

Growth on Zealand

In recent years there has been a targeted initiative to raise Sanistål's profile on Zealand, not least through the opening of new Sanistål shops. New salespeople and new employees have been engaged to support customers, and in 2007 alone this high level of activity generated revenue growth of 20%. In 2007, Sanistål established new office facilities in Glostrup and Brøndby, and the high level of activity will continue in 2008, with plans including the opening of two more new shops on Zealand as well as a number of mergers with Carl F shops.

New high-quality tools programme proves a success

In 2006 Sanistål entered into an agreement with the German purchasing association E/D/E on exclusive rights to import quality tools under the Format brand. Sanistål has exclusive rights to the extensive range of products in Denmark and the Baltic States. The Format range comprises around 10,000 items covering general hand tools, an extremely wide range of cutting tools plus clamping tools and measuring tools. The programme has been successful and has contributed to growth, as it complements existing brands well.

Own brands

In recent years Sanistål has been introducing more and more brands under its own name, and the company has also focused on exclusive supplier agreements with producers of various high-quality products. This has been done to guarantee optimal purchase prices while at the same time reinforcing our market position, thus generating increased revenue. The traditional market, in which many wholesalers compete to sell identical products, and where price is the primary competitive factor, will undoubtedly change in the years ahead into a situation where wholesalers increasingly concentrate on individual products and services. In the next few years Sanistål will therefore reinforce the development of its own brands and focus increasingly on strategic alliances, primarily with suppliers that focus on value creation. For this reason, Carl F International and Sanistål, in collaboration with others, established its own sourcing business in China in 2007.

A focus on customers

Rather than being based on product groups, sales initiatives in 2007 also focused increasingly on the customer types that Sanistål is targeting. The division of the customers of Sanistål's individual segments into six customer types has put the spotlight on the individual customer type's requirements

and needs, which has made it possible to develop a more targeted product range, more targeted service concepts, more targeted marketing and a more targeted sales initiative aimed at customers across Sanistål's business segments. This is an initiative that has borne fruit and which we want to strengthen further in the future.

In 2007 Sanistål's key account teams working in the fields of Other industry and Construction also achieved success by such means as drawing up Supply Chain Management agreements (SCM). These SCM agreements enable customers to hand over a large number of internal processes to Sanistål, not least in the field of stock management.

New shops

Sanistål's shops are the company's outward face to the local regions and one of the most important interfaces with our customers. For this reason 2007 also saw a focus on renovating and modernising the existing Sanistål shops and in particular on the building of new shops, thus reinforcing the local markets. In 2007, Sanistål opened new shops in Aalborg, Frederikshavn, Køge, Holbæk and Ringsted. A shop has also just opened in Randers and we plan to open another five shops in 2008.

The Sanibad shops will also be changing their appearance in the next few years. The traditional HVAC and plumbing wholesale display will disappear and be replaced by new and inviting Sanibad concept shops with a focus on servicing the shops' primary customers – HVAC tradesmen and plumbers. The shops have been made more "end user-friendly", with features including displays of modern bathroom settings with a focus on luxury and well-being.

Electrical Technology has been well received by the market

As part of Sanistål's strategy to be the customer's preferred one-stop supplier, the company launched a new business area in 2006: Electrical Technology. The organisation and product range within the Electrical Technology division was launched in earnest in 2007, including in relation to the Webshop, which for most of the year has been fully updated with 70,000 electrical products.

Electrical Technology has been well received by the market and it has kept to budget and created a solid base for future growth.

E-commerce – a success story

The Webshop, Sanistål's e-commerce solution, is being used by a steadily increasing number of customers. In 2007, revenue from Sanistål's e-commerce solutions, of which the Webshop forms a major proportion, increased by 161%. Customer satisfaction surveys show that customers who use



the Webshop are very satisfied with it and use it a lot, including for reference purposes. At present there are around 190,000 items available from the Webshop, making it the largest in the industry. In 2007, the Webshop was given a number of new user-friendly functions and it will continue to be further developed for the benefit of Sanistål's customers. In 2007 Caddie, Sanistål's hourly case management system for service companies, was further optimised and is now being introduced on an ongoing basis for more and more customers, which increases efficiency in their day-to-day operations. Caddie is free and is integrated in Sanistål's Webshop. Sanistål Integration went well in 2007, with several new companies integrating their ERP with Sanistål.

Easy-supply makes life easy

In 2007, Sanistål's Kanban stock management system, Easy-supply, was introduced to a steadily increasing number of customers, who have reacted positively to this new service. The system, which is particularly suitable for consumables, uses signal cards to make sure that the customer receives continuous supplies of new products. Depending on the customer's preferences, the customer can either reorder goods himself or receive regular visits from Sanistål's merchandiser, who makes sure that the goods are ordered in plenty of time before the customer needs back orders. The concept is fully integrated into Sanistål's Webshop and this generates further efficiency for the customer's day-to-day business.

Subsidiaries abroad expand

In Germany, Max Schön reported a positive profit trend. There has been stable growth within all business areas and as a result revenue has increased by 19% to DKK 404 million. Max Schön's profit in Germany and Poland was DKK 18 million, which is 33% higher than in 2006.

Revenue in the three Baltic States increased by 55% in 2007 compared with the year before and amounted to DKK 435 million. The year was greatly affected by Sanistål's acquisition in December 2006 of HVAC and plumbing wholesaler Hidruva, which was integrated into Sanistål during the first six months of 2007. Today Sanistål has 162 employees in Lithuania and is very strong in the HVAC and plumbing sector. Sanistål is now well-placed to strengthen its market position within other product areas in the Baltic States.

COMPANY ACQUISITIONS

Sanistål's growth will also take place through the acquisition of sound businesses that can strengthen the company's market position, either through geographical coverage of areas where Sanistål is not yet the market leader, or through the introduction of new product areas that can strengthen

Sanistål's vision of being the customer's preferred supplier. For this reason, we acquired two companies – Carl F A/S and UAB Hidruva.



Carl F A/S

In January 2007, Sanistål A/S entered into an agreement to acquire the shares of Carl F A/S. Carl F A/S is a leading supplier of fittings, tools and fasteners to the construction industry and other industry in Denmark. The cash purchase price for the shares in Carl F A/S was DKK 477.2 million, of which goodwill was DKK 281.2 million.

Carl F A/S is represented abroad in 50 markets with subsidiaries in the UK, India, Germany and Benelux. Carl F A/S is well known for its strong brands, including the development, production and marketing of d line, a range of architect-designed, high-quality products in stainless steel designed by Knud Holscher.

The closing of the transaction took effect on 1 April 2007. Therefore Carl F A/S and its profits are included in the Sanistål Group's annual report from 1 April to 31 December 2007.

As part of the integration of Carl F A/S, a tax-free demerger of Carl F A/S has been carried out. The result of this was that Carl F A/S was divided into a Danish wholesaler, Carl F Detail A/S, and an international company, Carl F International A/S, which carries out the sale and marketing of d line, other architect-designed products, locks and access control products in Scandinavia and fittings for the door and window industry, primarily in the UK.

The Danish wholesaler Carl F Detail A/S was subsequently merged into Sanistål A/S, where its activities are operated as an independent segment under the name Carl F.

Web and IT functions have also been integrated from 1 February 2008.

Carl F has developed and sold fittings, tools and fasteners for over 125 years. The entire Carl F Group, which was acquired by Sanistål, had total revenue of DKK 897 million in 2006, with profit before tax of DKK 29.5 million. In the year 2007 as a whole, total revenue for the same Carl F operations was DKK 920 million. The profits before tax comparable with 2006 were DKK 11.9 million for 2007, as this figure includes a profit of DKK 5.5 million in Q1 but does not include the negative impact of acquired subsidiaries and write-downs at Sanistål for intellectual property rights acquired. Profit in 2007 was negatively affected by the major task of integrating and incorporating the company into Sanistål, as well as by the fall in construction activity. For more details, please see the relevant sections of the Annual Report.

The figure quoted for the whole of 2007 is not taken from Sanistål's Annual Report, as the profit for 2007 is divided into profit for the Carl F segment, which is included in the Sanistål parent company, and the profit at Carl F International A/S.

In both cases, the profit is only included from 1 April 2007, when the transaction was closed.

The figures are also not taken from the independent financial statements prepared for Carl F International A/S as the surviving company following the demerger (see above), as the profit in these statements also includes newly acquired subsidiaries and all the revaluations of assets and liabilities carried out in connection with the acquisition, cf. note 27. These revaluations are included in Sanistål's accounts in the opening balance as at 1 April 2007.

Through the acquisition of Carl F, Sanistål gained considerable revenue for a segment in the carpentry/joinery industry and for the wood processing industry, which are new customer groups for Sanistål. Sanistål also gained a whole new international business with world-wide coverage that is largely based on its own internationally recognised brand names in the construction industry, with production facilities in Denmark and India.

Together Sanistål and Carl F's products occupy a position of strength on the Danish market and following the integration of the Carl F segment into Sanistål, substantial synergies are expected within sales, marketing, purchasing, sourcing abroad, logistics, IT and other back-office functions.

The activities of Carl F International are of a more independent nature and will be further developed as such. Here the synergies with the rest of Sanistål are related to sourcing, logistics, IT and other back-office functions. On the sales side, the long-term synergies relate to the possibilities for combining Carl F's products at Sanistål's foreign subsidiaries and to the possibilities of combining selected Sanistål products with Carl F activities in suitable geographical areas. Carl F International's presence in countries such as China and India also strengthens the development of further production of own brands in these areas for the group as a whole and at lower cost.

2007 was a year of gradual integration for Carl F activities. Profits have not been satisfactory, but it is still estimated that over the course of the next few years, these activities will be able to make a positive contribution to achieving Sanistål's organic growth target, both in terms of revenue and earnings. The acquisition of the Carl F segment in Denmark has slightly increased Sanistål's dependency on the construction industry in Denmark, but the acquisition of Carl F's international business has reduced dependency on Denmark as a whole and opened up opportunities for expansion in some of the world's fastest growing economies in the Middle and Far East.



UAB Hidruva

In December 2006 Sanistål strengthened its position in Lithuania with the acquisition of UAB Hidruva. Hidruva is a major HVAC and plumbing distributor in Lithuania and the company imports and distributes a wide range of well-known products in the fields of heating, ventilation, sanitary ware, tiles, etc. For the first half of 2007, the main focus was on integrating Hidruva into Sanistål. The integration of these two organisations and businesses was a major and labour-intensive task. Sanistål currently has 162 employees in Lithuania, compared with Hidruva's 62 employees and Sanistål's 40 employees at the time of acquisition. The company has eight shops in six cities and is the market leader in HVAC and plumbing, which forms a major part of overall revenue.

Brødrene A&O Johansen A/S

In June 2007, Sanistål A/S acquired a preference shareholding of 39.12% of the share capital in Brødrene A&O Johansen A/S, corresponding to 20.69% of the votes in Brødrene A&O Johansen A/S. The purchase price was DKK 446.1 million. As Sanistål A/S controls more than 20% of the votes in Brødrene A&O Johansen A/S, for accounting purposes Brødrene A&O Johansen A/S is treated as an associated company of Sanistål A/S. This means that the income statement of Sanistål A/S is affected by 39.12% of the profit after tax of Brødrene A&O Johansen A/S.

The purchase of the shareholding is a strategically-based investment in an exceedingly well-run company within a business sector where Sanistål also has its own core activities.

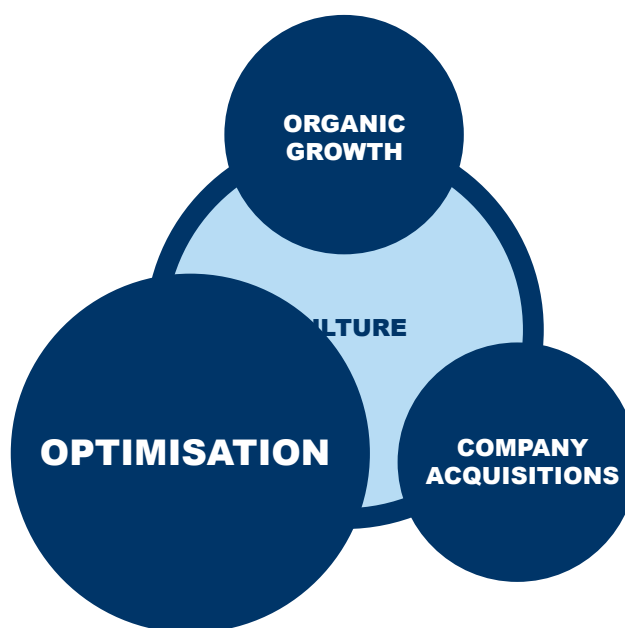
The aim of the share purchase was to reinforce Sanistål's potential for actively participating in a sector-consolidation process when the time is ripe for this. Sanistål has always regarded the two companies as complementary enterprises that could jointly achieve substantial synergies in terms of operation and development, in competition with large multinational corporations.

Brødrene A&O Johansen A/S notified the Copenhagen Stock Exchange on 7 November 2007 that it had entered into a conditional share transfer agreement through which J-F. Lemvig-Müller Holding A/S would acquire 14.21% of the share capital and 54.62% of the votes in Brødrene A&O Johansen A/S. This agreement covers all of the ordinary share capital and a proportion of the preference share capital. The price for ordinary shares is DKK 3,750 per DKK 100 share and the price for preference shares is DKK 2,500 per DKK 100 share. Furthermore, it was announced that – provided that the agreement is implemented – J-F.Lemvig-Müller Holding A/S is obligated to make a compulsory offer to pur-

chase the shares of the remaining shareholders of Brødrene A&O Johansen A/S.

Sanistål A/S holds 223,005 preference shares with a nominal value of DKK 100 in Brødrene A&O Johansen A/S, which were acquired in June 2007 at a purchase price of DKK 2,000. Sanistål A/S has not yet taken a decision on any possible purchase offer.

OPTIMISATION



As a supplier of products and services, Sanistål must optimise first and foremost through rationalisation, by “working smarter”, at the same time as choosing solutions that make customers, suppliers and Sanistål itself more competitive.

OPTIMISATION OF LOGISTICS

General information

Sanistål's logistics function includes all tasks relating to goods handling, i.e. receipt, storage, transportation, packing, loading of vehicles, dispatch, trans-shipment and delivery to customers. Those shops where customers collect the goods themselves are not included.

More than 150,000 different products from 3,000 suppliers are held in stock and every day the logistics system transports more than 17,000 order lines to the company's 34,000 customers using its own or third party vehicles.

Logistical expenses mainly comprise:

- employee salaries
- transport costs
- rent
- depreciation, interest and maintenance of own buildings
- depreciation, interest and maintenance of technical auxiliary equipment
- product wastage (breakage and loss)
- interest on working capital tied up in stock.

The sum of these logistical expenses is a very significant item in Sanistål's accounts. It is in the region of DKK 0.5 billion per year, roughly divided between storage/handling (2/3) and distribution (1/3). It fluctuates generally in line with the extent of the activities carried out through Sanistål's warehouse and distribution system, which is to say the combined warehouse and transit revenue. Logistical expenses are not affected, however, by goods delivered directly to the client by the supplier.

It is not only the scope of Warehouse and Transit activities that determines the logistical expenses. Other factors, for example, include:

- the demands made by the market/customers in terms of speed of delivery and level of service, e.g. delivery at night or at certain times of the day
- the product composition of sales, as the handling and transport costs vary greatly between steel products and HVAC and plumbing products, for example
- the size of the individual customer orders/deliveries
- the number of order lines per customer order
- the structure on which logistics is based
- the technology used at each stage of the handling process
- the efficiency achieved in carrying out the many processes.

Where there are any significant changes in one or more of these factors, the level of logistical expenses also changes.

In order to manage and control logistical expenses over the years, Sanistål has used a **logistical expenses percentage**, expressed as the percentage of gross profit earned from Warehouse and Transit revenue that is taken up by logistical expenses. It is naturally important to the company's profits that the logistical expenses percentage is kept at an appropriate controlled level. However, this is not the same as having full control over it, as it is influenced by the above-mentioned variable factors and the change in gross profit as a result of competition and economic conditions.

The logistical expenses percentage at Sanistål for the period 2002-2006 has therefore fluctuated between 36% and 45% and the level in more or less "normal" years has been 42-45%.

In years where steel profits are high, the percentage is low and vice versa. In 2007, it was 54%, mainly as the result of the effects of restructuring.

Sanistål's logistics function plays a key role both in controlling costs and in providing service to customers. That is why the focus over the years has always been on designing the logistics structure so that it is able to provide a delivery service that is among the best – at a competitive price.

The previous logistics system

Sanistål's previous logistics system in Denmark with 24 warehouses spread around the entire country was built up around the businesses acquired gradually over the years, supplemented by individual new buildings or leased warehouse locations. All functions in the logistics chain were to have been in place at all locations and generally speaking all locations had both "cold" storage for steel products and "warm" storage for all other, more technical goods. Efforts were made to optimise the system over the years by connecting warehouses along overnight routes so that they could in principle function as one warehouse. This provided the necessary service level to customers but also meant that there was a lot of movement of goods around the system, with the transport and trans-shipment that this entails. It also meant that it was not possible to achieve economies of scale by fully exploiting modern technology, which in turn resulted in larger stocks being held than necessary. Throughout the 1980s and 90s, this system was still considered to be reasonably competitive, but to an ever decreasing extent.

The new logistics system

Sanistål's strongly increasing sales in recent years have put the logistics system under increasing pressure. In 2005, therefore, a comprehensive analysis was carried out, with the involvement of external specialist advisers, in order to ascertain what the optimum logistics system of the future should look like. One option was to expand many of the existing warehouses, which would require significant investment, and in principle retain the existing structure. The other option was to take a radical approach and build the most rational structure from scratch. The investment required for a new central warehousing system would be large, but the analyses unequivocally showed that a central warehouse for steel and a central warehouse for all other products, both situated in the Triangle Region in East Jutland would be the best option. When all costs were taken into account, the conclusion was that this model would be DKK 50-70 million cheaper per year than the alternative. All things being equal, it would be possible to maintain the ordinary logistical expenses percentage in an expanded decentralised system at an average level of around 42-44%, whereas in a centralised warehouse system it would be possible to reduce the level to 36-38%.



The main reasons for this are:

- receipt, storage and dispatch of goods with efficient resources and economies of scale at two locations instead of 24
- elimination of overnight transportation and trans-shipment
- use of modern, proven technology at the central warehouses
- reduction in the size of inventories, increased turnover rate
- higher quality and security plus less waste.

There is also the opportunity to provide new value-added services.

The central warehouses send customer deliveries to a distribution organisation, which then either distributes them itself or sends them via the post office or via other distribution organisations. The deliveries that are distributed by the organisation may go directly to the customer or via two or three transit-only warehouses positioned at selected locations across the country. Distribution can be adapted at any time to minimise costs. External carriers on long-term contracts are used to a large extent so as to make optimum use of transport capacity.

The estimated savings for the project have been re-assessed twice since the initial analyses to take into account changes in circumstances and each time the conclusion was largely the same as that of the original calculations.

The warehouse in Taulov

In April 2006, Sanistål acquired a 382,000 m² industrial site near the motorway and railway in Taulov. The intention was to establish both a steel warehouse building and a warehouse building for all other products. As the opportunity arose shortly afterwards to lease 55,000 m² of warehouse space in Billund, the plan was changed so that only a steel warehouse building would be established in Taulov.

The construction of the 44,000 m² steel warehouse is proceeding according to plan, both in terms of time and money. The building will be taken over in May 2008, after which cranes and machinery for handling sheet steel and steel bars will be set up and brought into use. It is anticipated that the site will be operational in October/November 2008. The warehouse in Taulov will be one of the most modern and technologically well-equipped in Northern Europe, while at the same time having an emphasis on being able to use tried and tested technology. It will have around 100 employees, of which around a third will be Sanistål employees from the former steel warehouses.

The warehouse in Billund

In Billund Sanistål has gradually, and according to plan, leased some of LEGO's former production and storage facilities. The first facilities were taken over on 1 February 2007 and in the second quarter of 2008 all 55,000 m² will be fully equipped and in use. In addition, a 35,000 m² outdoor storage area has been established adjacent to the warehouse for all those goods that take up a lot of room and can be left outside. It is anticipated that the warehouse in Billund will be able to accommodate all of Sanistål and Carl F's products. When fully operational, the warehouse buildings will be equipped with a total of 39 automated warehouse systems for the storage and transportation of the vast majority of the products, while more voluminous products will be stored in traditional shelf systems. Modern equipment has been installed for the receipt and packing of goods. Around 250 employees work at Billund, of which around 20% have been transferred from former Sanistål warehouses.

Transition from old to new logistics system in 2007

There is nothing to suggest that the new logistics system will not be able to live up to expectations and deliver the predicted low cost level once it has been implemented and launched. This will take place in 2009 and the first full year to benefit from the cost effect will be 2010. However, the profit figures for 2007 show that making the transition from the old to the new is a costly process and the challenges and transformation costs involved in this have been underestimated. At the beginning of 2007, the expectation was that the year's business could be carried out with largely the same logistical expenses percentage as in 2006 (all things being equal). It was expected that:

- it would be possible to maintain the efficiency of the old warehouses to a large extent by reorganising teams gradually as goods were increasingly shipped via Billund
- the closure of the old warehouses could begin
- it would be possible to quickly build up efficiency in Billund to a normal level, partly by using Sanistål employees from other departments and partly by taking on experienced warehouse staff who would be made redundant by LEGO
- it would be possible to maintain overall transport costs at a normal level
- additional expenses for a new warehouse, rent, etc. would be covered by the anticipated increase in volume
- there would be a normal error and wastage rate in the logistics system as a whole.

In the main these expectations turned out not to be accurate. The logistical expenses percentage achieved increased from 45% in 2006 to 54% in 2007, an increase of 9%. The overall Warehouse and Transit gross profit in 2007 was around DKK



DENMARK'S MOST MODERN STEEL WAREHOUSE ON ITS WAY

60 football pitches. That's how many could fit on Sanistål's huge site on the outskirts of Taulov, just a few miles from the Little Belt Bridge. This is where Sanistål is working flat out to build Denmark's most modern central warehouse for steel.

The construction of the 44,000 m² warehouse building is well underway and the company will start to move into the building in summer 2008.

Taulov Central warehouse will work closely with Billund Central warehouse, which handles products other than steel. The 55,000 m² central warehouse in the former Lego production facility and warehouse in Billund – plus a 35,000 m² outdoor storage area – will be fully operational in June 2008.





1.0 billion (excluding Carl F), which was a difference of DKK 90 million. When changes in the product composition and a fall in the gross profit margin are taken into account, it is estimated that the real difference between the level of logistical expenses in 2006 and 2007 is in the region of DKK 80-90 million, divided into approximately DKK 55 million for warehouse operations, DKK 20 million for distribution and DKK 10 million in interest. The reasons for this were described in detail in the interim report of 12 November 2007. A quick summary is given here:

- Continued strong organic growth has put further pressure on the logistics system, which has made it necessary to temporarily lease warehouse space.
- The tight market for HGV freight has meant relatively high marginal shipping costs for the increase in transport requirements.
- The pressure on the jobs market has resulted in a major turnover of staff and so fewer former Sanistål employees at Billund. With an average of 719 people employed in logistics in 2007 (excluding temporary staff), there have been 461 new recruits and 406 people have left the company during the course of the year.
- As a result of a change of plans, LEGO did not make the expected number of warehouse staff redundant.
- Temporary staff and overtime working had to be used to a large extent.
- Absence through illness among staff increased considerably.
- All new employees and temporary staff had to undergo a training process.
- For these reasons, efficiency was considerably reduced at most warehouses, not least in Billund.
- The need for reliable delivery coupled with the large number of new employees has resulted in additional control measures.
- For the above reasons, the total stock level has been relatively high.

Logistics in 2008, also a transitional year

During the course of 2008, the warehouse in Billund will become fully operational, the staff will have been trained and the technology installed will be fully utilised, including a stock management system which will come into operation in Q3. As the year comes to a close, it is therefore expected that Billund will be operating at a high level of efficiency. Over the course of the year, all old "warm" warehouses will be closed. A few warehouses will continue to be used, but only as transit depots, i.e. as a part of distribution. This means that the logistical expenses for these product areas will fall over the course of the year.

The steel warehouse in Taulov will be operational in Q4 and will only just have been brought into use by the end of the year. This means that the old steel warehouses will continue to operate to a large extent for all of 2008 and at the same time Taulov will be brought into operation and more and more products will gradually be transferred there. The logistical expenses for steel will therefore be higher in 2008 than in 2007.

Overall, the logistical expenses percentage in 2008 will be slightly lower than the 2007 level. However, 2008 will also be a year of great change and therefore relatively great uncertainty with a high risk of fluctuation. It is estimated that the logistical expenses percentage will be within the range of 52-54%.

Logistics in 2009

Normality is expected to start to return in 2009. In the first half of the year, the old steel warehouses will be closed down and the electrical technology and Carl F warehouse will be relocated to Billund. During the course of the year, the total relative logistical expenses will be reduced so that by the end of the year they will be close to the planned future level. This means that, providing there are no major changes to the product composition, gross profit margin, market demand, etc., the logistical expenses percentage will be reduced to 38-40% by the end of 2009. For the year as a whole, the forecast range is 42-45%. If the Warehouse and Transit gross profit grows to around DKK 1.1-1.2 billion (excluding Carl F), this will correspond to a saving of DKK 110-140 million compared with 2007. The actual logistical expenses percentage realised and the logistical expenses realised may deviate from these figures as a result of changes to internal and external conditions; see the description of variable factors above. This would also apply to the old structure.

Logistics in 2010

In 2010 the logistical expenses percentage is predicted to be around 38-40%, again all things being equal, which with an Warehouse and Transit gross profit of DKK 1.2-1.3 billion (excluding Carl F) will mean a saving of DKK 170-200 million compared with the 2007 level. The actual logistical expenses percentage realised and the logistical expenses realised may deviate from these figures as a result of changes to internal and external conditions; see the description of the variable factors above. This would also apply to the old structure.

STAKEHOLDERS

SANISTÅL AND ITS CUSTOMERS

It is part of Sanistål's vision to be our customers' preferred partner and to be a one-stop supplier of products and services so that our customers need only shop at one place. In order to achieve this, our range of products and services and our personal service must be "more than you think". To ensure that Sanistål always lives up to this vision, a customer satisfaction survey is carried out every year by an external research agency. In 2007, the research agency called 558 randomly selected Sanistål customers and also 262 Carl F customers within the carpentry/joinery industry. The survey returned very satisfactory results, with product knowledge and customer service scoring top marks – with both Sanistål and Carl F customers.

SANISTÅL AND ITS EMPLOYEES

Sanistål has 2,600 employees and their knowledge and resources are the very backbone of the company. Sanistål therefore conducts extensive employee surveys every year to find out the attitude of our employees to their workplace. The 2007 survey revealed that employees are happy in their work and are proud of being Sanistål employees. Carl F employees took part in the employee survey for the first time and here both job satisfaction and motivation were impressively high – especially considering that at the time the employees were in the middle of an integration process with Sanistål.

The results of the survey are used as a basis for optimising those areas where the results can be improved, and this will be followed up by a similar survey in 2008. In order to achieve the ambitious strategic targets described in the Management Report, it is important that all employees understand and demonstrate ownership of Sanistål's strategy and action plans. This is achieved with the aid of a number of internal communications activities, including nationwide "more than you think" tours in which all our employees are brought together and informed about the strategy, targets and action plans and the internal staff magazine Sani-Info, which is published quarterly. Another important value creation tool is the internal training programmes and for this purpose Sanistål founded the Sanistål School in 2007. The school will coordinate all future training activities within the company. In 2008, there is already a high level of activity at the Sanistål School and many courses are on offer, including technical courses, sales training courses in CRM, induction courses for new employees and management courses.

At a time when many companies are experiencing a

shortage of employees, Sanistål places a high priority on the recruitment of new trainees. We want to have Denmark's best trainees and we want to be the best training centre in the country. In 2007, one of Sanistål's business students received the Annual Technical Report Prize and The Association of Distributors of Tools and Machine Tools chose another Sanistål trainee as Denmark's Best Trainee. Sanistål also received a prize as the training site of the year.

In the HR division, 2007 has been a year of work relating to the reorganisation of the logistics structure. A programme was developed to support employees and help them find another job at Sanistål or to equip them for a job outside Sanistål by providing skills statements, qualifications and training etc.

SANISTÅL AND ITS SUPPLIERS

In 2007, Sanistål also maintained a strong focus on the company's suppliers and supplier agreements. This year too, supplier agreements will be reviewed carefully with a view to further reducing the number. Sanistål will concentrate on market-leading suppliers of high-quality products who are willing to enter into close cooperation in the areas of knowledge, marketing and services and optimisation of the complete supply chain.

SANISTÅL AND THE COMMUNITY

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, whether in relation to customers, suppliers, employees, shareholders or other stakeholders, we aim to be a totally trustworthy company which always tries to act in a way which instils respect and confidence. This basic approach is reflected in, among other things, contracts and agreements with our partners, where the objective is first and foremost to create the overall framework of a trusting and stimulating working relationship, rather than merely to be strict and follow sharply defined sets of legal rules. Social responsibility and awareness are a natural progression of Sanistål's principal values. We endeavour in all areas not only to comply with the law but also, especially in relation to our employees, to behave in a way which shows that we are aware of, among other things, the responsibilities we have when it comes to educating young people and ensuring that older employees do not become lost or superfluous in our business through redeployments or changes in working hours or routines. Environmental awareness is



PRIZE-WINNING TRAINING

The V-belt is not just one of Sanistål's products – it is also the reason why Stefan Sletting Nielsen received the 2007 technical report prize. Stefan, who was a business student at Sanistål Industry in Aalborg, was so interested in transmission products that he wrote a complete technical report on a specific kind of Gates V-belt. For his work, he obtained very good marks and subsequently received the Annual Technical Report Prize. At the same time, Sanistål was named training site of the year.

Stefan's generous prize was not the only one received in 2007: Kristine Andersen, a trainee in the export department, was nominated by Mommark Handelsskole for The Association of Distributors of Tools and Machine Tools trainee of the year award – and walked away with the title of Denmark's Best Trainee.



also a natural part of Sanistål. As a trading company we cannot be described as an environmentally intensive business, but we nonetheless try to be conscientious with our choice of products.

Recycling, disposal of packaging and defective materials, as well as cleanliness around our plants, including paying attention to the need for aesthetic design, are a natural part of Sanistål's operational considerations. Sanistål's values and ethics are described in the company's Code of Conduct, of which all of Sanistål's partners are made aware. Sanistål recognises that suppliers and other partners are independent businesses, but their activities can impact on Sanistål's goodwill and reputation in the market and a violation of Sanistål's Code of Conduct may therefore be sufficient grounds to end the cooperation.

SANISTÅL AND ITS SHAREHOLDERS

Sanistål's B-shares are listed on the Copenhagen Stock Exchange. The share capital comprises 1,923,784 shares at a nominal DKK 100, corresponding to a share capital of DKK 192,378,400. The share capital is divided into 203,784 A-shares and 1,720,000 B-shares.

The A-shares are registered shares which have to be entered in the company's register of shareholders. The A-shares are not negotiable securities.

The B-shares are negotiable securities issued to the bearer, but can be registered by name in the company's books. The B-shares are freely negotiable.

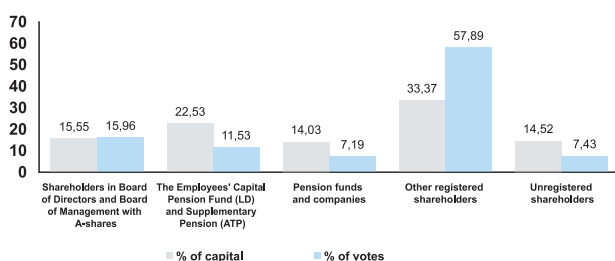
Shareholders are encouraged to have their shares registered by name so that Sanistål can provide the best possible service to its shareholders.

The announced increase in share capital has been postponed until further notice.

Voting rights

Each DKK 100 nominal A-share carries 10 votes at the Annual General Meeting, and each DKK 100 nominal B-share carries one vote at the Annual General Meeting.

Composition of shareholders



Shareholders

List of shareholders pursuant to Section 28a of the Danish Companies Act as at 31.12.2007:

	Shareholding	Share of votes
Supplementary Pension (ATP), Hillerød	10.11%	5.17%
Jørgen Kjærsgaard, Hjørring	2.08%	10.64%
The Employees' Capital Pension Fund (LD), Copenhagen	12.42%	6.36%
Christian Strøyberg, Aalborg	2.02%	7.53%
Jørgen Strøyberg, Aalborg	1.86%	8.59%
N.K. Strøyberg, Aalborg	3.03%	10.21%
Torben Strøyberg, Berkshire, UK	2.21%	6.81%
Peter Vagn-Jensen, Ruds-Vedby	11.91%	11.09%

On 10 January 2008, Pure Invest A/S notified the Copenhagen Stock Exchange that it controlled 6.39% of the share capital and 3.27% of the votes.

The shareholdings and shares of votes include shares owned personally by the shareholder, shares owned via companies and the shares of children controlled by the shareholder in question.

Shareholdings of the Board of Directors and the Board of Management as at 31.12.2007

Number of DKK 100	A-shares	B-shares	Share options
Board of Directors:			
Knud Erik Borup		1,920	
Steen Gede		279	
Jens Ole Klitgaard		19	
Ole Steen Andersen		250	
Ole Enø Jørgensen		65	
Else L. Kristensen		78	
Walther V. Paulsen		0	
Matthias Max Schön	10,158	59,874	
Peter Vagn-Jensen	23,248	205,822	
Jens Jørgen Madsen		0	
Board of Management:			
Christian B. Lund		2,684	7,526
Ole Graversen		7	3,547
Henning Vilslev		419	3,194
Total	33,406	271,417	14,267

For exercise prices of share options etc., please see note 6.

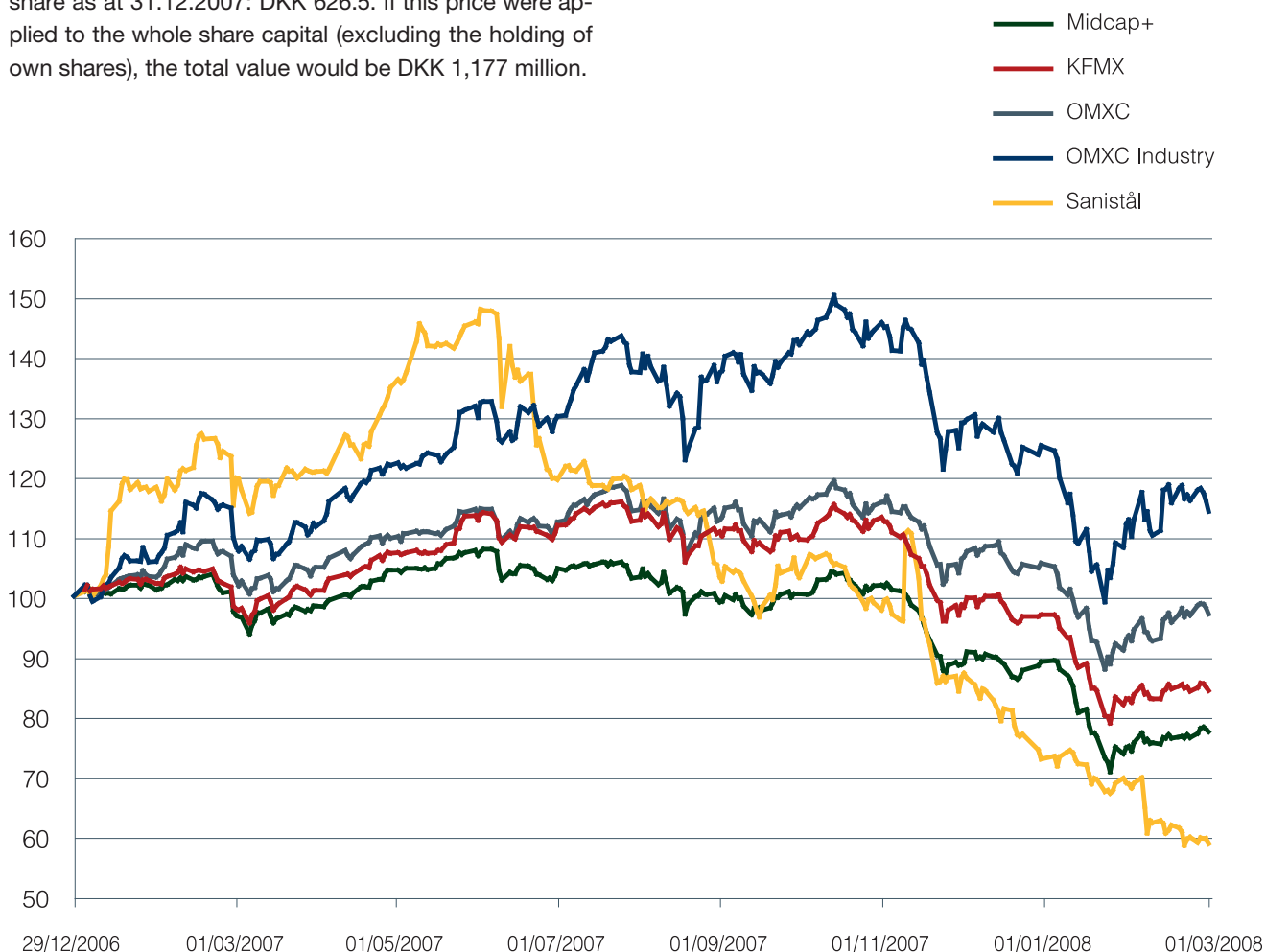


The Sanistål share

The share is listed on the Copenhagen Stock Exchange and is traded under the ticker SANI B and the ISIN code DK0010245661. The market price of the company's B-share as at 31.12.2007: DKK 626.5. If this price were applied to the whole share capital (excluding the holding of own shares), the total value would be DKK 1,177 million.

SHARE PRICE DEVELOPMENT

During the period (29 December 2006 to 29 February 2008) the price of the Sanistål share fell by around 41%.



SHARE AND DIVIDEND KEY RATIOS

	2003	2004	2005	2006	2007
Average number of shares (thousands), diluted ^①	1,986.1	1,935.7	1,887.4	1,899.4	1,908.5
Earnings per share after tax (EPS), DKK, diluted	34.7	72.3	62.9	83.5	17.3
Cash flow per share (CFPS), DKK	9.2	62.3	84.8	-42.5	-54.5
Payout ratio %	35.7	26.9	31.8	24.0	28.5
Dividend per share (DKK)	12.5	20.0	20.0	20.0	5.0
Direct return %	3.8	4.4	2.7	2.3	0.8
P/E ratio	9.4	6.3	11.8	10.2	36.1
Price/book value ratio	1.0	1.1	1.7	1.7	1.2
Market price at year-end per DKK 100 share	326.2	459.6	746.2	854.8	626.5
Book value at year-end per DKK 100 share	337.5	403.1	446.0	515.0	514.8

^① The number of shares is adjusted for the holding of own shares and the diluting effect of outstanding share options.

DIVIDEND POLICY

The Board of Directors has decided on a dividend policy for the company, which reads as follows:

“It is the intention of the Board of Directors to propose the distribution of an annual dividend to the shareholders at a level of 25 to 50% of the profit for the year after tax. However, the dividend proposal will always take into account the company's expansion plans and its financial and liquidity position.”

On this basis, the Board of Directors is proposing a dividend of DKK 5.00 per DKK 100 nominal share for the year 2007, which corresponds to 28.5% of the company's profit after tax.

Policy on own shares

In accordance with the authorisation given by the company's Annual General Meeting, Sanistål may acquire up to 10% (DKK 19,238,000 nominal) of its own shares up until 26 April 2008. The company buys its own shares as part of the established incentives programme for the Board of Management and senior managers and for possible use in reducing Sanistål's share capital. Sanistål's holding of own shares amounts to DKK 4,544,000 nominal as at 31 December 2007, which corresponds to 2.4% of the share capital.

ANNOUNCEMENTS TO THE STOCK EXCHANGE IN 2007

- 11.01 The acquisition of Carl F A/S
 - 22.01 Change in the Board of Directors
 - 09.02 Major shareholder announcement from Danske Bank
 - 21.02 Danish Competition Authority approval for the acquisition of Carl F A/S
 - 19.03 Annual Report 2006
 - 30.03 Notice of the Annual General Meeting
 - 21.04 Interim Report 1 January 2007 – 31 March 2007
 - 23.04 Proceedings of the Annual General Meeting
 - 14.05 Acquisition of Jørgen Schmidt Trading A/S
 - 01.06 Changes to share capital and voting rights
 - 08.06 Acquisition of shareholding in Brdr. A&O Johansen A/S
 - 08.06 Major shareholder announcements – Brdr. A&O Johansen A/S (announcement nos. 22 and 23)
 - 13.06 Major shareholder announcement – Brdr. A&O Johansen A/S
 - 24.08 Interim Report 1 January 2007 – 30 June 2007
 - 20.09 Correction of Interim Report 1 January 2007 – 30 June 2007
 - 12.11 Interim Report 1 January 2007 – 30 September 2007
 - 13.11 Acquisition of Senrusta ApS
 - 14.12 Purchase of own shares
 - 18.12 Major shareholder announcement – ATP & ATP Invest
- Insider trading 2008
(announcement nos. 1, 6, 7, 8, 9, 10, 12, 15, 16 17, 18, 26, 27, 28, 32, 33, 34)

BOARD MEETINGS 2007

- 10.01 Extraordinary board meeting concerning the acquisition of Carl F A/S
- 24.01 Extraordinary board meeting concerning financial objectives
- 19.03 Board meeting
- 21.04 Board meeting
- 06.06 Extraordinary board meeting concerning the acquisition of shares in Brdr. A&O Johansen A/S
- 24.08 Board meeting
- 29.11 Strategy meeting
- 30.11 Board meeting

BOARD MEETINGS 2008

- 05.02 Extraordinary board meeting concerning the Group's results for 2007 and expectations for 2008

FINANCIAL CALENDAR FOR 2008

- 28.03 Annual Report 2007
- 26.04 Interim Report 1 January 2008 – 31 March 2008
- 26.04 Annual General Meeting
- 25.08 Interim Report 1 January 2008 – 30 June 2008
- 21.11 Interim Report 1 January 2008 – 30 September 2008

GENERAL GUIDELINES FOR THE COMPANY'S REMUNERATION OF THE BOARD OF DIRECTORS AND THE BOARD OF MANAGEMENT

With effect from the first annual general meeting after 1 July 2007, Section 69b of the Danish Companies Act stipulates that a listed company's Board of Directors must specify general guidelines for incentive payments made to the Board of Directors and the Board of Management before the company is able to enter into agreements on this. These guidelines must be discussed and approved by the company's annual general meeting. A proposal concerning this will be submitted to the Annual General Meeting on 26 April 2008.

Board of Directors

The members of the Board of Directors receive a fixed annual fee. The Chairman and the Deputy Chairman of the Board draw a supplement to the Board of Directors fee. The size of the fee and the supplement is approved by the Annual General Meeting and is stated in the Annual Report. The fee is fixed at a level similar to that of comparable companies. Members also receive additional remuneration for committee work. See note 5.



PROPOSALS TO THE ANNUAL GENERAL MEETING

Amendment of the company's articles of association:

Following the drawing up by the Board of Directors of general guidelines for the remuneration of the Board of Directors and the Board of Management, the following addition to the articles of association is proposed:

“The Company has drawn up general guidelines for the remuneration, including incentive payments, of the Board of Directors and the Board of Management. These guidelines have been submitted to and adopted by the company's Annual General Meeting.”

The Board of Directors also proposes that the articles of association be amended in order to authorise the Board of Directors to pay an interim dividend:

“The Board of Directors is authorised to make decisions on the payment of an extraordinary dividend.”

Authorisation to purchase up to 10% of own shares

At the company's Annual General Meeting on 26 April 2008, the Board of Directors will propose a resolution that the Annual General Meeting authorise the company in the period until the next Annual General Meeting to acquire its own shares up to a total nominal value of 10% of the company's share capital. Any purchase of own shares will be used to cover option schemes and possibly to reduce the company's share capital.

Election of members to the Board of Directors

The Board of Directors proposes the re-election of its current members. The background and duties of the members of the Board of Directors are described on pages 69-71.

Information

Further information can be found on Sanistål's website at www.sanistaal.dk under “Shareholders”.

Contact:

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Telephone: +45 9630 6000
E-mail: hvi@sanistaal.dk

SANISTÅL AND GOOD CORPORATE GOVERNANCE

In the Annual Report for 2001, Sanistål's Board of Directors considered and commented on the recommendations of the Nørby Committee. Sanistål complies with the Committee's recommendations to a substantial degree, and the Board of Directors works on the basis of the recommendations.

In 2005, the Copenhagen Stock Exchange adopted new recommendations for Sanistål and good Corporate Governance. The latest changes to the recommendations of the Nørby Committee are from 6 February 2008.

The recommendations apply according to the Stock Exchange's rules for publicly listed limited liability companies for annual reports that are published for financial years commencing on or after 1 January 2006 in accordance with the “comply or explain” principle.

The Board of Directors and the Board of Management have considered the new recommendations in detail and Sanistål essentially complies with the recommendations.

The detailed consideration and response to the individual recommendations may be found on Sanistål's website (www.sanistaal.dk).

Sanistål's policies deviate from the recommendations in the following areas:

Capital and share structure:

The share capital is divided into A-shares and B-shares.

The strong commitment from holders of A-shares secures a healthy, stable corporate structure that makes long-term investments possible. At present there are no plans to amend the division into A- and B-shares, nor is there any possibility of doing so.

The time spent on Board work and the number of Board positions:

Sanistål has not adopted any specific restrictions on Board members' activities outside the company. A Board member's special qualifications, involvement and time are taken into account and Sanistål intends to allow consideration of optimal function and composition to prevail.

Openness about remuneration:

The recommendations are being partially followed, as in the annual report Sanistål provides information about the Board of Management's remuneration as a whole and not individually, as it is considered that this is information of a personal nature, which is also of limited relevance for shareholders.



EASY-SUPPLY MAKES IT EASY FOR CUSTOMERS

Sanistål's stock management concept, Easy-supply, is as effective for customers as it is easy: a shelf is set up on which there are two boxes for each product. Each box is controlled by a signal card and the company's employees pick goods from the front box. When the box is empty, the signal card from the empty box is put in a special post-box.

The company can now either empty the postbox itself and enter the orders or a Sanistål employee can come once a week and do this. This means that customers never run out of important products. Easy-supply is also fully integrated into the Webshop, so it couldn't be easier...



OPERATING AND FINANCIAL REVIEW

Accounting policies

The Annual Report for 2007, like 2006, has been prepared in accordance with IFRS (International Financial Reporting Standards).

Results for the Group 2007 (2006)

DKK million	Net revenue	Gross profit	Other operating income	Expenses	Profit/loss before tax
Sanistål A/S, parent company	5,080.5	1,206.6	1.2	1,186.5	21.3
Sanistål A/S, parent company	4,132.4	984.2	24.5	826.0	182.7
Carl F International A/S (1 April to 31 December 2007)	382.7	155.4	-	169.5	-14.1
Serman & Tipsmark A/S	105.7	37.4	-	29.7	7.7
Serman & Tipsmark A/S	93.6	30.2	-	25.1	5.1
Max Schön AG, Germany/Poland	404.4	96.5	4.1	82.9	17.7
Max Schön AG, Germany/Poland	339.6	83.4	4.1	74.0	13.5
The Baltic States	434.8	91.0	0.6	78.0	13.6
The Baltic States	280.1	58.0	0.1	44.8	13.3
Elimination of intra-group transactions	-74.8	-	-1.2	-1.2	-
Elimination of intra-group transactions	-26.1	-	-1.2	-1.2	-
Subsidiaries	1,252.8	380.3	3.5	358.9	24.9
Subsidiaries	687.2	171.6	3.0	142.7	31.9
Sanistål Group	6,333.3	1,586.9	4.7	1,545.4	46.2
Sanistål Group	4,819.6	1,155.8	27.5	968.7	214.6

THE GROUP

Income statement

Net revenue for the Group totalled DKK 6,333.3 million, an increase of 31.4% on the previous year.

The increase in revenue from the acquisition of Carl F A/S and Hidruva UAB amounts to DKK 796.2 million, while organic growth is DKK 717.5 million, or 14.9%.

The operating profit (EBIT) was DKK 110.7 million, compared to DKK 222.8 million in 2006. Profit before tax was DKK 46.2 million, compared to DKK 214.6 million in 2006. Profit is as expected following the downward revision in Stock Exchange Announcement no. 3, dated 5 February 2008, but is significantly lower than the original expectation of DKK 200-240 million (see Annual Report for 2006).

A comparison of the profit before tax and the special factors affecting profits in the Group shows the following:

DKK million	2007	2006
Profit/loss before tax	46.2	214.6
"Steel price development"	16.1	-
Property gains	-	-23.3
Write-down and employee commitments re change in logistical structure	4.5	20.7
Employee shares	-	6.1
Impact on profits after interest of the acquisition of Carl F A/S	27.5	-
Impact on profits after interest of the acquisition of 39.12% of the shares in Brødrene A&O Johansen A/S	6.8	-
Comparative profit	101.1	218.1

As can be seen from the above table, profit in 2007 was negatively affected by the "Steel price development" and a provision to the loyalty bonus for logistics employees in connection with the creation of central warehouses in Billed and Taulov. The acquisition of the shares in Carl F A/S had a negative effect of DKK 27.5 million, while the acquisition of 39.12% of the shares in Brødrene A&O Johansen A/S had a negative effect on profits of DKK 6.8 million. The development in the Group's profit, before tax

and after adjustment for exceptional items affecting profits, shows a fall between 2006 and 2007 of DKK 117.0 million or 53.6%. The change in comparative profits can mainly be attributed to the effects of additional costs in the amount of DKK 80-90 million in relation to the reorganisation of the parent company's logistics structure from 24 decentralised warehouses to two central ones and the effects of a fall in the gross profit margin achieved by the parent company of 0.8 percentage points, or DKK 38.1 million, in addition to the "Steel price development".

Taxes for the year

Total taxes for 2007 amount to DKK 13.2 million, corresponding to an effective tax rate of 28.6%.

The company is "shadow joint taxed" with its subsidiaries in Germany, Poland and Estonia.

Profit for the year

Profit for the year was DKK 33.0 million, compared to DKK 158.6 million in 2006.

Balance sheet

The balance sheet total amounted to DKK 4,100.4 million at the end of 2007, compared to DKK 2,188.5 million at the end of 2006. Non-current assets increased by DKK 1,323.3 million to DKK 1,865.2 million. This increase can primarily be attributed to the acquisition of the shares in Carl F A/S, the acquisition of 39.12% of the shares in Brødrene A&O Johansen A/S and the setting up of a steel warehouse in Taulov.

Investments in tangible non-current assets account for DKK 398.8 million. The most significant investments relate to the setting up of the central warehouse in Taulov, the completed expansion of the regional centre in Aalborg, the equipping and fitting out of the central warehouse in Billund and new shop openings primarily on Zealand.

Current assets increased by DKK 588.6 million to DKK 2,235.2 million, of which the increases in trade accounts receivable and inventories accounted for DKK 203.6 million and DKK 302.0 million respectively.

The increases are due to the acquisition of Carl F A/S, increased activity and new shop openings.

On the liability side, interest-bearing debt increased by DKK 1,792.6 million to DKK 2,486.9 million.

Trade and other accounts payable rose by DKK 91.4 million, mainly as a result of the acquisition of Carl F A/S.

Shareholders' equity at the end of the year totalled DKK 966.9 million. The equity ratio was 23.6% at the end of 2007, compared to 44.7% at the end of 2006.

Free cash flows

Cash flows for 2006 and 2007, in terms of principal items, were as follows:

DKK million	2007	2006
Cash flow from operating activities	-104.1	-80.8
Cash flow from investment activities	-1,319.9	-153.7
Free cash flows	-1,424.0	-234.5

The Group's cash flows from operating activities were reduced by DKK 23.3 million to DKK -104.1 million.

Cash flow from investment activities was DKK -1,319.9 million, compared to DKK -153.7 million in 2006.

Of this, investment in the associated company Brødrene A&O Johansen A/S represented DKK 446.1 million and the acquisition of the shares in Carl F A/S accounted for DKK 470.3 million, while defrayed building costs for the central warehouse in Taulov came to DKK 219.1 million.

Free cash flows totalled DKK -1,424.0 million, compared to DKK -234.5 million in 2006.

The cash flow per share from operating activities (CFPS) totalled DKK -55, compared to DKK -43 in 2006.

SANISTÅL A/S, PARENT COMPANY

The parent company achieved a profit before tax of DKK 21.3 million in 2007, compared with DKK 182.7 million in 2006.

Revenue in the parent company totalled DKK 5,080.5 million, an increase of 22.9% compared to the previous year. The increase in revenue comes from the merger of Carl F Detail A/S and Sanistål A/S on 1 April 2007 with Sanistål A/S as the surviving company as well as from an organic growth in Sanistål's existing business areas of 14.1% or DKK 580.9 million.

It is considered that the company has strengthened its market position in all existing business areas.

The profit developments at the parent company between 2006 and 2007 are shown in the table overleaf.



DKK million	2007	Of which Carl F segment	2007 excl. Carl F segment	2006	Diff- erence
Net revenue	5,080.5	367.2	4,713.3	4,132.4	580.9
Gross profit	1,206.6	138.2	1,068.4	984.2	84.2
Other income	1.2	-	1.2	24.6	-23.4
Cash expenses	-1,088.5	-121.8	-966.7	-770.7	-196.0
Depreciation and write-downs	-46.0	-6.3	-39.7	-51.1	11.4
Financial expenses (net)	-57.2	-6.4	-50.8	-4.3	-46.5
Profit from associated companies	5.2		5.2	-	5.2
Profit/loss before tax	21.3	3.7	17.6	182.7	-165.1

The notes on the changes from 2006 in relation to the “comparable” figures for 2007 are as follows:

Sales from stock rose by DKK 536.9 million, or 16.4%. Drop shipment sales direct from the factory rose by DKK 44.0 million, or 5.2%.

At the parent company, gross profit rose by DKK 84.2 million, or 8.6%. The gross profit margin fell by 1.1 percentage points to 22.7%, which is a fall of DKK 54.2 million. This fall is due to factors including the “Steel price development”, which on its own contributed a fall of 0.3 percentage points.

Sanistål uses the term “Steel price development” as a partial explanation of fluctuations in the profit before tax.

The “Steel price development” is defined as the difference between earnings on steel in the current year and earnings on a corresponding quantity of steel in the preceding year (the base year). The calculation for both years is based on the quantity for the base year.

The “Steel price development” had a negative effect of DKK 16.1 million in 2007.

Other operating income was DKK 1.2 million, compared to DKK 24.6 million in 2006. Profit from the sale of properties totalled DKK 23.3 million in 2006.

Overall, the total of cash expenses, depreciation and write-downs and interest at the Parent Company increased by DKK 231.1 million.

Costs in the sales segments and shop network increased by DKK 83.4 million, which corresponds to the budgeted rise in costs. The increase in costs reflects the expansion of the shop network, the development of special concepts for new market areas, such as Sanitation, Roof & Facade, Easy-supply, and the costs of setting up the Electrical Technology segment. Losses on bad debts increased by DKK 0.5 million to DKK 7.7 million compared to 2006, which continues to be a satisfactory level.

Costs in the logistics department increased by DKK 117.2 million, of which “extra” expenses in the logistics department in connection with the reorganisation from 24 decentralised warehouses to two central ones constituted DKK 80-90 million.

The level of activity, measured in terms of the development in gross profits on Warehouse and Transit adjusted for the “Steel price development”, rose by 10.9%, or DKK 43.8 million.

Logistics accounts for Sanistål A/S	2007	2006
Gross profit ①	100.0%	100.0%
Warehouse operations	28.1%	21.9%
Haulage	17.8%	15.6%
Internal interest on stocks	7.2%	6.0%
Central logistical expenses	1.0%	1.1%
Total logistical expenses	54.1%	44.6%

① Gross profit on Warehouse and Transit adjusted for the “Steel price development”

The costs of joint administration show an increase in financial expenses of DKK 30.5 million, which can mainly be attributed to increased interest expenses totalling DKK

DKK million	Cash expenses	Depreciation and write-downs	Financial expenses net	Total
Sales segment/shop network	86.2	-4.9	2.1	83.4
Logistics department	107.0	-1.4	11.6	117.2
Joint administration	2.8	-5.1	32.8	30.5
Total change	196.0	-11.4	46.5	231.1

29.1 million, as a result of the acquisition of Carl F A/S and 39.12% of the shares in Brødrene A&O Johansen A/S.

SUBSIDIARIES

Carl F International A/S

In January 2007, Sanistål A/S entered into an agreement to acquire the shares of Carl F A/S. In the period 1 April to 31 December 2007, the subsidiary realised revenue of DKK 382.7 million with a profit before tax of DKK -14.1 million. Profit has been adversely affected by around DKK 10 million at three Danish subsidiaries that were acquired at the end of 2006/beginning of 2007. Profits have also been negatively affected by around DKK 3 million through the depreciation of brands.

Serman & Tipsmark A/S

Serman & Tipsmark A/S develops and manufactures customised hydraulic solutions. The positive trend in revenue and earnings has continued at this company. In 2007, revenue was DKK 105.7 million, which represents growth of 12.9%. Profit has increased by DKK 2.6 million to DKK 7.7 million, which is a profit margin of 7.3%. Management at the subsidiary has been strengthened by the appointment of the current production manager Alex Laursen as managing director.

Max Schön AG, Germany and Poland

Max Schön is active in the area of Steel & Pipes in Germany and Tools, Machinery & Technical Products in Germany and Poland. In 2007, this subsidiary generated revenue of DKK 404.4 million, compared to DKK 339.6 million in 2006, corresponding to growth of 19.1%. Gross earnings rose by 15.7% to DKK 96.5 million. Profit before tax at Max Schön AG was DKK 17.7 million in 2007, compared to DKK 13.5 million in 2006. The positive trend in revenue and earnings continues at Max Schön AG.

Sanistal OÜ, Estonia

This subsidiary recorded a loss before tax of DKK 0.6 million, compared to a loss of DKK 0.4 million in 2006. The company has increased revenue by 14% to DKK 46.6 million, but there is still not enough activity to achieve profitable operations.

Sanistal SIA, Latvia

Revenue in Latvia increased by 25.6%. Profit before tax was DKK 14.0 million, compared to DKK 15.5 million in 2006. Developments in 2007 have been characterised by increasing inflation in Latvia, which has resulted in large wage increases. This subsidiary has continued its impressive development of previous years. Sanistal SIA is the market leader in Latvia and is continuously expanding its position through the adoption of new business areas. The warehouse facility for Steel & Pipes in Jelgava has been established and in 2008 a new regional central warehouse was brought into use for HVAC and Plumbing and for Tools, Machinery and Technical Products in Riga.

UAB Sanistal, Lithuania

This company, which was founded in 2003, was merged with UAB Hidruva in 2007, with UAB Sanistal as the surviving company.

This subsidiary achieved revenue of DKK 144.9 million in 2007, compared with DKK 44.2 million in 2006. Profit before tax showed a surplus of DKK 0.2 million, compared with a loss of DKK 1.8 million in 2006. As expected, profit has been negatively affected by integration costs and by costs relating to the setting up of branches in all major towns in Lithuania.

Associated company: Brødrene A&O Johansen A/S

In June 2007, Sanistål A/S acquired 39.12% of the share capital in the listed company Brødrene A&O Johansen A/S. The total purchase price of the shares was DKK 446.1 million. As Sanistål A/S controls 20.69% of the votes in Brødrene A&O Johansen A/S, for accounting purposes Brødrene A&O Johansen A/S is treated as an associated company of Sanistål A/S.

In 2007, Brødrene A&O Johansen A/S achieved net revenue of DKK 2,904.6 million and a profit after tax of DKK 46.5 million.

This associated company is included in the income statement for Sanistål A/S in 2007 at 39.12% of the published profit, proportionate to the period of 2007, for which Sanistål A/S has had the shareholding. The proportion of profits was DKK 5.2 million after tax.



FUTURE OUTLOOK

THE GROUP

For the Group as a whole it is expected that Sanistål will be able to continue to improve its market position.

Group investments are expected to total DKK 300 million in the financial year 2008, without taking into account any proceeds from the sale of assets.

Management expects to be able to achieve a limited increase in revenue and earnings per share after tax (EPS) in the order of DKK 24-36 in 2008, corresponding to a profit before tax in the order of DKK 60-90 million.

This management estimate is based on the recession in the construction sector in Denmark at the end of 2007 and the forecasts for 2008. Profit expectations are based on the following main assumptions:

PARENT COMPANY

Construction Industry: Subdued growth in the market, especially in the second half of 2008. Market growth is expected to be between -2% and +2%, but as a result of the expansion of the shop network and strategic initiatives in specific product areas, growth is expected to be around 2-4%.

Other Industry: In view of the stable demand from Danish industry, a positive development is expected in terms of revenue and earnings.

Steel Industry: Strong competition and continued outsourcing of industrial steel production is expected to result in a slight fall in tonnage. Steel prices are expected to increase in the first three quarters of 2008, but the forecast is uncertain for Q4.

A cost reduction scheme was implemented at the beginning of 2008 for the Construction Industry, Steel Industry and Other Industry segments to ensure that the cost level at the end of 2008 is adapted to market growth expectations.

Carl F: The recession in the construction industry is expected to result in a limited increase in revenue, although earnings in the segment are expected to increase as a result of the rationalisation carried out in relation to the integration of the segment in Sanistål's Danish shop and distribution structure.

SUBSIDIARIES

Carl F International A/S: This company is expected to achieve increased revenue and to return a profit. The improvement in profit is expected in particular in the acquired businesses within Lock and Security Technology as well as by reducing back-office costs.

Serman & Tipsmark A/S: This subsidiary is expected to achieve continued growth in revenue and earnings. The volume of orders is good and continued rationalisation of development and production combined with the expansion of the sales organisation is underway.

Max Schön AG: The expectation is for continued growth in revenue and a moderate increase in earnings.

The Baltic States: Overall, a growth in revenue and profits is expected. There is economic uncertainty in Latvia, where rising inflation and large increases in staff costs are putting pressure on earnings. In Lithuania, acquired company Hidruva UAB has been integrated, the shop network has been expanded and the foundations have been laid for profitable growth.

Logistics: The transfer from decentralised warehouses to the central warehouse in Billund for Construction and Other Industry will be completed in the second quarter of 2008. A new stock management system will be implemented in Billund in June 2008 and this will increase efficiency.

The new central steel warehouse in Taulov is expected to be ready to be brought into use on schedule in the second half of 2008, but as a result of reorganisation and start-up costs, logistical expenses for steel are expected to increase in 2008.

The overall logistical expenses in 2008 are expected to be at a similar level to 2007.

Significant reductions in overall logistical expenses are expected for 2009 and the new structure will be fully in place in 2010, resulting in major reductions in logistical expenses, cf. discussion on page 18.

ORDINARY ANNUAL GENERAL MEETING

Sanistål A/S will hold its Annual General Meeting on Saturday 26 April at 2.30 pm at Hotel Hvide Hus, Aalborg.

The printed Annual Report is expected to be available on 8 April 2008, but the report will be available on the company's website from Friday 28 March 2008.

Allocation of the profit for the year

As described on page 23, it is Sanistål's dividend policy to distribute 25-50% of the profit for the year after tax to the shareholders, taking into account, however, the company's expansion plans and its financial and liquidity position. Following strong balance sheet growth as a result of the acquisition of Carl F A/S and 39.12% of the shares in Brødrene A&O Johansen A/S as well as the extensive investment in reorganising the logistics structure at the parent company, the Board of Directors wants to rebuild the equity ratio as quickly as possible.

In view of this, the Board of Directors is proposing payment of a dividend for 2007 of DKK 5.00 per share (2006: DKK 20.00 per share), corresponding to 28.5% of the profit for the year after tax. The proposed dividend amounts to DKK 9.4 million.



STATEMENT BY THE BOARD OF DIRECTORS AND THE BOARD OF MANAGEMENT

The Board of Directors and the Board of Management have on this date considered and approved the Annual Report of Sanistål A/S for 2007.

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

We consider the accounting policies applied appropriate and are of the opinion that the Annual Report gives a true and fair view of the assets, liabilities and financial position of the Group and the parent company as at 31 December 2007 and of the results of activities and cash flows of the Group and the parent company for the financial year of 1 January to 31 December 2007.

We recommend that the Annual Report be adopted by the General Meeting.

Aalborg, 28 March 2008

Board of Management:

Christian B. Lund

Ole Graversen

Henning Vilslev

Board of Directors:

Knud Erik Borup

Chairman

Steen Gede

Deputy Chairman

Ole Steen Andersen

Ole Enø Jørgensen

Jens Ole Klitgaard

Else L. Kristensen

Jens Jørgen Madsen

Walther V. Paulsen

Matthias Max Schön

Peter Vagn-Jensen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sanistål A/S

We have audited the Annual Report of Sanistål A/S for the financial year 1 January to 31 December 2007 comprising the statement by the Board of Directors and the Board of Management, the management report as well as the income statement, balance sheet, statement of shareholders' equity, cash flow statement and notes for both the Group and the parent company. The Annual Report has been produced in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Management's responsibility for the Annual Report

The Board of Management is responsible for drawing up and submitting an annual report that provides a true and fair view in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes the structure, implementation and execution of internal checks that are relevant for the drawing up and submission of an annual report that provides a true and fair view without any material misstatement, regardless of whether the material misstatement is due to breaches of trust or errors, and for the choice and use of appropriate accounting policies and the exercising of accounting estimates that are reasonable in the circumstances.

The auditor's responsibility and the audit conducted

It is our responsibility to express an opinion on the annual report on the basis of our audit. We conducted our audit in accordance with auditing standards in Denmark. These standards require that we comply with ethical requirements and that we plan and conduct the audit with a view to obtaining reasonable assurance that the annual report is free of material misstatement.

An audit includes measures to obtain audit evidence of the amounts and information entered in the annual report. The measures chosen depend on the auditor's evaluation, including an evaluation of the risk of material misstatement in the annual report, regardless of whether the material misstatement is due to breaches of trust or error. In assessing the risk, the auditor considers internal checks that are relevant for the company's drawing up and submission of an annual report that provides a true and fair view, with the aim of designing audit measures that are suitable in the circumstances, but not with the objective of expressing an opinion about the effectiveness of the company's internal checks. An audit also includes an assessment of whether the accounting policies applied by management are suitable, whether the accounting estimates produced by management are reasonable and an evaluation of the overall presentation of the annual report.

We believe that the audit evidence obtained is sufficient and provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion the Annual Report gives a true and fair view of the assets, liabilities and financial position of the Group and the parent company as at 31 December 2007 and of the results of activities and cash flows of the Group and the parent company for the financial year 1 January to 31 December 2007 in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Aalborg, 28 March 2008

KPMG C.JESPERSEN

State-authorised Auditors

Gert Jensen

State-authorised Public Accountant



CONSOLIDATED INCOME STATEMENT FOR THE YEAR 1 JANUARY – 31 DECEMBER

DKK thousands	Note	2007	2006
Net revenue	2	6,333,334	4,819,619
Cost of goods sold		-4,746,473	-3,663,857
Gross profit		1,586,861	1,155,762
Other operating income	3	4,752	27,540
Other external expenses	4	-528,657	-310,683
Staff costs	5/6	-886,150	-587,837
Operating profit before depreciation		176,806	284,782
Depreciation and write-downs		-66,119	-61,952
Operating profit (EBIT)		110,687	222,830
Share of profit after tax in associated companies	13	5,163	-
Financial income	7	27,601	20,042
Financial expenses	8	-97,229	-28,258
Profit before tax		46,222	214,614
Tax on profit for the year	9	-13,224	-56,039
Profit for the year		32,998	158,575
Proposed distribution of profits:			
Proposed dividend, DKK 5 (DKK 20) per share		9,392	37,992
Retained profit		23,606	120,583
		32,998	158,575
Earnings per share (EPS), DKK, basic	10	17.38	83.74
Earnings per share (EPS), DKK, diluted	10	17.29	83.49

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands	Note	2007	2006
Operating profit (EBIT)		110,687	222,830
Adjustment for non-liquid operating items etc.:			
Depreciation and write-downs		66,119	61,952
Total provisions		-2,000	15,000
Other operating items		1,502	7,193
Exchange rate adjustments, etc.		828	-54
Interest income, paid		27,601	20,042
Interest expenses, paid		-97,229	-28,258
Cash flow from operating activities before changes in working capital		107,508	298,705
Changes in accounts receivable		-10,414	-124,806
Changes in inventories		-112,755	-284,759
Changes in trade accounts payable and other debt commitments		-49,073	102,364
Corporation tax paid		-39,359	-72,280
Cash flow from operating activities		-104,093	-80,776
Acquisition of intangible assets		-7,084	-1,355
Acquisition of tangible assets		-398,843	-164,238
Sale of tangible assets		3,787	58,338
Acquisition of subsidiaries	27	-470,278	-42,404
Acquisition of associated companies		-446,057	-
Other non-current assets		-1,421	-4,088
Cash flow from investment activities		-1,319,896	-153,747
Free cash flows		-1,423,989	-234,523
Debt financing:			
Repayments to credit institutions		-22,472	-47,484
Proceeds from borrowing		823,530	249,547
Drawings on operating lines of credit		702,181	70,387
Shareholders:			
Dividends paid		-37,992	-37,780
Acquisition of own shares		-17,193	-
Sale of shares to employees		722	824
Cash flow from financing		1,448,776	235,494
Cash flow for the year		24,787	971
Cash and cash equivalents as at 1 January		13,759	12,788
Cash and cash equivalents as at 31 December		38,546	13,759

The figures in the cash flow statement cannot be derived exclusively from the published accounting records.



CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

DKK thousands	Note	2007	2006
ASSETS			
Non-current assets			
Intangible assets	11		
Goodwill		355,080	32,563
Brand names		120,312	-
Customer base		23,125	-
Software		6,733	3,804
		505,250	36,367
Tangible assets	12		
Land and buildings		460,395	386,120
Plant and machinery, fixtures and fittings		216,782	112,913
Tangible assets under construction		219,131	-
		896,308	499,033
Other non-current assets			
Investments in associated companies	13	451,220	-
Property rental deposits		12,401	6,499
		463,621	6,499
Total non-current assets		1,865,179	541,899
Current assets			
Inventories	14	1,275,889	973,847
Accounts receivable	15	841,787	638,144
Prepayments and accrued income		26,911	6,391
Corporation tax	18	35,553	1,742
Cash and cash equivalents		38,546	13,759
Assets held for sale	16	16,486	12,675
Total current assets		2,235,172	1,646,558
TOTAL ASSETS		4,100,351	2,188,457

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

DKK thousands	Note	2007	2006
LIABILITIES			
Shareholders' equity			
Share capital		192,378	192,378
Reserve for hedging transactions		14,244	6,541
Exchange rate adjustment reserve		-2,895	-3,723
Retained profit		753,767	745,130
Proposed dividend		9,392	37,992
Total shareholders' equity		966,886	978,318
Liabilities			
Long-term liabilities			
Deferred tax	17	65,928	24,528
Total provisions	18	-	8,340
Credit institutions	19	936,965	478,350
		1,002,893	511,218
Short-term liabilities			
Credit institutions	19	1,542,820	207,937
Trade accounts payable and other debt commitments	20	567,593	476,231
Corporation tax	21	-	-
Total provisions	18	13,000	6,660
Liabilities related to assets held for sale	16/19	7,159	8,093
		2,130,572	698,921
Total liabilities		3,133,465	1,210,139
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,100,351	2,188,457

Notes without references:

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STATEMENT OF SHAREHOLDERS' EQUITY – GROUP

	Share capital	Reserve for hedging transactions	Reserve for exchange rate adjustment	Retained profit	Proposed dividend	Total
Shareholders' equity as at 1 January 2006	192,378	-583	-3,669	616,530	37,780	842,436
Exchange rate adjustment, foreign subsidiaries			-54			-54
Value adjustment of hedging instruments		9,529				9,529
Value adjustment transferred to financial income		366				366
Tax on equity movements		-2,771				-2,771
Share-based remuneration				1,127		1,127
Net gains recognised directly in equity		7,124	-54	1,127		8,197
Profit for the year				120,583	37,992	158,575
Total earnings		7,124	-54	121,710	37,992	166,772
Distributed dividend					-37,780	-37,780
Sale of own shares in connection with incentives programme				824		824
Own shares allotted to employees				6,066		6,066
Total equity movements	-	7,124	-54	128,600	212	135,882
Shareholders' equity as at 31 December 2006	192,378	6,541	-3,723	745,130	37,992	978,318

STATEMENT OF SHAREHOLDERS' EQUITY – GROUP

	Share capital	Reserve for hedging transactions	Reserve for exchange rate adjustment	Retained profit	Proposed dividend	Total
Shareholders' equity as at 1 January 2007	192,378	6,541	-3,723	745,130	37,992	978,318
Exchange rate adjustment, foreign subsidiaries			828			828
Value adjustment of hedging instruments		11,536				11,536
Value adjustment transferred to financial income		-1,137				-1,137
Tax on equity movements		-2,696				-2,696
Share-based remuneration				1,487		1,487
Net gains recognised directly in equity		7,703	828	1,487		10,018
Profit for the year				23,606	9,392	32,998
Total earnings		7,703	828	25,093	9,392	43,016
Distributed dividend					-37,992	-37,992
Acquisition of own shares				-17,193		-17,193
Sale of own shares in connection with incentive programme				722		722
Own shares allotted to employees				15		15
Total equity movements	-	7,703	828	8,637	-28,600	-11,432
Shareholders' equity as at 31 December 2007	192,378	14,244	-2,895	753,767	9,392	966,886

Reserve for hedging transactions

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

Exchange rate adjustment reserve

The exchange rate adjustment reserve covers exchange rate differences arising when translating financial statements for units with a functional currency other than the Danish krone, exchange rate adjustments in relation to assets and liabilities, which form part of the Group's net investment in such units, and exchange rate adjustments in relation to hedging measures that hedge the Group's net investment in such units.

NOTES – GROUP

Note 1 – Accounting policies applied – Group

Sanistål A/S is a limited liability company domiciled in Denmark. The Annual Report for the period 1 January – 31 December 2007 includes the consolidated accounts for Sanistål A/S and its subsidiaries (the Group).

The Annual Report of Sanistål A/S for 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for financial reporting by listed companies (cf. the disclosure requirements of the Copenhagen Stock Exchange for annual reports of listed companies and the IFRS Executive Order issued pursuant to the Danish Financial Statements Act).

The Annual Report also satisfies the International Financial Reporting Standards (IFRS) issued by IASB.

Figures in the Annual Report are in DKK and are rounded to the nearest 1,000.

The Annual Report has been prepared according to the historical cost principle, except for the following assets and liabilities, which are measured at fair value:

Derivative financial instruments

Change to the accounting policies applied

With effect from 1 January 2007, Sanistål A/S has implemented IFRS 7 Financial Instruments: Disclosures, as well as IAS 1 (revised 2005) Presentation of Financial Statements and IAS 32 (revised 2005) Financial Instruments: Presentation. Sanistål A/S has also implemented IFRIC 7-10.

The new accounting standards and interpretations have not affected recognition and measurement and the accounting principles applied are therefore unchanged compared with last year. The new standards mean that changes are only made to the note information provided. Comparative figures in the notes have been adjusted.

The new accounting standards/interpretations have no effect on earnings per share and diluted earnings per share.

Consolidated financial statements

The consolidated financial statements cover the parent company Sanistål A/S and its subsidiaries, which are all 100% owned (cf. the Group organisation chart).

The consolidated financial statements are a summary of the financial statements of the parent company and the individual subsidiaries prepared in accordance with the accounting policies of the Group, whereby intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on transactions between the consolidated businesses have been eliminated.

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

Business combinations

Newly acquired or newly formed businesses are recognised in the consolidated financial statements from the takeover date. Businesses that are sold or wound up are recognised in the consolidated income statement until the date of disposal. Comparative figures are not adjusted for acquisitions or disposals of businesses.

The purchase method is used for acquisitions of businesses. The identifiable assets, liabilities and contingent liabilities of the acquired businesses are measured at their fair value at the takeover date. Identifiable intangible assets are recognised if they can be differentiated or arise from a contractual right and the fair value can be calculated in a reliable way. Deferred tax for the restatement of assets and liabilities is recognised.

The takeover date is the date on which Sanistål A/S actually assumes control of the acquired company.

Positive differences (goodwill) between the cost price and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under intangible non-current assets. Goodwill is not amortised, but is tested annually for impairment. The first impairment test is carried out before the end of the acquisition year. Upon takeover, goodwill is attributed to the cash flow-generating units that subsequently form the basis of the impairment test.

The cost price of a company consists of the fair value of the agreed payment with the addition of costs that can be directly attributed to the takeover. If parts of the payment are conditional on future events, these parts of the pay-

ment are included in the cost price, in so far as the events are probable and the payment can be reliably estimated.

If there is any uncertainty at the takeover date on the measurement of acquired identifiable assets, liabilities and contingent liabilities, recognition initially takes place on the basis of provisionally calculated fair values. If it subsequently becomes evident that identifiable assets, liabilities and contingent liabilities had a different fair value at the takeover date than that initially adopted, goodwill is adjusted until 12 months after the acquisition. The effect of the adjustments is included in the opening shareholders' equity and comparative figures are adjusted. Goodwill is subsequently adjusted solely as a consequence of changes in estimates of conditional purchase prices, unless a significant error is involved. However, a subsequent realisation of the acquired company's deferred tax assets not recognised at the takeover date will cause the tax benefit to be recognised in the income statement, and at the same time the book value of the goodwill will be reduced by the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the takeover date.

Translation of foreign currency

A functional currency is selected for each of the reporting companies in the Group. The functional currency is the currency used in the primary economic environment within which the reporting company operates. Transactions in currencies other than the functional currency are foreign currency transactions.

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement under financial income or expenses.

Accounts receivable, debt and other monetary items denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date of occurrence or recognition of the account receivable or debt in the latest financial statements is recognised in the income statement under financial income or expenses.

Upon consolidation, the income statements of foreign subsidiaries with a functional currency other than DKK are translated at the exchange rate at the transaction

date or at an average exchange rate for the month, provided this does not give a significantly different picture, and balance sheet items are translated at the exchange rate at the balance sheet date. Exchange rate differences arising from the translation of the shareholders' equity of foreign subsidiaries at the beginning of the year to the exchange rates prevailing at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates prevailing at the balance sheet date are recognised directly in equity under a special reserve for exchange rate adjustments.

Exchange rate adjustments of intra-group balances, which are regarded as part of the overall investment in the subsidiary, are recognised directly in equity under a special reserve for exchange rate adjustments.

Derivative financial instruments

Derivative financial instruments are recognised from the transaction date and are measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other debt respectively and positive and negative values are only offset when the company is entitled to and intends to settle several financial instruments net. Fair values for derivative financial instruments are calculated on the basis of current market data and recognised valuation methods.

Changes in the fair value of derivative financial instruments which are classified as, and meet the requirements for, hedging of future payment flows are recognised directly under equity in a special reserve.

When the hedged transaction is realised, the gain or loss relating to the hedging transaction is transferred from equity and recognised in the same account item as the hedged transaction. When hedging future borrowing, however, the gain or loss relating to the hedging transaction is transferred from equity over the term of the loan.

For derivative financial instruments that do not meet the requirements for treatment as hedging instruments, changes in fair value are recognised in the income statement under financial items as they occur.

INCOME STATEMENT

Net revenue

Net revenue from goods for resale and finished goods are recognised in the income statement, provided that deliv-



ery and the transfer of risk to the buyer have taken place before the end of the year and provided that the income can be reliably calculated and is expected to be received. Net revenue is measured at the fair value of the agreed payment exclusive of VAT and discounts given in connection with the sale. Net revenue includes both sales from stock and drop shipment sales direct from the factory.

Other external expenses

Other external expenses include administrative expenses, sales costs, storage expenses, external freight and haulage, property operating expenses and bad debts.

Other operating income

Other income relates to income from IT services for third parties, consultancy income, rental income and gains on the sale of properties.

Profits from participating interests in associated companies

The consolidated income statement includes the proportional share of profits from associated companies after tax and minority interests.

Financial income and expenses

Financial income and expenses include interest, exchange rate gains and losses related to debt and transactions in foreign currencies, amortisation of financial assets and liabilities, including financial leasing commitments, and additions and allowances under the on-account tax scheme. Realised and unrealised gains and losses in connection with financial instruments that cannot be classified as security agreements are also included here.

Dividends from investments in subsidiaries are recognised as income in the parent company's income statement in the financial year in which the dividend is declared. However, if the distributed dividend exceeds the accumulated earnings since the takeover date, the dividend is recognised as a reduction in the cost price of the investment.

Tax on profit for the year

Sanistål A/S is taxed jointly with all its Danish subsidiaries, but has opted out of international joint taxation. The company is "shadow joint taxed" with its previously jointly taxed subsidiaries in Germany, Poland and Estonia. The current Danish corporation tax is divided between the jointly taxed companies on a pro rata basis in relation to their taxable incomes. The jointly taxed companies are included in the on-account tax scheme.

The tax for the year, which includes the current tax for the year and changes in deferred tax, is recognised in the income statement for the amount which relates to the profit for the year and directly in equity for the amount which relates to items directly in equity.

BALANCE SHEET

Intangible assets

Goodwill is recognised in the balance sheet at cost price upon initial recognition as described under "Business combinations". Subsequently goodwill is measured at cost price less accumulated write-downs. There is no amortisation of goodwill.

The book value of goodwill is allocated to the Group's cash-flow generating entities on the takeover date. The definition of cash flow-generating units is in line with the managerial structure and internal financial controls. As a result of the integration of acquired businesses into the existing Group, the management estimates that the lowest level for cash flow-generating units, to which the book value of goodwill can be allocated, will be in the Construction Industry, Steel Industry, Other Industry, Carl F and Carl F International segments.

Software comprises externally acquired and in-house developed software.

In-house developed software that is of significant scale and is clearly defined and identifiable is recognised as intangible non-current assets, provided there is a reasonable certainty that the future earnings derived from it will be sufficient to cover the development costs. Other costs of in-house developed software are recognised in the income statement as the costs are incurred.

Capitalised software is measured at cost price less accumulated amortisation and write-downs.

After completion of the development work, software at cost price less any write-downs is amortised on a straight-line basis over its expected useful life.

Depreciation is on a straight-line basis over the expected useful life based on the following assessment of the expected useful lives of the assets:

Brand names	20 years
Customer base	10 years
Software	3-5 years



TAKE CADDIE TO THE HOLIDAY HOME

Sanistål's time/case management tool is called Caddie and for Jan Hansen, who owns an HVAC and plumbing business with 11 employees, Caddie is a useful aid, both for him and his staff.

Jan Hansen himself sets up the orders in Caddie. When staff go out on a job, they can see on their portable computer what they need to prepare and what they need to take with them from the warehouse. Everything is scanned in and the goods they have used are automatically ordered from Sanistål.

Jan Hansen can follow all of this from his computer, even when he's spending Friday at his holiday home on the occasional long weekend. He can also sit and enjoy the view while he orders goods from Sanistål's well-stocked Webshop, which never closes.



Other intangible assets

Other intangible assets, including intangible assets acquired in connection with company mergers, are measured at cost price less accumulated amortisation and write-downs. Other intangible assets are depreciated on a straight-line basis over their expected life time.

Tangible assets

Land and buildings, plant and machinery and fixtures and fittings are measured at cost price less accumulated amortisation and write-downs.

The cost price of a composite asset is broken down into separate parts that are depreciated individually if the useful lives of the individual parts are different.

For financially leased assets, the cost price is calculated at the lower value of the assets' fair value and the current value of future minimum lease instalments. When calculating the current value, the lease agreement's internal rate of interest is used as the discount factor or an approximate value of it.

Depreciation is on a straight-line basis over the expected useful life based on the following assessment of the expected useful lives of the assets:

Buildings	10-50 years
Buildings on leased land	a period not exceeding the lease
Plant and machinery, fixtures and fittings	4-10 years

Land is not amortised.

The depreciation base takes into account the asset's scrap value and is reduced by any write-downs. The scrap value is determined at the date of acquisition and is revised annually. If the scrap value exceeds the asset's book value, depreciation ceases.

Gains or losses on plant and machinery and fixtures and fittings are recognised in the income statement together with depreciation. Gains or losses on property are recognised in the income statement under other operating income or other operating expenses.

Investments in associated companies

Investments in associated companies are measured in the consolidated financial statements according to the book value method, whereby the investment is measured on the balance sheet at the proportional share of the companies' book values calculated in accordance with

the Group's accounting policies, adjusted for the proportional share of unrealised intra-group profits and losses, plus the book value of goodwill.

When making capital investments in associated companies the takeover method is applied, cf. the description of company mergers.

Impairment of non-current assets

Goodwill and intangible assets with indefinable life times are tested annually for reduction in value, initially before the end of the year of takeover.

The book value of goodwill is tested for reduction in value together with the other non-current assets in the cash-flow generating entity to which the goodwill is allocated and is written down in the income statement to the recoverable value if the book value is higher. The recoverable value is generally calculated as the present value of the expected future net cash flows from the company or activity (cash flow generating entity) to which the goodwill is linked. Goodwill write-downs are recognised on a separate line in the income statement.

The book value of other non-current assets is valued annually in order to determine whether there is an indication of reduction in value. If such an indication is evident, the asset's recoverable value is calculated. The recoverable value is the asset's fair value less expected costs of disposal or the capital value, whichever is the higher. The capital value is calculated as the current value of expected future cash flows from the asset or the cash flow-generating unit of which the asset is a part.

A loss from impairment is recognised when the book value of an asset or a cash flow-generating unit exceeds the recoverable value of the asset or the cash flow-generating unit.

Write-downs of goodwill are not reversed. Write-downs of other assets are reversed to the extent that changes have taken place in the circumstances and estimates that led to the write-down. Write-downs are only reversed to the extent that an asset's new book value does not exceed the book value that the asset would have had after depreciation, if the asset had not been written down.

Inventories

Inventories are measured at cost price based on weighted average prices. If the net realisable value is lower than the cost price, inventories are written down to the lower value.

Accounts receivable

Accounts receivable are measured at their amortised cost price. Provisions are made for bad debts based on the individual assessment for each debtor. Where debtors are in the middle of bankruptcy proceedings, have ceased payments or have been referred to debt collection, the accounts receivable are written off in full.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise defrayed costs relating to subsequent financial years and are measured at cost price.

Assets held for sale

Assets held for sale comprise properties. Liabilities related to assets held for sale are liabilities directly related to these assets. Assets are classified as “held for sale” when a sale is expected within 12 months in accordance with a formal plan rather than continued use.

Assets that are held for sale are measured at the lower of the book value at the date on which they were classified as “held for sale” and the fair value less sales costs. Assets are not depreciated or amortised from the date that they are classified as “held for sale”.

Dividend

Proposed dividends are recognised as a liability at the date of approval at the Annual General Meeting. The dividend that is expected to be paid for the year is shown as a separate item under shareholders’ equity.

Own shares

Acquisition and disposal amounts and dividends on own shares are recognised directly in shareholders’ equity under retained profits. This means that gains and losses on sales are not recognised in the income statement. Capital reductions through the cancellation of own shares reduce the corporate capital by an amount corresponding to the nominal value of the shares.

Exchange rate adjustment reserve

The reserve for exchange rate adjustment in the consolidated financial statements includes exchange rate differences that arose when translating financial statements for foreign companies from their functional currency into the

Sanistål Group’s presentation currency (Danish krone).

In the event of a full or partial redemption of net investments, the exchange rate adjustments are recognised in the income statement.

Reserve for hedging transactions

The reserve for hedging transactions in the consolidated financial statements contains the accumulated net change in the fair value of hedging transactions that fulfil the criteria for the hedging of future cash flows and where the hedged transaction has not yet been realised.

Employee shares

When employees are allocated free shares, the complementary element is recognised as an expense under staff costs. The counter item to this is recognised directly under equity. The complementary element is calculated at the fair value on the allocation date.

Corporation tax and deferred tax

Current tax is recognised on the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the book and tax values of assets and liabilities. However, deferred tax is not recognised on temporary differences related to goodwill that cannot be amortised for tax purposes where the temporary differences arose at the time of acquisition without having an impact on profits or taxable income.

Deferred tax is calculated taking into account the fact that the parent company is “shadow joint taxed” with its subsidiaries in Germany, Poland and Estonia. Deferred tax assets are recognised at the value at which they are expected to be utilised, whether in offsetting tax on future earnings or in offsetting deferred tax liabilities within the same taxable entity.

Deferred tax is measured on the basis of the tax rules and rates in each country that are in force under the legislation on the balance sheet date, when the deferred tax is expected to be redeemed as current tax. Changes in deferred tax resulting from changes to tax rates will be recognised in the income statement.



Total provisions

Provisions are included where the Group has a legal or actual liability as a result of an event that occurred on or before the balance sheet date and it is likely that financial assets will have to be surrendered in order to meet the liability.

Provisions are measured at the management's best estimate of the amount at which the liability is expected to be redeemed.

Restructuring costs are recognised as liabilities once a detailed, formal plan for restructuring has been published, no later than on the balance sheet date, for those affected by the plan.

Financial debt commitments

Debts to credit institutions are recognised at the time of borrowing at the amount of the proceeds received after deduction of transaction costs. In subsequent periods the financial liabilities are recognised at their amortised cost price, such that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual lease liability for financial lease agreements, measured at the amortised cost price.

Other debt commitments, which comprise trade accounts payable and other debt, are stated at nominal value.

Leasing

Leasing commitments are divided in accounting terms into financial and operational leasing commitments.

A leasing agreement is classified as financial when it essentially transfers risks and benefits in connection with the ownership of the leased asset. Other leasing agreements are classified as operational.

The treatment for accounting purposes of financially leased assets and the associated liability is described in the sections on "Tangible assets" and "Financial liabilities" respectively.

Lease instalments relating to operational leasing agreements are recognised on a straight-line basis over the term of the lease.

Share-based remuneration

The Board of Management and a number of senior managers are covered by a share option scheme.

The value of options allotted to the management in connection with the incentive scheme is measured at fair value. The fair value is measured at the date of allotment and is recognised in the income statement under staff costs over the period in which the final entitlement to the options is earned. The counter item to this is recognised directly under shareholders' equity.

For the purposes of the initial recognition of the share options, an estimate is made of the number of options to which employees are expected to earn the rights. Adjustments are subsequently made for changes to the estimate of earned options, so that the overall recognition is based on the actual number of options earned.

The fair value of the allotted options is calculated using the Black-Scholes model.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year broken down into operating, investment and financing activities, the change in the cash position and the Group's liquid funds at the beginning and end of the year.

The liquidity effect of the acquisition and divestment of businesses is shown separately under cash flows from investment activities. Cash flows from acquired/divested businesses are recognised in the cash flow statement at the date of acquisition/divestment.

Cash flows from operating activities are calculated as the operating profit (EBIT) adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investment activities comprise payments in connection with the acquisition and divestment of businesses and activities and the acquisition and disposal of intangible, tangible and financial non-current assets.

Financial leasing agreements entered into are deemed to be non-liquid transactions.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as borrowings, servicing of interest-bearing debt, acquisitions and disposals of own shares and payments of dividends to shareholders.

Cash flows in relation to financially leased assets are included as payment of interest and servicing of debt.

Cash includes cash equivalents.

Segmental reporting

Segmental reporting is based on the Group's primary segments. Segmental reporting is in line with the Group's accounting policies, risk management and managerial and internal financial controls.

Segment income and expenses and segment assets and liabilities comprise items which are directly attributable to the individual segment and items that can reasonably be allocated to the segment. Non-allocated items primarily comprise assets and liabilities and income and expenses relating to common Group functions, investment activities, income taxes, etc.

Non-current assets in the segment comprise the non-current assets used directly in the segment's operations.

Current assets in the segment comprise the current assets used directly in the segment's operations, including inventories, trade accounts receivable, other accounts receivable, prepayments and accrued income and cash and cash equivalents. Liabilities cannot be meaningfully broken down by segment.

The Group only has one geographical segment, as there are uniform economic and political conditions, uniformity in activities and risks and uniformity in terms of currency risks within the EU, which is the primary market region.

Accounting estimates and judgements

Uncertainty of estimates

Calculating the book value of certain assets and liabilities requires assumptions, estimates and judgements to be made on future events.

The assumptions and estimates made are based on historical experience and other factors that the management considers appropriate in the circumstances, but which are uncertain and unpredictable in nature. The assump-

tions may be inaccurate or incomplete and unexpected events or circumstances may arise. A business is also subject to risk and uncertainty that can result in the actual outcome deviating from these estimates. See note 29 of the consolidated financial statements for the particular risks for Sanistål A/S.

It may be necessary to change estimates made previously as a result of changes in the circumstances on which the previous estimates were based or because of new knowledge or subsequent events.

Estimates that are significant for the preparation of the financial statements are made when calculating provisions for inventory obsolescence, provisions for bad debts, depreciation, amortisation and write-downs, provisions for liabilities and contingent liabilities/assets, etc.

Goodwill impairment test

When the annual goodwill impairment test is carried out or when there is an indication of the need for impairment, estimates are made of how the parts of the business (cash flow-generating units) to which the goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of the goodwill and other net assets in the affected part of the business.

The nature of the company means that estimates have to be made of expected cash flows for several years in advance, which of course leads to uncertainty. This uncertainty is reflected in the selected discount interest rate.

The impairment test and related particular sensitivities are described in more detail in note 11 of the consolidated financial statements.



DKK thousands	2007	2006
Note 2 – Net revenue		
Sales from stock	5,394,442	3,927,859
Drop shipment sales	938,892	891,760
	6,333,334	4,819,619
Note 3 – Other operating income		
Rental income etc.	4,752	4,271
Gains on the sale of properties	-	23,269
	4,752	27,540
Note 4 – Other external expenses		
Administrative expenses	142,901	76,996
Marketing expenses	76,927	41,892
Storage expenses	35,645	24,815
Freight and haulage	172,863	117,570
Operating expenses, premises	89,067	41,913
Bad debts	11,254	7,497
	528,657	310,683
Bad debts:		
Realised losses	9,521	5,810
Change in provisions	2,853	3,036
Bad debts recovered	-1,120	-1,349
	11,254	7,497
Note 5 – Staff costs		
Remuneration to the Board of Directors, fixed fees	2,481	1,800
Remuneration to the Board of Directors, committee assignments	800	690
Remuneration to the Board of Management	8,102	9,333
Remuneration to other senior management	17,122	11,355
Wages and salaries, other employees	763,472	497,267
Pension expenses, other senior management	1,393	891
Pension expenses, other employees	38,100	28,095
Other expenses, including social insurance	54,665	32,340
Allocation of shares to employees	15	6,066
	886,150	587,837

On average the Group had 2,601 employees in 2007 (2006: 1,666 employees).
For details on the bonus and incentives programme, please see note 6.

The fixed fee for a Board member in 2007 was DKK 200,000, and the deputy chairman and chairman were paid DKK 300,000 and DKK 600,000 respectively. The Board of Directors has chosen not to work with standing committees. Instead, at intervals, the Board of Directors sets up ad hoc committees to consider specific issues in collaboration with the Board of Management. These are subsequently presented to the Board of Directors, if necessary with a recommendation for a decision.

Committee work in 2007 included work on the acquisition of Carl F A/S, including negotiations, offer, contract, closing and negotiation of the final price agreement, work relating to the acquisition/ownership of shares in Brødrene A&O Johansen A/S, including analysis, offer, negotiations, contract and reassessment following the acquisition by a third party of a majority shareholding, as well as work relating to the changes to the company's logistics structure. In 2007 the fees paid totalled DKK 800,000, divided between Knud Erik Borup (DKK 600,000), Steen Gede (DKK 70,000), Peter Vagn-Jensen (DKK 100,000) and Ole Steen Andersen (DKK 30,000).

The Board of Management is appointed on a contract with standard terms and conditions including a reasonable notice period. A severance programme will be agreed when this is relevant.

Note 6 – Share-based remuneration

Incentives programme

The Board of Directors and Board of Management consider it important for Sanistål to implement financial incentive programmes which can help stimulate key personnel to act in a way which supports the achievement of the company's objectives.

Therefore, in light of the strategy adopted and the targets set, the company has over a number of years made use of an incentives programme for the Board of Management and the senior managers.

The scheme comprises:

Bonus payments triggered at 0-100% according to certain success criteria, which are laid down each year by the Board of Directors. The total bonus that can be earned is four months' gross salary for the Board of Management and three months' gross salary for the senior managers.

The following criterion for bonus payments was specified for 2007:

0-100% is triggered when an "incentive performance" defined for the purpose falls within the the range DKK 215-235 million.

Share options, which are allotted and earned each year. Allotment takes place according to criteria laid down in advance by the Board of Directors. The final settlement of the number of earned share options takes place in connection with the adoption of the Annual Report for the year.

The following criteria apply for earning years 2007 and 2008: 50% is triggered without special conditions attached and 0-50% is triggered in proportion to the earned bonus.

The total maximum number of options to buy shares that can be earned for both directors and senior managers, calculated at a market value based on the option price, is 50% of the fixed annual salary. The option price is set at the average price over a period of 10 trading days after publication of the Annual Report for the earning year. The share options can be exercised four to six years after allotment. The options cannot be settled in cash and they are usually covered by the company's holding of own shares (cf. note 22). As at 31 December 2007, a total of 29,770 share options corresponding to 1.56% of the shareholders' equity are yet to be exercised.

"Incentive performance"

The idea of "incentive performance" was introduced in order to achieve the greatest possible agreement between profit requirements in individual years and the objective for average profit growth over a period of several years.

The "incentive performance" for 2007 is defined as:

Group pre-tax profit

+/- 50% of the "Steel price development"

+/- adjustment for unusual events, such as the disposal of certain fixed assets and non-recurring effects of acquisitions.

The fact that the "incentive performance" is not adjusted for the full "Steel price development" is due to the fact the performance is not only dependent on developments in steel prices, but also to a certain extent on the company's ability to convert the fluctuations into profits.

To illustrate how "incentive performance" works in practice, the following table shows correlated values for pre-tax profit and "incentive performance".

DKK million	2007	2006
Group profit before tax	46.2	214.6
Adjustment for cyclical fluctuation in the stock of steel and for 50% of the "Steel price development"	8.1	-15.9
Adjustment for "unusual events"	38.8	18.5
"Incentive performance"	93.1	217.2

In 2006, the "unusual events" were gains on the sale of properties, provisions re the change in logistical structure and expenses relating to the creation of the Electrical Technology segment.

In 2007, the "unusual events" were provisions re the change in logistical structure and the effect on profit after interest of the acquisition of Carl F A/S and 39.12% of the shares in Brødrene A&O Johansen A/S.

For 2007 the Board of Directors set the target for the "incentive performance" at DKK 215 to 235 million. This means that bonuses and share options are triggered in proportion to the performance within this target range, reaching their maximum levels at a profit of DKK 235 million. In 2007 the "incentive performance" achieved of DKK 93.1 million did not trigger any allotment of bonuses and share options.



Note 6 – Share-based remuneration, continued

The “incentive performance” for 2008 is set at DKK 60 to 100 million. For 2008 the profits of Carl F International will be treated as “unusual events” because significant, structural and strategic changes will be implemented during the year. The “Steel price development” is not included in the “incentive performance” as an adjustment in 2008, as the development in steel prices has gradually resulted in a more stable price level than before due to international demand and consolidation within the steel industry. The fluctuations in the earnings on steel have thus become more comparable with those affecting other products in that it is the actual organisation which has the crucial influence on earnings during the prevailing economic cycle and competitive situation.

The special share options scheme for the period 2008-2010 for the Board of Management and senior managers group

Provided that the Annual General Meeting approves the sufficiently broad general guidelines for incentive payments, it is the intention of the Board of Directors to offer – in addition to the regular scheme described above – the members of Sanistål’s Board of Management and the group of senior managers special options to purchase B-shares in Sanistål.

With this special options scheme the Board of Directors wishes

- to tie the participants closer to the company during the transitional period of 2008-2012, when increases in sales and gross profit will be achieved, while at the same time the reorganisation of the logistics structure will result in a major reduction in costs;
- to create a strong, common financial incentive for the participants to achieve the company’s earnings target for 2010 and beyond; and
- to increase the financial incentive for working towards adding value for the Sanistål shareholders.

Allotment of the special share options will take place on 31 December 2008, 2009 and 2010 without any special performance-related conditions.

The special share options scheme is a one-off scheme, which is the result of a particular situation and an extension cannot be expected.

During the period 2008-2010, each participant is allotted a number of share options by the company to purchase a number of B-shares from the company’s own holding, which – using the exercise price – corresponds to a mar-

Share options	Number of options	Exercise price	Market price at time of exercise	Fair value in total (DKK thousands)	Period to maturity
Outstanding as at 31 December 2005	22,504	532.1		6,000	4.5 years
Adjustment a)	-29	748.8		-2	
Allotted	7,086	854.8		1,127	b)
Exercised	-2,362	349.0	860.0	-1,207	
Value adjustment				2,027	
Outstanding as at 31 December 2006	27,199	632.6		7,945	4.4 years
Adjustment a)	-1,252	1,038.1		-199	
Allotted	6,118	626.5		1,487	b)
Exercised	-2,295	326.8	1,054.1	-1,669	
Value adjustment				-3,758	
Outstanding as at 31 December 2007	29,770	681.5		3,806	4.0 years

a) Adjustment in connection with the fixing of the final number of share options and final exercise price for allotted share options in 2005 and 2006 respectively (see footnote e).

b) The fair price of the share options at the date of allotment is recognised as a staff cost over the earnings period. In 2007, DKK 1,487,000 was recognised, of which DKK 643,000 was for the Board of Management (2006: DKK 1,127,000, of which DKK 544,000 was for the Board of Management).

Note 6 – Share-based remuneration, continued

ket value of one year's gross salary as at 1 January 2008. Allotments will be made in three equally sized tranches on 31 December in 2008, 2009 and 2010.

The exercise price is fixed at DKK 900 per share for all three allotments due to the fact that in December 2007 Sanistål acquired B-shares at a price of DKK 700 to cover the scheme.

The share options can be exercised in the applicable exchange windows once at least 12 months have passed since allotment and no later than March/April 2013, when the exchange window closes. The options will be forfeit after this point if they have not already been exercised.

The scheme will encompass approximately 1% of the share capital.

Table of outstanding share option programmes

Allotment year	Exercise options c)		Number			Exercise price d)		Fair value (DKK thousands)
	First year	Final year	31 December 2006	Allotted	Exercised	31 December 2007	Exercise price	Exercised
Board of Management								
2001	2005	2008	1,000			1,000	420.0	207
2002	2007	2009	1,683		459	1,224	326.8	326.8
2003	2008	2010	2,944			2,944	560.1	404
2005	2009	2011	3,638			3,638	748.8	310
2006	2010	2012	3,422	-605		2,817	1,038.1	134
2007	2011	2013		2,644		2,644	626.5 e)	377
			12,687	2,039	459	14,267		1,786
Other senior management								
2002	2007	2009	3,978		1,836	2,142	326.8	326.8
2003	2008	2010	3,389			3,389	560.1	465
2005	2009	2011	3,481			3,481	748.8	297
2006	2010	2012	3,664	-647		3,017	1,038.1	144
2007	2011	2013		3,474		3,474	626.5 e)	495
			14,512	2,827	1,836	15,503		2,020
Total outstanding share options as at 31 December 2007			27,199	4,866	2,295	29,770		3,806
Number of share options that may be exercised as at 31 December 2007						4,366	348.1	

The fair value of outstanding share options is calculated on the basis of the Black-Scholes formula using the following parameters:

The share options are expected to be exercised at the latest possible date	
Market price as at 31 December 2007	626.51
Dividend per share (DKK)	20.00
Risk-free interest rate, % (based on Danish government bonds)	4.26
Volatility of the share, % (based on historic volatility over five years)	26.25

c) The share options may be exercised up to four weeks after publication of quarterly and annual reports.

d) Exercise prices may be calculated as an average of several option programmes.

e) The number of share options is calculated on the basis of the market price at the year-end. The final number of share options and final exercise price will be established at the end of March/beginning of April. The exercise price will be established as the average price over 10 days after the publication of the annual report.

All the share option programmes are equity-based programmes which will be honoured for Sanistål's part through the delivery of shares. The commitment is covered by the company's holding of own shares (see note 22).



DKK thousands	2007	2006
Note 7 – Financial income		
Interest, cash and cash equivalents, etc.	22,754	17,165
Exchange rate gains	4,587	2,117
Exchange rate gains on securities	260	760
	27,601	20,042
Note 8 – Financial expenses		
Interest, credit institutions, etc.	92,600	28,051
Exchange rate losses	4,629	207
	97,229	28,258
Note 9 – Tax		
The tax for the year can be broken down as follows:		
Tax on profit for the year	13,224	56,039
Tax on equity movements	2,696	2,771
	15,920	58,810
The tax on the profit for the year is derived as follows:		
Current tax	1,675	65,494
Deferred tax	14,378	-9,613
Reduction in Danish corporation tax from 28% to 25%	-2,842	-
Adjustment of tax relating to previous years	13	158
	13,224	56,039
The tax on the profit for the year can be explained as follows:		
Calculated as 25% tax on the profit before tax	11,555	60,092
Adjustment of calculated tax in foreign subsidiaries relative to 25%	2,988	-981
Reduction in Danish corporation tax	-2,842	-
Tax effect of:		
Non-taxable income	-	-5,419
Non-deductible expenses	2,801	2,189
Share of profit after tax in associated companies	-1,291	-
Adjustment of tax relating to previous years	13	158
	13,224	56,039
Effective tax rate	28.6%	26.1%
Note 10 – Earnings per share		
Profit for the year	32,998	158,575
Average number of shares	1,923,784	1,923,784
Average number of own shares	24,745	30,048
Average number of shares, basic	1,899,039	1,893,736
Diluting effect of outstanding share options	9,423	5,655
Average number of shares, diluted	1,908,462	1,899,391
Earnings per share after tax (EPS), basic	17.38	83.74
Earnings per share after tax (EPS), diluted	17.29	83.49

DKK thousands

	Goodwill	Brand names	Customer base	Software	Total
Note 11 – Intangible assets 2007 (2006)					
Cost price 01.01.07	32,563	-	-	15,937	48,500
Cost price 01.01.06	-	-	-	14,694	14,694
Addition from acquisition of subsidiary	318,969	125,000	25,000	1,824	470,793
Addition from acquisition of subsidiary	-	-	-	-	-
Additions for the year	3,548	-	-	3,404	6,952
Additions for the year	32,563	-	-	1,355	33,918
Disposals for the year	-	-	-	-	-
Disposals for the year	-	-	-	-112	-112
Cost price 31.12.07	355,080	125,000	25,000	21,165	526,245
Cost price 31.12.06	32,563	-	-	15,937	48,500
Depreciation, amortisation and write-downs 01.01.07	-	-	-	-12,133	-12,133
Depreciation, amortisation and write-downs 01.01.06	-	-	-	-7,840	-7,840
Depreciation and amortisation for the year	-	-4,688	-1,875	-2,299	-8,862
Depreciation and amortisation for the year	-	-	-	-4,405	-4,405
Disposals for the year	-	-	-	-	-
Disposals for the year	-	-	-	112	112
Depreciation, amortisation and write-downs 31.12.07	-	-4,688	-1,875	-14,432	-20,995
Depreciation, amortisation and write-downs 31.12.06	-	-	-	-12,133	-12,133
Book value 31.12.07	355,080	120,312	23,125	6,733	505,250
Book value 31.12.06	32,563	-	-	3,804	36,367

Goodwill

On 31 December 2007, the management tested the book value of goodwill for impairment, based on the allocation of the cost price of goodwill to the following cash flow-generating units:

UAB Hidruva, Lithuania	32,563
Carl F Detail A/S	165,019
Carl F International A/S	157,498

UAB Hidruva, which was acquired at the end of 2006, has from the start of 2007 been merged with UAB Sanistål as the surviving company. The merged company had revenue of DKK 145 million in 2007, with a surplus of DKK 0.2 million, compared with a loss of DKK 1.8 million the year before. This positive trend is expected to continue in the next financial years. The network of shops has recently been expanded and the synergies of the consolidation will continue to show through in the years to come.

With effect from 1 April 2007, Sanistål A/S took over the entire share capital in Carl F A/S and the company was subsequently divided into two companies – Carl F Detail

A/S and Carl F International A/S. The retail company has been merged into Sanistål A/S and is an independent segment of the company. Carl F International A/S continues to operate as an independent group of companies.

Fair value adjustments were made on takeover (see note 27). After fair value adjustment, there was a total goodwill of DKK 281.2 million, divided between Carl F Detail A/S (DKK 165.0 million) and Carl F International A/S (DKK 116.2 million). In addition, goodwill relating to the subsidiaries of Carl F International A/S was capitalised at DKK 41.3 million. With reference to note 28, the contributions of the two segments were DKK 3.8 million and DKK -14.1 million respectively in the period 1 April to 31 December 2007. These results are naturally not satisfactory, but the incorporation that is underway of Carl F Detail A/S into Sanistål A/S, the planned synergies in sales, logistics, purchasing, sourcing and back-office plus the separate focus on Carl F International A/S is expected to return positive results as early as 2008. It will be two to three years, however, before the results are satisfactory.

The recoverable value for all three units is based on the capital values, which are determined using the anticipated



net cash flows based on the budgets for 2008, and the strategic plan forecast for subsequent years. For all the units concerned, a discount factor of 10% is used for the calculation of net cash flows.

The net cash flows are based on the budget for 2008 and also the forecasts for 2009-2012. The growth in the forward period is recognised as 0%, while the EBIT margin in the forward period is expected to remain unchanged, as is the working capital as a percentage of revenue. The investments are assumed to equal the book value depreciation and amortisation.

Brand names include the Carl F brand, which has been well-known for 100 years in Denmark, as well as the d line

brand from Carl F International A/S. d line is a brand known both in Denmark and internationally. As a result of the robustness and anticipated long-term “sustainability” of the two brands, the amortisation period is set at 20 years. The customer base relates solely to Carl F Detail A/S, which has had a number of regular customers for many years. There are no written customer agreements. The depreciation horizon is estimated at 10 years.

Other non-current assets

The management has not identified any factors to indicate that there is a need to carry out an impairment test on other intangible assets.

DKK thousands

	Land and buildings	Plant and machinery, fixtures and fittings	Tangible assets under construction	Total
Note 12 – Tangible assets 2007 (2006)				
Cost price 01.01.07	570,760	379,190	-	949,950
Cost price 01.01.06	514,916	377,917	-	892,833
Exchange rate adjustments, beginning of year	495	200	-	695
Exchange rate adjustments, beginning of year	-45	-34	-	-79
Addition from acquisition of subsidiary	46,217	19,492	-	65,709
Addition from acquisition of subsidiary	7,582	3,041	-	10,623
Additions for the year	48,918	130,794	219,131	398,843
Additions for the year	108,710	55,528	-	164,238
Disposals for the year	-479	-62,613	-	-63,092
Disposals for the year	-40,771	-57,262	-	-98,033
Transferred to assets held for sale	-5,468	-15,757	-	-21,225
Transferred to assets held for sale	-19,632	-	-	-19,632
Cost price 31.12.07	660,443	451,306	219,131	1,330,880
Cost price 31.12.06	570,760	379,190	-	949,950
Depreciation, amortisation and write-downs 01.01.07	-184,640	-266,277	-	-450,917
Depreciation, amortisation and write-downs 01.01.06	-185,320	-261,595	-	-446,915
Exchange rate adjustments, beginning of year	-110	-182	-	-292
Exchange rate adjustments, beginning of year	38	25	-	63
Write-downs for the year	-	-	-	-
Write-downs for the year	-3,420	-	-	-3,420
Depreciation and amortisation for the year	-18,947	-41,368	-	-60,315
Depreciation and amortisation for the year	-20,501	-35,805	-	-56,306
Disposals for the year	318	59,228	-	59,546
Disposals for the year	18,533	32,511	-	51,044
Transferred to assets held for sale	3,331	14,075	-	17,406
Transferred to assets held for sale	6,957	-	-	6,957
Depreciation, amortisation and write-downs 31.12.07	-200,048	-234,524	-	-434,572
Depreciation, amortisation and write-downs 31.12.06	-184,640	-266,277	-	-450,917
Book value 31.12.07	460,395	216,782	219,131	896,308
Book value 31.12.06	386,120	112,913	-	499,033

DKK thousands	2007	2006
Note 13 – Investments in associated companies		
Cost price 01.01.07	-	-
Additions	446,057	-
Cost price 31.12.07	446,057	-
Adjustments 01.01.07	-	-
Share of profit for the year	5,163	-
Adjustments 31.12.07	5,163	-
Book value 31.12.07	451,220	-

Name	Registered office	Share	Revenue	Profit for the year	Assets	Share of equity	Share of profit for the year
Brødrene A&O Johansen A/S	Albertslund	39.12%	2,904,259	46,484	1,558,104	236,235	5,163
Goodwill 31.12.07		-				214,985	-
						451,220	5,163

DKK thousands	2007	2006
Note 14 – Inventories		
Goods for resale	1,275,889	973,847
	1,275,889	973,847
Book value of inventories recognised at net sales value	22,907	21,359
Note 15 – Accounts receivable		
Trade accounts receivable from sales and services	815,374	624,746
Other accounts receivable	26,413	13,398
	841,787	638,144
Write-downs included in the above receivables have developed as follows:		
Write-downs 01.01.07	23,894	20,784
Addition from acquisition of subsidiary	18,258	74
Written down in the year	14,369	10,762
Realised in the year	-11,254	-7,497
Reversed	-262	-229
Write-downs 31.12.07	45,005	23,894
Note 16 – Assets held for sale		
Tangible assets (properties)	16,486	12,675
Assets held for sale	16,486	12,675
Credit institutions	7,159	8,093
Liabilities related to assets held for sale	7,159	8,093



DKK thousands	2007	2006
Note 17 – Deferred tax		
Deferred tax, beginning of year	24,528	34,370
Addition from acquisition of subsidiary	29,955	-110
Deferred tax for the year recognised in the profit for the year	14,378	-9,613
Reduction in Danish corporation tax from 28% to 25%	-2,842	-
Adjustments relating to previous years	-91	-119
	65,928	24,528
Deferred tax relates to:		
Intangible assets	36,519	248
Tangible assets	34,508	31,954
Current assets	-657	-2,259
Short-term liabilities	-4,442	-5,415
	65,928	24,528

There is a tax liability in relation to German subsidiary Max Schön GmbH for a total of DKK 23.4 million. This liability is not set aside in the consolidated financial statements, as it partly corresponds to a tax asset relating to tax losses which can be carried forward in accordance with German tax legislation.

Furthermore, no tax liability has been set aside in relation to the revaluation of the shareholding in Brødrene A&O Johansen A/S of DKK 5.2 million. The tax liability for this is DKK 1.3 million and is not set aside as it is only triggered if the shares are sold within three years of the date of acquisition.

Note 18 – Total provisions

Provision made for employee commitments following change in logistical structure:

Provisions 01.01.07	15,000	-
Used during the year	-6,381	-
Provision made for the year	4,381	15,000
Provisions 31.12.07	13,000	15,000
The due dates for provisions are expected to be:		
Long-term liabilities	-	8,340
Short-term liabilities	13,000	6,660
	13,000	15,000

Note 19 – Credit institutions

Debts to credit institutions are recognised as follows on the balance sheet:

Long-term liabilities	936,965	478,350
Short-term liabilities	1,542,820	207,937
Liabilities related to assets held for sale	7,159	8,093
	2,486,944	694,380
Currency distribution of debts to credit institutions:		
DKK	2,322,144	563,554
EUR	89,121	82,385
LVL	51,911	26,694
Other	23,768	21,747

DKK thousands

Note 19 – Credit institutions, continued

As of 31 December the Group had the following loans and lines of credit:

Type of loan	Av. weighted period to maturity	Fixed/ variable	Effective rate of interest		Book value	
			% 2007	% 2006	2007	2006
Operating lines of credit	-	variable	daily basis	daily basis	1,155,445	187,933
Mortgage debt ①	16.9	variable	4.6	4.2	49,904	29,002
Mortgage debt ②	15.6	fixed	4.3	4.1	154,713	164,990
Bank loans ① ③ ⑥	3.8	variable	5.1	4.3	371,412	43,283
Bank loans ④ ⑤	5.8	fixed	4.6	4.0	754,254	267,112
Leasing debt	1.8	fixed	6.4	5.3	1,216	2,060
					2,486,944	694,380

① For debt shown as variable interest rate, the interest rate will be reassessed in 2008

② DKK 75,000,000 is hedged to maturity in 2026 through an interest rate swap

③ DKK 30,000,000 is hedged to maturity in 2008 through an interest rate swap with a range of 4.0% to 6.25%

④ DKK 125,000,000 is hedged to maturity in 2016 through an interest rate swap

⑤ DKK 500,000,000 is hedged to maturity in 2013 through an interest rate swap

⑥ EUR 3,000,000 is hedged to maturity in 2017 through an interest rate swap

DKK thousands	2007	2006
Group credit facilities as at 31 December are composed as follows:		
Available operating lines of credit	1,572,260	757,445
Utilised operating lines of credit:		
Lines of credit in DKK	1,036,778	133,534
Lines of credit in foreign currency	118,667	54,399
Operating lines of credit	1,155,445	187,933
Credit facilities	416,815	569,512

The fair values do not differ significantly from the book values.

Interest rate and currency risks are described in more detail in note 29 "Risk management"

Note 20 – Trade accounts payable and other liabilities

Trade accounts payable	358,556	335,200
Other debt	209,037	141,031
	567,593	476,231

Note 21 – Corporation tax

Receivables/corporation tax payable, beginning of year	1,742	-1,449
Addition from acquisition of subsidiary	-1,073	-547
Current tax for the year, including subsidiaries	4,475	-68,542
Tax paid in the year	30,359	72,280
	35,553	1,742



DKK thousands

Note 22 – Share capital, own shares and dividend

Share capital

The share capital comprises 1,923,784 shares at a nominal DKK 100, corresponding to a share capital of DKK 192,378,400. The share capital is divided into 203,784 A-shares and 1,720,000 B-shares. The A-shares carry 10 votes each at the Annual General Meeting and must be registered by name. The A-shares are not negotiable securities. The B-shares carry one vote each at the Annual General Meeting. The B-shares are freely negotiable.

	Number (units)	Nominal value (DKK thousands)	Cost price (DKK thousands)	Market value at year-end (DKK- thousands)	Share of the company's capital (%)
Holding at beginning of year	24,156	2,416	6,716	20,648	1.3
Allocation to employees	-21	-2	-5		
Redemption of share options	-2,295	-230	-638		
Acquisition	23,600	2,360	17,193		
Holding at year-end	45,440	4,544	23,266	28,468	2.4

Dividend

A dividend of DKK 9,392,000 (2006: DKK 37,992,000) is proposed, which corresponds to a dividend per share of DKK 5.00 (2006: DKK 20.00).

On 26 April 2007, Sanistål A/S paid the shareholders a dividend amounting to DKK 37,992,000 (2006: DKK 37,780,000), which corresponds to a dividend per share of DKK 20.00 (2006: DKK 20.00).

The distribution of a dividend to Sanistål A/S' shareholders has no tax consequences for Sanistål A/S.

Policy on own shares

In accordance with the authorisation given by the company's Annual General Meeting, Sanistål may acquire up to 10% (DKK 19,238,000 nominal) of its own shares up until 26 April 2008. The company buys its own shares as part of the established incentives programme for the Board of Management and senior managers and for possible use in reducing Sanistål's share capital.

DKK thousands

Note 23 – Contingent liabilities and guarantees

Other commitments:

	2007		2006	
	Rental commit- ments	Leasing commit- ments	Rental commit- ments	Leasing commit- ments
0-1 years	61,618	23,398	45,516	12,727
1-5 years	193,887	22,583	139,546	13,191
>5 years	164,217	-	146,950	-
	419,722	45,981	332,012	25,918

Guarantees:

As security for mortgage debt in the parent company, mortgage deeds for DKK 27.0 million have been registered to FIH Erhvervsbank A/S.

As security for bank debt in subsidiaries, mortgages have been arranged for tangible assets, inventories and bank balances to the order of DKK 6.9 million at Hansabank.

The book value of mortgaged property totals DKK 502.7 million. Mortgage debt of DKK 6.2 million in foreign subsidiaries is secured through mortgages on properties with a book value of DKK 26.5 million.

DKK thousands

Note 24 – Remuneration of auditors appointed by the Annual General Meeting

Total remuneration:

KPMG	4,463	1,486
Others	300	-
Of which for services other than auditing:		
KPMG	2,126	115

Note 25 – Connected parties

Apart from the dividend paid to shareholders and remuneration to the Board of Management and Board of Directors of the company, there have been no transactions with parties connected with the Group. Parties connected to Sanistål means in this context A-shareholders, shareholders (cf. Section 28a of the Danish Companies Act), the Board of Directors and the Board of Management.

DKK thousands

Note 26 – New accounting rules

IASB has issued the following new IFRS, which are not obligatory for Sanistål A/S in preparing the 2007 annual report. Unless stated otherwise, they are also approved by the EU:

IAS 1 (revised 2007) “Presentation of Financial Statements” applies to financial years beginning on or after 1 January 2009. The standard is of no significance for recognition and measurement in the annual report (IAS 1 has not yet been approved by the EU).

IFRS 3 (revised 2007) Business Combinations (and the simultaneous revision of IAS 27) applies to financial years beginning on or after 1 July 2009. Sanistål A/S does not expect to make any use of the option of recognising goodwill related to any minority shareholders’ share of acquired companies, but does expect that a number of the technical adjustments to the takeover method in IFRS 3 will have only a minor impact on the financial statements. (IFRS 3 and IAS 27 have not yet been approved by the EU.)

IFRS 8 “Segments”, relating to information about segments, applies to financial years beginning on or after 1 January 2009. The standard is of no significance for recognition and measurement in the annual report.

IAS 23 (revised 2007) “Borrowing costs” applies to financial years beginning on or after 1 January 2009. IAS 23 (revised 2007) requires borrowing costs to be recognised in the cost price for a qualifying asset (intangible and tangible assets as well as inventories). (IAS 23 has not yet been approved by the EU.)

IASB has also issued a number of new interpretations (IFRIC), which are not expected to have any bearing on Sanistål A/S. Sanistål A/S expects to implement the above IFRS from the date they come into force.

Note 27 – Acquisition of subsidiary and activities

With effect from 1 January 2007, Sanistål A/S has taken over all the shares in Carl F A/S which is a leading supplier of fittings, tools and fasteners to the construction industry and other industries in Denmark.

The takeover date for accounting purposes is defined as 1 April 2007, which is the closing date of the acquisition of Carl F A/S.

DKK thousands	Fair value on the takeover date	Book value before the takeover
Intangible assets	189,457	49,393
Tangible assets	63,287	54,058
Financial assets	1,645	1,645
Other non-current assets	2,836	2,836
Inventories	189,287	213,092
Accounts receivable	203,350	211,027
Cash and cash equivalents	6,932	6,932
Credit institutions	-289,325	-289,325
Deferred tax	-29,955	-1,054
Trade accounts payable	-88,387	-88,387
Other debt	-53,121	-51,071
Net assets acquired	196,006	109,146
Goodwill	281,204	-
Purchase price	477,210	109,146
Of which cash and cash equivalents in Carl F A/S	-6,932	-
Cash purchase price	470,278	109,146

The cost price was DKK 477.2 million, including direct purchase expenses incurred of DKK 7.4 million. The purchase price has been financed in cash.

Fair value adjustments were made in relation to intangible non-current assets, land and buildings, other tangible

non-current assets, stocks and accounts receivable.

Intangible non-current assets were adjusted by DKK 150.0 million in relation to brand names and customer base as well as the write-down of in-house developed software amounting to DKK 10 million.



Land and buildings were written up by DKK 12.5 million in relation to the central warehouse of Carl F A/S located in Odense, which corresponds to the valuation made by external assessors.

Inventories and receivables have been adjusted by a total of DKK 31.6 million to resale value according to Sanistål principles. Other debt has been adjusted by DKK 2 million and mainly relates to additional provisions for holidays and holiday pay.

Following the recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill relating to the acquisition was DKK 281.2 million. The goodwill recognised relates to the acquisition of market share and a strengthened market position for the supply of fittings, tools and fasteners to the construction industry and other industries in Denmark. The goodwill recognised also relates to expected synergies resulting from the acquisition in relation to the coordination of the supplier network and in relation to the consolidation of the Sanistål A/S and Carl F A/S network of shops. The Carl F A/S Group has an annual revenue of DKK 988.4 million with EBIT of around DKK 3.9 million. During the period of ownership from 1 April to 31 December 2007, the Carl F A/S Group had revenue of DKK 749.9 million with EBIT of DKK 1.2 million.

2006

In 2006, Sanistål A/S acquired all the shares in UAB Hidruva, Lithuania, which supplies HVAC and plumbing products, among other things.

The fair value adjustment relates to the revaluation of property. The Group has not identified and recognised intangible assets in connection with the acquisition and the entire difference between the purchase price and the net assets calculated at the fair value is therefore recognised as goodwill. The goodwill recognised relates solely to the strengthened market position in Lithuania, including synergies resulting from the acquisition which are expected to mean a significant reduction in costs overall.

UAB Hidruva has an annual net revenue of approximately DKK 75 million. During the period of ownership in December, UAB Hidruva had revenue of DKK 6.2 million and a pre-tax profit of DKK 0.4 million.

DKK thousands	Con- struction Industry	Steel Industry	Other Industry	Carl F	Carl F Inter- national	Non- allocated	Group
Note 28 – Segmental reporting							
Activities – primary segment 2007 (2006)							
Net revenue	1,821,661	2,344,339	1,417,419	367,182	382,733	-	6,333,334
Net revenue	1,485,799	2,086,614	1,247,206	-	-	-	4,819,619
Gross profit	450,453	393,659	449,135	138,256	155,358	-	1,586,861
Gross profit	375,140	391,563	389,059	-	-	-	1,155,762
Other operating income	-	-	-	-	-	4,752	4,752
Other operating income	-	-	-	-	-	27,540	27,540
Profit at Brødrene A&O Johansen A/S	-	-	-	-	-	5,163	5,163
Profit at Brødrene A&O Johansen A/S	-	-	-	-	-	-	-
External expenses	77,365	58,850	80,312	51,348	68,031	262,379	598,285
External expenses	51,616	49,575	64,541	-	-	153,167	318,899
Staff costs	147,416	79,950	160,869	76,844	94,800	326,271	886,150
Staff costs	118,568	78,058	144,624	-	-	246,587	587,837
Depreciation/amortisation	2,026	2,514	5,397	6,313	6,614	43,255	66,119
Depreciation/amortisation	2,845	3,097	6,651	-	-	49,359	61,952
Segment contribution	223,646	252,345	202,557	3,751	-14,087	-621,990	46,222
Segment contribution	202,111	260,833	173,243	-	-	-421,573	214,614
Non-current assets	23,146	3,476	23,167	272,668	241,191	1,265,672	1,829,320
Non-current assets	11,308	1,247	18,150	-	-	511,194	541,899
Current assets	484,518	596,623	385,169	277,046	158,936	332,880	2,235,172
Current assets	420,419	593,581	374,884	-	-	257,674	1,646,558
Segment assets	507,664	600,099	408,336	549,714	400,127	1,598,552	4,064,492
Segment assets	431,727	594,828	393,034	-	-	768,868	2,188,457
Non-current asset invest- ments	2,165	36	7,959	4,920	15,986	374,861	405,927
Non-current asset invest- ments	2,445	758	5,905	-	-	156,485	165,593
Segment liabilities	-	-	-	-	-	3,097,606	3,097,606
Segment liabilities	-	-	-	-	-	1,210,139	1,210,139

The activities are broken down on the basis of the identification of customers with the specified segments. The allocation of expenses has been performed according to a contribution principle, in which expenses are allocated to the extent that they are immediately allocatable. Non-allocated expenses particularly refer to expenses relating to logistics, administration, properties and financing.



Note 28 – Segmental reporting, continued

BUSINESS SEGMENTS

Since 2003, in addition to the usual reporting, Sanistål has implemented segmental reporting in order to enhance follow-up for individual customers. The basic principle of segmental reporting is that all Sanistål customers are identified with one of the five segments. This creates the basis needed to follow up each individual customer, each individual salesperson and each individual business segment. The five business segments are called Construction Industry, Steel Industry, Other Industry, Electrical Technology and Carl F. The results of each individual segment in 2007 and their expectations for 2008 are described below.

CONSTRUCTION INDUSTRY

Customer/product structure

The Construction Industry segment covers the sale of HVAC and plumbing products in Denmark and the Baltic States. The segment primarily provides companies in the field of HVAC, Sanitation and Roof & Facade with materials and advice. The acquisition of Carl F at the beginning of 2007 will begin to produce a synergy effect in the construction sector in 2008, where recent years have seen a degree of compound trading and consolidation, even at the implementation stage of the value chain.

The Construction Industry segment in 2007 and expectations for 2008

The general market that the Construction Industry segment supplies experienced strong growth of 9% in 2007, meaning that the market is now worth DKK 8.6 billion, of which 5% constituted price increases resulting from rising raw material and energy prices. Sanistål again achieved growth in 2007 that was double the market growth, as Construction Industry once more increased its market share. Growth has been in line with Sanistål's strategy, with the highest rate on Zealand. However, Sanistål has increased its market shares on both sides of the Great Belt.

In recent years Sanistål has undertaken a targeted initiative in Greenland and on the Faroe Islands and work has also now begun in Iceland. The level of activity has increased in this North Atlantic region in line with the strategy within the individual strategic target areas and Sanistål is now considered to be the largest wholesaler in this area.

Despite the high level of activity in the construction sector in Denmark in 2007, and the resulting shortage of labour and long delivery times for building materials, Sanistål was able to secure continuous deliveries to customers.

The Construction Industry organisation had a staff turnover level of only 5% in 2007. This is extraordinarily low in a labour market that is generally overheated within the construction industry. At the same time it has been established that it is relatively easy for Sanistål to attract experienced, skilled employees.

Financial highlights, DKK million	2007	2006
Net revenue	1,821.7	1,485.8
Gross profit	450.5	375.1
Segment contribution	223.6	202.1
Segment assets	507.7	431.7

Sanistål expects that the market for the Construction Industry will continue to grow by around 5% in the first half of 2008 and that there is a risk that the market will stagnate in the second half of the year as a result of a general slowdown in the Danish construction industry.

However, Sanistål has built up a number of subsegments in the Construction Industry segment over the last five years which have considerably reduced its sensitivity to the business cycle, and this same segment, through very close, good working relationships with both suppliers and a number of key customers, expects that it will maintain a solid foothold in the market with good conditions for continuing to increase its market share, even in a market that does not have the same external growth witnessed in 2005-2007.

As described in the Management Report, Sanistål's shops, which account for around a third of Construction Industry's sales, experienced particularly positive growth again in 2007. Existing shops were renovated and new ones are also being built which will open up new areas for Construction Industry. Randers, Holbæk, Køge and Ringsted are all important new locations for the Construction Industry segment. This boost to Sanistål's profile as a result of these new shops, not least on Zealand, will undoubtedly mean new market shares for Construction Industry in 2008.

STEEL INDUSTRY

Customer/product structure

The Steel Industry segment covers the Danish steel in-

dustry as well as the sale of steel products in Germany and the Baltic States. The segment serves businesses in the iron and metal industry, metalworkers and other steel-consuming businesses. These customers are served by the whole of Sanistål's product range and they demand a wide range of products in the area of consumables, supplies, etc. The segment also serves the customer group covering drop shipment sales in the steel sector. This takes the form of products being delivered directly from producer to customer, without passing through Sanistål's warehouse.

Financial highlights, DKK million	2007	2006
Net revenue	2,344.3	2,086.6
Gross profit	393.7	391.6
Segment contribution	252.3	260.8
Segment assets	600.1	594.8

The Steel Industry segment in 2007 and expectations for 2008

Due to the fall in prices, the decline in the construction industry and increasing competition in the second half of the year, the segment's contribution for 2007 was DKK 8.5 million lower than in 2006. The high level of activity experienced in 2006 continued in the first half of 2007, after which demand started to fall, particularly in the construction sector.

The Steel Industry segment has again increased market share in 2007 and in doing so continued the growth of previous years.

The global market continues to see the consolidation of both iron ore mine owners and steel producers, with a trend towards yet further control of the supply of steel in relation to demand.

In 2007 and subsequent years, the demand for steel products will continue to grow strongly in Russia, China, India and other Asian countries, while the European and American market stagnates or rises much less.

The price fall in the second half of 2007 has ended and there have been price rises for steel products between Q1 and Q2 of 2008. The strong increase in demand for steel products world-wide combined with rising iron ore prices and energy prices is the main reason for these rises. This and the consolidation of producers may mean that 2008 will be a year of challenges similar to those faced by the steel industry in 2004, when prices increased greatly and supplies were limited at times.

One difference between 2004 and 2008, however, is that in 2004 it was possible to buy steel in Asia and Russia at

favourable prices and then import it into Europe. In 2008 this is not possible as the prices in both Asia and Russia are higher than in Europe and the strong demand on these home markets has reduced export volumes.

The strong demand is such that it may maintain the high price level in Europe. It is expected that the level can definitely be maintained in Q3, after which the uncertainty rises and the possibility of a fall can be expected at the end of the year. Prices for steel will remain high, however.

OTHER INDUSTRY

Customer/product structure

The Other Industry segment covers the sale of technical products and solutions in Denmark, Germany and the Baltic States. Our customers are drawn from all areas of industry, i.e. both from industrial production and industrial trades and services.

Financial highlights, DKK million	2007	2006
Net revenue	1,417.4	1,247.2
Gross profit	449.1	389.1
Segment contribution	202.6	173.2
Segment assets	408.3	393.0

The Other Industry segment in 2007 and expectations for 2008

The upswing that we experienced in Other Industry in the last few years was maintained in 2007. This now seems to have peaked in 2007 and Sanistål expects that the high level of growth in Other Industry will fall away somewhat, particularly in the second half of 2008.

The positive development in Other Industry in 2007 created a high level of investment, which greatly benefited Sanistål. Sanistål saw increasing sales in 2007 in the fields of technical products, maintenance and machinery. In 2008, Sanistål expects a continued increase in sales for Other Industry, not least as a result of the marketing initiatives that Sanistål has implemented to strengthen the company's position in relation to industrial customers. Against the background of the defined strategy for the Other Industry segment, Sanistål therefore expects to gain further market shares in 2008 and beyond.

In recent years Other Industry has increasingly focused on the optimisation of purchasing processes, including reducing the number of suppliers and entering into partnership agreements with a small number of selected one-stop suppliers. Sanistål has dealt with this effectively through the company's One-Stop-Shopping concept, which has been undergoing constant development. The broad product range, combined with the company's abil-



ity to offer individual, value-adding services and technical solutions, will be the major competitive edge.

In 2008, Sanistål's Supply Chain Management concept will also be further strengthened with a view to maintaining a leading position among the industry's largest companies.

Electrical Technology

Electrical Technology has been establishing itself on the market throughout 2007. The segment was launched at the beginning of 2007 and many resources have been used throughout the year dealing with both new and existing customers.

It has been our experience that Electrical Technology has been very well received by both existing and potential customers. Many customers see a benefit in both the fact that there is a new supplier on this market and that Sanistål is completing its product portfolio and so strengthening its One-Stop Shopping concept.

The product portfolio was further intensified during 2007. The range is continuously adapted to meet the needs and expectations of the market. A number of important co-operative relationships have been established during the year between Sanistål and various suppliers. These relationships have the potential to be strengthened still further and enable both the suppliers and Sanistål to improve their market positions.

An exciting new development in 2007 was the establishing of our own lighting brand. This will be launched on the market at the beginning of 2008 under the name "Advance". Advance covers a wide range of lighting equipment and is the result of a targeted cooperative strategy with selected suppliers.

The competition is fierce and the main competitors have gone on the offensive and offer strong resistance. This business area had a negative impact on Sanistål's profits in 2007. The area is strategically important and will continue to be expanded in 2008 and beyond.

The expectation for 2008 is a continued increase in revenue and so an increased market share. The focus will be on industry and electricians. The market is expecting a slowdown in the construction industry towards the end of the year, however, and there is uncertainty about how the downturn in construction will affect the electrical industry. At the moment, there is a backlog of work in the sector. There is currently a shortage of more than 2,000 skilled workers in the sector and many electricians have turned down work because they are too busy. The work building up for the electricians is mainly within operations, maintenance and servicing etc. In other words, tasks which are less sensitive to cyclical pressures than contract work.

THE CARL F SEGMENT

Customer/product structure

The Carl F segment forms the Danish core business of Carl F A/S, which was acquired by Sanistål at the beginning of 2007. The segment mainly supplies businesses active in carpentry/joinery-related activities and it also has close working relationships with a large number of Danish architects and design studios. Carl F specialises in and is the market leader for project specifications, consulting and the sale of fittings products. Carl F's other major product areas are fasteners, tools, power tools, work clothing and more advanced hardware.

Financial highlights, DKK million	2007	2006
Net revenue	367.1	-
Gross profit	138.3	-
Segment contribution	3.8	-
Segment assets	549.7	-

The Carl F segment in 2007 and expectations for 2008

The joinery/carpentry market was also characterised by a high level of activity in 2007 and growth was more controlled than in previous years. Carl F found itself on a market with increased competition and where special project activities, in particular in the residential construction industry, experienced a recession in the second half of the year. Internally, Carl F was particularly affected by extensive integration activities. The organisation, business processes and major parts of the infrastructure are therefore ready to be migrated to Sanistål's existing ERP platform at the beginning of 2008.

For 2008, Sanistål expects modest to flat market growth, with special renovation work expected to take up the slack left by any stagnation on the projects market. Residential construction is expected to continue its downward trend, while the increase in specification work indicates a continued high level of activity within office and institutional construction.

On 1 February 2008, Carl F was fully integrated into Sanistål. Following this, the first half year is expected to be full of activities and initiatives to strengthen the business foundations. With a more effective sales organisation, access to the market's best e-commerce solution, an effective logistical set-up and not least a major increase in the distribution network, Carl F is considered to be ready for an intensive battle for customers.

CARL F INTERNATIONAL

Customer/product structure

Carl F International, which was acquired as part of Carl F at the beginning of 2007, supplies businesses in the door and windows industry in the Nordic region and the UK, locksmiths and construction markets in the Nordic region and architects and contractors across the world. Customers are provided with products for door and window fittings, lock and security systems, etc.

Financial highlights, DKK million	2007	2006
Net revenue	382.7	-
Gross profit	155.4	-
Segment contribution	-14.1	-
Segment assets	400.1	-

Carl F International in 2007 and expectations for 2008

Carl F International is included for nine months in the annual report for 2007. Overall, organic growth was around 14% in 2007, which is below expectations, but with an improved gross profit margin.

The acquisition of businesses in 2007 is included in the nine-month period under Carl F International with a revenue of DKK 54.3 million and a negative segment contribution of DKK 5.7 million. The results of lock and security activities were disappointing during the period, but other areas experienced growth in revenue and earnings.

In 2007 a sales office was set up in China. A strengthening of the sourcing activities there was also begun in collaboration with Sanistål's segments.

2008 is a year during which the Carl F International segment will be prepared for the future, following its separation from the other activities of Carl F. In spite of this, continued organic growth is expected in 2008, along with a significant improvement in earnings.



Note 29 – Risk management

THE GROUP'S RISK MANAGEMENT POLICY

Sanistål has identified the most important business risks which may affect the company's growth, earnings and future financial position. The major risks relate to stocks, debtors, interest rates and fluctuations in the price of steel products, while currency risks are limited. The Group covers these risks to a large extent and does not actively speculate on developments in currencies, interest rates and raw material prices. The management systematically reports operational and strategic risks.

A. SEGMENT RISKS

The Group's business segments: Construction Industry, Steel Industry and Other Industry are fortunate in having limited dependence on individual customers or suppliers. This is due to a wide spread of 4,000 suppliers, while Sanistål has around 20,000 customers. 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 co-operation were to cease.

Construction Industry

The market conditions for the Construction Industry segment are characterised by a division into a construction sector and a maintenance sector, with Sanistål's greatest exposure being in the maintenance sector. The Group is also not exposed to massive fluctuations due to the level of construction activity because our customers are spread over a number of fields, from construction trades in the HVAC sector to large installation companies and building 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 five large groups.

Steel Industry

The market conditions in the Steel Industry segment are affected by the fact that the overall market in Denmark is in gradual decline. This is causing intense competition with the market's other major player. The segment supplies its steel industry customers both with steel and other metals as well as with consumables and maintenance materials.

The trend towards outsourcing production to countries with lower wage costs and acquiring Danish businesses where production is switched to more hi-tech products is contributing to the market's limited growth. Sanistål is reacting to this trend by supplying Danish and foreign businesses operating in the Baltic States.

There are several factors which may cause significant fluctuations in the performance of the segment and thus of the

Group as a whole. But one factor is stronger and more persistent than the rest: the development in steel prices. 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. The opposite is true when they are falling. As a consequence, it is important to measure the effect of the fluctuation in steel prices when assessing Sanistål's performance. This is why we introduced the concept of the "Steel price development":

The "Steel price development" is defined as the difference between earnings on steel in the current year and earnings on a corresponding quantity of steel in the preceding year (the base year). The calculation for both years is based on the quantity for the base year. The "Steel price development" had a negative impact of DKK 16.1 million on earnings in 2007 relative to 2006.

Other Industry

The market conditions for the Other Industry segment are characterised by a multitude of small and medium-sized competitors, with Sanistål as the market leader.

The diversity of customers, combined with unique opportunities for cross sales, means that the main commercial risks are the levels of activity in maintenance and investment in the manufacturing industry.

Carl F

The segment is exposed to cyclical fluctuation in the construction industry. 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 companies or companies with limited capital. In the light of this, the risk of bad debts here is greater than in the Construction Industry and Other Industry segments. Other segment risks are considered to be on a par with the risks in the Construction Industry segment.

Carl F International

The Carl F International segment has activities relating to door and window fittings, including selling architect-designed d line products in some 50 countries and activities in the Nordic region relating to lock and security systems. Its customers range from the door and window industry via project sales to architects and contractors to locksmiths and construction markets. The segment is mainly exposed to the construction sector, which represents a significant proportion of project sales. Despite this, the segment is traditionally not exposed to fluctuations in construction activities, as the markets have a few very large competitors, which have borne the primary cyclical fluctuations, while the strong brands ensure a strong basis for sales. There is strong competition on the markets, where price, quality and service are the decisive factors.

B. INVENTORY RISK

For stock items, the company continuously monitors the rate of turnover of individual products and writes down the value of goods if the inventories are too large or if sales are stagnating. The Group is also exposed to fluctuations in earnings, cf. the concept of the "Steel price development".

C. DEBTOR RISK

Payment behaviour and financial capacity are continuously monitored. It is the policy of the Group to insure in whole or in part all claims above a certain size against loss. An exception is made for public sector enterprises and particularly creditworthy debtors. As at 31 December 2007, the debtor balance of DKK 472.6 million was insured for DKK 358.8 million, on which there is a deductible of 10% in the event of a loss.

Bad debt provisions are made on the basis of a loss risk assessment and statistical criteria. Twice a year the Board of Directors assesses the risk on debtors with balances over DKK 1 million.

D. PRODUCT LIABILITY

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

E. DAMAGE RISK

Insurance of buildings, movable property and consequential loss. The company's risks in the area of insurance against loss or damage are covered partly through insurance policies and partly through own risk. The properties in Denmark are fully insured to their replacement value. The total risks are evaluated each year by the Board of Directors.

F. IT RISK

Like most Danish companies, Sanistål is dependent on a fully functional IT system and is exposed to considerable consequential losses if it breaks down. Sanistål has countered this risk through a number of procedures which have historically resulted in an "up-time" of more than 99.9%. The procedures include:

All business applications are run on a central IBM iSeries server. All data is stored on mirrored disks and there is also real-time transfer of data to a backup server.

All data is safeguarded through a daily backup which is stored in a fire-proof container in a different fire cell to the server.

UPS systems ensure the operation of the central server for 60 minutes in the event of a power failure.

Fire protection through smoke detectors and a location less than five minutes from the fire brigade.

A disaster recovery agreement with the hardware supplier, which ensures the delivery of a replacement server to the site, normally within six hours and within a maximum of 24 hours. Maximum down-time: 48 hours.

Data communications via satellite dish with the eight largest branches ensure independence in the event of cable failure.

G. FINANCIAL CONTROLS

The Group regularly assesses the capital structure with the aim of achieving an optimal combination of shareholders' equity and borrowed capital. The equity ratio accounted for 23.6% of the full balance sheet total at the end of 2007 (2006: 44.7%). The objective for the equity ratio is for it to be no lower than 30%.

The objective for the return on investment capital (ROIC) is 15%. The realised return on investment capital for 2007 was 5.1% (2006: 15.4%).

It is Sanistål's dividend policy that the shareholders shall achieve a return on their investment in the form of a rise in prices and a dividend. The payment of the dividend must take account of the necessary consolidation of the shareholders' equity as a basis for the Group's expansion plans.

H. FINANCIAL RISKS

Through its operations, investments and financing, the Group is exposed to changes in exchange rates and interest rates. It is the policy of the Group not to engage in active speculation in financial risks. The Group's financial control is therefore aimed solely at managing current financial risks associated with the company's operations.

Currency

The transaction risk on foreign currency in connection with the purchase and sale of goods is limited. This is because transactions are primarily in DKK and secondarily in EUR. Significant exposures in other currencies are hedged systematically.

The company is also exposed to exchange rate losses/gains mainly related to the subsidiaries, cf. the Group organisation chart. The exposure is due to the fact that the subsidiaries are financed in DKK or EUR in order to minimise the interest burden.

Interest

As can be seen from note 19, the Group's interest-bearing debt at the end of 2007 was DKK 2,487 million.

Based on the net debt and financial contracts entered into at the end of 2007, an increase of one percentage point in the general level of interest would lead to a DKK 15.3 million increase in Sanistål's total interest expenses before tax.



SANISTÅL'S BOARD OF DIRECTORS AND BOARD OF MANAGEMENT 2007

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

positions held in Danish and foreign companies and organisations

1

KNUD ERIK BORUP

Born in 1939, on the Board of Directors of Sanistål since 1984, Chairman since 1999.

MSc Economics (1967), International Manager, Carlsberg (1969-75), Managing Director of a manufacturer of building materials (1975-81). Since 1981 directorships only, in various sectors.

Chairman of the Board of Directors of:

Aalborg Stiftstidende A/S

Nordjyske Holding A/S and three subsidiaries

AaSF Holding A/S

Mekoprint Holding A/S and two subsidiaries

Deputy Chairman of the Board of Directors of:

Nykredit Holding A/S

Nykredit Realkredit A/S

Gumlink A/S

Fertin Pharma A/S

Member of the Board of Directors of:

Skagerak Holding A/S and one subsidiary

Skagerak 2000 A/S

Vendsyssel Tidende A/S

Bagger-Sørensen & Co. A/S

2

STEEN GEDE

Born in 1953, on the Board of Directors of Sanistål since 1995, Deputy Chairman since 1999.

MSc Business Economics (1978), Sales Consultant, AGA A/S (1978-81), Logistics Manager and subsequently Purchasing Manager Steel, S. C. Sørensen A/S (1981-84), Dagrofa A/S (1984-97), Purchasing Manager (1984-87), Managing Director, Dagrofa Friskvarer A/S (1987-91), Group Chief Executive, Dagrofa A/S (1991-97), Group CEO, Det Berlingske Officin (1997-99), Group CEO, FDB (1999-2000), Managing Director, Gate-trade.net A/S (2000-2004). Wholesaler, Unicare Nordic A/S (2005-).

Chairman of the Board of Directors of:

Brandhouse A/S

The Danish Electricity Savings Trust

Forenede Service A/S

Unicare Nordic A/S

Deputy Chairman of the Board of Directors of:

The independent public company DSB

Member of the Board of Directors of:

Søndagsavisen A/S

Gumlink A/S

Thiele A/S

3

OLE STEEN ANDERSEN

Born in 1946, on the Board of Directors of Sanistål since 2007.

MSc Engineering and BCom, Danish Ministry of Education and Ministry of Finance until 1976, Strategic Planning, NKT Cables A/S (1976-79), CEO, NKT Malta Ltd. (1979-82), Vice President, NKT A/S (1982-86), Executive Vice President, NKT Holding (1986-93), CEO and CFO, Danfoss A/S (1994-2007)

Chairman of the Board of Directors of:

COWI A/S

Auriga A/S

Pharmexa A/S

BB Electronics A/S

HedgeCorp A/S

Member of the Board of Directors of:

Sauer-Danfoss Inc.

Danfoss Bionics A/S

HTCC Inc.

AVK Holding A/S

SPEAS A/S

Sandbjerg Gods

4

OLE ENØ JØRGENSEN, elected by the employees

Born in 1965, on the Board of Directors of Sanistål since 2006, Business Diploma (1995) Sales Consultant, employed by Sanistål since 1987.

5

JENS OLE KLITGAARD, elected by the employees

Born in 1962, on the Board of Directors of Sanistål since 2006. Product Manager, Reinforcement since 2001 (1996-2001 Holstebro Jern og Stålförretning A/S), various positions in the wholesale sector since 1985, trained at M.A.N.-B&W Diesel A/S, Alpha Diesel.

6

ELSE LUNDE KRISTENSEN, elected by the employees

Born in 1970, on the Board of Directors of Sanistål since 1998, Trained sales assistant (1990), FDB, etc. (1990-96), employed by Sanistål since 1996, now as merchandiser for Easy-supply.



7

JENS JØRGEN MADSEN

Born in 1949, on the Board of Directors of Sanistål since 2007.

MSc Business Economics, Grundfos A/S (1975-2006), Finance Department, CFO (1985-1991), Member of Group Management Board (1991-2002), Group CEO (2002-2006).

Chairman of the Board of Directors of:

Color Print A/S
J. Hvidtved Larsen A/S

Member of the Board of Directors of:

Velux A/S

10

PETER VAGN-JENSEN

Born in 1955, on the Board of Directors of Sanistål since 1999.

Training/employment with ØK (1974-85)
Since 1986 independent owner/co-owner of a number of companies in the areas of shipping, transport, logistics, electronics, property, agriculture, sports centres and restaurants, also charity/cancer research.

Chairman of the Board of Directors of:

Dansk Financia A/S
Erik og Susanna Olesens Almengørende Fond

Member of the Board of Directors of:

DGH
Kirk Kapital A/S
Helios A/S
Erik Olesens Ejendomsselskab A/S
Scanafric A/S
Scanafric (UK) Limited
Gynaecology Cancer Research Foundation
Mermaid Project, self-governing institution
HCWV-J ApS
Sast ApS

8

WALTHER V. PAULSEN

Born in 1949, on the Board of Directors of Sanistål since 2000.

MSc Business Economics (1974), Associate Director, Amagerbanken A/S (1978-85) and CEO, Carlsberg A/S (1985-2000). Since 2000 directorships and similar only, in various sectors.

Chairman of the Board of Directors of:

Dantherm A/S
Hotel Koldingfjord A/S

Deputy Chairman of the Board of Directors of:

Brdr. Hartmann A/S
C.W. Obel A/S

Member of the Board of Directors of:

Arkil A/S
Arkil Holding A/S
Dan-Ejendomme Holding A/S
Dan-Ejendomme A/S
Dan-Ejendomsinvestering A/S
Danske Invest Administration A/S
Det Obelske Familiefond
Vital Petfood Group A/S
VPG Holding A/S

9

MATTHIAS MAX SCHÖN

Born in 1961, on the Board of Directors of Sanistål since 1995.

Qualified Dipl. Betriebswirt (BA), former owner and manager of Max Schön in Germany, Poland, Estonia and Latvia (1985-95).

Owner/co-owner of several companies in Germany.

Director of:

Baltik Aktiengesellschaft für Kapitalbeteiligungen, Lübeck
Max & Co. Küchenhandelsgesellschaft mbH, Lübeck
Max Schön Verwaltungsgesellschaft mbH & Co Service KG, Lübeck

Chairman of the Board of Directors of:

Stolze AG, Lübeck

Deputy Chairman of the Board of Directors of:

Maske AG, Hamburg

Member of the Board of Directors of:

Possehl Stiftung, Lübeck
Stiftung Unternehmertum, Berlin

11

CHRISTIAN B. LUND

Born in 1959, CEO of Sanistål since July 2004.

MSc Engineering DTU (1986).

In charge of sales in international companies (1986-96),

Managing Director, Berendsen Components A/S (1996-98), Managing Director, Berendsen PMC Europe (1998-2001).

Executive Vice President, Sanistål (2002-04).

12

OLE GRAVERSEN

Born in 1964, on the Board of Management of Sanistål since October 2004.

MSc Engineering (1989), BCom Marketing (1991)

Systems Consultant, Danfoss A/S (1989-1991), Logistics Manager, Velux A/S (1991-1997), Supply Chain Manager, Velux A/S (1997-2001), Head of Department and member of Group Management, Velux Group (2001-2004).

13

HENNING VILSLEV

Born in 1954, on the Board of Management of Sanistål since July 2004.

BSc Business Economics (1978), BCom Accounting (1980)

Financial assistant/manager with Danish industrial companies (1978-88), Director, Shipmate/Cetelco (1988-95).

Chief Financial Officer of Sanistål 1995-2004.

OTHER SENIOR MANAGERS

CLAUS EJLERTSEN,

Marketing, E-commerce

Born in 1970, Marketing Manager with Sanistål since July 2002.

MSc Business Economics (1994),

Product Manager with Dancall Telecom A/S (1994-1997),

Senior Product Manager with Bosch Telecom (1997-2000), Manager – Global Product Definition Team with Siemens Mobile Phones (2000-2001), Consultant with Grey (2001-2002).

KIM ENGMARK,

Electrical Technology

Born in 1961, Sales Manager with Sanistål since 2006.

Automation Engineer (1983), Sales Manager, E. Friis-Mikkelsen

(1987-1992), Head of Division,

Berendsen Components (1992-1998),

Managing Director, Eltech Components (1998-2005).

THOMAS FOLMANN,

Construction Industry

Born in 1961, Sales Manager with Sanistål since November 2002.

BSc Business Economics (1984), BCom Marketing (1987), Marketing Manager,

Alcatel A/S (1987-91), Business Development Manager and director of subsidiaries, Dandy A/S (1991-98), Managing Director, Liberté A/S

(1998-2001), Sales Manager, Tvillum-Scanbirk A/S (2001-02).

HENRIK HÜBNER, Other Industry

Born in 1962, Sales Manager with Sanistål since January 2003.

BSc Business Economics (1989), Sales Manager, Simonsen og Nielsen A/S

(1991-94), Head of Department,

Islef+Hagen (1994-96), Sales and

Marketing Manager, Berendsen PMC

A/S (1996-2000), Director, PMC

Technology A/S (2000-02).

ARNE MØLLER JENSEN,

Steel Industry

Born in 1949, Sales Manager with Sanistål since 1992.

Industry trained (1966), Sales Manager,

Jernkontoret (1975-89), Regional

Manager, SCS Stål (1989-90), Head of

Department, Hofman Stål (1990-92).

JENS LARSEN, Group IT

Born in 1952, employed by Sanistål since 1972. IT Manager since 1990.

Business Diploma in Accounting.

Programmer, Systems Planner, IT

Manager and IT Director at Sanistål.

DENNIS VAD LAURIDSEN,

Retail network

Born 1972, employed by Sanistål since 2003. Chain Manager since 2007.

BCom Organisation and Management.

Consultant/head of Danish retail chains (1997-2003).

OLE SØRENSEN, Carl F

Born in 1971, Sales Manager with Sanistål since February 2007.

BCom Accounting CBS (1995),

Executive MBA Henley Management College (2007).

1990-2005 Danske Bank Group, among

other things Head of Department, BG

Bank City, Private Business Manager,

BG Bank Copenhagen Region, Branch

Manager, BG Bank Lyngby, Head of

Department, Danske Bank Business

Processes and Regional Manager for

Danske Bank Copenhagen. 2005-2007

Head of Division, Carl F A/S Nordic

Region.

PER THOMSEN, Logistics

Born in 1966, Logistics Manager with Sanistål since August 2001.

Reserve Officer, BCom Organisation

and Management and MBA. Employed

by Dansk Supermarked (1990-2001).

KIM THORSEN, Finance

Born in 1960, Finance Manager with Sanistål since 2002.

BCom Accounting (1984), MSc in Business Administration and Auditing

(1992), Auditor with 3R Tveede

statsautoriserede revisorer A/S

(1980-1993), Manager with KPMG C.

Jespersen Statsautoriserede revisorer

(1994-2002).



GROUP AND ORGANISATION CHART

SUBSIDIARIES:

Max Schön AG, Lübeck, Germany
THOMAS SCHNEIDER

Sanistal OÜ, Tallinn, Estonia
ARNO VAIK

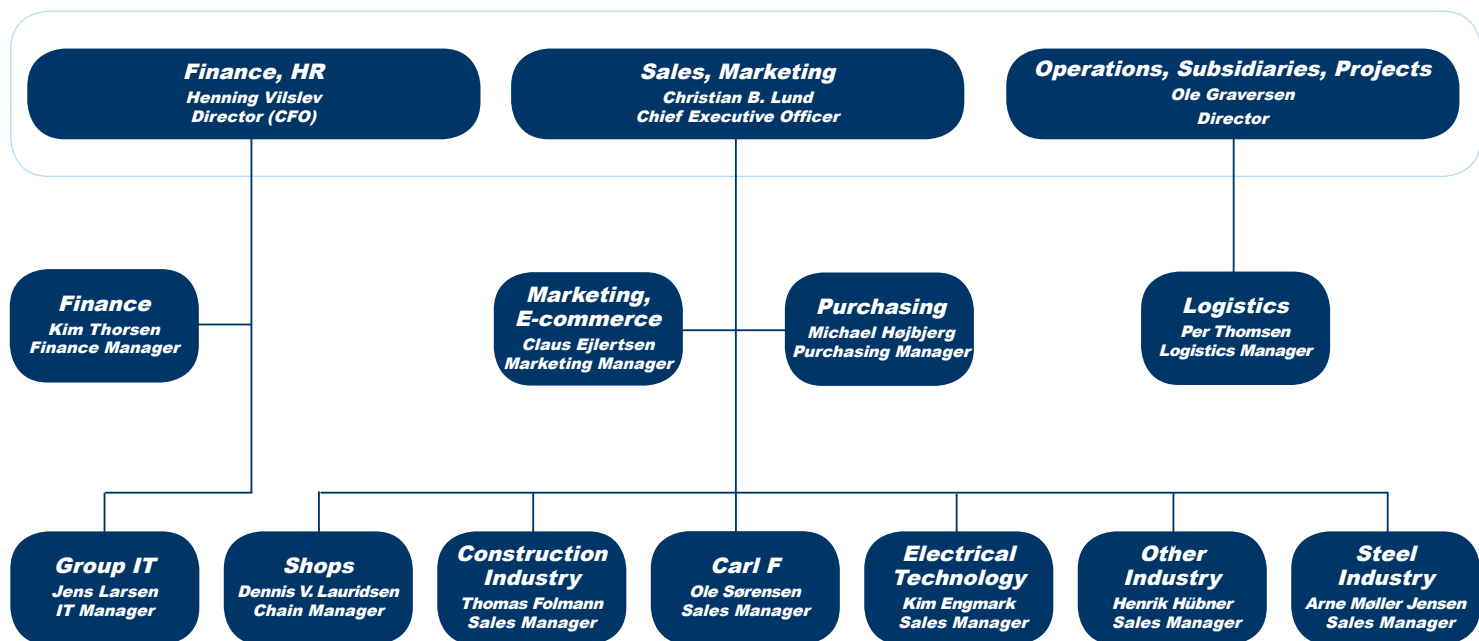
Serman & Tipsmark A/S
ALEX LAURSEN

Sanistal SIA, Riga, Latvia
ARVIS KARKLINS

UAB Sanistal, Kaunas, Lithuania
ROLANDAS MALAIŠKA

Carl F International A/S
HANS CHRISTIAN PETERSEN

Board of Management



Subsidiaries

Carl F International A/S
Max Schön, Germany
Max Schön, Poland
Sanistal, Estonia
Sanistal, Latvia
Sanistal, Lithuania
Hepa, Germany
Serman & Tipsmark A/S

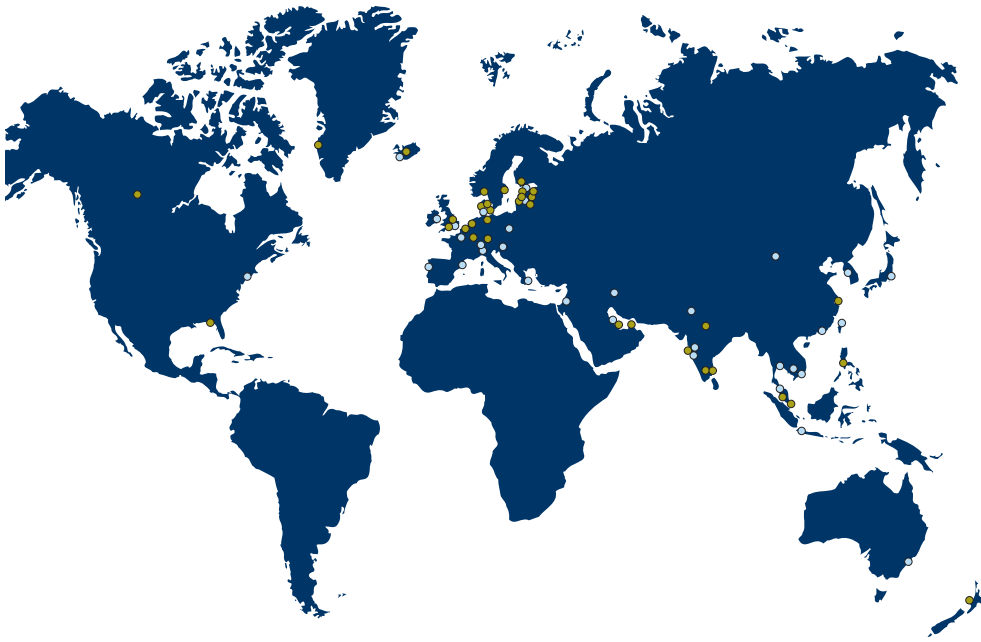


TIMELESS DESIGN – FROM THE BEST ARCHITECTS OF THE DAY

A footbridge – like this one in Kings Park in Perth, Australia – is not just a footbridge but also an attractive and timeless piece of architecture. The stylish railings from d line are certainly one reason for this.

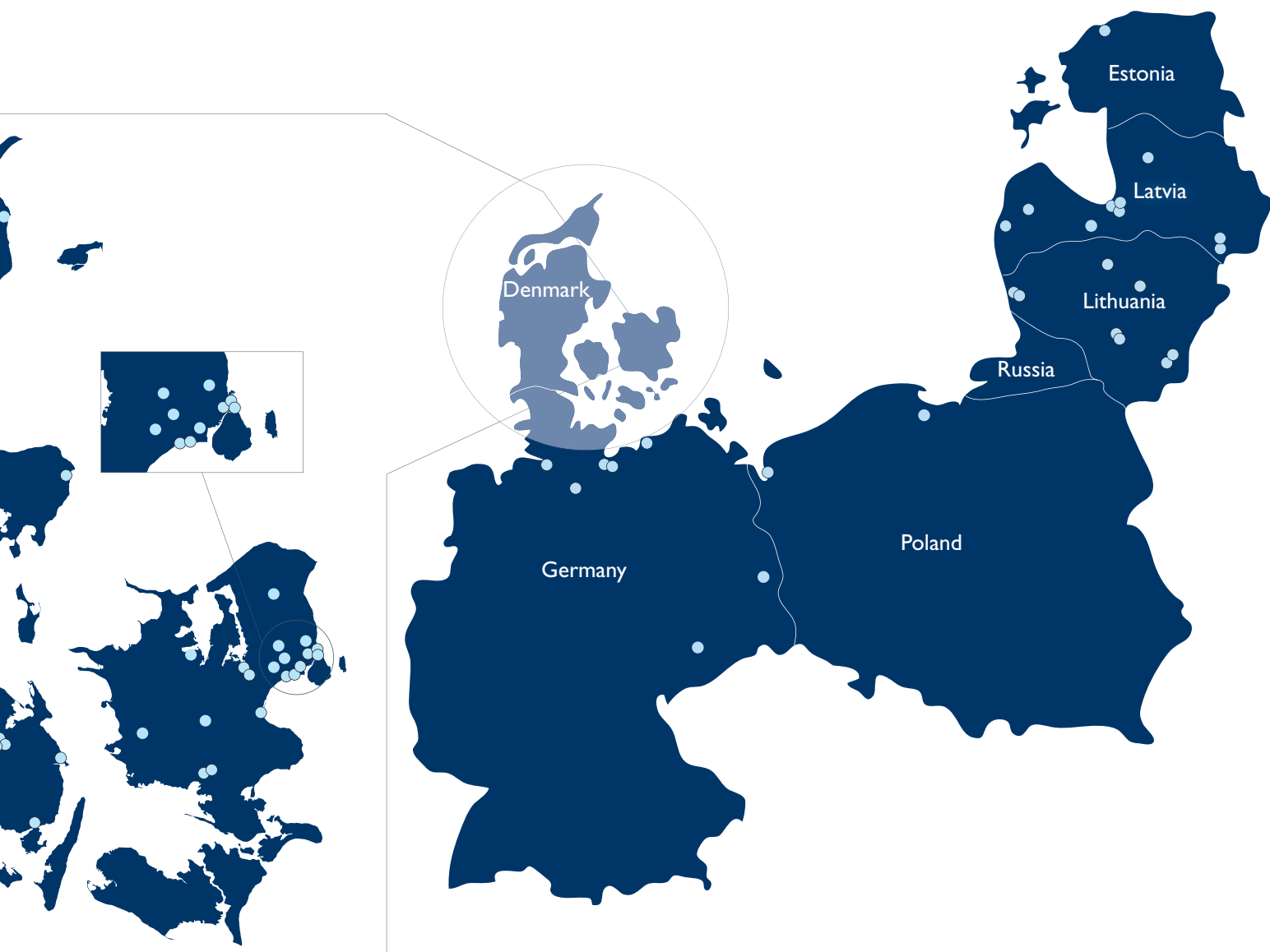
Since the acquisition of Carl F, Sanistål has added d line to its product range. d line is designed by the architect and industrial designer Knud Holscher, and he has delivered a fantastic and self-assured line of products made

entirely of steel – with the fittings, knobs, handles, railings and signs particularly worthy of special mention. They are in good company with the products from Carl F's range of knobs designed by famous architects such as Jean Nouvel, Arne Jacobsen, Henning Larsen and Schmidt Hammer Lassen. The products appeal to a large international market served by the subsidiary Carl F International A/S.



- Own branche
- Partners' branches







A REAL “MORE THAN YOU THINK” COLLEAGUE

A central element of the special Sanistål culture is being “more than you think” – surprising people in a positive way. And that applies to both colleagues and suppliers as well as customers.

A real “more than you think” colleague is Michael Madsen, the machinery centre manager. Just ask Jette Hjort Bertramsen, a clerk in the bookkeeping department in Aalborg. Her son Andreas would soon be attending his

confirmation ceremony and when Michael Madsen heard that Andreas was quite a motorcycle fan, he offered to pick Andreas up from the church on his Harley Davidson. Andreas was completely bowled over when he was met outside Budolfi Church in Aalborg by a “rocker” on a shiny Road King. Michael Madsen gave the enthusiastic youngster a lift home, giving Andreas a unique memory of his confirmation.



WHATEVER YOU WANT

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Fax: +45 98 13 28 43
CVR-no. 42997811
www.sanistaal.dk

Sanistål 