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Announcement 2009 no. 02

2 pages

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Financial and economic situation

Updated earnings forecast for 2008

Announcement 2009 no. 01 of 19 January 2009 stated that Sanistål has established a subordinate loan capital in the amount of DKK 300 million and that Sanistål has also concluded an agreement regarding continued hedging of the Group's capital requirements by extending the Group's aggregate lines of credit in the banks.

In the same announcement, an early statement was made that the preliminary forecast for the 2008 financial result was an overall loss before tax of approx. DKK 500 million. This unusually large loss forecast is due to a number of special circumstances, including value devaluations of shares and goodwill in the amount of DKK 315 million, sharp declines in steel prices on the world market and the subsequent write-downs of stocks, extraordinarily high logistics costs in 2008, resulting from warehouse restructuring and loss-giving operations in the subsidiary Carl F International A/S.

It was also announced that the final write-downs of the steel stocks, which had been estimated at DKK 50 million, would depend on further developments in the steel market. Subsequently, steel prices continued their sharp decline which has necessitated additional, substantial write-downs of stocks as per 31 December 2008 to a new level for the anticipated net selling prices in Q1 2009.

In addition, out of consideration for the future market situation and earnings, a detailed review of the product range, stocks and activities has been performed, which led to a trimming and restructuring process – with the consequential provisions and write-downs effective for 2008.

Finally, the Group's subsidiary Carl F International A/S is also affected by the general recession, which at year end led to poorer results than expected.

As a consequence of the above, the Group now predicts a loss in the amount of DKK 600 million. Most of the reduction in the expected financial result is due to write-downs and provisions for stocks and other assets. The result may be different than expected as a consequence of the result of the activities of the associated company Brødrene A&O Johansen A/S. Also any significant fluctuations in steel prices up to the presentation of the accounts on 20 March could have a negative or positive impact on the financial result.

The described reductions in the result for the year 2008 have only a limited impact on the company's cash resources in 2009, cf. below.

Operating conditions in 2009

In the light of how the situation around the world and in Denmark's national economy has developed in recent months, turnover and gross earnings are still expected to decline compared to 2008 in just about every market segment. The Group is keeping a watchful eye on the market situation and, as announced, has carried out significant cost-cutting measures, restructuring and other measures for improving earnings in 2009. The Group will continue to adapt the level of costs to the expected market situation on an ongoing basis. At present, the total Group costs are expected to be reduced by approx. DKK 300 million in 2009, compared to 2008.

Cash resources in 2009

With the establishment of subordinate loan capital of DKK 300 million in January and the agreement concluded for extending the Group's lines of credit at the same time, a solid foundation under the cash resources has been established.

The cash resources will also be consolidated on an ongoing basis through the planned reduction of stocks in 2009. Already now it can be seen that the stocks are being rapidly reduced after the commissioning of the two new central warehouses. Since peaking in late 2008, the stocks in the parent company have so far been reduced by more than DKK 200 million (in addition to the extraordinary write-downs as per 31 December 2008, described in the above). The reduction of stocks will continue throughout 2009, so that a substantial cash flow will be generated by operating activities.

As a result of these factors, satisfactory cash resources are expected to be in place throughout 2009 to counteract the generally negative market trends.

In addition to this, the divestment of non-strategic assets will continue for the purpose of consolidating equity and solvency as well.

Aalborg, Denmark, 18 February 2009