



Summary of Annual Report 2009/10
Flügger

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The financial statements have not been translated into English and are only available in the Danish version. In case of any matters of dispute or other divergences between the Danish and the English text, the Danish text shall prevail.

General Meeting

The Annual General Meeting of the company takes place Wednesday 25 August 2010 at 10 a.m. on the company address:

Flügger A/S

Islevdalvej 151, 2610 Rødovre
Tlf. 70 15 15 05
Fax 44 54 15 05
flugger@flugger.com
www.flugger.com
CVR-no. DK32788718

Shareholders can order admittance cards and voting cards in the period 13-20 August 2010.

Dividend

For the coming General Meeting the Board of Directors recommend that dividend is set to DKK 12.00 per DKK 20 share. Dividend is expected to be paid as of 31 August 2010.



Søren P. Olesen, member of the Executive Management since the autumn of 2002 and Managing Director/CEO since 2006

Søren P. Olesen's statement

The financial year 2009/10 has been eventful. We have experienced the financial crisis, which reduced the demand in the market for paints, wood preservatives, wallpapers and natural accessories. Our expectations for the financial year 2009/10, stated in the annual report from last summer, were:

- a decline in net turnover of the Group by approx. 13% from DKK 1,504 million in 2008/09 to DKK 1,300 million in 2009/10
- that operating profit (EBIT) of the Group would remain on the same level as previous year, i.e. approx. DKK 50 million.

Even though the first quarter of the financial year 2009/10 - i.e. the summer months last year - resulted in a decline in turnover by 13%, time showed that we had been too pessimistic, as the year ended with a total reduction in the net turnover of 4%.

With prospects of a considerable decline in turnover the organization was trimmed for cost reductions. When the development was more positive than expected, the result was that the operating profit (EBIT) landed on DKK 106 million or almost twice the expected. The financial earnings in 2009/10 were DKK 28 million - primarily from unrealized profits on the portfolio shares of the Group. After tax of DKK 40 million was deducted, the net profit was DKK 94 million, equivalent to DKK 32.00 per share. At the General Meeting we will recommend dividend to be set to DKK 12.00 per share versus DKK 6.00 per share last year.

The positive development - compared with the expectations - has resulted in starting up many new initiatives. March 2010 we were the first large paint producer in Scandinavia to go into e-commerce as a supplement and support to the retail business. We have chosen to enter the Czech Republic and aim at establishing a local net of shops. It has been decided to implement a completely new IT system in the Group.

Finally, I will take the opportunity to thank all our committed employees - without their efforts it would not have been possible to get through a very difficult period.

I hope that everyone is ready to seize the many new initiatives, which lie ahead of us.

Flügger, development over 10 years

The Flügger Group, DKK million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Net turnover	1,052.5	1,056.4	1,092.1	1,110.9	1,198.8	1,342.2	1,448.8	1,554.9	1,504.2	1,446.6
Gross profit	510.2	527.1	568.5	579.6	637.4	719.7	784.0	851.9	822.3	812.4
Operating profit, EBITA	70.6	90.6	117.2	122.5	123.3	135.5	133.4	140.2	73.1	106.1
Operating profit, EBIT	68.5	90.5	117.0	122.2	123.3	135.5	133.4	140.2	56.1	106.1
Net financials	11.6	4.8	7.5	10.8	7.8	17.5	28.7	-13.7	- 5.0	27.6
Profit before income tax	80.1	95.3	124.5	133.0	131.0	153.0	162.1	126.5	51.1	133.7
Net profit	59.4	67.2	87.5	94.5	98.2	110.0	113.9	96.6	27.7	94.2
Goodwill investments	0.3	0.2	0.0	1.1	42.0	1.3	7.1	3.3	2.7	6.6
Goodwill amortisations	2.1	0.1	0.2	0.3	0.0	0.0	0.0	0.0	17.0	0.0
Other investments	32.8	30.9	26.8	33.3	75.9	54.5	61.4	41.2	79.0	136.0
Other depreciations	30.0	28.2	29.7	30.5	33.7	39.5	44.3	48.1	51.0	47.2
Dividend distribution, net	20.6	19.8	18.9	18.7	27.4	36.4	45.0	45.0	45.0	18.0
Suggested dividend	21.0	21.0	19.1	28.6	38.2	45.0	45.0	45.0	18.0	36.0
Purchase of treasury shares	20.7	26.8	8.7	25.3	2.9	23.8	0.0	0.0	0.5	21.9
Equity at year-end	406.6	423.6	485.5	534.5	611.4	661.6	734.5	773.3	689.9	760.2
Balance sheet total at year-end	603.0	623.2	681.0	708.3	866.5	940.5	1,022.9	1,123.0	1,019.8	1,074.7
Cash flow before financials and taxes	73.0	133.1	143.0	152.6	132.2	154.4	138.5	154.8	106.0	240.2
Cash flow after financials and calculated taxes	59.1	108.6	114.8	125.1	104.0	124.3	121.7	111.4	106.9	207.6
Cash flow for investing activity	- 35.9	- 29.6	- 23.2	- 33.0	- 118.2	- 55.7	- 71.3	- 80.4	- 99.5	- 85.4
Cash flow for financing activity	- 43.9	- 82.7	- 75.9	- 70.7	10.1	- 87.8	- 51.4	- 46.3	- 24.9	- 142.2
Securities, cash and cash equivalents at year-end	33.9	57.9	106.6	100.2	139.5	158.4	180.4	201.8	102.8	161.5
Interest-bearing debts at year-end	52.9	37.9	37.4	2.3	33.8	30.1	40.6	92.6	78.1	43.7
Key ratios										
Gross margin %	48.5	49.9	52.1	52.2	53.2	53.6	54.1	54.8	54.7	56.2
EBITA margin %	6.7	8.6	10.7	11.0	10.3	10.1	9.2	9.0	4.9	7.3
EBIT margin %	6.5	8.6	10.7	11.0	10.3	10.1	9.2	9.0	3.7	7.3
Return on equity %	14.4	16.2	19.2	18.5	17.1	17.3	16.3	12.8	3.8	13.0
Equity ratio %	67.4	68.0	71.3	75.5	70.6	70.3	71.8	68.9	67.7	70.7
Full-time employees, average	1,008	1,015	1,007	1,007	1,137	1,206	1,302	1,390	1,467	1,444
Share data at year-end, 30 April										
Outstanding shares at DKK 20, 1.000 pcs	3,341	3,161	3,120	3,045	3,038	3,000	3,000	3,000	2,998	2,942
Profit from ordinary activities after tax per share, DKK*	17.8	21.3	28.0	31.0	32.3	36.7	38.0	32.2	9.2	32.0
Book value per share, DKK	121.7	134.0	155.6	175.5	201.3	220.5	244.8	257.8	231.3	258.4
Suggested dividend per share, DKK 20 each	6.0	6.0	6.0	9.0	12.0	15.0	15.0	15.0	6.0	12.0
Flügger market price	140	157	265	371	520	787	703	470	218	478
Price / Earning (P/E), DKK	7.9	7.4	9.4	12.0	16.1	21.5	18.5	14.6	23.6	14.9
Price / Equity value (K/I)	1.2	1.2	1.7	2.1	2.6	3.6	2.9	1.8	0.9	1.8
Flügger market capitalisation, DKK million	468	496	827	1,130	1,581	2,361	2,110	1,411	654	1,406
OMX PE index	239	208	176	230	283	376	465	408	253	385

Definitions

Gross margin %: Gross profit as a percentage of the net turnover.

EBITA margin %: Operating profit before goodwill amortisations as a percentage of the net turnover.

EBIT margin %: Ordinary profit as a percentage of the net turnover.

Return on equity %: Profit on ordinary activities after tax as a percentage of average equity.

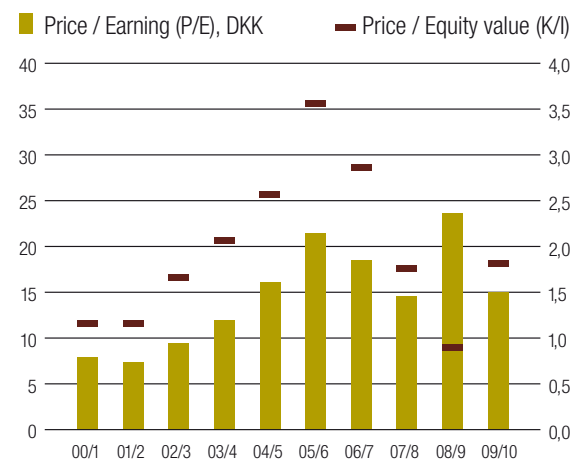
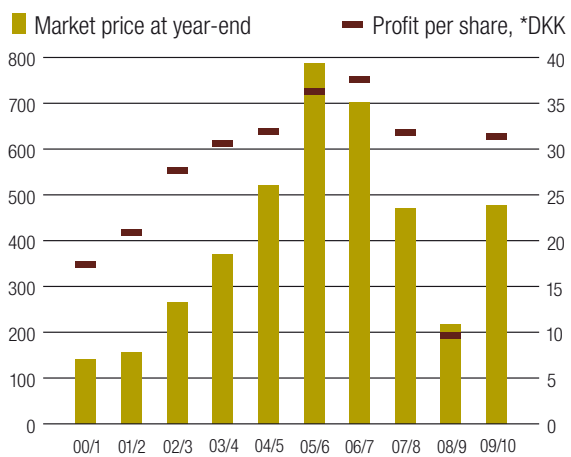
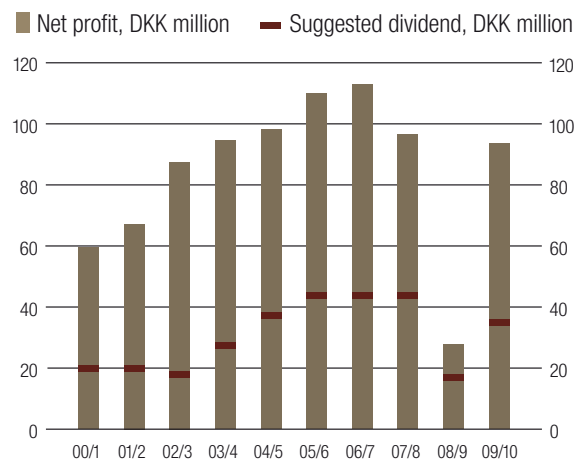
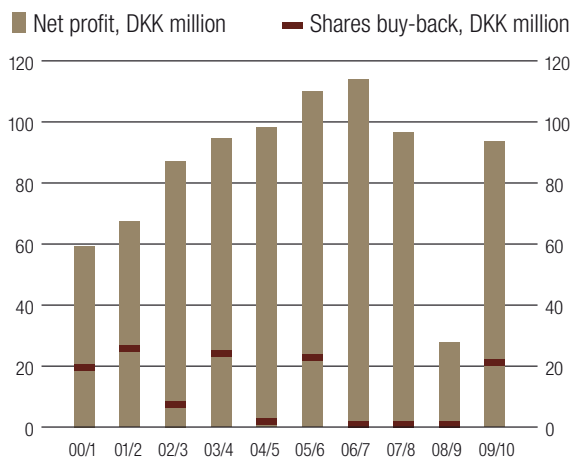
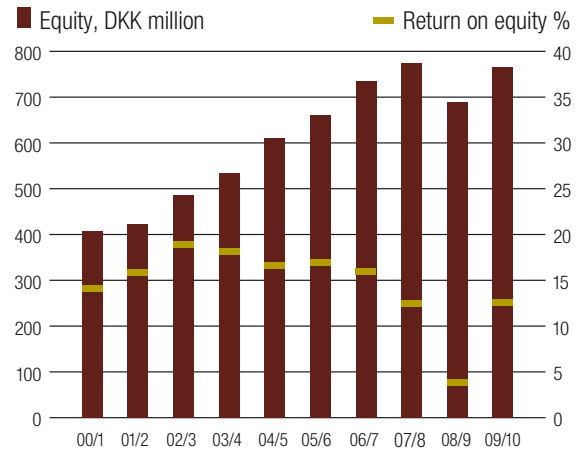
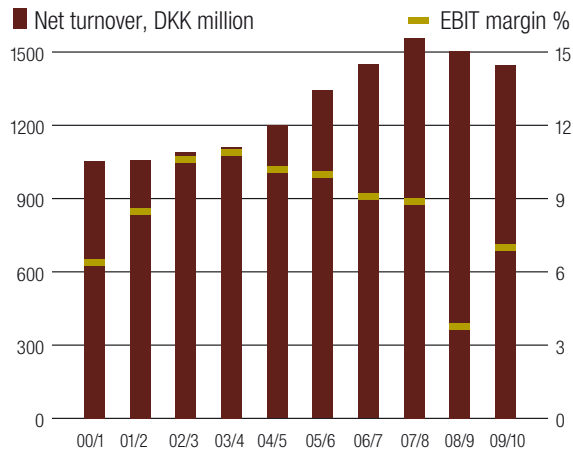
Equity ratio %: Equity at year-end as a percentage of liabilities at year-end.

Outstanding shares: The number of shares in total less the portfolio of the company at year-end, used for calculation of share data.

The market capitalisation of the company: Number of outstanding shares x the market price.

* The diluted profit or loss on ordinary activities after tax per share is identical with the shown financial ratio. The financial ratios are calculated according to the recommendations of Den Danske Finansanalytikerforening (the Danish Financial Analyst Association). Share data is calculated on the basis of the number of outstanding shares at year-end. Annual accounts as of 2004/05 are prepared in accordance with IFRS.

Flügger, development over 10 years



* Calculated on the basis of outstanding shares



Flügger is in front with new sales outlet

We want to be more innovative, and since the time is right for e-commerce, we have chosen to be in front with our new online business, which was launched 18 March 2010. And we are proud of that. Based on countless analyses, which we have studied the last year, we expect the sales outlet to be a good supplement to the physical shops.

Experiences show that the customers are more loyal to a trademark if they can seek information and purchase products through several outlets. Therefore, a major part of the success will be owed to the unique opportunity of creating interaction between the business on the internet and the business in the net of shops.

Flügger future – towards 2013

Vision

The Flügger Group wishes to be a profitable and competent supplier of environmentally correct quality products on selected markets.

Mission

We use our professional skills and market knowledge to develop, produce, market, distribute and sell a wide and co-ordinated assortment within building paints, wood preservatives, design wallpapers and natural accessories. Our customers/end-users are professional painters and consumers.

Strategy 1: High activity level in the North

We aim for a profitable net of shops with the names Flügger farver in Denmark, Flügger färg in Sweden and Flügger farve in Norway, and we co-ordinate the efforts in Iceland, Greenland and on the Faroe Islands with the activities in Scandinavia. Our subsidiaries DAY-system and PP Mestermaling supplement the sales of the Group in the North in co-operation with other distribution channels.

Strategy 2: Poland will be the centre of focus in Eastern Europe

We prioritize Poland including the surrounding markets, which we estimate will be our biggest market outside of Scandinavia. In the Gdansk area we have established production as well as logistics and a service centre, which will assist the local market as well as the effort in the North. We establish and expand a net of shops with the name Flügger farby.

Strategy 3: China will be the centre of focus in Asia

We have established production in Shanghai, China and distribute paints through Flügger showrooms and design wallpapers through Fiona showrooms. The local production is supplemented with import from Scandinavia. We expect that the biggest growth rates of the Group may be established on these markets in Asia.

Strategy 4: Design wallpapers and wallcoverings

Since the mid eighties, Fiona wallpaper factory in Faaborg, Denmark has been a part of the Group. The new production plant in Poland is in possession of the most advanced equipment for production of design wallpapers and wallcoverings.

As a consequence of this, it has been decided to prioritize development, production and distribution of design wallpapers and paintable wall-coverings highly from now on.

Strategy 5: Carrying out Lean in the Group

With a view to reduction of costs and working capital, it has been decided to carry out Lean in all the functions of the Group. It has also been decided to renew the IT systems of the Group to match the future development.

Strategy 6: Development of the employees' competences

We will upgrade our employees' competences - especially the part of our employees, who are employed in our net of shops and have the daily contact to our customers. We will establish our own education centre, Flügger Academy, and professionalize the HR function of the Group.

Objectives

It is our ambition to gain market shares in the North, which supplemented with substantial growth rates in Poland and China incl. surrounding markets should be able to result in an annual growth in turnover of between 5 and 10%. Our ambition is an EBIT margin of 8-10%. We prioritize our independence and will not accept an equity ratio of less than 50%.

Values

We wish to be and conceived as loyal, honest, down-to-earth, informal, quality- and cost-conscious as well as social-responsible.

Shareholder information

Why is Flügger listed?

Flügger is a family limited company whose B-shares were introduced on the stock exchange autumn 1983 at a price 52 converted into actual share size and adjusted for issued bonus shares.

The motive for the initial public offering was primarily to give the company, with substantial sales on the home market, the attention and PR value that a listed company obtains. Secondly, the motive was that the family share holders, who were not active in the company, subsequently could choose to reduce their share of the company.

Even though the company has not found it necessary to obtain further capital via the stock exchange, it is the company's intention continuously to be listed on NASDAQ OMX Copenhagen A/S, as the management is of the opinion that the listing contributes to the marketing, provides credibility and professionalism in the work of management and board, and it makes Flügger an attractive place to work.

Policy regarding share buy-back

The company's stable earnings and positive cash flow have been used for purchase of treasury shares from time to time, which afterwards were annulled in relation to writing down of capital. In the period up to 2006, the company's share capital was reduced several times by approx. 23% in total. The average price of the share buy-backs amounted to approx. DKK 218 per share.

During the latest financial year, the company has acquired equivalent to 2% of the share capital at an average price of DKK 387. In order not to influence the price, the company refrains from announcing share buy-backs in a market with limited supply.

Policy regarding dividend

It is the company's policy to distribute a stable, uniform dividend, which does not necessarily reflect the earnings of the individual years. In due consideration of the company's capital structure, we have in view that the shareholders' yields in the form of dividend are in reasonable relation to the quotation and the market interest rate.

Investor relations

It is the ambition of Flügger to ensure a high and reliable level of information. The company sends quarterly reports regarding the latest development of accounts with possible adjusted estimate of the future to NASDAQ OMX Copenhagen A/S. Webcast presentations intended for the investors of the company are launched on the company's homepage at the presentation of half-year as well as annual reports. Furthermore,

information of insiders' trade with the company's shares is sent out. All information to NASDAQ OMX Copenhagen A/S can be found on flugger.com.

The company participates willingly in open and active communication with investors, analysts and press in anticipation of ensuring the stock market the best possible foundation for pricing of the Flügger share. However, the company normally declines to carry through elaborating conversations the last three weeks before publication of stock exchange announcements regarding development of result or other information that may influence the price.

Questions can always be sent to CEO Søren P. Olesen on the mail address sool@flugger.com or to Director and main shareholder Ulf Schnack on the mail address ulsc@flugger.com.

Corporate Governance

The 'Recommendations for good corporate governance', which are applicable for the annual reports of listed companies, have been evaluated by the Board of Directors and Executive Management, and they abide by them. The attitude to the individual recommendations can be found in details on flugger.com.

It is the opinion of the Board of Directors and the Executive Management that Flügger essentially observes the given recommendations with the following exceptions:

Structure of capital and shares

The Board of Directors find the current split into A and B shares appropriate, and therefore, they have no current plans – or possibilities – of changing this

Openness and transparency

It is the policy of Flügger to be open and honest. However, we have decided only to inform of the aggregate remuneration of the Board of Directors and of the Executive Management, as we find that facts on an individual basis are of limited relevance to the shareholders. We have equally decided not to produce announcements in English based on the fact that only a few of the company's named shareholders are resident outside of Scandinavia.

The constitution and remuneration of the Board of Directors

It is the norm in Flügger to have 4 board members elected at the Annual General Meeting and 2 staff representatives. At the composition of the Board of Directors it is the aim that 3 members are independent of the company, the main shareholder and significant supplier or customer interests, and that 1 member is nominated by the main shareholder. We have decided against having an age limit, as it is thought useful to have

the liberty of action in certain special instances. The main shareholder recommends – on behalf of all shareholders – the remuneration of the Board of Directors. If significant changes have been decided, the shareholders will be informed at the Annual General Meeting. Further details relating to the work of the Board of Directors can be seen under "Order of business for the Board of Directors", which can be found on flugger.com.

Share options, incentive schemes, etc.

The managing director of the company receives a bonus as a variable part of his salary, which is related to the top and bottom line of the annual result - i.e. net turnover and operating profit - which is agreed annually after recommendation from the chairman of the Board of Directors and the main shareholder. The bonus cannot exceed 30% of the aggregated salary. Except from this, the Group has decided against the use of incentive schemes, including share options, etc. for the members of the Board of Directors as well as the Executive Management.

This praxis was submitted for approval on the Annual General Meeting 2008 and subsequently stated in the statutes §16.

The use of committees and commissions

Currently, the Board of Directors of the company have not appointed individual committees or commissions regarding nomination and remuneration. The company has not established an audit committee, but instead chosen to let the Board of Directors undertake this work. This is permitted due to the fact that at least one board member, as demanded in the rules of accountants, is independent of the company and has qualifications within accountancy and auditing. This does not exclude the possibility of occasional use of external assistance.

Corporate social responsibility

Flügger has omitted to prepare an independent Corporate Social Responsibility policy compare The Accounts Act § 99 a, but has the general attitude that the company should act socially responsible.

We want a sustainable development in Flügger combined with a social responsibility and awareness of the environment. It is our overall objectives to maintain and improve the professional relations to internal and external interested parties. We aim to observe the legislation in everything we do, locally as well as internationally.

Flügger prioritizes environmental and climatic conditions and has environmentally certified the production in Denmark and Sweden as well as the main office of the Group in Copenhagen according to ISO 14001. As mentioned in the report regarding environment, we set up some overall objectives, which will be observed on a regular basis.

We respect all our employees as individuals and offer equal possibilities for all to learn and develop in accordance with individual needs and competences under due consideration for the conditions of the Group.

Share capital & ownership

The Flügger share capital is divided into A and B shares. The A shares have 10 votes per share of DKK 20, and the B shares have 1 vote per share of DKK 20. Only the company's B shares are listed on NASDAQ OMX Copenhagen A/S under the ID code DK0010218189 with the abbreviated name of FLUG B. The share is part of the MidCap segment. Danske Bank is marketmaker on the share.

At year-end of the financial year 2009/10, 1,610 shareholders were registered in the company's register of shareholders, which accounted for 92.1% of the share capital and 97.8% of the votes in total. The company's holding of treasury shares has been written down to DKK 0 and is voteless according to the Danish Public Companies Act.

Ownership

30.04.10	No. of shares	%	No. of votes	%
A-shares	590,625	19.7	5,906,250	71.5
B-shares, outstanding	2,351,421	78.4	2,351,421	28.5
B-shares in the company	57,954	1.9	0	0.0
In total	3,000,000	100.0	8,257,671	100.0

5 % shareholders

CASA A/S, Horsens	300,590	10.0	300,590	3.6
Lisel Jakobsen, Holte	501,225	16.7	501,225	6.1
Ulf Schnack, Holte	1,319,765	44.0	6,635,390	80.4
In total	2,121,580	70.7	7,437,205	90.1

Insidere

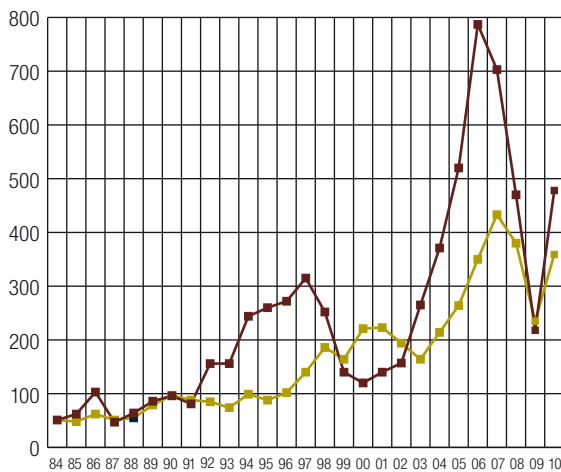
Board of Directors	29,101	1.0	29,101	0.4
Executive Management	1,327,598	44.2	6,643,223	80.4
Other insiders	14,263	0.5	14,263	0.2
In total	1,370,962	45.7	6,686,587	81.0

Stock exchange announcements of the recent 12 months

Except for current statements regarding insiders' trade with the company's shares, the following announcements have been sent to NASDAQ OMX Copenhagen A/S:

- 22.05.09 Large shareholder's announcement re. alteration of stockholdings
- 28.05.09 Large shareholder's announcement re. alteration of stockholdings
- 25.06.09 Annual report 2008/09
- 04.08.09 Notice of Annual General Meeting
- 25.08.09 Summary of Annual General Meeting
- 16.09.09 Quarterly briefing: 1st quarter 2009/10
- 15.12.09 Half-year report 2009/10
- 16.03.10 Flügger aims at Eastern Europe
- 25.03.10 Quarterly briefing: 3rd quarter 2009/10
- 26.04.10 Finance calendar 2010/11
- 24.06.10 Annual report 2009/10

The Flügger price per DKK 20 share as at 30th April since the IPO autumn 1983

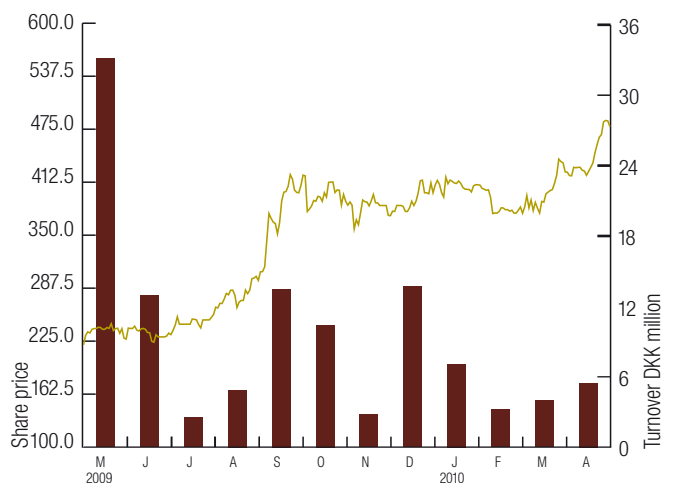


— The Flügger price adjusted for bonus shares and share size
 — NASDAQ OMX PE index (30.4.84 = Flügger)
 Source: NASDAQ OMX

Finance calendar 2010/11

- 24.06.10 Annual report 2009/10
- 25.08.10 Annual General Meeting
- 15.09.10 Quarterly briefing: 1st quarter 2010/11
- 16.12.10 Half-year report 2010/11
- 24.03.11 Quarterly briefing: 3rd quarter 2010/11
- 23.06.11 Annual report 2010/11

Share price development and monthly turnover of Flügger shares during the financial year 2009/10



— The Flügger share price in the financial year 2009/10
 ■ The monthly turnover of Flügger shares in DKK million at market value in the financial year 2009/10
 Source: NASDAQ OMX

Expectations for 2010/11

We estimate with an increase in sales of 8 % ± 2 % depending on the development of exchange rate on our primary export markets. We expect operating profit (EBIT) to be on the same level as last year, i.e. approx. DKK 100 million.

We have based our strategy confidently expecting that the declining trend in demands have stopped, and we have planned substantial expansions of the distribution net.

Furthermore, we have allocated substantial resources for marketing primarily during the summer months, where the sales of exterior products and sales to the consumer market are dominating. We must admit that there is a great uncertainty related to the expectations of the demand in future, but we are of the opinion that the Group has the strength to take a chance after a period with low activity.

The net finance of the financial year is expected to contribute with DKK 5 million before adjustment of unrealized changes in exchange rate on the holding of portfolio shares and bonds. The tax provision is expected to amount to 28-29% of the profit on ordinary activities before tax.

At the time of writing - in the middle of June – we know the development in sales for the first six weeks of this financial year. May resulted in an increased sales of 5%, which was somewhat below the budget maybe due to cold and rainy weather.

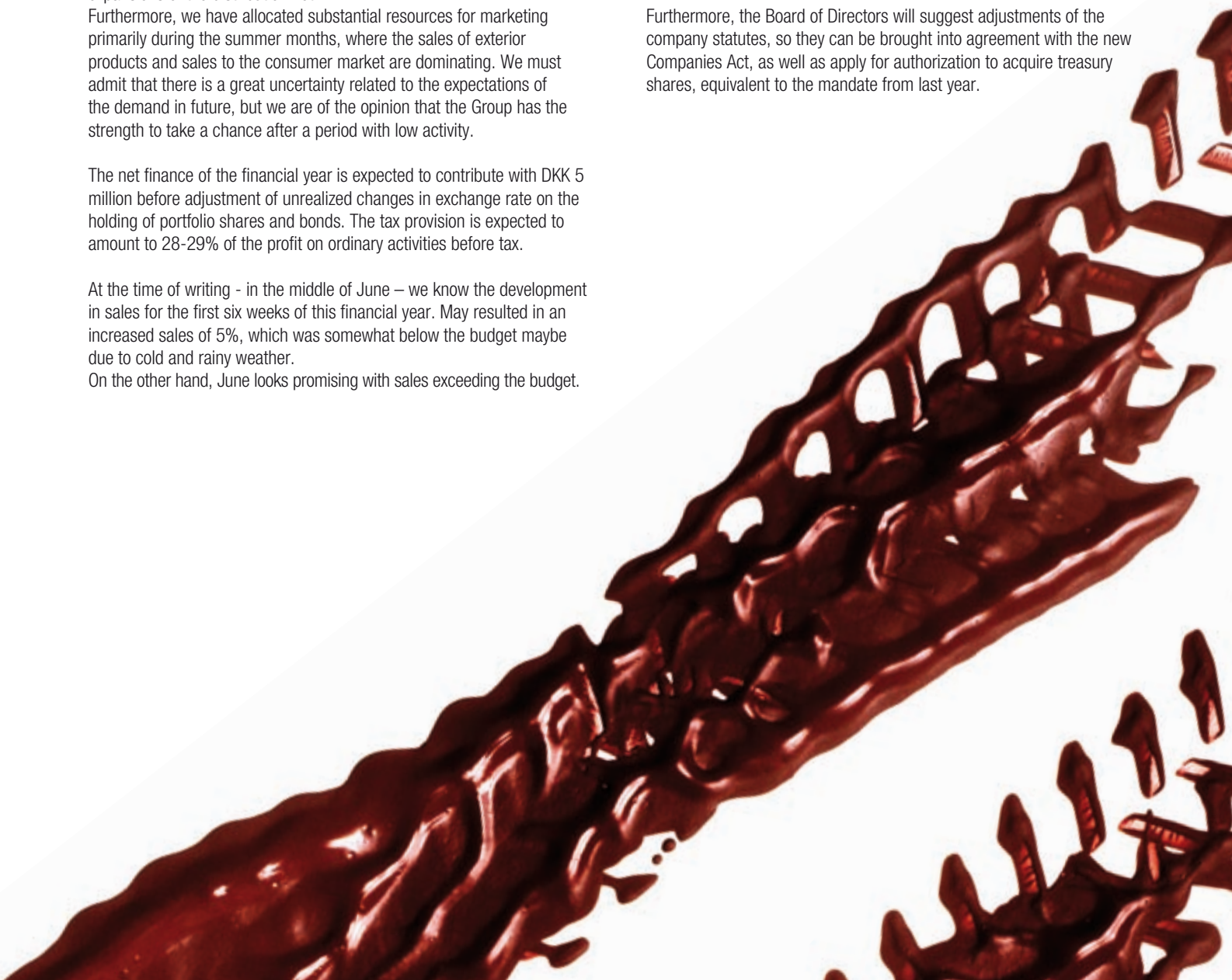
On the other hand, June looks promising with sales exceeding the budget.

Suggestions for the Annual General Meeting

The Annual General Meeting of the company takes place Wednesday 25 August 2010 at 10 a.m on the company address: Islevdalvej 151, 2610 Rødovre.

The Board of Directors propose for the approval of the General Meeting that a dividend of DKK 12.00 per DKK 20 share is distributed contrary to DKK 6.00 the previous year.

Furthermore, the Board of Directors will suggest adjustments of the company statutes, so they can be brought into agreement with the new Companies Act, as well as apply for authorization to acquire treasury shares, equivalent to the mandate from last year.



History of the Flügger Group

1785 Flügger is established

In 1785, Johan Daniel Flügger established the company J. D. Flügger, Farben & Lackfabrik in Hamburg. The company belonged to the family Flügger through four generations up until a voluntary winding-up in 1973.

1890 Flügger starts in Denmark

1 November 1890, Flügger was established in Denmark after the company in Hamburg had developed sales to Danish master painters through decades.

1948 Flügger becomes Danish

After the Second World War, the Danish state confiscated all German property in Denmark. This also included the branch of J.D. Flügger, which was bought at an auction by Michael Schnack in 1948, the Danish director of the company since 1941.

1948: Turnover DKK 2.4 million - 20 employees

1958 Flügger builds a factory in Rødovre

In 1958, the company moved from the centre of Copenhagen to a new factory and administration building in Rødovre. This was the start of a growing production of decorative paints in master painter quality.

1958: Turnover DKK 3.4 million - 31 employees.

1970 Flügger builds a factory in Kolding

During the sixties, the site in Rødovre became fully developed. In 1969/70, the company acquired a large site in Kolding and built a new factory here solely for the production of water-based paints.

It was also in 1970 that the enterprise was converted into a limited company with the next generation, the son Ulf Schnack, as director. The share capital, equal to the equity, amounted to DKK 1 million.

1970: Turnover DKK 33 million - 175 employees.

1975 Flügger starts a chain of shops

The new build programme in Denmark took a dramatic dive after the first oil crisis in 1973/74. At the same time, the professional paint trade lost its monopoly to renovate vacated flats. This was the catalyst for Flügger to start a chain of Flügger shops in collaboration with a number of professional painters. It was also in the mid seventies that Flügger opened an operation in Norway and the sales company Color in Denmark.

1975/76: Turnover DKK 97 million - 206 employees.

1978 Flügger's factory in Kolding burns

The summer of 1978 saw a fire at the factory in Kolding as a result of careless roofing work. The rebuilt production facility is still to this day considered one of the most modern plants in the industry for the production of environmentally-friendly, water-based paint products.

1978/79: Turnover DKK 142 million - 269 employees.

1983 Flügger goes public

During the autumn of 1983, the company decided to be listed on the Copenhagen Stock Exchange. The issue price was DKK 875, which adjusted for bonus shares and change of unit size equates to price DKK 52 of today's DKK 20 shares.

1983/84: Turnover DKK 242 million - 291 employees.

1984-85 Flügger purchases new companies

With the proceeds from the IPO of approx. DKK 43 million, the company purchased Fiona, Denmark's largest wallpaper producer, and Dansk Smergelfabrik, the only Danish producer of abrasive materials. Both enterprises have since merged with Flügger A/S. Dansk Smergelfabrik (Dragon) was sold April 2007.

In Sweden the company purchased the paint brush and paint roller manufacturer Stiwex AB as well as Forsbergs Brush factory, later merged under the name of Stiwex AB.

1984/85: Turnover DKK 289 million - 415 employees.

1993-95 Flügger purchases factory in Sweden

Over New Year 1993/94, the company purchased Sweden's third-largest paint factory, HP Färg & Kemi AB, which later had a change of name to Flügger AB. This company was included in the annual accounts for the year 1993/94 with 4 months.

The Group let the Norwegian subsidiary of HP merge with Flügger Norge A/S, and a subsidiary in Denmark, PP Mester Maling A/S, continued as an independent company within the Flügger Group.

1994/95: Turnover DKK 845 million - 900 employees.

1995-98 The Scandinavian platform is enlarged

Flügger establishes a new central warehouse in Göteborg with room for 11,500 pallets for the servicing of the Swedish and Norwegian markets. During these years, the Group acquires a distributor in Northern Jutland, a small number of paint shops in Norway as well as AdeKema in Borås, Sweden with a production of cleaning agents.

1997/98: Turnover DKK 1,035 million - 1,056 employees.

1999-2004 Aiming at profitability

In the period from 1999 until 2004, the primary objective was to streamline and rationalize.

The Group was placed on a common IT platform. Production and logistics got common structure and management. During these years, the Group chose to focus on the bottom line, i.e. EBIT margin rather than sales development.

	Turnover DKK million		EBIT-margin
1999/00:	1,058	+ 5 %	4.6 %
2000/01:	1,053	+ 0 %	6.5 %
2001/02:	1,056	+ 0 %	8.6 %
2002/03:	1,092	+ 3 %	10.7 %
2003/04:	1,111	+ 2 %	11.0 %

2004-2010 Aiming at profitable, organic growth

At the beginning of 2004, the Group wrote a 3-year plan, which was extended by another 3 years in 2007 towards 2010. After a few years with focus on the bottom line, the goal was now to focus more on the top line. The objective was an organic growth of between 5 and 10% per year with an EBIT margin close to 10%. After four years with reasonable success the Group was afflicted by the financial crisis, declining demands, falling rates of exchange, etc., which marked not only the financial year 2008/09, but also 2009/10.

	Turnover DKK million		EBIT-margin
2004/05:	1,199	+ 8 %	10.3 %
2005/06:	1,342	+ 12 %	10.1 %
2006/07:	1,449	+ 8 %	9.2 %
2007/08:	1,555	+ 7 %	9.0 %
2008/09:	1,504	- 3 %	3.7 %
2009/10:	1,447	- 4 %	7.3 %

Towards 2013 it is our ambition to have an annual increased sale in the area of 5-10% with an EBIT margin of between 8 and 10%.



Three colour samples by mail

Not all people are born with a natural sense of colours. So it is important that our customers also experience a good service when purchasing our paint on the internet. Therefore, it is possible for you to test the colour at home before ordering an entire bucket of paint. When the customers have chosen their favourite colours, they can order three small samples to be delivered at home the next day. The colour samples are packed as three small bags of paint together with a brush and three miniature paint trays. The colours can then be painted on the wall and give a good impression of the shades before paint is ordered for the rest of the wall.



People, increased sales and good service

Our employees in the Flügger decor shops also play a great part in how successful our online sales will become. Because if the customers so desire they can order their goods to be picked up in the nearest shop, where they will be met by a service minded staff with a high professional level and great experience. To the employees in the shops the visit is an obvious opportunity to create increased sales, which send the customer home with more appurtenant products in the bag. Flügger is known for good service and competent advising, and we must continue to be so. Both on- and offline.

We have loyal customers

The customer surveys from recent years show that we have a high degree of loyalty with our customers, of which almost half of them declares that they are more than willing to recommend Flügger paint to their friends. Among the male customers professional advice and guidance are prioritized, whereas the women occasionally request more inspiration.

Our customers are professional painters, who appreciate uniform quality as well as the fact that it is good business to use Flügger paint - easy to apply, high covering power and spreading rate.

Our customers among consumers have the needs for professional assistance, including which product to choose as well as information regarding application, procedures and expected result.

Both types of customers prioritize environment, among other things that the products are safe to use and affect the environment and the indoor climate least possible. It shows from customer surveys that professionals as well as consumers are of the opinion that price and quality are reasonably attuned in Flügger paint products.

Flügger takes care of the environment

Flügger wishes to be and conceived as an environmentally conscious group.

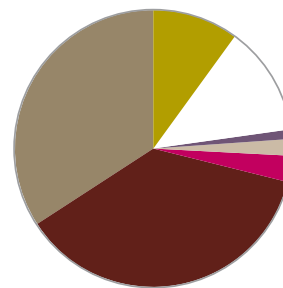
Except from the fact that it is an overall objective for the Group, we have chosen to make it a part of our everyday lives by ensuring that the production of paint products in Denmark and Sweden - which forms more than 90% of the production - is environmentally certified in accordance with ISO 14001. The main office of the Group in Rødovre, Denmark, is also environmentally certified in accordance with ISO 14001.

We set up goals in anticipation of reducing waste such as contamination of the ground, water and air. As a paint producer, it may be most crucial to the environment that the production of water-based paints will replace solvent-based products. This actually means less in the production, where it is possible to reduce the vaporization of solvents into the atmosphere down to thousandths of the production, but it means a lot to the consumer, where 80% of the paint or wood preservatives may be solvents, which go freely up in the atmosphere.

We have aimed at moving the consumption from solvent-based products to water-based products, and via our product development and marketing we have obtained that 68% of the total sale of exterior products are water-based with the designation Aqua. Today, the major part of paint products for interior use is water-based.

Moreover, we have chosen that all our main products must carry the ECO-label, which is a common, European standard for environment-friendly paints.

With a view to consider the climate as well, we have initiated energy-saving measures in the Group, not least concerning transport to and from the Group.



Employees divided geographically

- Denmark: 37 %
- Sweden: 34 %
- Norway : 10 %
- Poland: 13 %
- China: 3 %
- Iceland: 2 %
- The Czech Republic: 1 %

Employees and development of competences

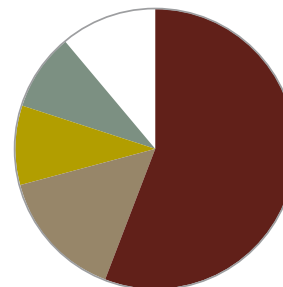
Just as for all other companies, our employees are a decisive competitive parameter. This goes especially for the employees with direct customer contact, which form more than half of our approx. 1,400 employees.

The sales division Flügger with own shops as well as franchisees has developed seminars for the employees with direct contact to customers/ consumers. The purpose is to provide them with knowledge regarding materials, application as well as expected qualities. The seminars are held in the winter term, where the demand is lower than during the summer months.

As a means of help for all the managers in our own shops as well as the franchisees the Group has a shop guide, which is available on our Intranet in Danish, Swedish, Norwegian and English. It provides guidance in all substantial matters regarding the operation of a shop and servicing customers.

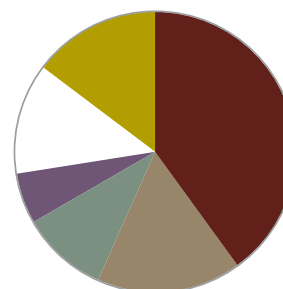
An employee satisfaction survey is carried through once a year in order to register and follow the employees' attitude to the company. More than 80% of the employees participated in the latest survey, which showed a total result of 5.3 on a scale from 1 till 7. Our goal is to obtain an average of 5.7.

In the latest financial year, the employee turnover in the Group was 23.4% – which is still high, though lower than previous years. It is particularly difficult to hold on to employees in the net of shops - a situation we probably share with other retailers. However, the absence due to illness in the Group was 2.1% in the latest financial year, which is low compared to other companies in the business.



Employees classified after function/sex

- Production: 15 %
147 men – 74 women
- Shop staff: 56 %
349 men – 448 women
- Administration: 9 %
62 men – 67 women
- Logistics: 9 %
101 men – 33 women
- Sales employees: 11 %
116 men – 47 women



Employees divided according to seniority

- < 1 year: 15 %
- 10 - 15 years: 10 %
- 1 - 5 years: 41 %
- 5 - 10 years: 17 %
- 15 - 20 years: 6 %
- > 20 years: 11 %

Consolidated income statement and statement of comprehensive income 1 May - 30 April

Income statement DKK 1,000	2006/07	2007/08	2008/09	2009/10
Net turnover	1,448,767	1,554,922	1,504,164	1,446,624
Production costs	- 664,750	- 703,045	- 681,822	- 634,176
Gross profit	784,017	851,877	822,342	812,448
Sales- and distribution costs	- 572,897	- 629,657	- 656,498	- 626,331
Administration costs	- 84,578	- 85,620	- 92,366	- 85,958
Other operation income	7,716	4,108	3,991	7,806
Other operation costs	- 810	- 509	- 4,391	- 1,851
Goodwill amortisations	0	0	- 17,000	0
Operating profit	133,448	140,199	56,078	106,114
Financial income	31,877	17,262	33,507	36,394
Financial costs	- 3,202	- 30,963	- 38,512	- 8,795
Profit before income tax	162,123	126,498	51,073	133,713
Change in deferred tax	- 6,204	10,822	7,962	- 5,714
Corporation tax	- 42,067	- 40,700	- 31,370	- 33,810
Profit for the year	113,852	96,620	27,665	94,189
Earnings per share				
Suggested dividend per share of DKK 20	15	15	6	12
Earnings per share of DKK 20	38,0	32,2	9,2	32,0
Diluted Earnings per share of DKK 20	38,0	32,2	9,2	32,0
Statement of comprehensive income DKK 1,000	2006/07	2007/08	2008/09	2009/10
Profit for the year	113,852	96,620	27,665	94,189
Value adjustment of futures contract	0	0	3,453	0
Futures contract transferred to tangible assets	0	0	0	- 3,453
Exchange rate adjustment to year-end rate				
- Of equity at the beginning of the year	3,765	- 11,087	- 57,407	15,059
- Profit for the year	257	40	- 7,959	4,333
Total comprehensive income	117,874	85,573	- 34,248	110,128
Attributable to:				
Dividend	45,000	45,000	18,000	36,000
Retained earnings	72,874	40,573	- 52,248	74,128
Transfers of the year	117,874	85,573	- 34,248	110,128

Consolidated balance sheet as per 30 April

DKK 1,000	2007	2008	2009	2010
Assets				
Patents and licenses	383	444	208	8
Goodwill	51,014	54,288	40,025	46,619
Intangible assets	51,397	54,732	40,233	46,627
Properties and buildings	122,134	124,312	151,023	180,795
Technical plants and machines	54,524	45,565	48,485	95,111
Other operating equipment	102,370	102,291	99,999	102,603
Plants under construction	5,349	41,210	60,081	8,676
Tangible assets	284,377	313,378	359,588	387,185
Deferred tax assets	7,406	8,632	9,032	6,786
Total non-current assets	343,180	376,742	408,853	440,598
Inventories	247,541	270,272	256,528	232,141
Trade and other receivables	251,732	274,111	251,568	240,414
Investments	115,721	74,213	36,582	104,889
Cash and cash equivalents	64,682	127,618	66,251	56,656
Total current assets	679,676	746,214	610,929	634,100
Total assets	1,022,856	1,122,956	1,019,782	1,074,698
Liabilities				
Share capital	60,000	60,000	60,000	60,000
Translation reserve	4,476	- 6,571	- 71,937	- 52,545
Reserve for hedging transactions	0	0	3,453	0
Retained earnings	625,009	674,868	680,412	716,746
Suggested dividend	45,000	45,000	18,000	36,000
Total equity	734,485	773,297	689,928	760,201
Deferred tax	16,874	8,232	5,288	8,855
Staff bonds	3,155	4,627	6,003	7,700
Non-current liabilities	20,029	12,859	11,291	16,555
Bank debt	37,432	87,953	72,082	35,967
Trade payables	94,134	98,718	89,149	116,229
Corporation tax	38,932	36,734	22,336	23,983
Other debt	97,756	113,000	134,755	121,676
Accrued expenses	88	395	241	87
Current liabilities	268,342	336,800	318,563	297,942
Total liabilities	1,022,856	1,122,956	1,019,782	1,074,698

Board of Directors

Thorkild Juul Jensen*, Chairman

Born 1944, joined the Flügger Board of Directors in 1989
 Judge in the Copenhagen Maritime and Commercial Court
 Vice-chairman of RM Rich. Müller A/S
 Vice-chairman of Rich. Müller Foundation
 Board member of the investment association Independent Invest
 Board member of the investment association World Wide Invest
 Board member of the Aktieselskabet Ny Kalkbrænderi
 Board member of Pankas A/S
 Vice-chairman of Aktieselskabet Rheinholdt W. Jorck
 Member of Reinholdt W. Jorck and Wife Foundation
 Portfolio of Flügger B-shares, inclusive of connected parties,
 at year-end: 23,840 shares

Morten Boysen*, Vice-chairman and skilled in accounts in accordance with the rules of accountants

Born 1964, joined the Flügger Board of Directors in 2005
 Managing Director of Expert Retail Danmark A/S
 Board member of Konceptforeningen punkt1
 Vice-chairman of RTC transport A/S
 Portfolio of Flügger B-shares, inclusive of connected parties,
 at year-end: 0 shares

Peter Aru*

Born 1957, joined the Flügger Board of Directors in 2006
 Managing Director and Group Managing Director of Cardo AB
 Board member of Boxon AB
 Portfolio of Flügger B-shares, inclusive of connected parties,
 at year-end: 0 shares

Anja Schnack Jørgensen**

Born 1965, joined the Flügger Board of Directors in 2008
 Chief Accountant for:
 HK Enterprise A/S, VVS Enterprise ApS and SNG Enterprise ApS
 Portfolio of Flügger B-shares, inclusive of connected parties,
 at year-end: 5,071 shares

Peter Mormark-Guldager***

Born 1958, joined the Flügger Board of Directors in 1994
 Retail Operation Manager East in Flügger A/S
 Portfolio of Flügger B-shares, inclusive of connected parties,
 at year-end: 190 shares

Tommy Aamand***

Born 1969, joined the Flügger Board of Directors in 2007
 IT Works Manager in Flügger A/S
 Stock of Flügger B-shares, inclusive of connected parties,
 at year-end: 0 shares

Executive Management

Søren P. Olesen, Managing Director

Born 1967, employed 2002
 Vice-chairman of DI Building Materials
 Chairman of Danish Bake A/S
 Portfolio of Flügger B-shares, inclusive of connected parties,
 at year-end: 7,833 shares

Ulf Schnack, Manager (main shareholder)

Born 1936, employed 1960
 Portfolio of Flügger shares, inclusive of connected parties,
 at year-end: 590,625 Flügger A-shares + 729,140 Flügger B-shares

Remunerations of the Board of Directors and the Executive Management are stated in note 3 in the Annual report.

* Independent board member

** Family representative

*** Staff-elected board member



www.flugger.com

The pigment shown on the front page is a red ochre, which is used in our red exterior paints such as e.g. Bornholmish Red. All our pigments contain no heavy metals or other substances damaging to the environment.