H+H International A/S
Interim financial report
Q1 2011

Company Announcement No. 243, 2011

H+H International A/S
Dampfærgevej 3, 3rd Floor
2100 Copenhagen Ø
Denmark

Tel. +45 35 27 02 00
Fax +45 35 27 02 01

info@HplusH.com
www.HplusH.com

Date:
26 May 2011

Key figures for the period 1 January to 31 March 2011

- First-quarter revenue was DKK 287 million (2010: DKK 236 million)
- First-quarter EBITDA was a loss of DKK 14 million (2010: loss of DKK 31 million)
- First-quarter result before tax was a loss of DKK 50 million (2010: loss of DKK 75 million)
- Equity at 31 March 2011 was DKK 687 million
- Net interest-bearing debt at 31 March 2011 was DKK 694 million
- EBITDA before special items for the 2011 financial year expected to be in the region of DKK 100-140 million
- Free cash flow expected to be positive at around DKK 20-60 million
- Total investments expected to be less than DKK 50 million

For further information please contact:
Michael T. Andersen, CEO, or Niels Eldrup Meidahl, CFO, tel. +45 35 27 02 00.

This is a translation of the company's announcement in Danish. In case of inconsistency between the Danish text and this English translation, the Danish text will take precedence.

Key figures – H+H Group

Amounts in DKK million	Q1 2011	Q1 2010	Year 2010
Income statement			
Revenue	287.4	236.4	1,254.5
EBITDA	(13.8)	(30.8)	(15.3)
EBITA	(39.7)	(64.0)	(135.1)
Operating profit (EBIT)	(39.7)	(64.0)	(256.8)
Profit before tax	(50.3)	(75.1)	(286.2)
Profit	(42.9)	(59.0)	(270.5)
Balance sheet			
Non-current assets	1,344.0	1,535.7	1,359.2
Current assets	364.2	397.2	294.9
Total assets	1,708.2	1,932.9	1,654.1
Equity	687.0	949.4	725.6
Non-current liabilities	821.5	813.0	759.0
Current liabilities	199.7	170.5	169.5
Total equity and liabilities	1,708.2	1,932.9	1,654.1
Investments and debt			
Investments in non-current assets	8.2	8.4	36.4
Interest-bearing debt (net)	693.5	678.2	613.6
Cash flow			
Operating activities	(60.8)	(74.6)	31.9
Investing activities	(8.2)	(7.9)	(33.0)
Free cash flow	(69.0)	(82.5)	(1.1)
Financial ratios			
Gross margin	15.8%	14.0%	20.1%
Earnings per share	(4.4)	(6.0)	(27.6)
Diluted earnings per share	(4.4)	(6.0)	(27.6)
Return on equity, p.a.	(6.1%)	(6.2%)	(32.1%)
Share price, end of period, DKK	59.7	68.6	53.0
Book value per share, end of period, DKK	70.0	96.8	74.0
Solvency ratio	40.2%	49.1%	43.9%

MANAGEMENT'S REVIEW

The first quarter of 2011 saw a substantial increase in sales volumes and small price increases, resulting in a revenue growth of 22% and volume growth of 19% relative to the same period in 2010.

Sales developments in most markets were satisfactory, and residential newbuild activity in the majority of H+H's markets is generally believed to be recovering. Market share was maintained or increased in all markets. Slightly higher prices were obtained. Prices for H+H's products nevertheless remain under considerable pressure, especially in Russia, the Czech Republic and Poland. At the very end of the first quarter of 2011 significantly higher prices were obtained in Germany. Prices for materials, especially energy and transport were higher than anticipated, which had an adverse effect on earnings. A procurement programme has been initiated to offset raw material and distribution cost increases.

Revenue

First-quarter revenue was DKK 287.4 million in 2011, against DKK 236.4 million in 2010, an increase of DKK 51.0 million or 22%. Expressed in local currency, revenue was up 19% on the first quarter of 2010. GBP and PLN exchange rates had a slight negative effect on revenue, while SEK and CZK exchange rates had a positive effect.

In the Western European segment, first-quarter revenue was significantly higher than in 2010 in Germany and Denmark and slightly higher in the other countries, with the exception of the UK where there was a small drop in revenue. Overall, revenue in Western Europe came to DKK 214.7 million, against DKK 167.2 million in the same period in 2010, an increase of DKK 47.5 million or 28%. Expressed in local currency, revenue was up 26% on the first quarter of 2010. This very high rate of growth needs to be seen in the light of the severe winter weather in Western Europe in the first quarter of 2010 and more normal conditions in the first quarter of 2011.

Revenue		
	Q1	Q1
Amounts in DKK million	2011	2010
Western Europe	214.7	167.2
Eastern Europe	72.7	69.2
Total	287.4	236.4

In the Eastern European segment, first-quarter revenue was slightly higher than in 2010. Revenue grew moderately in Russia but fell in the Czech Republic due to a general slowdown in that market. Overall, revenue in Eastern Europe came to DKK 72.7 million, against DKK 69.2 million in the same period in 2010, an increase of DKK 3.5 million or 5%. Expressed in local currency, revenue was up 3% on the first quarter of 2010.

Gross profit

The overall gross margin in the first quarter was 15.8% in 2011, against 14.0% in the same period in 2010. The increase was due mainly to higher sales volumes.

Market prices in Germany and Poland have started to show signs of recovery in the first quarter of 2011 after two years of low price levels. Together with high sales volumes, this indicates that these markets are recovering. In general, however, selling prices in the Group are still much lower than before.

Prices for raw materials, especially energy and transport were much higher than anticipated, which had an adverse effect on earnings.

Operating profit (EBIT)

H+H made a first-quarter operating loss of DKK 39.7 million in 2011, against a loss of DKK 64.0 million in 2010.

The first-quarter result includes non-recurring costs of DKK 2 million, mainly legal fees relating to contacts with European competition authorities.

Profit before tax

H+H recorded a first-quarter loss before tax of DKK 50.3 million in 2011, against a loss of DKK 75.1 million in 2010, an improvement of DKK 24.8 million.

Profit before tax		
	Q1	Q1
Amounts in DKK million	2011	2010
Western Europe	(16.9)	(37.5)
Eastern Europe	(28.3)	(30.9)
Eliminations and unallocated items	(5.1)	(6.7)
Total	(50.3)	(75.1)

Special items
The first-quarter result includes non-recurring costs of DKK 2 million, mainly legal fees relating to contacts with European competition authorities.

Investments
Investments of DKK 8.2 million were made during the first quarter, against DKK 8.4 million in 2010. Total investments for the year are still expected to be less than DKK 50 million. The temporary freeze on new investments other than essential maintenance has been retained.

Investments

	Q1	Q1
Amounts in DKK million	2011	2010
Western Europe	3.6	1.5
Eastern Europe	3.8	4.6
Unallocated items	0.8	2.3
Total	8.2	8.4

Financing
Net interest-bearing debt totalled DKK 693.5 million on 31 March 2011, an increase of DKK 79.9 million since the beginning of the year, which is slightly smaller than the increase in the first quarter of 2010. The increase since the beginning of the year is due to seasonal fluctuations in cash resources.

First-quarter financing costs totalled DKK 10.6 million in 2011, against DKK 11.1 million in 2010. Besides interest expenses and foreign exchange adjustments, the 2010 figure included amortisation of borrowing costs and payment for undrawn committed credit facilities.

Taxation
The tax figure for the period is an income of DKK 7.4 million, which has been recognised for the first quarter of 2011, corresponding to an effective tax rate of 14.7%, against DKK 16.1 million and 21.4% for the first quarter of 2010.

Equity
H+H's equity decreased by DKK 38.6 million in the first quarter of 2011. The loss for the period reduced equity by DKK 42.9 million, while foreign exchange adjustments of investments in subsidiaries etc. increased equity by DKK 4.3 million.

Equity

	Q1	Q1
Amounts in DKK million	2011	2010
1 January	725.6	958.2
Profit for the period	(42.9)	(59.0)
Foreign exchange adjustments	4.3	50.0
Other adjustments	0.0	0.2
31 March	687.0	949.4

SEGMENTS

Western Europe
First-quarter revenue in Western Europe was DKK 214.7 million, an increase of DKK 47.5 million or 28% on 2010. Expressed in local currency, revenue was up 26% on the first quarter of 2010.

Activity in the Western European markets was largely in line with expectations during the quarter. Price increases have been obtained in all markets except for Denmark and the UK where prices fell slightly. The decrease in the UK is mainly due to changes in customer and product mix.

There was a first-quarter loss before tax of DKK 16.9 million in 2011, against a loss of DKK 37.5 million in 2010, an improvement of DKK 20.6 million.

Activity in the residential newbuild market is believed to have bottomed out, and there are indications of moderate recovery, particularly in Germany and Scandinavia. The higher level of revenue relative to 2010 is therefore expected to continue into the second quarter with moderate growth rates.

Eastern Europe
First-quarter revenue in Eastern Europe was DKK 72.7 million, an increase of DKK 3.5 million or 5% on 2010. Expressed in local currency, revenue was up 3% on the first quarter of 2010.

Activity levels in the first quarter did not live up to expectations in the Czech Republic and Russia, but there was healthy growth in the Polish market.
Prices in Poland and Russia remain under pressure, which is adversely affecting earnings in Eastern Europe, but have recovered in the Czech Republic.

There was a first-quarter loss before tax of DKK 28.3 million in 2011, against DKK 30.9 million in 2010, an improvement of DKK 2.6 million. The improvement is due to higher overall revenue and lower costs.

Eliminations and unallocated items
Unallocated net expenses amounted to DKK 5.2 million in the first quarter of 2011, down DKK 1.5 million on the same period in 2010.

Interest in taking over H+H International A/S
On 16 November 2010 the Board of Directors of H+H International A/S discontinued the dialogue with Xella International Holdings S.à.r.l. (Xella) – owned by Goldman Sachs Capital Partners and PAI Partners – concerning Xella's interest in enlisting the Board's support for a possible conditional public offer from Xella for the shares in H+H International A/S. The reason given by the Board for discontinuing the dialogue was that the terms of the proposed offer represented too high a risk to shareholders and that the price offered did not reflect the value of the company based on its revised strategic direction and the extended efficiency programme initiated. On 14 January 2011 Xella announced on its website an intention to make an offer for the shares in H+H International A/S, and Xella also stated that it had, on its own initiative and without the involvement of H+H International A/S, submitted a pre-notification of merger with H+H International A/S to the relevant competition authorities. Since March 2011 H+H International A/S has therefore received various market-related questions from the competition authorities in the EU, Germany (due to the European Commission's referral of the German part of the matter to the German competition authorities) and Russia. H+H International A/S has a statutory duty to respond to these questions and has done so.

OUTLOOK FOR 2011

EBITDA before special items is expected to be in the region of DKK 100-140 million.

Free cash flow is expected to be positive at around DKK 20-60 million.

Total investments in 2011 are expected to be less than DKK 50 million.

These expectations for H+H's financial performance in 2011 are based partly on the following assumptions:

- Prices are expected to rise more than inflation in most markets.
- Rising sales volumes are anticipated in 2011.
- The extended efficiency programme will cut cost levels by more than DKK 75 million relative to 2010.
- No currency hedging by H+H for 2011, and unchanged exchange rates, primarily for GBP, EUR, PLN, RUB and CZK, relative to the end of 2010.

CONCERNING THE OUTLOOK FOR 2011

The expectations for H+H's financial performance are based on a number of assumptions.

Management believes that the most significant assumptions underlying H+H's expectations relate to:

- Sales volumes and product mix
- Price competition in many of H+H's markets
- General economic developments
- Developments in the market for building materials
- Exchange rates
- Distribution factors
- Production efficiency
- Realisation of cost savings
- Weather conditions

Management's expectations are associated with considerable uncertainty. No assurance can therefore be given that the assumptions on which the financial expectations are based will hold, and unforeseen events, including those outside H+H's control, may have a negative impact on future realised results even if the assumptions for future periods or the 2011 financial year otherwise turn out to be correct.

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first quarter of 2011.

The interim financial statements, which have not been audited or reviewed by the company's auditors, have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for the interim financial reports of listed companies.

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 31 March 2011 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2011.

Further, it is our opinion that management's review provides a fair account of developments in H+H's operations and financial conditions, the results for the period and H+H's overall financial position, as well as a description of the most significant risks and uncertainties that H+H faces.

Copenhagen, 26 May 2011

Executive Board

Michael T Andersen CEO	Niels Eldrup Meidahl CFO

Board of Directors

Anders C Karlsson Chairman	Asbjørn Berge Deputy Chairman	Stewart A Baseley
Pierre-Yves Jullien	Henrik Lind	

Forward-looking statements´
The forward-looking statements in this interim financial report reflect management's current expectations of certain future events and financial results. Statements regarding the future are by their very nature associated with uncertainty, and actual results may therefore depart materially from expectations. Factors that may cause actual results to depart materially from expectations include, but are not limited to, developments in business conditions and financial markets, changes in the pricing of aircrete products, market acceptance of new products, the launch of competing products and the integration of acquisitions.

H+H International A/S is only obliged to update and adjust the expectations presented where so required by Danish legislation, including the Danish Securities Trading Act.

INCOME STATEMENT

	Group		
	Q1	Q1	Year
Amounts in DKK million	2011	2010	2010
Revenue	287.4	236.4	1,254.5
Production costs	(242.1)	(203.4)	(1,002.8)
Gross profit	**45.3**	**33.0**	**251.7**
Other external expenses	(59.1)	(63.8)	(259.6)
Other operating income and expenses	0.0	0.0	(7.4)
EBITDA	**(13.8)**	**(30.8)**	**(15.3)**
Depreciation and amortisation	(25.9)	(33.2)	(119.8)
EBIT before impairment	**(39.7)**	**(64.0)**	**(135.1)**
Impairment losses	0.0	0.0	(121.7)
EBIT	**(39.7)**	**(64.0)**	**(256.8)**
Net financing costs	(10.6)	(11.1)	(29.4)
Profit before tax	**(50.3)**	**(75.1)**	**(286.2)**
Income tax expense	7.4	16.1	15.7
Profit for the period	**(42.9)**	**(59.0)**	**(270.5)**
Earnings per share	(4.4)	(6.0)	(27.6)
Diluted earnings per share	(4.4)	(6.0)	(27.6)

STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Year
Amounts in DKK million	2011	2010	2010
Profit for the period	(42.9)	(59.0)	(270.5)
Other comprehensive income			
Foreign exchange adjustments, foreign entities	4.3	50.0	41.1
Tax on changes in equity	0.0	0.0	(3.4)
Value adjustments of hedging instruments	0.0	0.0	0.0
Other comprehensive income	4.3	50.0	37.7
Total comprehensive income	**(38.6)**	**(9.0)**	**(232.8)**

BALANCE SHEET

	Group			
	31 Mar	31 Dec	31 Mar	31 Dec
Amounts in DKK million	2011	2010	2010	2009
ASSETS				
Non-current assets				
Intangible assets	117.3	116.6	114.9	109.7
Property, plant and equipment	1,176.4	1,187.4	1,370.8	1,341.3
Other non-current assets	50.3	55.2	50.0	44.4
Total non-current assets	**1,344.0**	**1,359.2**	**1,535.7**	**1,495.4**
Current assets				
Inventories	181.8	181.8	204.2	209.9
Receivables	175.2	100.0	185.7	132.1
Cash and cash equivalents	7.2	13.1	7.3	17.6
Total current assets	**364.2**	**294.9**	**397.2**	**359.6**
TOTAL ASSETS	**1,708.2**	**1,654.1**	**1,932.9**	**1,855.0**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings	262.1	305.0	516.5	575.3
Other reserves	(65.6)	(69.9)	(57.6)	(107.6)
Total equity	**687.0**	**725.6**	**949.4**	**958.2**
Liabilities				
Non-current liabilities	821.5	759.0	813.0	749.6
Current liabilities	199.7	169.5	170.5	147.2
Total liabilities	**1,021.2**	**928.5**	**983.5**	**896.8**
TOTAL EQUITY AND LIABILITIES	**1,708.2**	**1,654.1**	**1,932.9**	**1,855.0**
Net interest-bearing debt	693.5	613.6	678.2	595.8

CASH FLOW STATEMENT

Amounts in DKK million	Q1 2011	Q1 2010
Operating activities	(60.8)	(74.6)
Investing activities	(8.2)	(7.9)
Financing activities	63.1	72.1
Net increase (decrease) in cash and cash equivalents	(5.9)	(10.4)
Cash and cash equivalents, opening	13.1	17.6
Foreign exchange adjustments of cash and cash equivalents	0.0	0.1
Cash and cash equivalents at 31 March	7.2	7.3

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2011	**490.5**	**(69.9)**	**0.0**	**305.0**	**0.0**	**725.6**
Total changes in equity in 2011						
Profit for the period	0.0	0.0	0.0	(42.9)	0.0	(42.9)
Other comprehensive income	0.0	4.3	0.0	0.0	0.0	4.3
Total comprehensive income	**0.0**	**4.3**	**0.0**	**(42.9)**	**0.0**	**(38.6)**
Share-based payment	0.0	0.0	0.0	0.0	0.0	0.0
Total changes in equity in 2011	**0.0**	**4.3**	**0.0**	**(42.9)**	**0.0**	**(38.6)**
Equity at 31 March 2011	**490.5**	**(65.6)**	**0.0**	**262.1**	**0.0**	**687.0**
Equity at 1 January 2010	**490.5**	**(107.6)**	**0.0**	**575.3**	**0.0**	**958.2**
Total changes in equity 2010						
Result for the period	0.0	0.0	0.0	(59.0)	0.0	(59.0)
Other comprehensive income	0.0	50.0	0.0	0.0	0.0	50.0
Total comprehensive income	**0.0**	**50.0**	**0.0**	**(59.0)**	**0.0**	**(9.0)**
Share-based payment	0.0	0.0	0.0	0.2	0.0	0.2
Total changes in equity in 2010	**0.0**	**50.0**	**0.0**	**(58.8)**	**0.0**	**(8.8)**
Equity at 31 March 2010	**490.5**	**(57.6)**	**0.0**	**516.5**	**0.0**	**949.4**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, and that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. This interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2010 annual report. The 2010 annual report includes a full description of the accounting policies applied.

2. Segment information

Amounts in DKK million	Q1 2011						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments total
Revenue, external	154.1	60.6	214.7	71.6	1.1	72.7	287.4
Revenue, internal	25.6	0.0	25.6	0.9	0.0	0.9	26.5
EBITDA	5.3	(3.3)	2.0	(7.0)	(0.2)	(7.2)	(5.2)
Depreciation and amortisation	(14.7)	(0.6)	(15.3)	(10.6)	0.0	(10.6)	(25.9)
EBIT before impairment	(9.4)	(3.9)	(13.3)	(17.6)	(0.2)	(17.8)	(31.1)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	(9.4)	(3.9)	(13.3)	(17.6)	(0.2)	(17.8)	(31.1)
Net financing costs	(3.1)	(0.5)	(3.6)	(10.2)	(0.3)	(10.5)	(14.1)
Profit before tax	(12.5)	(4.4)	(16.9)	(27.8)	(0.5)	(28.3)	(45.2)
Non-current assets	560.0	11.3	571.3	709.0	1.1	710.1	1,281.4
Investments in non-current assets	3.5	0.1	3.6	3.8	0.0	3.8	7.4
Assets	790.4	71.2	861.6	795.1	1.4	796.5	1,658.1
Equity	269.3	10.0	279.3	75.6	(32.7)	42.9	322.2
Liabilities	521.1	61.2	582.3	719.5	34.1	753.6	1,335.9

Amounts in DKK million	Q1 2010						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments total
Revenue, external	129.4	37.8	167.2	67.3	1.9	69.2	236.4
Revenue, internal	18.1	0.0	18.1	2.0	0.0	2.0	20.1
EBITDA	(3.2)	(9.5)	(12.7)	(8.6)	(1.7)	(10.3)	(23.0)
Depreciation and amortisation	(20.3)	(0.6)	(20.9)	(11.4)	(0.1)	(11.5)	(32.4)
EBIT before impairment	(23.5)	(10.1)	(33.6)	(20.0)	(1.8)	(21.8)	(55.4)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	(23.5)	(10.1)	(33.6)	(20.0)	(1.8)	(21.8)	(55.4)
Net financing costs	(3.5)	(0.4)	(3.9)	(8.8)	(0.3)	(9.1)	(13.0)
Profit before tax	(27.0)	(10.5)	(37.5)	(28.8)	(2.1)	(30.9)	(68.4)
Non-current assets	600.1	12.1	612.2	834.9	7.7	842.6	1,454.8
Investments in non-current assets	1.2	0.3	1.5	3.5	1.1	4.6	6.1
Assets	842.0	54.0	896.0	962.5	12.0	974.5	1,870.5
Equity	283.7	2.1	285.8	235.3	(16.7)	218.6	504.4
Liabilities	558.3	51.9	610.2	727.2	28.7	755.9	1,366.1

Reconciliation of reportable segments' earnings before tax

	Q1	
Amounts in DKK million	2011	2010
Segment profit before tax for reportable segments	(45.2)	(68.4)
Unallocated group costs, corporate functions	(5.1)	(6.7)
Impairment losses, non-reportable segment	0.0	0.0
Total	(50.3)	(75.1)

3. Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make a number of estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

In the case of the H+H Group, significant changes in the estimates and assumptions on which values are based may have a material effect on the measurement of assets, including impairment testing of goodwill and non-current assets.

The estimates and judgements made are based on assumptions that are believed by management to be sound, but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete, and unforeseen future events or circumstances may occur.

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2010 annual report.

4. Seasonal and cyclical fluctuations

Seasonal fluctuations
The sales pattern for H+H's products is seasonal. Sales in the second and third quarters are traditionally significantly higher than during the rest of the year. As a large part of H+H's cost base is not directly variable with revenue, deviations from projected sales may result in considerable fluctuations in H+H's earnings. Seasonal fluctuations also affect H+H's cash resources during the year, and cash requirements will be highest after the first quarter.

Furthermore, because H+H's sales are predominantly based on short-term orders, the Group is unable, or only to a very limited extent able, to align its cost base to actual customer demand. Historically, revenue and earnings generated by H+H's operations have fluctuated significantly during the financial year, and management expects this to remain the case.

Cyclical fluctuations
Activity levels in the countries and markets in which H+H's products are sold have a major impact on demand for these products. H+H's sales go predominantly to new dense low-rise housing, making H+H particularly vulnerable to fluctuations in the level of activity in this building segment. H+H's products are mainly sold in geographical markets that are situated relatively close to its factories – the specific geographical market for each factory depends on local transport prices, the state of the infrastructure and the competitive situation, including price levels.

5. Pension obligations

H+H has defined benefit pension plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded. H+H's pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation as at 31 December 2010 shows a shortfall of DKK 108 million net (the present value of the obligations exceeds the fair value of the plan assets).

As a result of H+H's application of the corridor approach, DKK 81million of this shortfall was not recognised in the balance sheet and equity at 31 March 2011. New actuarial calculations are carried out only once a year in connection with the preparation of the annual consolidated financial statements.

6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 694 million on 31 March 2011, an increase of DKK 80 million since the beginning of the year. The increase reflects the financial results for the quarter and seasonal variations in working capital.

H+H has a loan agreement with Danske Bank A/S with a total credit line corresponding to around DKK 900 million, of which DKK 850 million is committed until 31 December 2014 and DKK 50 million is a short-term uncommitted credit line.

H+H will continue to be dependent on debt financing in the coming years. Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants. The loan agreements can also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors (defined in the agreements as Danish, Swedish, Norwegian and Finnish financial institutions operating in financial markets and subject to public supervision) individually or through coordinated collaboration gain control of more than one-third of the shares or more than one-third of the total number of voting rights carried by the shares in H+H International A/S.

7. Events after the balance sheet date

No events have occurred after the balance sheet date that will have a material effect on the company's financial position.