

Annual Report 2012

H+H International A/S



H+H

build with ease

H+H

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Five-year summary

Income statement (DKKm)	2012*	2011*	2010*	2009	2008
Revenue	1,322.3	1,309.8	1,185.5	1,068.0	1,439.5
Gross profit	270.9	283.4	237.6	247.7	437.3
Profit before depreciation, amortisation and financial items (EBITDA)	86.0	92.5	(4.8)	1.0	135.5
Operating profit (EBIT)	15.5	(9.4)	(245.4)	(205.3)	19.0
Net financing costs	(44.6)	(50.3)	(29.1)	(58.3)	(17.6)
Profit before tax	(29.1)	(59.8)	(274.5)	(263.5)	1.4
Profit for the year from continuing operations	(59.6)	(75.8)	(262.9)	-	-
Profit for the year from discontinued operations	(22.7)	(48.6)	(7.6)	-	-
Profit for the year	(82.4)	(124.5)	(270.5)	(232.5)	1.7
Balance sheet – assets (DKKm)					
Non-current assets	1,048.9	1,176.4	1,363.9	1,495.4	1,558.9
Current assets	343.8	407.5	294.9	359.6	363.9
Total assets	1,392.8	1,584.0	1,658.8	1,855.0	1,922.8
Balance sheet – equity and liabilities (DKKm)					
Share capital	490.5	490.5	490.5	490.5	109.0
Equity	417.9	472.7	670.7	958.2	743.2
Non-current liabilities	749.9	840.0	818.5	749.6	1,015.7
Current liabilities	225.1	271.3	169.6	147.2	163.9
Total equity and liabilities	1,392.8	1,584.0	1,658.8	1,855.0	1,922.8
Cash flow (DKKm)					
Cash flow from operating activities	23.1	42.9	46.4	(41.7)	60.8
Cash flow from investing activities	102.3	(32.2)	(31.8)	(119.4)	(476.9)
Free cash flow	125.4	10.8	14.6	(161.1)	(416.1)
Investments and debt (DKKm)					
Investments in property, plant and equipment and intangible assets during the year	27.0	36.9	35.2	104.6	492.7
Interest-bearing debt (net)	538.6	628.5	613.6	595.8	863.0
Financial ratios					
Gross margin	20.5%	21.6%	20.0%	23.2%	30.4%
Operating margin (EBIT margin)	1.2%	(0.7%)	(20.7%)	(19.2%)	1.3%
Return on invested capital (ROIC)	1.3%	(0.7%)	(16.2%)	(7.2%)	1.2%
Return on equity	17.0	(19.5%)	(33.2%)	(27.3%)	0.2%
Solvency ratio	30.0%	29.8%	40.4%	51.7%	38.7%
Net interest-bearing debt/EBITDA	6.3	6.8	(127.8)	595.8	6.4
Average number of shares outstanding	9,789,511	9,789,511	9,789,511	1,432,844	1,090,436
Adjusted average number of shares outstanding	9,789,511	9,789,511	9,789,511	2,457,792	2,180,872
Share price, year-end (DKK)	26	42	53	63	304
Book value per share, year-end (DKK)	43	56	68	98	682
Price/book value	0.6	0.8	0.8	0.6	0.4
Price-earnings ratio (PE)	(3.1)	(3.3)	(1.9)	(0.7)	199.9
Earnings per share (adjusted)	(8.4)	(12.7)	(27.6)	(94.6)	0.8
Diluted earnings per share (adjusted)	(8.4)	(12.7)	(27.6)	(94.6)	0.8
Dividend per share (adjusted)	0	0	0	0	0
Payout ratio	0%	0%	0%	0%	0%
Average full-time equivalent staff	1,001	1,084	1,156	1,238	1,282

* Figures have been adjusted for discontinued operations. Figures for 2012 and 2011 have further been adjusted for the transition to IAS 19R (2011) where the impact on the income statement is concerned.

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33 (note 11). The other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Ratios 2010'. Reference is made to definitions and concepts in note 1 'Accounting policies'.



Summary

EBITDA was DKK 86.0 million, against DKK 92.5 million in 2011. EBITDA before special items was DKK 92.0 million, which is in line with the most recently announced outlook for continuing operations, namely EBITDA before special items in the region of DKK 90-110 million. Due to the company's efficiency programmes and price increases, earnings could be kept on a par with 2011 despite very difficult market conditions in the EU, but earnings are still not satisfactory.

- Revenue from continuing operations was DKK 1,322 million (2011: DKK 1,310 million), an increase of 1%.
 - Sales in most markets disappointed in 2012, with substantially lower volumes in the EU but strong growth in Russia and exports to Africa. The decline in the EU was due to increasing economic uncertainty, which made the financing of construction projects very difficult.
 - H+H had satisfactory positive free cash flow of DKK 125 million, DKK 114 million of which relates to the sale of H+H Česká republika s.r.o. This is better than the most recent outlook for positive free cash flow including proceeds from the sale of H+H Česká in the region of DKK 90-105 million.
 - In October 2012 H+H International A/S sold all shares in H+H Česká republika s.r.o. to a company in the Xella Group for DKK 114 million, excluding real estate. H+H's assessment was that H+H Česká would not be able to fulfil its strategic goals for market position and capacity utilisation within a reasonable time frame. The selling price is considered satisfactory and reflects the potential synergies for Xella.
 - In connection with the sale of H+H Česká, H+H reduced its committed credit facility and obtained more favourable financial covenants.
 - Previous write-downs of DKK 104 million in Russia were reversed due to improved market conditions, while real estate in the Czech Republic was written down by DKK 46 million in connection with the sale of H+H Česká, and goodwill in Poland was written down by DKK 24 million due to further difficult market conditions, resulting in a net gain of DKK 34 million.
 - Equity decreased by DKK 55 million to DKK 418 million at the end of 2012. With total assets of DKK 1,393 million, this gives an equity ratio of 30.0%. Change in accounting policies for recognition of pension obligation has reduced equity by DKK 10.2 million in 2012. The cumulative effect of the implementation of IAS 19R (2011) is DKK 91.0 million including tax.
- The Board of Directors will recommend at the annual general meeting that no dividend be paid for 2012.
 - EBITDA for 2013 is expected to be in the region of DKK 90 million. Efficiency gains and structure improvements are counterbalancing the difficult market situation in Europe, the negative effects of the divestment of H+H Česká and the weak British pound. Free cash flow is expected to be positive in the region of DKK 0-15 million before disposals of assets. Total investments are expected to be in the region of DKK 50 million.

Review of the year

Significant events

2012 was impacted by growing economic turmoil in the euro area, which led to significant tightening of credit conditions for homebuilding and reduced interest in buying new homes.

Activity levels in several of H+H's main markets were even lower than in 2009, the first full year of crisis, when also construction was hit hard. The main positive in 2012 was performance in Russia, where demand outstripped supply for most of the year, leading to considerable price increases for H+H's products.

Despite the sharp slowdown in construction in 2012, it was largely possible to keep earnings on a par with 2011, thanks to the optimisation of production processes, a continued focus on cutting costs and stronger earnings in Russia.

As part of H+H's continued focus on core business, the Board of Directors decided in 2011 to divest assets and activities in the Finnish subsidiary Jämerä-kivitalot Oy, which designs and sells the construction of aircrete houses for private individuals. As the company had been loss-making for a number of years, a divestment would have a positive effect on H+H's future earnings. The sale was finalised in June 2012, when the main part of the company's assets and activities were sold to the Estonian Aeroc Group.

In October 2012 H+H International A/S sold all shares in H+H Česká republika s.r.o. to a company in the Xella Group for DKK 114 million, excluding real estate. H+H's assessment was that H+H Česká would not be able to fulfil its strategic goals for market position and capacity utilisation within a reasonable time frame. The selling price is considered satisfactory and reflects the potential synergies for Xella.

Updated strategy

As a consequence of the economic crisis, H+H discontinued its sales activities in Ukraine, the Baltic States and Norway. For strategic reasons, H+H has in 2012 sold H+H Česká republika s.r.o. and decided to wind up H+H Slovenská republika s.r.o.

Going into 2013, H+H was active in the UK, Germany, Poland, Northwest Russia, Denmark, Sweden, Benelux and Finland, with a number 1 or 2 position in all these countries.

In the light of H+H's current financial performance and debt levels, the following overall guiding principles apply for the coming years:

- To focus on the potential in existing geographical markets.
- To remain focused on the aircrete market only.
- To build on existing technology and develop solutions based on this.
- To grow organically.

Within these guiding principles, H+H should be able to grow the top line by 30% with its existing production capacity, assuming geographically balanced market growth.

Read more about H+H's strategy on pages 16-18.

Interest in taking over H+H International A/S

The Bundeskartellamt (German competition authority) decided on 14 March 2012 to prohibit a possible merger between Xella International Holdings S.à.r.l. and H+H International A/S in the German market.

Xella has subsequently lodged an appeal against the decision at the Oberlandesgericht Düsseldorf (Düsseldorf Higher Regional Court).

H+H has been advised by its legal adviser that the proceedings before the Oberlandesgericht Düsseldorf are likely to be concluded in 2013. The decision by the Oberlandesgericht Düsseldorf can be appealed to the Bundesgerichtshof (Federal Supreme Court). Such an appeal could take at least another one to two years.

Regardless of the appeal case, H+H will continue to pursue its strategy on a stand-alone basis, which includes pursuing any further structural opportunities that may arise in the markets.

Events after the balance sheet date

There were very low levels of both commercial and residential construction in Finland in 2012, and sales to the domestic market are now too low to warrant retaining a factory there.

In January 2013 it was therefore decided to start negotiations with the unions concerning a possible closure of H+H's factory in Finland.

A sales agreement for unused production equipment in the UK was signed in January 2013 at a price in the region of DKK 5

million. The sale will have a positive impact on earnings in the region of DKK 2 million.

will be able to handle the increase in volumes with its existing production capacity.

Changes to the Board of Directors

The Board of Directors will recommend at the annual general meeting on 17 April 2013 that two new members be elected, as two of its current members are not standing for re-election. The Board thus recommends that there should continue to be five members going forward.

The Board will recommend that Stewart A Baseley, Asbjørn Berge and Pierre-Yves Jullien be re-elected and that Kent Arentoft, President and CEO of Dalhoff Larsen & Horneman A/S, and Henriette Schütze, Executive director and CFO of Georg Jensen A/S, be elected as new members. Anders C Karlsson and Henrik Lind are not standing for re-election. If the annual general meeting follows the Board's proposal, the new board will elect Kent Arentoft as Chairman.

Dividend

The Board of Directors will recommend at the annual general meeting on 17 April 2013 that no dividend be paid for the 2012 financial year.

Capital structure

H+H had net interest-bearing debt of DKK 539 million at the end of 2012, down DKK 90 million on the end of 2011. With unchanged exchange rates, net interest-bearing debt would have been DKK 531 million.

The substantial decrease in interest-bearing debt was due to the sale of H+H Česká republika s.r.o., which resulted in a net reduction of around DKK 105 million.

As a result of the decrease in H+H's debt levels, the company reduced its committed credit facility at Danske Bank A/S by around DKK 100 million to around DKK 700 million in November 2012 in order to cut its borrowing costs.

In connection with the reduction in this facility, more favourable financial covenants were obtained.

Positioned for growth

The substantial investment in production capacity in 2005-2008, coupled with a significant decrease in sales volume, has meant that H+H's production capacity is not being fully utilised. As a result, when markets turn and sales volumes rise again, H+H

Key figures

EBITDA was DKK 86.0 million, against DKK 92.5 million in 2011. EBITDA before special items was DKK 92.0 million, which is in line with the most recently announced outlook for continuing operations, namely EBITDA before special items in the region of DKK 90-110 million. The original outlook for the year was DKK 110-140 million. Due to the company's efficiency programmes and price increases, earnings could be kept on a par with 2011 despite very difficult market conditions in the EU, but earnings are still not satisfactory.

Revenue from continuing operations was DKK 1,322.3 million (2011: DKK 1,309.8 million), an increase of 1%. H+H largely maintained its market share in all markets.

Free cash flow was positive at DKK 4 million before disposals of assets, which is better than the most recently announced outlook of negative free cash flow in the region of DKK 0-15 million. The original outlook for the year was positive free cash flow in the region of DKK 0-20 million before disposals of assets. Including disposal of subsidiaries, free cash flow was positive at DKK 125 million. Net interest-bearing debt amounted to DKK 539 million at the end of the year, down DKK 90 million over the year. With unchanged exchange rates, debt would have been DKK 7 million lower.

WESTERN EUROPE

H+H Benelux B.V.

Revenue fell in 2012, due partly to H+H's prioritisation of sales of reinforced products to Africa rather than the Benelux countries.

H+H Danmark A/S

Sales in Denmark were hit by a steep fall in construction activity, particularly during the second quarter. The falling volumes in 2012 have put increased pressure on pricing.

H+H Deutschland GmbH

The German residential newbuild market declined in 2012 after growing strongly in 2011, but revenue was still slightly up on 2011 after considerable exports of reinforced products to Africa.

Prices for H+H's products in Germany climbed gently in 2012 and are beginning to approach the levels seen before the economic crisis. Sales from the German factories to sister companies were slightly lower than in 2011.

H+H Finland Oy

H+H's factory manufactures blocks and reinforced products, supplying not only Finland but also the Swedish market. There

were very low levels of both commercial and residential construction in Finland in 2012, and sales to the domestic market are now too low to financially support retaining a factory there.

In January 2013 it was therefore decided to start negotiations with the unions concerning a possible closure of H+H's factory in Finland.

H+H Sverige AB

2010 and 2011 saw healthy growth in residential and commercial construction in Sweden, but there was a sharp slowdown in 2012. The Swedish krona appreciated against the euro in 2012, making the company's products more competitive relative to locally produced alternatives.

H+H UK Ltd

The market deteriorated in 2012, contracting in the first half of the year, due partly to high levels of rainfall in the second quarter, while sales picked up in the second half. Besides the weather, sales were hit by limited mortgage availability, cuts in public spending on social housing, and reduced buyer confidence due to fears of falling house prices and an uncertain employment outlook.

Stone Kivitalot Oy (formerly Jämerä-kivitalot Oy)

As part of H+H's continued focus on core business, the Board of Directors decided in the third quarter of 2011 to divest assets and activities in the Finnish subsidiary Jämerä-kivitalot Oy, which designed and sold the construction of aircrete houses for private individuals. As the company had been loss-making for a number of years, a divestment would have a positive effect on H+H's future earnings. The sale was finalised in June 2012, when the main part of the company's assets and activities were sold to the Estonian Aeroc Group.

EASTERN EUROPE

H+H Česká republika s.r.o.

Sales in the Czech Republic fell sharply in 2012 due to very difficult market conditions.

In October 2012 H+H International A/S sold all shares in H+H Česká republika s.r.o. to a company in the Xella Group for DKK 114 million, excluding real estate. H+H's assessment was that H+H Česká would not be able to fulfil its strategic goals for market position and capacity utilisation within a reasonable time frame. The selling price is considered satisfactory and reflects the potential synergies for Xella.

H+H Polska Sp. z o.o.

The Polish newbuild market was again hit hard by the economic crisis. The number of starts has been falling in recent years and continued to decline in 2012, and there is still fierce price competition in the aircrete market.

OOO H+H, Russia

The Russian market expanded in 2012, and demand far outstripped supply for long periods. H+H managed to increase its production volumes during the course of the year, and this is expected to continue in 2013.

Prices in the aircrete market also climbed as a result of increased demand and rising raw material costs.

SEGMENT INFORMATION

Segment information for continuing operations

Amounts in DKK million	2012	2011	2012	2011
	Western Europe	Eastern Europe		
Revenue	958.7	928.5	363.5	381.3
EBITDA	75.1	94.3	36.8	11.3
Depreciation	(58.0)	(58.9)	(43.5)	(42.9)
Impairment losses	0	0	32.3	0
EBIT	17.1	35.4	25.6	(31.6)
Profit before tax*	(8.2)	10.6	4.7	(68.7)
Non-current assets	772.9	796.2	530.9	635.5
Investments in intangible assets and property, plant and equipment	19.4	23.4	7.2	11.4
Assets	1,075.6	1,148.1	618.0	739.1
Equity	394.1	397.9	207.9	263.8
Liabilities	678.7	750.2	410.1	475.3
Average full-time equivalent staff	503	498	485	572

* H+H's consolidated profit before tax, management fee etc.

Further information about the Group's segments is disclosed in note 3.



Outlook for 2013

EXPECTATIONS FOR 2013

EBITDA for 2013 is expected to be in the region of DKK 90 million. Efficiency gains and structure improvements are counterbalancing the difficult market situation in Europe, the negative effects of the divestment of H+H Česká and the weak British pound.

Free cash flow is expected to be positive in the region of DKK 0-15 million before disposals of assets.

Total investments are expected to be in the region of DKK 50 million.

These expectations for H+H's financial performance in 2013 are based partly on the following specific assumptions:

- The market situation is expected to remain stressed in 2013 except for Russia. Sales to Africa continue in 2013, but at a lower level.
- The Excellence programme continues and reduces production costs further.
- Exchange rates hold around their mid-March 2013 levels, primarily for GBP, EUR, PLN and RUB, which for GBP is at a lower level than in 2012.
- Energy and raw material prices rise only in line with inflation from their mid-March 2013 levels.

ABOUT THE OUTLOOK FOR 2013

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

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, or the rules for issuers on NASDAQ OMX Copenhagen.

Financial review

INCOME STATEMENT

Earnings

EBITDA was DKK 86.0 million, against DKK 92.5 million in 2011. EBITDA before special items was DKK 92.0 million, which is in line with the most recently announced outlook for continuing operations, namely EBITDA before special items in the region of DKK 90-110 million. The original outlook for the year was DKK 110-140 million. Due to the company's efficiency programmes and price increases, earnings could largely be kept on a par with 2011 despite very difficult market conditions in the EU, but earnings are still not satisfactory.

The global economy has deteriorated since spring 2012, due primarily to developments in the euro area, which has plunged back into recession. In particular, the escalating debt crisis in Southern Europe has eroded consumer and business confidence. Like previous economic downturns, this has hit the construction sector hard, especially the newbuild segment, H+H's main market.

All of H+H's markets except Russia declined in 2012, and no significant growth in these countries is anticipated before mid-2013.

Construction activity in Poland, Sweden, Denmark and the UK is currently so low that it is hard to see these markets declining significantly further even in the event of recession.

Earnings in 2012 were boosted by a continued focus on production optimisation, which began in 2011 with a major Excellence programme that has increased earnings by around DKK 40 million over the past two years. The project is continuing in 2013 and is expected to cut production costs further. Finally, earnings were bolstered by stringent management of selling costs and administrative expenses, which fell by 5% in 2012.

Revenue

Revenue from continuing operations was DKK 1,322.3 million (2011: DKK 1,309.8 million), an increase of DKK 12.5 million or 1%. Changes in exchange rates boosted revenue by DKK 27.6 million. 2012 brought a decrease in sales volumes, rising prices and changes in the product mix, which together resulted in a slight increase in revenue relative to 2011.

The fall in sales volumes was driven by significantly lower sales in Poland, Germany, the Czech Republic and the UK. The growing uncertainty in financial markets has made customers more cautious. Despite depressed markets with falling sales volumes, H+H largely maintained its market share. Sales volumes in Russia

were higher than last year. Demand in the Russian market is still very strong, but sales have been limited by production capacity.

2012 saw substantial sales of reinforced products to Africa. These are low-margin sales but help improve capacity utilisation at factories turning out reinforced products. Sales to Africa helped offset the decline in volumes. Sales to Africa are expected to continue in 2013 but at slightly lower levels.

In the Western European segment, revenue grew by DKK 30 million after a positive exchange rate effect of DKK 28.4 million. Sales volumes were somewhat down on 2011 with decreases in all Western European markets, all of which came under severe pressure in 2012. Despite this very tough trading environment, average prices were higher than in 2011.

In the Eastern European segment, revenue fell by DKK 18 million, including a negative exchange rate effect of DKK 0.8 million. The sales volume in Eastern Europe was realised at a higher price level than in 2011. Revenue rose in Russia but fell in Poland and the Czech Republic.

Production costs

Total production costs were higher in 2012 than in 2011, due primarily to increased production of reinforced products. Price rises for raw materials, primarily energy, and transport were as expected. The slowdown in sales resulted in decreased capacity utilisation at a number of factories and necessitated reductions in staff levels. This led to higher average production costs, which were partly offset by savings due to production improvements through the Excellence programme.

A wide range of cost savings were made in 2012 as part of H+H's Excellence programme, but it was difficult to maintain the same rate of improvement as in 2011 due to the lower capacity utilisation at many factories. Given the continued focus on the Excellence programme, it is expected that average unit production costs will remain largely unchanged in 2013, despite rising purchase prices.

Other external expenses

Other external expenses were 1% higher than in 2011. Stringent management of selling costs and administrative expenses continues. There was a gross reduction in the number of full-time employees in sales and administration of 83 relative to 2011.

Special items

2012 brought net negative special items of DKK 6 million, mainly costs relating to the implementation of the new strategy and organisation, and costs for advisers etc. in connection with the sale of H+H Česká republika s.r.o., compared with DKK 5.1 million in 2011.

Special items		
Amounts in DKK million	2012	2011
Profit on sale of H+H Česká	(5.7)	-
Costs in connection with competition case	0.8	1.5
Additional energy tax	0.9	2.4
Termination costs	4.5	1.7
Implementation of new organisation	3.9	-
Other items	1.6	(0.5)
Total	6.0	5.1

Special items are recognised in the income statement under other operating income and expenses.

Depreciation, amortisation and impairment losses

Depreciation and amortisation for the year totalled DKK 103 million.

It was decided in 2010 to write down the Russian factory by DKK 120 million due to lower capacity utilisation and prices than originally anticipated. The Russian market has now recovered to the extent that the whole of this write-down can be reversed. Net of depreciation, this entails a reversal of DKK 104 million.

The value of the remaining real estate in the Czech Republic was written down by DKK 46.4 million in 2012 in connection with the sale of H+H Česká republika s.r.o. to a company in the Xella Group.

In addition, goodwill in Poland was written down by DKK 24 million due to recent years' very difficult market conditions.

Financial income and expenses

Financial income and expenses amounted to a net charge of DKK 45 million, down DKK 6 million on 2011. The fall can partly be attributed to a lower interest rate level and a lower average debt level.

Tax

The tax charge for the year was DKK 30.6 million (2011: DKK 16.1 million). The increase can primarily be attributed to reversal of the previous write-down in Russia.

Discontinued operations and assets held for sale

As part of H+H's continued focus on core business, the Board of Directors decided in the third quarter of 2011 to divest assets and activities in the Finnish subsidiary Jämerä-kivitalot Oy, which designed and sold the construction of aircrete houses for private individuals. The sale was finalised in June 2012, when the main part of the company's assets and activities were sold to the Estonian Aeroc Group.

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the course of 2013. Various plots of land in Poland, a sand pit in Germany, a plot of land in the UK and unused production equipment have therefore been readied for sale and classified as assets held for sale.

A sales agreement for unused production equipment in the UK was signed in January 2013 at a price in the region of DKK 5 million.

BALANCE SHEET

Investments in property, plant and equipment and intangible assets

Investments totalled DKK 27.0 million in 2012 (2011: DKK 36.9 million) and relate to ongoing replacement of assets.

As in 2011, no financing costs or own costs were capitalised.

Financing

Free cash flow was positive at DKK 125 million, including disposal of subsidiaries. Adjusted for the disposal of subsidiaries, free cash flow was positive at DKK 4 million, which is better than the most recently announced outlook of a negative free cash flow of around DKK 0-15 million. The original outlook for the year was positive free cash flow in the region of DKK 0-20 million before disposals of assets.

Net interest-bearing debt amounted to DKK 538.6 million at the end of the year (2011: DKK 628.5 million), a decrease of DKK 89.9 million. With unchanged exchange rates, net interest-bearing debt would have been DKK 7 million lower.

Cash flow from operating activities was DKK 23.1 million (2011: DKK 42.9 million). EBITDA contributed DKK 117.2 million (2011: DKK 129.5 million), including an improvement in working capital of DKK 31.2 million (2011: DKK 37.0 million).

Cash flow from investing activities was positive DKK 102.3 million (2011: negative DKK 32.2 million), including proceeds of DKK 121.1 million from the disposal of subsidiaries. Other disposals of non-current assets totalled DKK 8.2 million (2011: DKK 4.7 million).

Equity

H+H's equity fell by DKK 55 million to DKK 418 million during the year. With total assets of DKK 1,392 million, this gives a solvency ratio of 30.0%.

The loss for the year reduced equity by DKK 82.4 million, while foreign exchange adjustments of investments in subsidiaries etc. increased equity by DKK 37.6 million. Amendments to IAS 19 'Employee benefits' have meant that H+H no longer uses the corridor method to calculate H+H's defined benefit pension obligation and has adopted the new standard early. The change has led to a reduction in equity due to unrecognised actuarial losses calculated at 31 December 2012 of approximately DKK 10.2 million. The cumulative effect of the implementation of IAS 19R (2011) is DKK 91.0 million including tax.

Changes in equity

Amounts in DKK million	2012	2011
Balance at 1 January	472.7	670.7
Profit for the year	(82.4)	(124.5)
Treasury shares, net	0	0
Foreign exchange adjustments in subsidiaries	37.6	(55.4)
Actuarial losses on pension obligation	(10.2)	(18.9)
Other adjustments	0.2	0.8
Balance at 31 December	417.9	427.7

Dividend

The Board of Directors will recommend at the annual general meeting on 17 April 2013 that no dividend be paid for the 2012 financial year.



Strategy

Vision

To be market leader and preferred supplier of innovative, sustainable and cost-efficient aircrete building solutions.

H+H will complete its turnaround and operate mainly in markets where it can obtain a number 1 or 2 market position.

Mission

To supply value-added and innovative aircrete solutions for construction in Europe in profitable partnerships with distributors, contractors and housebuilders.

H+H's business model is focused on increasing sales and market share in existing markets through superior products as well as a well-defined sales and marketing process to secure profit across the value chain.

Long-term financial objectives

- Annual revenue growth of 4-8%
- EBITDA margin of min. 13%
- ROIC of min. 10%
- Solvency ratio of min. 30%
- Net debt max. 2 times EBITDA

BACKGROUND

Expected market developments

The global economy has weakened since spring 2012, led by developments in the euro area where recession is again taking hold. In particular, the escalating debt crisis in Southern Europe has impacted on consumer as well as business confidence.

Declining or negative growth is expected in 2013 in the main European economies, including Germany, France and the UK, while Spain, Italy and Greece will remain in deep recession.

Having said this, construction activity in some countries, such as Poland, Sweden, Denmark and the UK, is at such low levels that growth is still to be expected in some of these countries, and even in the event of recession it is hard to see these markets undergoing significant further decline.

In other countries, such as Germany and the Benelux countries, aircrete markets are expected to be flat, but in the event of a further worsening of economic conditions, it has to be expected that prices and volumes will show a downward trend.

In Russia we will see significant growth due to continued domestic demand and the drive to increase standards of living. However, the recent acceleration in the production of shale oil and gas (fracking) in the US may impact on global oil and gas prices in the medium term, with negative implications for the Russian economy.

Overall market trends:

- Increased environmental focus – avoiding heat loss in buildings.
- Increased focus on building speed and working environment.
- Increased disposable income in Poland and Russia with drive towards more single-family housing.
- Significant deficit of new homes relative to demographic changes (new households and geographical shifts) in mature markets such as Germany and the UK.

Market position today

In its current markets, H+H is maintaining a high market share and is considered among the top two suppliers.

Since early 2011 there has been a specific focus on raising prices in all markets, and significant improvements have been achieved in the period since.

In Germany, which also supplies Denmark, Sweden and Benelux, H+H generally operated at satisfactory capacity throughout 2012, and capacity in Russia was under severe strain from May onwards. In Finland, Poland and the UK, however, there is still overcapacity.

In all markets except the UK and Poland, H+H has managed over the years to introduce 100% thin-joint technology for blocks, bringing significant improvements in building speed and working environment.

Reinforced elements account for an important part of sales in Denmark, Finland, Sweden and Germany and are an integrated part of H+H's system sales.

GROUP STRATEGY

As a consequence of the economic crisis, H+H discontinued its sales activities in Ukraine, the Baltic States and Norway. For strategic reasons, H+H has in 2012 sold H+H Česká republika s.r.o. and decided to wind up H+H Slovenská republika s.r.o.

Going into 2013, H+H was active in the UK, Germany, Poland, Northwest Russia, Denmark, Sweden, Benelux and Finland, with a number 1 or 2 position in all these countries.

In the light of H+H's current financial performance and debt levels, the following overall guiding principles apply for the coming years:

- To focus on the potential in existing geographical markets.
- To remain focused on the aircrete market only.
- To build on existing technology and develop solutions based on this.
- To grow organically.

Within these guiding principles, H+H should be able to grow the top line by 30% with its existing production capacity, assuming geographically balanced market growth.

H+H has defined three strategic goals:

- **Be number 1 or 2 in all chosen geographical markets.** H+H will position itself as a full-fledged branded aircrete supplier.
- **Be financially independent.** Long-term growth for H+H will require it to be able to reinvest cash from operations in market expansion and development of new technology. Therefore H+H's goal is for net debt not to exceed EBITDA by more than a factor of 2.
- **Achieve capacity utilisation above 75%.** Capacity utilisation below 75% at any plant is loss-making, and it would be more desirable to consolidate production capacity if this is not achieved.

Actions to fulfil these goals are organised into five strategic focus areas:

- **Sales and marketing approach.** Especially in continental Europe, markets can be moved in a common direction, but

they are at different stages of development. A uniform and unique sales and marketing approach is mandated to avoid commoditisation of H+H's products and secure optimal price levels.

- **Innovation.** H+H has a history as an innovator and possesses high levels of technical expertise and know-how. H+H will further improve the processes that ensure that it can identify, prioritise and broadly utilise the best new ideas in its organisation. The aim is to launch one to two new products per year.
- **Operational excellence.** H+H is making operational excellence part of its culture and a way of doing business which will continue and include manufacturing, sourcing and administration. This will enable H+H to reduce production costs by around 2% annually before inflation.
- **Funding.** Due to H+H's debt situation, funding is key in the short term. H+H will continue its drive to sell off non-strategic assets, and continue to take other actions to reduce its level of debt. The target is to have net debt of no more than 2 times EBITDA.
- **Organisation and people.** The strong drive for a common sales and marketing approach, as well as excellence and sharing of best practices, mandates a change into a functional structure to improve cross-border integration. At the same time, a new approach to attract and retain skilled people needs to be initiated.

VALUE PROPOSITION

The *Build with ease* approach is unique in its markets and is driving value for H+H:

- H+H offers a fully integrated portfolio of all relevant aircrete products.
- H+H builds partnerships. Builders' merchants are important as sales drivers for the bulk of the business, and H+H should offer them sales support.
- H+H acts as advisor and intermediary between contractors, developers, housebuilders, installers and architects, and seeks to drive the sales process for large orders/contracts.
- Merchant loyalty is stimulated through H+H's invoicing policy for housebuilders and contractors.

- Product innovation focusing on building speed, physical and working environment, and lowest possible total cost for the homeowner.

Local adaptation will depend on differences in building traditions and sophistication as well as differences in sales and distribution structure.

Risk management

H+H works systematically on identifying and evaluating risks related to its business activities. Where feasible and appropriate, action to counter or limit the effects of these risks is taken on an ongoing basis.

H+H's activities focus on the manufacture and sale of aircrete products in Western and Eastern Europe. Sales relate primarily to in-house production and only to a lesser extent to goods for resale. Products are sold mainly to local markets close to the manufacturing facilities and normally only transported over long distances to markets where there is no locally produced aircrete. In 2012, however, H+H sold large numbers of reinforced products to Africa, which were transported by sea.

MARKET RISKS

Market conditions and demand

With significant operational gearing in the form of heavy capital expenditure and fixed costs, fluctuations in demand have a noticeable effect on H+H's financial performance. In the last few years, H+H's gross margin has been around 21% of revenue. All other things being equal, if revenue were to fall by 100, this would have an immediate adverse effect of 21 on earnings before tax, before any adjustments to staff and fixed costs.

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 is striving to expand the market for aircrete to include buildings other than dense low-rise housing to a greater extent, such as apartments and commercial buildings.

A large proportion of sales are made via annual framework agreements with housebuilders and builders' merchants. Some sales are made without framework agreements being entered into. Selling prices for sales not subject to framework agreements can be highly volatile. Framework agreements typically include price levels and indications of anticipated demand. Actual sales depend on the level of building activity achieved by housebuilders and the actual sales recorded by builders' merchants. Order books in H+H's largest markets are very modest. Sales visibility beyond one to two weeks ahead is consequently poor and primarily based on reports from customers and on various external indicators such as trends in building permits and mortgage approvals. Visibility is further restricted by the fact that H+H's products are used mainly in the initial phases of the building process. A boom or a slowdown in construction activity is therefore rapidly reflected in H+H's sales.

Developments in the global economy, and in particular the construction sector, have a significant direct and indirect impact on H+H. Developments in recent years have led to sharply rising unemployment, a growing number of business failures and falling consumer spending, and it has become considerably more difficult to access finance for building. The effect is global and has hit many countries, sectors and industries, including the primary geographical markets to which most of the Group's revenue relates.

The renewed economic turmoil that erupted in the second half of 2011 evolved into a full-blown credit crisis in the second quarter of 2012, making mortgages for newbuilds hard to obtain, as happened in 2008. This had a major impact on H+H's sales volumes in 2012, albeit not to anywhere near the same degree as in 2008 and 2009 because the markets in 2012 had yet to recover from the previous economic downturn in 2008 and 2009.

H+H focuses on keeping its production plant in 24-hour operation, with the option of reducing the number of shifts in response to a downturn in demand. Where possible, non-core activities such as logistics are outsourced with relatively short notice periods.

Competition

H+H's aircrete products and building systems are sold mainly in the local markets in which the factories are located. H+H's competitors are other local manufacturers of aircrete products and manufacturers of other products that can be used in competition with aircrete.

H+H has built a strong market position relative to other aircrete manufacturers and is known as a supplier of high-quality products. This position has been achieved via strong, locally based sales organisations. H+H generally differentiates itself from other aircrete manufacturers by being more solution-oriented. Through dialogue with its customers, H+H offers solutions that have advantages for customers in the form of lower total costs and/or shorter building times. H+H's factories manufacture standard products, and it is important that the factories operate with high capacity utilisation, giving the lowest possible unit costs. This is paramount in order to ensure that H+H can always compete on price in all markets.

The competitive climate has become increasingly fierce during the economic crisis and has generally led to lower prices for H+H's products. Prices did improve in 2012, however, especially in Russia.

The construction industry is relatively conservative, which means that aircrete's market share relative to other types of building material is reasonably stable, although shifts occur on an ongoing basis, usually as a result of changes in the price differential between building materials. H+H's products can generally be substituted with other building materials, and the company works hard to promote the use of its products rather than these alternatives.

H+H strives continuously to raise awareness of its products and the advantages aircrete has over other building systems. H+H believes that aircrete's properties are so unique that aircrete will continue to enjoy a strong position in future.

Raw material supplies and prices

The principal raw materials used in the production of aircrete products are cement, lime, water and sand or pulverised fuel ash, as well as reinforcing steel, along with considerable energy consumption during production. Transport costs also account for a substantial proportion of product costs. If there are significant increases in the prices of the raw materials and energy used in production or in transport costs, and H+H is unable to offset this by raising the prices of its products, this may have an adverse impact on H+H's profitability.

Both historically and in 2012 H+H has experienced considerable volatility in raw material, energy and transport costs and is consequently exposed to price fluctuations.

Cement costs account for roughly one-third of total raw material consumption, excluding energy, and around 5-10% of revenue.

Costs for energy consumption in production correspond to around 5-10% of revenue. The production of steam for the autoclaving process accounts for a substantial part of energy consumption. The primary energy sources are gas and electricity. H+H strives continuously to reduce energy consumption.

FINANCIAL RISKS

Foreign exchange

H+H presents its consolidated financial statements in Danish kroner. Most of the Group's products are produced and sold abroad. Sales in markets outside Denmark accounted for more than 90% of consolidated revenue in the 2012 financial year, with Germany, the UK and Poland as the largest markets.

H+H's net inflows are denominated mainly in EUR, GBP, PLN and RUB, and its principal exposure is currently related to these

currencies. The main net exposure in terms of outflows is also to EUR, GBP, PLN and RUB. H+H has considerable net investments in subsidiaries abroad, including in non-euro countries, resulting in a higher currency exposure. The associated foreign exchange adjustments are taken to consolidated equity.

H+H mainly has net investments in the following currencies: EUR, GBP, PLN and RUB.

H+H does not engage in currency speculation. The individual H+H companies are not authorised to take positions in foreign currencies unless commercially warranted, and commercial positions above a limited ceiling must be hedged. Conversely, it is H+H's policy to accept unhedged currency exposure to subsidiaries and their results, although such risk is minimised with a view to financial strength and taxes.

H+H's currency risks were generally not hedged with financial instruments at the balance sheet date.

Capital structure and cash flow

H+H made major investments in Eastern Europe in particular in 2005-2009, and this led to a substantial increase in net interest-bearing debt, especially in 2008-2009.

H+H will continue to operate with a considerable level of debt financing. H+H had net interest-bearing debt of DKK 539 million at the end of 2012, down DKK 90 million on the end of 2011.

H+H has a committed credit facility at Danske Bank A/S corresponding to around DKK 700 million, which is committed until 15 February 2015. In connection with the sale of H+H Česká republika s.r.o. and the subsequent reduction of the facility, the financial covenants associated with the facility were adjusted to reflect the very difficult trading environment in most of H+H's markets in 2012. Maintenance of the committed credit facility is conditional upon compliance with a number of financial covenants. If earnings fall because of the impacts described under 'Market risks' and 'Financial risks', this could result in a breach of the financial covenants. These covenants are described in note 27. The loan agreement can also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors (defined in the agreement 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.

The effective interest rate for H+H in 2012 was around 4.9% (2011: 5.2%), partly reflecting the interest rate levels of the individual currencies. The effective interest rate is expected to be a little higher in 2013.

Interest rates

With the expected development in net interest-bearing debt, a 1 percentage point change in the interest rate would affect earnings before tax in 2013 by around DKK 5 million. H+H International A/S's interest-bearing financial assets consist mainly of loans to subsidiaries, while its interest-bearing liabilities consist of bank overdrafts.

Trade credit

H+H invoices the majority of its sales through a number of builders' merchants across more than 10 countries. This reduces the Group's credit exposure to contractors and housebuilders, but consequently increases its credit exposure to builders' merchants. In keeping with H+H's credit policy, all major customers are credit-rated internally on a regular basis, but H+H is still exposed to the risk of bad debts. H+H insures its largest trade receivables but not smaller ones. In 2012 H+H made an agreement with its biggest customer in H+H UK Limited, leading to a significant reduction in total debtor balances.

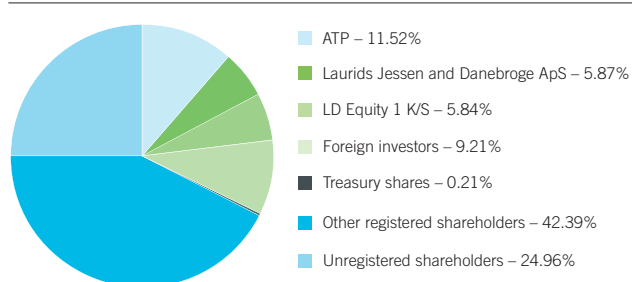
Investor relations

SHARE CAPITAL AND SHAREHOLDERS

H+H International A/S has share capital with a nominal value of DKK 490,500,000 carrying a total of 98,100,000 votes and divided into 9,810,000 shares each with a nominal value of DKK 50 and carrying 10 votes.

As at 2 January 2013, H+H International A/S had 3,055 registered shareholders (corresponding to 75.17% of the share capital), including 147 foreign shareholders, and the company held 20,489 treasury shares.

As at 2 January 2013, H+H International A/S had three major shareholders each holding more than 5% of its shares: ATP (11.52%), Laurids Jessen and his company Danebrog ApS (5.87%) and LD Equity 1 K/S (5.84%).



Members of H+H International A/S's Board of Directors and Executive Board are included in the company's insider register. These persons and persons connected to them are only allowed to buy and sell shares in the company during the four weeks immediately after each interim financial report or annual report. If in possession of inside information, such persons are prohibited from trading even during this period for as long as this information remains inside information. The company may not buy or sell its own shares during a three-week period immediately preceding each interim financial report or annual report., and the company may not trade whilst in possession of inside information.

CAPITAL STRUCTURE

The Board of Directors and Executive Board regularly evaluate the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

H+H International A/S had an equity ratio of 30.0% at the end of 2012, compared with 29.8% at the end of 2011. The company's interest-bearing debt totalled DKK 538.6 million at the end of 2012, compared with DKK 628.5 million at the end of 2011.

In November 2012, the Board of Directors discussed the company's capital structure and concluded that the current structure is acceptable, even though reducing gearing to no more than 2 times EBITDA is part of H+H's strategy. The Board of Directors regularly assesses the company's capital structure in the light of its earnings, debt, loan covenants etc.

SHARES

H+H International A/S's shares are listed on NASDAQ OMX Copenhagen in the Small Cap segment (ticker code HH, ISIN DK0015202451). The company has a single share class, and the Board of Directors is of the opinion that the shares' listing increases the company's options when it comes to raising new capital.

The company's share price fell by around 38% to DKK 26 per DKK 50 share in 2012. By way of comparison, the OMXC20 index gained around 27.2% and the KFMX Index gained 14.1%.

Turnover in 2012 was 2,557,253 shares at a total price of DKK 99.4 million.

DIVIDENDS

All major investment projects were completed in 2009, and investments were kept at low levels in 2010, 2011 and 2012. In the current trading environment, H+H expects investments in the region of DKK 50 million in 2013. However, H+H International A/S's net interest-bearing debt is still relatively high compared with H+H's current revenue and earnings levels, and it is still uncertain when and how quickly these will return to stable growth.

Given the loss from continuing activities before tax for 2012 of DKK 29 million, and given the above uncertainty with respect to H+H's future earnings, the Board of Directors will recommend at the annual general meeting on 17 April 2013 that no dividend be paid for the 2012 financial year. It should also be noted that, under the terms of H+H International A/S's loan agreement with Danske Bank A/S, the Board of Directors is subject to an obligation to the effect that any proposed resolution concerning the distribution of dividends for a given financial year must not exceed 50% of the company's profit after tax in the financial year in question.

Despite recent years' negative results as a consequence of the economic crisis, it is still a natural overall objective for H+H International A/S to generate a competitive return for its shareholders in the form of share price appreciation and the distribution of

dividends and/or reduction of share capital through the buyback and cancellation of shares in the company.

INVESTOR RELATIONS POLICY

The purpose of H+H International A/S's financial communications and other IR activities is to seek a valuation of the company's shares that constantly reflects H+H's current situation and expectations and to achieve adequate liquidity in trading in the shares.

All communications reflect the requirements that the information must be open, honest and timely. The main financial communications are via the annual report, interim financial reports and other company announcements. H+H International A/S is also in regular dialogue with professional and private investors, analysts and the business press. This dialogue takes the form of individual presentations to major investors or presentations to groups of investors. The company is not normally available for dialogue about financial matters in the three-week period leading up to the presentation of financial statements.

Relevant investor information is available on the company's website www.HplusH.com. Enquiries concerning IR issues should be addressed to CFO Niels Eldrup Meidahl at shareholder@HplusH.com or by telephone on +45 35 27 02 00.

ANNUAL GENERAL MEETING 2013

The annual general meeting of H+H International A/S will be held on 17 April 2013 at 2.30 pm at Charlottehaven, Hjørtinggade 12C, 2100 Copenhagen Ø, Denmark. Notice of the meeting will be sent by e-mail to registered shareholders whose e-mail address is entered in the company's register of shareholders, and by post to registered shareholders who have asked the company in writing to notify them by post. The notice will also be published via a company announcement, on the company's website www.HplusH.com and on the Danish Business Authority's website www.cvr.dk.

Shareholders wishing to have their shares registered in their own name should contact their own depository bank or advise VP

Securities A/S, Weidekampsgade 14, 2300 Copenhagen S, Denmark. Shareholders who are already registered but wish to enter or amend an e-mail address in order to receive the company's notices of general meetings by e-mail can do so via the H+H Shareholder Portal on the company's website at www.HplusH.com/shareholder_portal or by contacting the company's registrar Computershare A/S, Kongevejen 418, 2840 Holte, Denmark.

All shareholders may submit matters for consideration at the annual general meeting provided that the request is submitted to the Board of Directors in writing in sufficient time for the matter to be included in the agenda for the meeting. Requests submitted no later than six weeks before the meeting will be considered to have been submitted in sufficient time for the matter to be included in the agenda.

A shareholder in the company may attend and vote at the annual general meeting if the shareholder has requested an access card no later than three days before the meeting, and the shareholder's holding is entered in the company's register of shareholders no later than one week before the meeting, or the shareholder reports and documents a purchase of shares for entry in the register of shareholders no later than one week before the meeting. Shareholders may alternatively vote by proxy or by post.

Documents for use at the annual general meeting will be made available on the company's website www.HplusH.com no later than three weeks before the meeting.

Financial calendar 2013

14 March 2013	Annual Report 2012
17 April 2013	Annual general meeting
22 May 2013	Interim financial report Q1 2013
22 August 2013	Interim financial report H1 2013
20 November 2013	Interim financial report Q1-Q3 2013

Analysts covering H+H International A/S

Carnegie Bank	Kristian Tornøe Johansen	krijoh@carnegie.dk	tel. +45 32 88 02 67
Danske Markets Equities	Kenneth Leiling	kele@danskebank.dk	tel. +45 45 12 80 59
Handelsbanken Capital Markets	Fasial Kalim Ahmad	faah01@handelsbanken.se	tel. +45 33 41 86 12

Published announcements 2012 and up to and including 13 March 2013*

22 November 2012	Interim financial report Q3 2012
31 October 2012	Completion of H+H International A/S's sale of H+H Česká republika s.r.o.
21 September 2012	H+H International A/S sells H+H Česká republika s.r.o.
23 August 2012	Interim financial report H1 2012
20 June 2012	Closing of H+H's sale of Jämerä housebuilding activities to Aeroc and related supply agreements with Aeroc
24 May 2012	Interim financial report Q1 2012
22 May 2012	H+H sells Jämerä housebuilding activities to Aeroc and enters into related supply agreements with Aeroc
7 May 2012	Major shareholder announcement – Laurids Jessen and Danebrog ApS
18 April 2012	Business transacted at annual general meeting and first meeting of the Board of Directors
16 April 2012	Xella appeals decision from the German competition authority on prohibition against a merger between Xella and H+H
23 March 2012	Notice of annual general meeting of H+H International A/S
15 March 2012	Annual Report 2011
14 March 2012	The German competition authority prohibits a merger between Xella International Holdings S.à.r.l. and H+H International A/S
5 March 2012	Change of the Group Management
27 February 2012	Extension of the investigation period for Xella's merger notification targeting H+H
13 January 2012	Extension of the investigation period for Xella's merger notification targeting H+H

* Other company announcements concerning transactions by key management personnel and their connected persons involving H+H International A/S's shares and securities related to these are not included. All announcements can be viewed at www.HplusH.com.



Corporate governance

As a company listed on NASDAQ OMX Copenhagen, H+H International A/S is subject to the rules for issuers of shares on that exchange, including the obligation to comply with the *Recommendations on Corporate Governance* issued by the Committee on Corporate Governance in Denmark or explain why specific recommendations are not complied with. These recommendations can be viewed on the Committee's website www.corporategovernance.dk.

In accordance with these recommendations, H+H International A/S has prepared a report on the degree to which the company complied with the recommendations in 2012. The report takes the form of a table and reports on each individual recommendation. This corporate governance report for 2012 forms part of the company's *Statutory annual corporate governance statement under section 107b of the Danish Financial Statements Act*, which can be viewed on the company's website at www.HplusH.com/governance_statement. The full statutory statement forms part of management's review in the annual report for 2012.

The Board of Directors is of the opinion that H+H International A/S essentially complies with the *Recommendations on Corporate Governance* as last revised in August 2011. However, the following recommendations are not complied with for the reasons given below:

- The company has produced a number of Group-wide corporate social responsibility (CSR) policies but is still working on supplementing these with further relevant CSR policies. The recommendation that the Board of Directors adopts a policy on corporate social responsibility is therefore considered only partially complied with at the current time.
- As the company has fewer than 15 employees, the Board of Directors finds, with reference to the sixth paragraph of section 139a of the Danish Companies Act (entering into force on 1 April 2013), that it is not relevant for such a small organisation to set objectives and produce a policy to ensure diversity, including a higher proportion of women, in the company's management levels. The recommendation that the Board of Directors annually discusses the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the Board of Directors sets measurable objectives and in the management's review in the annual report and/or on the company's website gives an account of both the objectives and the progress made in

achieving the objectives, is therefore only partially complied with.

It should be noted in this context that, as required by section 139a of the Companies Act, H+H International A/S will set an objective for the proportion of women on the Board of Directors by 1 April 2013, and that, as required by section 99b of the Danish Financial Statements Act (entering into force on 1 April 2013), H+H will report on progress in achieving this objective with effect from the annual report for 2013.

The company's employees represent a variety of skills, ages, nationalities and genders. All positions are filled with the emphasis on skills and without discrimination on the grounds of age, gender, nationality etc.

At Group level, management in the subsidiaries is generally diverse, with women and people of different nationalities and ages working as managers, heads of finance and production managers in several of the subsidiaries. Women in fact represent a clear majority among heads of finance in the subsidiaries.

The Board of Directors is aware that continued good corporate governance requires constant alignment of management and company practices, processes etc. in relation to the company's activities and the expectations and wishes of external stakeholders such as shareholders, customers, suppliers and society in general.

Corporate social responsibility

CORPORATE SOCIAL RESPONSIBILITY (CSR)

H+H develops, manufactures and sells aircrete products for construction projects in Western and Eastern Europe and is responsible for doing this in a sustainable manner – from a business, work and environmental point of view. This responsibility is an integral part of H+H's activities.

Aircrete is a particularly eco-friendly building material, not only because of its excellent thermal insulation properties but also because it is easy on the environment during the production process. Most of the materials used in the production of aircrete, such as lime and sand, are readily available, non-scarce natural resources, and pulverised fuel ash is used as a raw material in some countries. This ash is a residual product from power generation at coal-fired power stations. At the end of their life cycle, aircrete products can be reused, for example as road base.

CSR POLICIES

H+H has a long tradition of sound ethical conduct and ensuring good health & safety and sustainability in its operations. As such, H+H has worked on CSR for many years in practice, despite not having formal, consistent CSR policies across the Group's companies. Action has been taken individually in the various countries on the basis of local legislation, trends and, to some extent, traditions.

In 2012, H+H continued implementing general Group-wide CSR policies, initially in the areas of business ethics and supply chain management. These policies are gradually being developed and extended, and policies on the environment and health & safety will follow.

H+H's work on these policies builds on the guiding principles for the CSR focus areas of environment, health & safety and business ethics presented below. Pursuant to section 99a of the Danish Financial Statements Act, H+H International A/S also publishes a more detailed annual statement on its CSR policies, actions taken to implement these policies and the results of these actions. The 2012 statement forms part of management's review and can be found on the company's website at www.HplusH.com/csr_statement.

Environment

H+H is to work actively to reduce the environmental impact of its manufacture of aircrete, and H+H's production and products are always to comply with applicable requirements and standards.

H+H is to work actively to increase the sustainability of its business in the production, transport and recycling of its products.

H+H's product development is to focus on further improving aircrete's positive environmental characteristics.

Further action was taken in 2012 to reduce energy consumption. It was possible to cut average energy consumption per cubic metre of aircrete produced by 6.5% relative to 2011. H+H is also working actively to lower the consumption of lime and cement in production, so helping to minimise the company's carbon footprint.

Health & safety

H+H is to be a safe place to work and is always to comply with statutory health & safety requirements wherever it does business.

H+H is to be an attractive and exciting place to work and able to attract skilled employees by offering competitive terms of employment and opportunities for personal and professional development.

H+H respects internationally recognised human rights as set out in the Universal Declaration of Human Rights, including but not limited to:

- Freedom of organisation.
- Equal opportunities regardless of sex, religion, colour, ethnic or national origin and political convictions.

Business ethics

H+H is to comply as far as possible with generally accepted principles of good corporate governance, and H+H International A/S is to publish an annual corporate governance report on its website www.HplusH.com.

H+H is not to participate directly or indirectly in corruption, bribery or extortion of any kind.

H+H is to aspire to compliance with certain CSR-related minimum requirements on the part of all of its suppliers.

Management

The Board of Directors held 11 meetings in 2012, while the Audit Committee and Nomination Committee each held four, and the Remuneration Committee one. The remuneration of the individual members of the Board of Directors and the Executive Board in 2012 is presented in note 4.

During the winter of 2012/2013, the Board of Directors undertook a self-evaluation based on input from each member's replies to a questionnaire and a subsequent one-to-one session with the Chairman (in the Chairman's case, with the Deputy Chairman). The results of this evaluation were discussed by the Board of Directors and considered in the light of, among other things, the Board of Directors' competence profile as published on the company's website, and they were used together with recommendations from the Nomination Committee to decide who to nominate as candidates for the Board of Directors at the company's annual general meeting on 17 April 2013.

The results of the evaluation showed that the number of meetings, agendas, time allocation and the material and information provided to the Board of Directors were adequate. The members of the Board of Directors work well together and collectively possess the necessary skills. Its members are also considered competent individually and act independently and with very high attendance rates. The relationship between the Board of Directors and the Executive Board is considered to be open and constructive.

The Board of Directors will recommend at the annual general meeting on 17 April 2013 that Stewart A Baseley, Asbjørn Berge and Pierre-Yves Jullien be re-elected and that Kent Arentoft, President and CEO of Dalhoff Larsen & Horneman A/S, and Henriette Schütze, Executive director and CFO of Georg Jensen A/S, be elected as new members. Anders C Karlsson and Henrik Lind are not standing for re-election. If the annual general meeting follows the Board's proposal, the new board will elect Kent Arentoft as Chairman. The notice of meeting will contain a detailed profile of each candidate's skills and directorships.

BOARD OF DIRECTORS

Anders C Karlsson (62)

Industrial advisor.

- Chairman. Joined the Board of Directors in 2005 and since re-elected. Chairman since April 2006. Member of the Audit Committee, Nomination Committee (chairman) and Remuneration Committee (chairman).
- Management experience in international companies in the building materials and contracting sector, including strategy development, and long-standing experience in international board work.
- Independent as defined by the Committee on Corporate Governance.
- Indirectly holds 5,500 H+H shares via his company Lasabotte AB, of which 1,000 acquired in 2012.

Management positions and directorships

- Chairman of the boards of Inwido AB (Sweden) and WSP Europe AB (Sweden).
- Owner of and member of the boards of Anders C. Management Sarl (France) and Lasabotte AB (Sweden).

Asbjørn Berge (57)

Professional board member.

- Deputy Chairman. Joined the Board of Directors in 2010. Member of the Audit Committee (chairman), Nomination Committee and Remuneration Committee.
- Experience with management of production companies within the building materials sector and the building industry, and long-standing experience in board work.
- Management experience in international companies in the building materials and contracting sector, including strategy development, and long-standing experience in international board work.
- Independent as defined by the Committee on Corporate Governance.
- Holds 6,000 H+H shares, and there have been no changes in the holding in 2012.

Management positions and directorships

- Chairman of the boards of Board Governance A/S, Carnad A/S, Due Plast Holding A/S and one subsidiary, Freja Transport & Logistics A/S, KA. Interiør Holding A/S and one subsidiary and Trend Lines A/S.
- Deputy chairman of Da'core Holding A/S and one subsidiary, Palsgaard Træ A/S and member of the boards of five subsidiaries.
- Member of the boards and director of Berge Invest ApS and Industri Invest Herning A/S.
- Member of the boards of Bizzorp Holding ApS and two subsidiaries, C.C. Contractor A/S, Dansk Vækstkapital, Ejendomsselskabet Berlin og Hamborg A/S, Godt Smil Holding ApS, Junckers Industrier A/S, Lilleheden A/S and two subsidiaries, Plus A/S and Træfonden.

Stewart A Baseley (54)

Executive Chairman, Home Builders Federation (UK).

- Joined the Board of Directors in 2010. Member of the Remuneration Committee.
- Experience with the international housebuilding industry and the developer industry, particularly in the UK, as well as international management experience.
- Independent as defined by the Committee on Corporate Governance.
- Holds 10,000 H+H shares, and there have been no changes in the holding in 2012.

Management positions and directorships

- Member of the boards of Banner Homes Group PLC (UK), four subsidiaries of Home Builders Federation (UK), HBF Insurance PCC Limited (Guernsey), the National House-Building Council (UK), Akomex Sp. z o.o. (Poland), MEDI-system Sp. z o.o. (Poland) and ProService Agent Transferowy Sp. z o.o. (Poland).
- Senior Advisor in regard to Central and Eastern Europe for Highlander Partners L.P. (USA).
- Chairman of Habitat for Humanity Great Britain (UK).
- Patron of Children with Special Needs Foundation (UK).

Management

BOARD OF DIRECTORS

Pierre-Yves Jullien (62)

President and CEO, Hempel A/S.

- Joined the Board of Directors in 2010. Member of the Audit Committee.
- Experience in management of a major global production company, including turnarounds and efficiency improvement as well as B-t-B sales.
- Independent as defined by the Committee on Corporate Governance.

Management positions and directorships

- Managing director, chairman or member of the boards of 12 companies in the Hempel Group.

Henrik Lind (65)

Partner in the law firm Gorrissen Federspiel.

- Joined the Board of Directors in 1987 and since re-elected. Member of the Nomination Committee.
- Experience in international transactions and financing as well as board work and insight into stock exchange and other commercial law issues.
- Not independent as defined by the Committee on Corporate Governance – has been member of the Board of Directors longer than the recommended maximum 12-year period.

EXECUTIVE BOARD

Michael T Andersen (51)

CEO.

- CEO since 2011.
- In the period 2004-2011 Michael T Andersen was employed by the Swedish industrial group Trelleborg AB. From 2008 to 2011 he was President of a global business unit consisting of 10 subsidiaries in Europe, the USA and Asia. From 2004 to 2008 Michael T Andersen was Managing Director of Trelleborg Sealing Solutions Helsingør A/S. From 1997 to 2004 he worked for Alto International A/S (now part of the Nilfisk Group) in executive positions within sales, marketing and general management. In the period 1989-1997 Michael T Andersen held various management positions in the publicly listed companies Incentive A/S and H. Lundbeck A/S.
- Michael T Andersen holds an M.Sc. (Engineering) and a B.Comm. (Accounting).
- Holds 15,065 H+H shares, of which net 10,091 acquired in 2012. A total of 10,574 of the H+H shares are invested in a matching share incentive programme.

Management positions and directorships

- Member of the board of KP Komponenter A/S.

Niels Eldrup Meidahl (40)

CFO.

- CFO since 2009 and member of the Executive Board since 2010.
- Niels Eldrup Meidahl came to H+H from a position as CFO of DSV Miljø A/S (2006-2009). In the period 2002-2006 Niels Eldrup Meidahl worked with investor relations, i.a. for Novozymes A/S, and in 2001-2002 he was CFO of Learning Lab Denmark. Prior to that he worked for Arthur Andersen as an accountant and tax advisor (1997-2001).
- Niels Eldrup Meidahl holds an LL.M. and an M.Sc. (Business Administration and Auditing).
- Holds 9,367 H+H shares, of which net 6,835 acquired in 2012. A total of 6,147 of the H+H shares are invested in a matching share incentive programme.

Management positions and directorships

- Chairman of the board of SoundEar A/S.



Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2012.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2012 and of the results of the Group's and the parent

company's operations and cash flows for the financial year 1 January – 31 December 2012.

In our opinion, the management's review includes a fair review of the development in the parent company's and the Group's operations and financial conditions, the results for the year and the parent company's financial position, and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the more significant risks and uncertainty factors that the parent company and the Group face.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 14 March 2013

Executive Board

Michael Troensegaard 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

Independent auditors' report

To the shareholders of H+H International A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent company financial statements of H+H International A/S for the financial year 1 January – 31 December 2012, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the parent company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent company financial statements are free from material misstatement.

Copenhagen, 14 March 2013

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup

State Authorised
Public Accountant

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2012, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent company financial statements.

On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent company financial statements.

Kirsten Aaskov Mikkelsen

State Authorised
Public Accountant

Income statement

Note (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
3 Revenue	1,322,274	1,309,753	0	0
4, 15 Production costs	(1,051,390)	(1,026,384)	0	0
Gross profit	270,884	283,369	0	0
4 Other external expenses	(196,090)	(194,954)	(27,707)	(26,713)
5 Other operating income and expenses	11,239	4,107	2,477	13,872
Profit before depreciation, amortisation and financial items (EBITDA)	86,033	92,522	(25,230)	(12,841)
6 Depreciation and amortisation	(102,878)	(101,938)	(1,421)	(283)
7 Impairment losses	32,327	0	(111,435)	(354,204)
Operating profit (EBIT)	15,482	(9,416)	(138,086)	(367,328)
8 Financial income	1,579	1,360	34,349	32,575
9 Financial expenses	(46,136)	(51,696)	(32,711)	(38,208)
Profit from continuing operations before tax	(29,075)	(59,752)	(136,448)	(372,961)
10 Tax on profit from continuing operations	(30,570)	(16,094)	0	1,509
Profit for the year from continuing operations	(59,645)	(75,846)	(136,448)	(371,452)
24 Profit for the year from discontinued operations	(22,711)	(48,637)	0	0
Profit for the year	(82,356)	(124,483)	(136,448)	(371,452)
Attributable to:				
Shareholders in H+H International A/S	(82,356)	(124,483)	(136,448)	(371,452)
Total	(82,356)	(124,483)	(136,448)	(371,452)
11 Earnings per share (EPS-Basic)	(8.41)	(12.72)		
11 Diluted earnings per share (EPS-D)	(8.41)	(12.72)		
11 Earnings per share from continuing operations (EPS-Basic)	(6.09)	(7.75)		
11 Diluted earnings per share from continuing operations (EPS-D)	(6.09)	(7.75)		

Statement of comprehensive income

Note (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Profit for the year	(82,356)	(124,483)	(136,448)	(371,452)
Other comprehensive income				
Foreign exchange adjustments, foreign companies	39,178	(56,602)	0	0
Tax on foreign exchange adjustments, foreign companies	(1,616)	1,228	0	0
Actuarial losses and gains	(14,249)	(14,495)	0	0
Effect of change of tax rate	0	(8,533)	0	0
Tax on actuarial losses and gains	4,039	4,058	0	0
Other comprehensive income after tax	27,352	(74,344)	0	0
Total comprehensive income	(55,004)	(198,827)	(136,448)	(371,452)
Attributable to:				
Shareholders in H+H International A/S	(55,004)	(198,827)	(136,448)	(371,452)
Non-controlling interests	0	0	0	0
	(55,004)	(198,827)	(136,448)	(371,452)

Balance sheet at 31 December

ASSETS

Note (DKK '000)	Group			Parent company		
	2012	2011*	2010*	2012	2011	2010
Non-current assets						
Intangible assets						
Goodwill	59,062	81,773	88,388	0	0	0
Other intangible assets	11,835	13,337	28,207	5,010	6,262	6,445
12	70,897	95,110	116,595	5,010	6,262	6,445
Property, plant and equipment						
Land and buildings	345,557	398,202	467,789	0	0	0
Plant and machinery	445,099	507,637	560,231	0	0	0
Fixtures and fittings, tools and equipment	154,690	123,504	137,187	457	588	897
Property, plant and equipment under construction	15,608	8,358	22,183	0	0	0
12	960,954	1,037,701	1,187,390	457	588	897
Other non-current assets						
13 Deferred tax assets	17,092	43,610	59,868	0	0	0
14 Equity investments in subsidiaries	0	0	0	891,550	1,034,408	1,129,072
Receivables from subsidiaries	0	0	0	380,852	382,339	649,808
	17,092	43,610	59,868	1,272,402	1,416,747	1,778,880
Total non-current assets	1,048,943	1,176,421	1,363,853	1,277,869	1,423,597	1,786,222
Current assets						
15 Inventories	194,213	190,991	181,779	0	0	0
16 Trade receivables	22,695	87,821	78,275	0	0	0
Tax receivable	495	386	599	0	0	0
16 Other receivables	16,024	11,684	12,180	540	677	1,117
Prepayments	7,280	5,207	9,039	0	0	0
Cash and cash equivalents	15,474	19,855	13,062	15	18	19
	256,181	315,944	294,934	555	695	1,136
24 Assets held for sale	87,667	91,597	0	0	0	0
Total current assets	343,848	407,541	294,934	555	695	1,136
TOTAL ASSETS	1,392,791	1,583,962	1,658,787	1,278,424	1,424,292	1,787,358

* The figures have been restated to reflect IAS 19R (2011).

EQUITY AND LIABILITIES

Note (DKK '000)	Group			Parent company		
	2012	2011*	2010*	2012	2011	2010
Equity						
Share capital	490,500	490,500	490,500	490,500	490,500	490,500
Translation reserve	(87,715)	(125,277)	(69,903)	0	0	0
Retained earnings	15,097	107,449	250,095	444,257	580,491	951,136
Shareholders in H+H International A/S's share of equity	417,882	472,672	670,692	934,757	1,070,991	1,441,636
Non-controlling interests	0	0	0	0	0	0
Total equity	417,882	472,672	670,692	934,757	1,070,991	1,441,636
Liabilities						
Non-current liabilities						
18 Pension obligation	167,401	164,236	157,920	0	0	0
19 Provisions	6,940	7,725	20,137	0	0	0
13 Deferred tax liabilities	21,397	19,688	14,295	7,264	7,264	8,773
20 Credit institutions	554,112	648,307	626,174	253,967	275,531	286,643
Total non-current liabilities	749,850	839,956	818,526	261,231	282,795	295,416
Current liabilities						
20 Credit institutions	0	88	493	0	9	23
Trade payables	107,097	130,867	72,193	1,708	1,819	2,872
Income tax	750	710	12,876	0	0	0
Payables to subsidiaries	0	0	0	66,880	58,736	34,961
Other payables	65,000	74,159	84,007	13,848	9,942	12,450
	172,847	205,824	169,569	82,436	70,506	50,306
24 Liabilities relating to assets held for sale	52,212	65,510	0	0	0	0
Total current liabilities	225,059	271,334	169,569	82,436	70,506	50,306
Total liabilities	974,909	1,111,290	988,095	343,667	353,301	345,722
TOTAL EQUITY AND LIABILITIES	1,392,791	1,583,962	1,658,787	1,278,424	1,424,292	1,787,358

* The figures have been restated to reflect IAS 19R (2011).

Cash flow statement

Note (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Operating activities				
Operating profit	15,482	(9,416)	(138,086)	(367,328)
Financial items, paid	(44,557)	(50,336)	1,638	(5,633)
Depreciation, amortisation and impairment losses	70,551	101,938	112,856	354,487
Other adjustments	(16,785)	2,453	205	583
Change in inventories	2,433	(13,439)	0	0
Change in receivables	61,545	(17,639)	137	440
Change in trade payables and other payables	(32,827)	66,998	3,795	(3,562)
Change in provisions	(33,321)	(21,194)	0	0
Income tax paid	610	(16,420)	0	0
	23,131	42,945	(19,455)	(21,013)
Investing activities				
Sale of property, plant and equipment	8,170	4,710	216	1,926
Capital contributions to subsidiaries	0	0	(25,261)	(232,721)
25 Sale of subsidiaries	121,144	0	56,684	252,764
Acquisition of property, plant and equipment and intangible assets	(27,012)	(36,889)	(254)	(1,928)
	102,302	(32,179)	31,385	20,041
Free cash flow	125,433	10,766	11,930	(972)
Financing activities				
Change in intragroup balances	0	0	9,631	11,886
Raising of long-term debt	0	281,697	0	0
Reduction of long-term debt	(105,499)	(265,069)	(21,564)	(10,915)
	(105,499)	16,628	(11,933)	971
Cash flow from discontinued operations	(28,084)	(17,404)	0	0
Cash flow for the year	(8,150)	9,990	(3)	(1)
Cash and cash equivalents at 1 January	22,454	13,062	18	19
Foreign exchange adjustments of cash and cash equivalents	1,171	(598)	0	0
Cash and cash equivalents at 31 December 2012	15,475	22,454	15	18
Cash and cash equivalents at 31 December 2012, continuing operations	15,474	19,855		
Cash and cash equivalents at 31 December 2012, discontinued operations	1	2,599		
	15,475	22,454		

Statement of changes in equity

Group						
(DKK '000)						
	Share capital	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Equity at 1 January 2011	490,500	(69,903)	304,955	725,552	0	725,552
Changes in accounting policies	0	0	(54,860)	(54,860)	0	(54,860)
Adjusted equity at 1 January 2011	490,500	69,903	250,095	670,692	0	670,692
Profit for the year	0	0	(124,483)	(124,483)	0	(124,483)
Other comprehensive income in 2011						
Foreign exchange adjustments, subsidiaries	0	(56,602)	0	(56,602)	0	(56,602)
Actuarial gains/losses on pension plans	0	0	(14,495)	(14,495)	0	(14,495)
Tax on other comprehensive income	0	1,228	(4,475)	(3,247)	0	(3,247)
Net gains recognised directly in equity	0	(55,374)	(18,970)	(74,344)	0	(74,344)
Total comprehensive income	0	(55,374)	(143,453)	(198,827)	0	(198,827)
Share-based payment	0	0	807	807	0	807
Total changes in equity in 2011	0	(55,374)	(142,646)	(198,020)	0	(198,020)
Equity at 31 December 2011	490,500	(125,277)	107,449	472,672	0	472,672
Profit for the year	0	0	(82,356)	(82,356)	0	(82,356)
Other comprehensive income in 2012						
Foreign exchange adjustments, subsidiaries	0	39,178	0	39,178	0	39,178
Actuarial gains/losses on pension plans	0	0	(14,249)	(14,249)	0	(14,249)
Tax on other comprehensive income	0	(1,616)	4,039	2,423	0	2,423
Net gains recognised directly in equity	0	37,562	(10,210)	27,352	0	27,352
Total comprehensive income	0	37,562	(92,566)	(55,004)	0	(55,004)
Share-based payment	0	0	214	214	0	214
Total changes in equity in 2012	0	37,562	(92,352)	(54,790)	0	(54,790)
Equity at 31 December 2012	490,500	(87,715)	15,097	417,882	0	417,882

Statement of changes in equity

Parent company					
(DKK '000)					
	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2011	490,500	0	951,136	0	1,441,636
Profit for the year	0	0	(371,452)	0	(371,452)
Other comprehensive income in 2011	0	0	0	0	0
Total comprehensive income	0	0	(371,452)	0	(371,452)
Share-based payment	0	0	807	0	807
Total changes in equity in 2011	0	0	(370,645)	0	(370,645)
Equity at 31 December 2011	490,500	0	580,491	0	1,070,991
Profit for the year	0	0	(136,448)	0	(136,448)
Other comprehensive income in 2012	0	0	0	0	0
Total comprehensive income	0	0	(136,448)	0	(136,448)
Share-based payment	0	0	214	0	214
Total changes in equity in 2012	0	0	(136,234)	0	(136,234)
Equity at 31 December 2012	490,500	0	444,257	0	934,757

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Notes

1 Accounting policies

H+H International A/S is a public limited company registered in Denmark. The annual report for the period 1 January – 31 December 2012 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

The annual report of H+H International A/S for 2012 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2012 on 14 March 2013. The annual report will be put before H+H International A/S's shareholders for approval at the annual general meeting on 17 April 2013.

Basis of preparation

The annual report is presented in DKK rounded to the nearest DKK 1,000.

The annual report has been prepared using the historical cost principle. However, recognised derivatives are measured at fair value, and non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less selling costs.

The accounting policies set out below have been applied consistently during the financial year and to the comparative figures.

There have been no changes to the accounting policies compared with last year, except for implementation of new accounting standards.

Adoption of new and revised IFRSs

H+H International A/S has adopted the new or revised and amended International Financial Reporting Standards (IFRSs) issued by IASB and endorsed by the European Union effective for the financial year 2012. Based on an analysis carried out by H+H International A/S, the application of the new IFRSs has not had a material impact on the consolidated financial statements in 2012 and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

CHANGE IN ACCOUNTING POLICIES

H+H International A/S implemented IAS 19R (rev. 2011) Employee benefits with effect from 1 January 2012, ahead of the revision's effective date.

H+H International A/S has ceased using the corridor approach for actuarial gains and losses. All changes in the expected pension obligation and plan assets will in future be recognised immediately in other comprehensive income. Previously, the corridor approach made it possible to defer recognition of certain actuarial gains and losses. The comparative figures for 2011 have been restated accordingly, and accumulated actuarial gains and losses at 31 December 2010 are recognised directly in equity at 1 January 2011.

The accounting effect of the implementation of IAS 19R (2011) is as follows:

1 Accounting policies – continued

(DKK '000)	1 January 2011			2011		31 December 2011		
	Pension obligation (net)	Deferred tax (net)	Total equity	Profit for the year	Other comprehensive income	Pension obligation (net)	Deferred tax (net)	Total equity
In accordance with previous policy	(80,585)	23,098	725,552	(117,534)	(55,374)	(65,457)	5,922	553,451
Recognition of accumulated actuarial gains/losses	(77,335)	0	(77,335)	0	(21,444)	(98,779)	0	(98,779)
Change from expected return to interest on assets	0	0	0	(1,228)	1,228	0	0	0
Gains on curtailment	0	0	0	(7,018)	7,018	0	0	0
Amortisation for the year	0	0	0	1,297	(1,297)	0	0	0
Effect of change of tax rate	0	0	0	0	(8,533)	0	0	0
Tax effect of adjustments	0	22,475	22,475	0	4,058	0	18,000	18,000
Total adjustments	(77,335)	22,475	(54,860)	(6,949)	(18,970)	(98,779)	18,000	(80,779)
In accordance with new policy	(157,920)	45,573	670,692	(124,483)	(74,344)	(164,236)	23,922	472,672

(DKK '000)	2012		31 December 2012		
	Profit for the year	Other comprehensive income	Pension obligation (net)	Deferred tax (net)	Total equity
In accordance with previous policy	(79,637)	37,562	54,373	(26,344)	508,871
Recognition of accumulated actuarial gains/losses (net)	0	(14,249)	113,028	0	(113,028)
Recognised actuarial gains/losses	(3,625)	0	0	0	0
Tax effect of adjustments	906	4,039	0	22,039	22,039
Total adjustments	(2,719)	(10,210)	113,028	22,039	(90,989)
In accordance with new policy	(82,356)	27,352	167,401	(4,305)	417,882

In addition, the implementation of IAS 19R (2011) has led to a reduction of DKK 4,129 thousand in staff costs in 2012 from DKK 297,940 thousand to DKK 293,811 thousand (2011: reduction of DKK 1,067 thousand from DKK 282,218 thousand to DKK 281,151 thousand) and an increase of DKK 7,754 thousand in financial expenses in 2012 from DKK 38,380 thousand to DKK 46,136 thousand (2011: increase of DKK 8,016 thousand from DKK 43,680 thousand to DKK 51,696 thousand) as a result of H+H International A/S having decided to present interest expenses relating to pension obligations under financial expenses instead of pension costs, and interest being calculated on the basis of the net obligation unlike previously, when interest was calculated on the gross obligation and expected return on the plan assets.

Notes

1 Accounting policies – continued

New IFRSs that have been issued but not yet come into effect

In addition to the above, IASB has issued a number of new or amended standards and interpretations (IFRSs) which have been endorsed by the European Union but not yet come into effect. H+H International A/S has thoroughly assessed the impact of these IFRSs that are not yet effective.

None of the new standards or interpretations are expected to have a material impact on H+H International A/S.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the parent company H+H International A/S and subsidiaries in which H+H International A/S has control of the subsidiary's financial and operating policies so as to obtain returns or other benefits from the subsidiary's activities. Control exists when H+H International A/S holds or has the ability to exercise, directly or indirectly, more than 50% of the voting rights or otherwise has control of the subsidiary in question.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' financial statements, applying the H+H Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains arising from intragroup transactions are eliminated on consolidation.

Equity investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition.

Business combinations

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Entities disposed of or wound up during the year are recognised in the consolidated income statement up to the date of disposal. Comparative figures are not restated to reflect acquisitions.

On the acquisition of entities whereby the parent company obtains control of the acquiree, the purchase method is

applied. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on the restatements made is recognised.

The acquisition date is the date on which H+H International A/S obtains control of the acquiree.

Any excess of, on the one hand, the consideration transferred, the value of non-controlling interests in the acquiree, and the fair value of any previously held equity interests, and, on the other, the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is recognised as goodwill under intangible assets.

Goodwill is not amortised, but tested at least annually for impairment. The first impairment test is carried out before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and translated on initial recognition into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The consideration for an entity consists of the fair value of the agreed consideration in the form of assets acquired, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or fulfilment of agreed terms and conditions, this part is recognised at fair value at the acquisition date. Costs attributable to business combinations are recognised directly in the income statement when incurred.

Should there be uncertainty about the identification or measurement of the assets acquired, the liabilities and contingent liabilities assumed, or the calculation of the consideration transferred, these are recognised initially on the basis of provisional values. Should the identification or measurement of the consideration transferred, the assets

1 Accounting policies – continued

acquired or the liabilities and contingent liabilities assumed on initial recognition prove incorrect, the amounts (including goodwill) may be adjusted with retrospective effect for up to 12 months from the acquisition date, and the comparative figures restated accordingly. After this, no adjustments may be made. Changes in estimated contingent consideration are generally recognised directly in the income statement.

Gains or losses on disposal or winding-up of subsidiaries are determined as the difference between selling price or disposal consideration and the carrying amount of net assets including goodwill at the date of disposal and selling costs or winding-up costs.

Foreign currency translation

For each entity included in the consolidated financial statements, a functional currency has been determined. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Transactions in currencies other than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date at which the receivable or payable arose or the exchange rate used in the last annual report is recognised in the income statement as financial income or financial expenses.

On the recognition in the consolidated financial statements of foreign entities with a functional currency other than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not give a significantly different view. Foreign exchange differences

arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date, and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date, are recognised directly in equity under a separate translation reserve. These differences are allocated between the parent company shareholders' share of equity and non-controlling interests' share of equity.

Foreign exchange adjustments of balances considered part of the overall net investment in entities with a functional currency other than DKK are recognised in the consolidated financial statements directly in equity under a separate translation reserve. Correspondingly, foreign exchange gains and losses on that part of loans and derivative financial instruments entered into to hedge the net investment in such entities which effectively hedges against corresponding exchange gains/losses on the net investment in the entity are recognised directly in equity under a separate translation reserve.

On the complete or partial disposal of a foreign operation, or on the repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised directly in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised. On the disposal of partially owned foreign subsidiaries, the part of the translation reserve attributable to non-controlling interests is not transferred to the income statement.

On the partial disposal of foreign subsidiaries without loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to non-controlling interests' share of equity.

The repayment of balances that are considered part of the net investment is not itself considered to constitute partial disposal of the subsidiary.

Derivative financial instruments

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables respectively, and offsetting of positive and negative fair values is only effected if the entity is permitted to and

Notes

1 Accounting policies – continued

intends to settle several financial instruments net in cash. Fair values of derivative financial instruments are determined on the basis of current market data and recognised valuation methods.

Fair value hedges. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability to the extent of the hedged risk. Hedges of the value of future cash flows from contracts concluded (firm commitments) are accounted for as fair value hedges, except in the case of foreign currency hedging.

That part of a derivative financial instrument that is not part of a hedging relationship is presented under financial items.

Cash flow hedges. Changes in the portion of the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of future cash flows and providing an effective hedge against changes in the value of the hedged item are recognised in other comprehensive income under a separate hedging reserve until the hedged cash flows affect the income statement. The resulting gain or loss is then transferred from other comprehensive income and recognised in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognised in other comprehensive income is transferred to the income statement when the hedged cash flows affect the income statement.

If the hedged cash flows are no longer expected to be realised, the cumulative change in value is transferred immediately to the income statement.

That part of a derivative financial instrument that is not part of a hedging relationship is presented under financial items.

Hedges of a net investment. Changes in the fair value of derivative financial instruments that are used to hedge net investments in foreign Group entities and that provide an effective hedge against changes in foreign exchange rates

in these Group entities are recognised in the consolidated financial statements directly in other comprehensive income under a separate translation reserve.

That part of a derivative financial instrument that is not part of a hedging relationship is presented under financial items.

Other derivative financial instruments. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement under financial items on a continuing basis.

Some contracts have terms and conditions equivalent to derivative financial instruments. Such embedded financial instruments are recognised separately and measured at fair value on a continuing basis if they differ significantly from the host contract, unless the entire combined contract is recognised and measured at fair value on a continuing basis.

INCOME STATEMENT

Revenue from the sale of goods for resale and finished goods is recognised in the income statement if delivery and transfer of risk to the buyer have taken place, and if the income can be measured reliably and is expected to be received.

Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

Production costs comprise costs incurred in generating the revenue for the year. The trading entities recognise cost of sales and the producing entities' production costs, corresponding to revenue for the year. This includes the direct and indirect cost of raw materials and consumables, and wages and salaries.

Other external expenses cover other expenses, including purchases of goods and services that are not directly attributable to production. Also included in this item are staff costs that are not directly attributable to production.

Other external expenses also include research and development costs that do not meet the criteria for capitalisation.

1 Accounting policies – continued

Other operating income and expenses comprise items secondary to the entities' activities, such as gains and losses on disposal of property, plant and equipment. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less selling costs and the carrying amount at the date of disposal.

Financial income and expenses comprise interest income and expenses, capital gains and losses, and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including finance lease obligations, and surcharges and allowances under the tax prepayment scheme etc. Financial income and expenses also include realised and unrealised gains and losses relating to derivative financial instruments that cannot be designated as hedging transactions.

However, borrowing costs related to the financing of the production of the H+H Group's assets are recognised in the cost of the assets.

Dividends from equity investments in subsidiaries are credited to the parent company's income statement in the financial year in which they are declared.

Tax on profit comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that relates to amounts recognised directly in equity is recognised directly in equity.

H+H International A/S is taxed jointly with all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income. Subsidiaries that utilise tax losses in other subsidiaries pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses, while subsidiaries with tax losses that are utilised by other subsidiaries receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Where the H+H Group receives a tax deduction in the calculation of taxable income in Denmark or abroad as a result of share-based payment schemes, the tax effect of these schemes is recognised in tax on profit. If the total deduction exceeds the total remuneration expense, the tax effect of the excess deduction is recognised directly in equity.

BALANCE SHEET

Goodwill is recognised initially in the balance sheet at cost as described under Business combinations. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the H+H Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the H+H Group's organisational and internal reporting structure.

Other intangible assets comprise patents/licences and development projects.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the entity can be demonstrated, and which the entity intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Recognised development costs are measured at cost less cumulative amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the H+H Group's development activities and interest expenses on loans to finance the production of development projects that relate to the production period.

On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

Notes

1 Accounting policies – continued

Patents and licences are measured at cost less cumulative amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the shorter of the remaining patent or contract period and the useful life. The amortisation base is reduced by any impairment losses.

Other intangible assets are amortised on a straight-line basis over the expected useful lives of the assets.

Property, plant and equipment. Land and buildings, plant and machinery, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition up to the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and labour. Cost is increased by estimated costs for dismantling and removal of the asset and restoration costs, to the extent that they are recognised as a provision, and interest expenses on loans to finance the production of property, plant and equipment that relate to the production period. The cost of a combined asset is divided into separate components that are depreciated separately if the components have different useful lives.

In the case of assets held under finance leases, cost is determined at the lower of the assets' fair value and the present value of the future minimum lease payments. In determining the present value, the interest rate implicit in the lease or the H+H Group's incremental borrowing rate is used as the discount rate.

Subsequent costs, for example in connection with replacement of part of an item of property, plant or equipment, are recognised in the carrying amount of the asset if it is probable that future economic benefits will flow to the H+H Group from the expenses incurred. The replaced part is derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Buildings 10-50 years
- Plant and machinery 2-20 years
- Fixtures and fittings, tools and equipment 2-10 years
- Intangible assets 3-35 years

Land is not depreciated.

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount.

The effect on depreciation of any changes in depreciation period or residual value is recognised prospectively as a change in accounting estimates.

Equity investments in subsidiaries in the parent company's financial statements. Equity investments in subsidiaries are measured at cost. If there is any indication of impairment, an impairment test is carried out as described in the H+H Group's accounting policies. Cost is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount.

Impairment of non-current assets. Goodwill is tested for impairment annually, the first time before the end of the year of acquisition.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

1 Accounting policies – continued

The carrying amounts of other non-current assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less expected disposal costs and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement under depreciation, amortisation and impairment losses.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment loss have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation/amortisation if no impairment losses had been charged.

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value.

In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

In the case of finished goods and work in progress, cost comprises raw materials, consumables, direct labour, and production overheads. Production overheads comprise indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process, and the cost of factory administration and management.

The net realisable value of inventories is determined as the selling price less any costs of completion and costs incurred to execute the sale. The net realisable value is determined

on the basis of marketability, obsolescence and developments in expected selling price.

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less write-downs for bad and doubtful debts.

A write-down for bad and doubtful debts is recorded if there is an objective indication of impairment on a receivable. If there is an objective indication of impairment, the impairment loss is determined individually. Receivables that have been found not to be individually impaired are tested for impairment in groups. Impairment losses are calculated as the difference between the carrying amount and the present value of the estimated future cash flows, including the realisable value of any collateral received. The discount rate applied is the effective interest rate of the individual receivable. Write-downs and losses on receivables are recognised as other external expenses.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years. Prepayments are measured at amortised cost.

EQUITY

Proposed dividends are recognised as a liability at the date of adoption at the annual general meeting (declaration date).

Treasury shares. Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly in retained earnings under equity. Capital reductions on the cancellation of treasury shares reduce the share capital by an amount equivalent to the nominal value of the shares. Proceeds from the sale of treasury shares in H+H International A/S in connection with the exercise of share options are taken directly to equity.

Translation reserve. This comprises parent company shareholders' share of foreign exchange differences arising on the translation of financial statements of entities with a functional currency other than DKK, foreign exchange adjustments relating to assets and liabilities that form part of the H+H Group's net investment in such entities, and foreign exchange adjustments relating to hedging transactions that hedge the H+H Group's net investment in such entities.

Notes

1 Accounting policies – continued

Hedging reserve. This comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised.

Incentive schemes. The H+H Group's incentive schemes comprise a share option plan for senior executives and a matching share programme launched in June 2011.

The value of services rendered by employees in return for option and share grants is measured at the fair value of the options and shares.

For equity-settled share options, the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period of the options and shares.

The costs are set off directly against equity.

On initial recognition of the share options and shares, the number of options and shares expected to vest is estimated, cf. the service condition described in note 4. The figure initially recognised is subsequently adjusted for changes in the estimate of the number of options and shares expected to vest, so that the total recognition is based on the actual number of vested options and shares.

The fair value of the options and shares granted is estimated using an option pricing model. The calculation takes account of the terms and conditions attaching to the share options and shares granted.

Pension obligations. The H+H Group has entered into pension agreements and similar agreements with some of its employees.

Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions concerning future trends in factors such as salary levels, interest rates, inflation and mortality.

The value in use is determined only for the benefits attributable to service already rendered to the H+H Group. The actuarially determined value in use less the fair value of any plan assets is recognised in the balance sheet under pension obligations.

The pension cost for the year is recognised in the income statement based on actuarial estimates and the financial outlook at the start of the year. Differences between the expected development in plan assets and obligations and the realised values determined at year-end are designated as actuarial gains or losses and recognised in other comprehensive income.

If the calculation results in plan assets exceeding liabilities to the H+H Group, the recognised asset is limited to the net total of any future refunds from the plan or reductions in future contributions to the plan.

Income tax and deferred tax. Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amount and tax base of assets and liabilities. However, the following temporary differences are not recognised: goodwill not deductible for tax purposes and other items – apart from business combinations – where temporary differences have arisen at the date of acquisition that affect neither profit nor taxable income. Where alternative tax rules can be applied to compute the tax base, deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

1 Accounting policies – continued

Deferred tax assets and liabilities are offset if the H+H Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously.

Adjustment of deferred tax is made in respect of elimination of unrealised intragroup profits and losses.

Deferred tax is measured on the basis of the tax rules and at the tax rates that will apply under the legislation enacted at the balance sheet date in the respective countries when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Under the joint taxation rules, H+H International A/S, as the administration company, becomes liable to the tax authorities for the subsidiaries' income taxes as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable and receivable are recognised in the balance sheet under receivables/payables from Group entities.

Other provisions. Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the H+H Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

The measurement of provisions is based on management's best estimate of the amount expected to be required to settle the obligation.

In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation. A pre-tax discount rate is applied that reflects society's general interest rate level plus the specific

risks attaching to the provision. The changes in present values during the financial year are recognised under financial expenses.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

A provision for restructuring is recognised when a detailed formal plan for the restructuring has been made public, no later than the balance sheet date, to those affected by the plan.

A provision for onerous contracts is recognised when the benefits expected to be derived by the H+H Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

When the H+H Group has an obligation to dismantle or remove an asset or restore the site on which the asset has been used, a provision equivalent to the present value of the expected future expenses is recognised.

Leasing. Lease commitments are accounted for as commitments under finance leases and commitments under operating leases respectively. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the leased asset. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the associated liability is described in the sections on property, plant and equipment, and financial liabilities respectively.

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Financial liabilities. Bank loans etc. are recognised at the date of borrowing at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, measured at amortised cost.

Other liabilities are measured at amortised cost.

Notes

1 Accounting policies – continued

Assets held for sale. Assets held for sale comprise non-current assets and disposal groups which are intended for sale. A disposal group is a group of assets which will be disposed of together by means of sale or similar in a single transaction. Liabilities relating to assets held for sale are liabilities directly associated with these assets, which will be transferred at the time of the transaction. Assets are classified as 'held for sale' if their carrying amount will primarily be recovered by means of sale within 12 months in accordance with a formal plan rather than by means of continued use.

Assets or disposal groups held for sale are measured at the lower of the carrying amount at the time of classification as 'held for sale' and the fair value less selling costs. No depreciation or amortisation is applied to assets from the time they are classified as 'held for sale'.

Impairment losses arising in connection with initial classification as 'held for sale' and gains or losses on subsequent measurement at the lower of carrying amount and fair value less selling costs are recognised in the income statement under the items to which they relate. Gains and losses are disclosed in the notes.

Assets and associated liabilities are recorded separately in the balance sheet, and the main items are specified in the notes. The comparative figures in the balance sheet are not restated.

Presentation of discontinued operations. Discontinued operations make up a significant part of the business, the activities and cash flows of which can be clearly separated from the rest of the business in operational and accounting terms and where the entity has either been disposed of or has been classified as 'held for sale' and the sale is expected to be implemented within one year in accordance with a formal plan. Discontinued operations also include entities classified as 'held for sale' in connection with the acquisition.

Profit after tax from discontinued operations, value adjustments after tax on associated assets and liabilities, and gains/losses on sale are presented in a separate line in the income statement, and the comparative figures are restated. Revenue, expenses, value adjustments and tax

on the discontinued operation are disclosed in the notes. Assets and associated liabilities for discontinued operations are recorded separately in the balance sheet without the comparative figures being restated, cf. 'Assets held for sale', and the main items are specified in the notes.

Cash flows from operating, investing and financing activities for the discontinued operations are disclosed in a note.

CASH FLOW STATEMENT

The cash flow statement shows the cash flows for the year, broken down by operating, investing and financing activities, and the year's change in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately under cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition, and cash flows from disposals of entities are recognised up to the date of disposal.

Cash flows in currencies other than the functional currency are translated at average exchange rates, unless these deviate significantly from the rates at the transaction date.

Cash flows from operating activities are determined as pre-tax profit adjusted for non-cash operating items, change in working capital, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities; acquisitions and disposals of intangible assets, property, plant and equipment, and other non-current assets; and acquisitions and disposals of securities that are not recognised as cash and cash equivalents.

Finance leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated expenses as well as the raising of loans, repayment of interest-bearing debt, purchase and sale of treasury shares, and payment of dividends.

1 Accounting policies – continued

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash and securities with a maturity of less than three months at the time of acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.

SEGMENT INFORMATION

Segment information is prepared in accordance with H+H's accounting policies and internal financial reporting.

Segment revenue, segment expenses, segment assets and segment liabilities are those items that are directly attributable to the individual segment or can be allocated to the segment on a reliable basis. Unallocated items comprise primarily assets, liabilities, income and expenses relating to H+H's administrative functions, investing activities etc.

Non-current segment assets are those non-current assets that are employed directly by the segment in its operating activities, including intangible assets and property, plant and equipment.

Current segment assets are those current assets that are employed directly by the segment in its operating activities, including inventories, trade receivables, other receivables, prepayments, and cash and cash equivalents.

Segment liabilities are those liabilities that result from the segment's operating activities, including trade payables and other payables.

Notes

1 Accounting policies – continued

FINANCIAL RATIOS

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

Other financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2010'.

The financial ratios under financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on invested capital (ROIC)	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Profit for the year	Profit attributable to the shareholders in the parent company
Earnings per share (EPS-Basic)	$\frac{\text{Profit}}{\text{Average number of shares outstanding}}$
Diluted earnings per share (EPS-D)	$\frac{\text{Diluted earnings}}{\text{Diluted average number of shares outstanding}}$
Return on equity	$\frac{\text{Profit} \times 100}{\text{Average equity excl. non-controlling interests}}$
Solvency ratio	$\frac{\text{Equity at year-end attributable to H+H} \times 100}{\text{Total equity and liabilities, year-end}}$
Book value per share, year-end	$\frac{\text{Equity in H+H, year-end}}{\text{Number of shares, year-end}}$
Price/book value	$\frac{\text{Share price}}{\text{Book value per share, year-end}}$
Price-earnings ratio (PE)	$\frac{\text{Share price}}{\text{Earnings per share}}$
Payout ratio	$\frac{\text{Total dividend paid} \times 100}{\text{Profit}}$
Free cash flow	The sum of cash flow from operating and investing activities

2 Management's estimates and judgements

Estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires management to make judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on historical experience and other factors that are believed by management to be sound under the circumstances, but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the H+H Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates. Particular risks to the H+H Group are discussed in the management review on pages 12-15, and in note 27.

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

Due to developments in the global economy and financial markets in 2012, the uncertainty related to a number of key assumptions concerning the future, including sales volume, credit risks, interest rate levels and profitability etc., remained greater than in the years before 2010.

Estimates that have a significant effect on the financial reporting are made in connection with, for example, the determination of depreciation, amortisation and impairment losses, provisions, fair values, contingent assets and liabilities, and pension obligations. The H+H Group will be dependent on debt financing in the coming years and maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 27.

Impairment testing. Annual impairment testing of goodwill and property, plant and equipment is based on the value in use of the individual cash-generating unit, using the discounted cash flow method. The calculation is based on budgets approved by management. Cash flows after the budget period are extrapolated using individual growth rates. The discount rate used for the calculation incorporates possible impacts of future risks.

The cash flows and growth rates take account of experience from previous years, and represent management's best estimate of future developments. In combination with the discount rate, however, these estimates may have a significant impact on the calculated values. Further information can be found in note 12. The total carrying amount of goodwill at the end of 2012 was DKK 59 million (2011: DKK 82 million). The total carrying amount of property, plant and equipment at the end of 2012 was DKK 961 million (2011: DKK 1,038 million).

The assumptions used in connection with impairment testing may be summarised as follows:

	Poland	Germany	UK	Russia*	Finland
Property, plant and equipment at 31 December 2012 (DKK '000)	241,357	246,905	205,298	248,900	13,832
Estimated average annual growth in revenue 2013-2018 (CAGR)	13.7%	1.5%	6.3%	15.7%	6.6%
Estimated gross margin 2013-2018	6-19%	20-22%	19-20%	40-42%	11-21%
WACC, after tax	9.3%	5.7%	6.1%	12.6%	6.4%

* For Russia the forecast period has been extended to 2022. CAGR for the period 2013-2022 is 11.3%.

Notes

2 Management's estimates and judgements – continued

Recovery of deferred tax assets. Deferred tax assets are recognised for all unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The amount recognised for deferred tax assets is based on estimates of the likely date and size of future tax loss carry-forwards.

At 31 December 2012 H+H International A/S assessed that tax loss carry-forwards totalling DKK 47 million could be realised within the foreseeable future.

Inventories. Estimation uncertainty relates to write-downs to net realisable value.

Inventories are generally written down in accordance with the Group's policies in this area, which comprise individual assessment of inventories with a view to possible losses as a result of obsolescence, poor quality and cyclical effects. Write-downs of DKK 4.4 million (2011: DKK 1.0 million) have been made in 2012; see note 15.

Receivables. Management currently makes estimates in assessing the recoverability of receivables at the balance sheet date. The international financial situation means there is an increased risk of losses on receivables, which has been taken into consideration in assessment of write-downs at the balance sheet date and in the day-to-day management and control of receivables.

Defined benefit pension plans. The present value of pension obligations depends on the actuarial assumptions made. These assumptions comprise the discount rate, the estimated return on plan assets, future salary increases, mortality and future developments in pension obligations.

All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations. Estimates regarding pension obligations are discussed in note 18.

Assets held for sale and discontinued operations. In the second quarter of 2011, the Board of Directors announced its decision to divest various assets that are no longer central to H+H's strategy, and the subsidiary Jämerä-kivitalot Oy was put up for sale in the third quarter of 2011. The main part of the activities in Jämerä-kivitalot Oy was disposed of in 2012, leaving just a few projects in the company now renamed Stone Kivitalot Oy. These are expected to be finished in the first half of 2013.

Estimates significant to the financial reporting for discontinued operations mainly comprise measurement of the selling price of projects in progress, which is determined i.a. on the basis of expected residual expenses and income. Also relevant here is the outcome of disputes relating to claims for additional performance, payment for delays etc., determined i.a. on the basis of the stage of negotiation with the counterparty and an assessment of the likely outcome; see note 24.

Accounting policies

As part of the application of H+H's accounting policies, management makes judgements, in addition to estimates, that may have a significant effect on the amounts recognised in the consolidated and parent company financial statements.

No special estimates were made in either 2011 or 2012.

3 Segment information

Group

DKK million	2012							
	Western Europe			Eastern Europe			Discontinued operation*	Reporting segments
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total		
Revenue, external	766.6	192.1	958.7	358.4	5.1	363.5	103.6	1,425.9
Revenue, internal	108.1	0	108.1	10.1	0.1	10.2	0	118.3
EBITDA	68.4	6.7	75.1	37.8	(1.0)	36.8	(20.7)	91.2
Depreciation and amortisation	(57.1)	(0.9)	(58.0)	(43.5)	0	(43.5)	(0.5)	(102.0)
EBITA	11.3	5.8	17.1	(5.7)	(1.0)	(6.7)	(21.2)	(10.8)
Impairment losses	0	0	0	32.3	0	32.3	0	32.3
Operating profit (EBIT)	11.3	5.8	17.1	26.6	(1.0)	25.6	(20.3)	22.4
Financial income	3.3	0.6	3.9	0.3	0.2	0.5	0.1	4.5
Financial expenses	(27.1)	(2.1)	(29.2)	(20.1)	(1.3)	(21.4)	(1.6)	(52.2)
Profit before tax**	(12.5)	4.3	(8.2)	6.8	(2.1)	4.7	(21.8)	(25.3)
Non-current assets	751.7	21.2	772.9	529.5	1.4	530.9	0	1,303.8
Investments in intangible assets and property, plant and equipment	19.1	0.3	19.4	7.2	0	7.2	0	26.6
Assets	1,012.7	62.9	1,075.6	616.3	1.7	618.0	26.7	1,720.3
Equity	382.4	11.7	394.1	244.4	(36.6)	207.9	(28.4)	573.6
Liabilities	627.7	51.1	678.7	371.9	38.4	410.1	55.2	1,144.1
Average full-time equivalent staff	459	44	503	482	3	485	1	989

2011

DKK million	2011							
	Western Europe			Eastern Europe			Discontinued operation*	Reporting segments
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total		
Revenue, external	707.3	221.2	928.5	376.0	5.3	381.3	129.0	1,438.8
Revenue, internal	148.6	0.3	148.9	9.0	0.3	9.3	0	158.2
EBITDA	89.1	5.2	94.3	12.5	(1.2)	11.3	(41.6)	64.0
Depreciation and amortisation	(57.5)	(1.4)	(58.9)	(42.9)	0	(42.9)	(0.7)	(102.5)
EBITA	31.6	3.8	35.4	(30.4)	(1.2)	(31.6)	(42.3)	(38.5)
Impairment losses	0	0	0	0	0	0	0	0
Operating profit (EBIT)	31.6	3.8	35.4	(30.4)	(1.2)	(31.6)	(42.3)	(38.5)
Financial income	1.8	0.3	2.1	0.6	0	0.6	0	2.7
Financial expenses	(24.9)	(2.0)	(26.9)	(36.1)	(1.6)	(37.7)	(0.3)	(64.9)
Profit before tax**	8.5	2.1	10.6	(65.9)	(2.8)	(68.7)	(42.6)	(100.7)
Non-current assets	777.5	18.7	796.2	634.3	1.2	635.5	0	1,431.7
Investments in intangible assets and property, plant and equipment	22.8	0.6	23.4	11.4	0	11.4	0.9	35.7
Assets	1,070.3	77.8	1,148.1	737.4	1.7	739.1	58.3	1,945.5
Equity	389.0	8.9	397.9	298.2	(34.4)	263.8	(5.7)	656.0
Liabilities	681.3	68.9	750.2	439.2	36.1	475.3	64.0	1,289.5
Average full-time equivalent staff	454	44	498	569	3	572	21	1,091

* See note 24.

** H+H's consolidated profit before tax and management fee etc.
Transactions between segments are carried out at arm's length.

Notes

3 Segment information – continued

Group

Reconciliation of revenue, profit before tax, assets and liabilities of reporting segments

Revenue	2012	2011
Segment revenue for the reporting segments	1,544.2	1,597.0
Elimination of inter-segment sales	(118.3)	(158.2)
Revenue for discontinued operations	(103.6)	(129.0)
	1,322.3	1,309.8
Profit before tax		
Segment profit before tax for reporting segments	(25.3)	(100.7)
Elimination of inter-segment transactions	0	0
Profit from discontinued operations	21.8	42.6
Non-allocated Group expenses, central functions	(25.6)	(1.6)
	(29.1)	(59.7)
Assets		
Total assets for reporting segments	1,720.3	1,945.5
Elimination of internal profit on assets	0	0
Other non-allocated assets, eliminations and similar	(300.8)	(303.2)
Assets relating to discontinuing operations	(26.7)	(58.3)
	1,392.8	1,584.0
Liabilities		
Total liabilities for reporting segments	1,144.1	1,289.5
Other non-allocated obligations, eliminations and similar	(114.0)	(114.2)
Liabilities relating to discontinuing operations	(55.2)	(64.0)
	974.9	1,111.3

Revenue in Denmark was DKK 94,848 thousand in 2012 (2011: DKK 104,603 thousand). Non-current assets in Denmark at year-end 2012 amounted to DKK 10,289 thousand (2011: DKK 16,854 thousand).

Key customers

None of the H+H Group's customers represented more than 10% of the H+H Group's total revenue in 2012 or 2011. The following countries represent more than 10% of revenue or non-current assets.

DKK million	2012		2011	
	Revenue	Non-current assets	Revenue	Non-current assets
UK	411.2	209.2	412.5	207.3
Germany	354.1	290.6	351.5	306.5
Poland	176.8	275.4	221.3	295.9
Russia	143.2	261.4	101.1	200.0
Czech Republic	48.4	0	62.7	152.6
Other countries and eliminations	188.6	12.3	160.7	14.1
	1,322.3	1,048.9	1,309.8	1,176.4

When presenting information on geographical areas, information on revenue is based on the legal entity.

4 Staff costs (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Wages and salaries	241,807	238,541	13,310	12,639
Defined benefit plans, see note 18	0	4,630	0	0
Defined contribution plans	14,488	5,722	0	0
Share-based payment	214	807	146	619
Remuneration to the Board of Directors	1,950	2,025	1,950	2,025
Other staff costs	35,352	29,426	481	774
	293,811	281,151	15,887	16,057
Staff costs are recognised as follows:				
Production costs	177,829	165,149	0	0
Other external expenses	115,982	116,002	15,887	16,057
	293,811	281,151	15,887	16,057
Remuneration to the Executive Board:				
Michael Troensegaard Andersen:				
Salaries and fees	2,700	2,025	2,700	2,025
Bonus plans	500	0	500	0
Share-based payment	30	133	30	133
Hans Gormsen:				
Salaries and fees	0	717	0	717
Share-based payment	0	270	0	270
Niels Eldrup Meidahl:				
Salaries and fees	1,500	1,654	1,500	1,654
Bonus plans	300	0	300	0
Share-based payment	18	75	18	75
	5,048	4,874	5,048	4,874
Average full-time equivalent staff	1,001	1,084	12	14

Board of Directors

The annual general meeting on 18 April 2012 approved remuneration to the Chairman and Deputy Chairman of the Board of DKK 600,000 (2011: DKK 600,000) and DKK 450,000 (2011: DKK 450,000) respectively for 2012. Remuneration to ordinary board members for 2012 was DKK 300,000 (2011: DKK 300,000).

The Board of Directors comprised five members until the annual general meeting on 18 April 2012. All members were re-elected.

Executive Board

Until 4 April 2011 the Executive Board comprised CEO Hans Gormsen and CFO Niels Eldrup Meidahl. Michael Troensegaard Andersen joined the Executive Board as CEO on 4 April 2011, with Hans Gormsen resigning at the same time, and the Executive Board subsequently comprised Michael Troensegaard Andersen and Niels Eldrup Meidahl.

Notes

4 Staff costs – continued

SHARE-BASED INCENTIVE SCHEMES

New matching share programme

In June 2012 a matching share programme for the Executive Board and certain key employees was launched. These officers purchased a total of 15,195 shares at market price in June 2012, which will trigger allocation of a further 45,585 shares in June 2015 if all of the vesting criteria are fulfilled.

The vesting criteria relate to employment in the vesting period, the Group's operating profit and other financial targets. The value of the programme at inception in June 2012 is estimated at DKK 1.8 million and will be recognised as staff costs until the expiry of the vesting period in June 2015.

The fair value of the programme has been determined as the maximum number of shares which can be granted. The share price used in calculating the value of the programme is the share price at 30 June 2012. The programme is currently not hedged by purchase of treasury shares.

Previous matching share programme

In May 2011 a matching share programme was launched, similar to the one described above. The vesting criteria relate to employment in the vesting period, the Group's operating profit and other financial targets. The value of the programme at inception in June 2011 was DKK 1.9 million, which is recognised as staff costs until the expiry of the vesting period in June 2014. One of the key employees covered by the programme left the Group in 2012 and part of the programme has therefore been reversed. The programme is currently not hedged by purchase of treasury shares.

Previous option programme

In May 2007, the Board of Directors of H+H International A/S established a share option plan for the Executive Board and other senior executives with a vesting period of 2007-2009. No option plan was adopted for 2012. The Board of Directors of H+H International A/S is not included in the company's share option plan.

Each share option entitles the holder to buy one share. The exercise price is calculated as the average price in the 10 business days after the publication of the annual report for the financial year to which the share options relate, plus 20%. The options are exercisable during a one-year period beginning three years and ending four years after the publication of the annual report for the financial year to which the share options relate. Unless specifically agreed as part of a termination agreement, the right to be granted and to exercise share options is conditional upon the option holder's employment with the company not having ceased, either due to the option holder having given notice of termination or breach of contract on the part of the option holder. There are no other vesting conditions. The fair value of the share option plan at the issue date has been calculated at DKK 4.5 million in total, and breaks down into DKK 1.5 million for the 2007 grant, DKK 1.5 million for the 2008 grant and DKK 1.5 million for the 2009 grant. The fair value of the programme at 31 December 2012 is DKK 0 million.

The share option plans that are expected to be exercisable are substantially hedged by treasury shares at the date of final pricing, however no hedging has been carried out in recent years as the relatively large drop in the company's share price means that the probability of the oldest options still exercisable being used before expiry of the exercise period is considered very low. Treasury shares amounted to 20,489 shares at year-end 2012 and 2011. The outstanding options have an average remaining contractual life of 0.8 years (2011: 1.8 years) and an exercise price in the range of DKK 79-93 per option (2011: DKK 79-638 per option). The cost recognised in the 2012 income statement in respect of share options is DKK 140 thousand (2011: DKK 484 thousand).

4 Staff costs – continued

(DKK '000)	Total		Former Executive Board		Other employees	
	Number	Avg. exercise price	Number	Avg. exercise price	Number	Avg. exercise price
Outstanding options						
Outstanding options at 31 December 2010	71,739		19,341		52,398	
Additions	0		0		0	
Forfeited	0		0		0	
Expired	(8,850)		(2,703)		(6,147)	
Outstanding options at 31 December 2011	62,889		16,638		46,251	
Additions	0		0		0	
Forfeited	0		0		0	
Expired	(29,007)		(8,088)		(20,919)	
Outstanding options at 31 December 2012	33,882		8,550		25,332	
Breakdown of outstanding options by exercise period:						
Outstanding option plans at 31 December 2011						
2010-2012	13,032	638	3,813	638	9,219	638
2011-2012	15,975	541	4,275	541	11,700	541
2012-2013	15,750	93	4,275	93	11,475	93
2013-2014	18,132	79	4,275	79	13,857	79
Total	62,889		16,638		46,251	
Outstanding option plans at 31 December 2012						
2012-2013	15,750	93	4,275	93	11,475	93
2013-2014	18,132	79	4,275	79	13,857	79
Total	33,882		8,550		25,332	

There was a significant dilution of the share options in connection with the company's rights issue in December 2009. The number of options and the exercise price have been recalculated as a result of the rights issue. This adjustment is equivalent to three times the number of share options. The exercise price has also been adjusted. The total value of the options is unchanged.

Notes

4 Staff costs – continued

Cash-based incentive schemes

The Executive Board have the opportunity to earn an annual cash bonus. The maximum bonus payment is 40% of the person's fixed annual salary in the year in which the bonus was earned. The earning of bonuses is dependent on EBITDA in the year in which the bonus was earned, and on certain qualitative targets related to the company's strategy, and the bonus is therefore not guaranteed. The bonus payment will depend on EBITDA relative to budgeted EBITDA, with the bonus payment being calculated on a straight-line basis within a fixed range for budget performance. In case of termination of employment, regardless of the cause, the person in question is entitled to proportionately earned bonus up to the date of termination of his or her employment.

The Executive Board earned bonuses totalling DKK 800,000 in 2012, which was not the case in 2011.

Management's terms of employment

The Executive Board of H+H International A/S may resign with six months' notice. The company may dismiss the Executive Board with 12 months' notice. Under normal circumstances, if the company gives notice to the Executive Board without reason, those concerned are entitled to a termination benefit equivalent to 12 months' fixed salary. However, if a shareholder acquires the majority of votes in the company as a result of a compulsory or voluntary offer in accordance with the rules governing this in the Danish Securities Trading Act, or if the company's operations are transferred to a new owner, the period of notice the Executive Board must give the company is shortened to three months for a period of two years. In a corresponding takeover situation, the company's Executive Board has a claim to twice the termination benefit, equivalent to 24 months' fixed salary.

5 Other operating income and expenses

(DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Management fee	0	0	17,000	15,000
Gain on disposal of property, plant and equipment	4,355	5,951	0	386
Loss on disposal of property, plant and equipment	(109)	(371)	0	0
Expenses in connection with competition case	0	(1,514)	0	(1,514)
Extra energy tax	(908)	(2,384)	0	0
Rental income	2,174	2,136	0	0
Adjustment of environmental provision	7,340	0	0	0
Special costs related to closure of business units and terminated employees	(5,344)	(1,730)	(3,467)	0
Gain on sale of H+H Česká	5,732	0	0	0
Expenses in connection with sale of H+H Česká	0	0	(7,176)	0
Gain on sale of the Jämerä trademark	0	0	5,921	0
Provision for closure of Jämerä	0	0	(5,789)	0
Other	(2,001)	2,019	(4,012)	0
	11,239	4,107	2,477	13,872

6 Depreciation and amortisation

(DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Other intangible assets	3,513	2,911	1,252	0
Buildings	19,090	19,022	0	0
Plant and machinery	65,720	61,263	0	0
Fixtures and fittings, tools and equipment	14,555	18,742	169	283
	102,878	101,938	1,421	283

7 Impairment losses (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Plant and machinery	0	0	0	0
Fixtures and fittings, tools and equipment	0	0	0	0
Land and buildings	44,248	0	0	0
Write-down of equity investments	0	0	111,435	354,204
Reversal of previous write-down relating to assets in Russia	(103,782)	0	0	0
Impairment loss relating to goodwill in Poland	24,487	0	0	0
Impairment loss relating to goodwill in the Czech Republic	2,720	0	0	0
	(32,327)	0	111,435	354,204

In 2012 the Group reversed the write-down of assets in Russia carried out in 2010. This was done in the light of favourable developments on the Russian market, which have been significantly more positive for both capacity utilisation and prices than previously anticipated.

An impairment loss of DKK 24 million relating to goodwill in Poland has been recognised in 2012 as a result of lower capacity utilisation and prices than previously anticipated. Impairment losses relating to goodwill and land and buildings in the Czech Republic have also been recognised in connection with the sale of H+H Česká republika s.r.o.

In connection with the closing of the financial statements for 2012, it was found that the recoverable amount of some of the Group's companies was lower than the parent company's original cost. As a result, impairment losses were recognised for the Poland and the Czech Republic in the parent company financial statements. However, these impairment losses have no bearing on the consolidated financial statements.

In 2011, significant impairment losses were recognised for the UK, Russia, the Czech Republic and Stone Kivitalot Oy in the parent company financial statements. However, these impairment losses have no bearing on the consolidated financial statements.

8 Financial income (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Interest income	105	192	0	0
Interest income from subsidiaries	0	0	21,453	32,466
Realised foreign exchange gain relating to loans to subsidiaries	0	0	0	109
Exchange rate adjustments relating to loans to subsidiaries	0	0	5,775	0
Dividends from subsidiaries	0	0	7,121	0
Other exchange rate adjustments	588	301	0	0
Other financial income	886	867	0	0
	1,579	1,360	34,349	32,575

The H+H Group's total interest income in 2012 amounted to DKK 105 thousand (2011: DKK 192 thousand). The parent company's total interest income in 2012 amounted to DKK 21,453 thousand (2011: DKK 32,466 thousand).

Notes

9 Financial expenses	Group		Parent company	
	2012	2011	2012	2011
(DKK '000)				
Interest expenses	32,033	34,487	12,695	12,109
Interest expenses to subsidiaries	0	0	2,899	1,373
Exchange rate adjustments relating to loans to subsidiaries	0	0	0	11,398
Other exchange rate adjustments	1,461	2,545	538	1,774
Foreign exchange losses on derivatives	0	81	0	0
Write-down of intragroup debt	0	0	12,897	5,521
Financial expenses relating to pension plans	7,754	8,016	0	0
Other financial expenses	4,888	6,567	3,682	6,033
	46,136	51,696	32,711	38,208

The Group's total interest expenses in 2012 amounted to DKK 32,033 thousand (2011: DKK 34,487 thousand). The parent company's total interest expenses in 2012 amounted to DKK 15,594 thousand (2011: DKK 13,482 thousand).

10 Tax	Group		Parent company	
	2012	2011	2012	2011
(DKK '000)				
Tax on profit from continuing operations	30,570	16,094	0	(1,509)
Tax on other comprehensive income	(2,423)	3,247	0	0
	28,147	19,341	0	(1,509)
Tax on continuing operations can be broken down as follows:				
Current tax for the year	671	4,871	0	0
Adjustment relating to changes in tax rate	(1,246)	0	0	0
Adjustment of deferred tax	28,760	16,060	0	1,509
Prior-year adjustments	(38)	(1,590)	0	0
	28,147	19,341	0	1,509
Current joint taxation contribution for the year	0	0	0	0
Tax on profit from continuing operations can be broken down as follows:				
Calculated 25% (2011: 25%) tax on income from ordinary activities	(7,269)	(13,201)	(34,112)	(93,240)
Less tax in foreign Group entities compared with 25% rate (2011: 25%)	(6,076)	5,186	0	0
Tax effect of:				
Unrecognised deferred tax asset	27,031	11,741	6,251	3,236
Write-down of deferred tax asset	0	25,677	0	0
Reversal of deferred tax asset write-down	0	(10,784)	0	0
Other adjustments	2,988	(2,746)	0	(1,509)
Tax on other comprehensive income	(2,423)	3,247	0	0
Non-deductible expenses	15,215	2,212	31,085	90,073
Prior-year adjustments	1,839	(1,590)	0	0
Non-taxable income	(3,158)	(401)	(3,224)	(69)
	28,147	19,341	0	(1,509)

Tax on other comprehensive income	Group					
	2012			2011		
	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
Exchange rate adjustments, foreign entities	39,178	(1,616)	37,562	(56,602)	1,228	(55,374)
Actuarial losses on pension plans	(14,249)	4,039	(10,210)	(14,495)	(4,475)	(18,970)
	24,929	2,423	27,352	(71,097)	(3,247)	(74,344)

11 Earnings per share (EPS)

(DKK '000)	Group	
	2012	2011
Average number of shares	9,810,000	9,810,000
Average number of treasury shares	(20,489)	(20,489)
Average number of outstanding shares	9,789,511	9,789,511
Dilution from share options	0	0
Average number of outstanding shares, diluted	9,789,511	9,789,511
Adjustment of number of DKK 50 shares		
Adjusted average number of outstanding shares	9,789,511	9,789,511
Adjusted average number of outstanding shares, diluted	9,789,511	9,789,511
Profit for the year	(82,356)	(124,483)
Attributable to non-controlling interests	0	0
Shareholders in H+H International A/S	(82,356)	(124,423)
Earnings per share (EPS)	(8.41)	(12.72)
Diluted earnings per share (EPS-D)	(8.41)	(12.72)

See note 24 for earnings and diluted earnings per share from discontinued operations.

Earnings per share from continuing and discontinued operations respectively for 2011 and 2012 are calculated on the basis of the equivalent key figures used to calculate earnings per share.

(DKK '000)	2012	2011
Shareholders in H+H International A/S's share of:		
Profit from discontinued operations	(22,711)	(48,637)
Profit from continuing operations	(59,645)	(75,846)
Profit for the year	(82,356)	(124,483)

The calculation of diluted earnings per share excludes 33,882 share options (2011: 62,889), which are out of the money but may potentially dilute earnings per share in the future.

In accordance with IAS 33, an adjustment has been made to the calculation of earnings per share (EPS) and diluted earnings per share (EPS-D) such that the average number of shares has been adapted to a face value of DKK 50.

12 Intangible assets and property, plant and equipment

(DKK '000)	Parent company			
	2012		2011	
	Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
Total cost at 1 January	6,262	1,102	6,445	1,681
Additions during the year	0	254	1,612	316
Disposals during the year	0	(336)	(1,795)	(895)
Total cost at 31 December	6,262	1,020	6,262	1,102
Total depreciation and amortisation at 1 January	0	514	0	784
Depreciation and amortisation of assets disposed of	0	(120)	0	(553)
Depreciation and amortisation for the year	1,252	169	0	283
Total depreciation and amortisation at 31 December	1,252	563	0	514
Carrying amount	5,010	457	6,262	588

Notes

12 Intangible assets and property, plant and equipment – continued

Group

(DKK '000)	2012					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2012	81,773	29,631	560,242	1,333,911	263,674	16,291
Transfers	0	1,552	2,003	278	2,816	(6,649)
Foreign exchange adjustments, year-end rate	5,058	676	24,174	38,221	7,732	107
Additions during the year	0	752	983	6,345	5,118	13,814
Disposals during the year	0	(462)	(254)	(6,651)	(8,268)	(22)
Disposals relating to divestment of enterprise	(2,724)	(2,423)	(56,009)	(132,344)	0	0
Transferred to assets held for sale	0	0	(11,575)	(860)	0	0
Total cost at 31 December 2012	84,107	29,726	519,564	1,238,900	271,072	23,541
Total depreciation and amortisation at 1 January 2012	0	16,294	162,040	826,274	140,170	7,933
Transfer	0	185	0	0	(185)	0
Foreign exchange adjustments, year-end rate	0	(46)	4,686	18,463	3,970	0
Foreign exchange adjustments for the year	562	(1)	118	131	69	0
Depreciation and amortisation of assets disposed of	0	(259)	(88)	(6,301)	(6,272)	0
Depreciation and amortisation for the year	0	3,513	19,090	65,719	14,555	0
Impairment losses for the year	27,207	0	44,248	0	0	0
Reversal of write-down	0	0	0	(67,857)	(35,925)	0
Disposals relating to divestment of enterprise	(2,724)	(1,795)	(56,087)	(42,628)	0	0
Total depreciation, amortisation and impairment losses at 31 December 2012	25,045	17,891	174,007	793,801	116,382	7,933
Carrying amount	59,062	11,835	345,557	445,099	154,690	15,608
Of which, assets held under finance leases	0	0	0	0	0	0

Group

	2011					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2011	88,388	44,812	620,100	1,344,060	267,095	30,116
Transfers	0	2,154	8,915	8,190	2,020	(21,279)
Foreign exchange adjustments, year-end rate	(6,615)	(850)	(16,200)	(14,179)	(5,923)	(302)
Additions during the year	0	4,817	396	15,135	9,261	8,143
Disposals during the year	0	(1,907)	(5,168)	(2,188)	(6,686)	0
Transferred to assets held for sale	0	(19,395)	(47,801)	(17,107)	(2,093)	(387)
Total cost at 31 December 2011	81,773	29,631	560,242	1,333,911	263,674	16,291
Total depreciation and amortisation at 1 January 2011	0	16,605	152,311	783,829	129,908	7,933
Foreign exchange adjustments, year-end rate	0	(576)	(1,042)	144	(2,585)	0
Foreign exchange adjustments for the year	0	(74)	(489)	(541)	(395)	0
Depreciation and amortisation of assets disposed of	0	(31)	0	(1,314)	(4,950)	0
Depreciation and amortisation for the year	0	3,380	19,134	61,263	18,801	0
Impairment losses for the year	0	0	0	0	0	0
Transferred to assets held for sale	0	(3,010)	(7,874)	(17,107)	(609)	0
Total depreciation, amortisation and impairment losses at 31 December 2011	0	16,294	162,040	826,274	140,170	7,933
Carrying amount	81,773	13,337	398,202	507,637	123,504	8,358
Of which, assets held under finance leases	0	0	0	21	193	0

12 Intangible assets and property, plant and equipment – continued

Interest totalling DKK 0 thousand was capitalised in 2012 (2011: DKK 0 thousand).

Development costs totalling DKK 0 thousand were capitalised in 2012 (2011: DKK 0 thousand).

Development costs in the region of DKK 5 million were expensed in 2011 and 2012.

Impairment test of goodwill

On 31 December 2012, management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill to the cash-generating units. Of total goodwill of DKK 59,062 thousand (2011: DKK 81,773 thousand), DKK 30,802 thousand (2011: DKK 53,590 thousand) related to the Eastern European segment, while DKK 28,260 thousand (2011: DKK 28,183 thousand) related to the Western European segment.

Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in each country.

The recoverable amount was defined as the value in use for the purpose of impairment testing.

In general the impairment tests were based on the budget for 2013 and strategy projections for 2014-2018, as approved by management. Average annual growth in revenue of 1.5-14.2% (2011: 3.1-9.9%) has been assumed for the period 2013-2018. Growth has been assessed by local and Group management. An assumed growth rate of 2-3% p.a. (2011: 2-3%) has been used for the years after 2018. The growth rate is not expected to exceed the average long-term growth rate in the H+H Group's markets. An increasing gross margin has been estimated for the period 2013-2018, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases. A discount rate after tax (WACC) of 5.7-9.3% (2011: 6.6-10.4%) has been applied. The WACC is based on generally recognised principles and assumptions provided by external analysts.

The assumptions made can be summarised as follows:

	Poland	Germany
Carrying amount of goodwill at 31 December 2012 (DKK '000)	30,802	28,260
Estimated average annual growth in revenue 2013-2018 (CAGR)	13.7%	1.5%
Estimated gross margin 2013-2018	6-19%	20-22%
WACC, after tax	9.3%	5.7%

The impairment tests showed indications of impairment of DKK 24 million relating to goodwill in Poland, which is discussed in more detail below. After recognising an impairment loss on goodwill in Poland and based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of goodwill.

If the assumptions are not met, it could result in further indications of impairment. The main assumptions relate to annual growth in revenue and gross margin.

The primary reason for the impairment loss relating to goodwill in Poland is a generally greater slowdown in the Polish market for building materials than anticipated, and the fact that the Polish market is characterised by significant overcapacity and low prices. Continued cyclical difficulties in the market and increased competition have resulted in significant losses in the Polish subsidiary in recent years.

Impairment tests of non-current assets

The Group's key non-current assets were tested for impairment in 2012, including with regard to assets in Poland, Germany, the UK, Russia and Finland which together represent approx. 98% of the Group's total non-current assets at 31 December 2012.

Notes

12 Intangible assets and property, plant and equipment – continued

The impairment tests were based on the budget for 2013 and strategy projections for 2014-2018, as approved by management. Average annual growth in revenue of 1.5-15.7% (2011: 3.1-17.9%) has been assumed for the period 2013-2018. Growth has been assessed by local and Group management. An assumed growth rate of 2.0-4.0% (2011: 2.0-3.5%) p.a. has been used for the years after 2018. The growth rate is not expected to exceed the average long-term growth rate in H+H's markets. An increasing gross margin has been assumed for the period 2013-2018, after which it is expected to be constant.

The assumptions made can be summarised as follows:

	Poland	Germany	UK	Russia*	Finland
Carrying amount of property, plant and equipment at 31 December 2012 (DKK '000)	241,357	246,905	205,298	248,900	13,832
Estimated average annual growth in revenue 2013-2018 (CAGR)	13.7%	1.5%	6.3%	15.7%	6.6%
Estimated gross margin 2013-2018	6-19%	20-22%	19-20%	40-42%	11-21%
WACC, after tax	9.3%	5.7%	6.1%	12.6%	6.4%

* For Russia the forecast period has been extended to 2022. CAGR for the period 2013-2022 is 11.3%.

The impairment tests performed at 31 December 2012 do not show any indications of impairment, apart from the special circumstances mentioned below. Based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of property, plant and equipment.

If the assumptions above are not met, it could result in indications of impairment. The main assumptions relate to annual growth in revenue and gross margin.

In connection with the impairment tests performed, the Group has decided to reverse the write-down of DKK 120 million relating to the assets in Russia carried out in 2010. Reduced for depreciation in the period 2010-2012, the reversal is DKK 104 million. This is being done as a result of higher capacity utilisation and significantly higher prices on the Russian market through 2012 than anticipated in previous years.

The increasing gross margin assumes more expedient utilisation of production capacity and weak price increases. A discount rate after tax (WACC) of 5.7-12.6% (2011: 6.6-17.8%) has been applied. The WACC is based on generally recognised principles and assumptions provided by external analysts.

Assumed annual growth in Russia is 15.7% (2011: 17.9%), because in Russia there is an almost new factory in a new market.

As a result of the economic situation for the Group, there is a particular risk that the future will bring further indications of impairment in some subsidiaries. The assets in Poland are the most exposed to impairment in relation to the assumptions mentioned below.

On 31 December 2012 the recoverable amount for the cash-generating unit Poland is equivalent to the carrying amount. Any negative change in the assumptions will necessitate further impairment losses. Sensitivity analyses for the key assumptions underlying the impairment test are shown below. The sensitivity analyses indicate the following consequences:

- If average annual growth in revenue in the period 2013-2018 (CAGR) were to be reduced by 1.0 percentage point to 12.7%, this would necessitate impairment losses of DKK 33 million.
- If WACC after tax were to be increased by 1.0 percentage point to 10.3%, this would necessitate impairment losses of DKK 40 million.

13 Deferred tax, assets	Group			Parent company	
	2012	2011	2010	2012	2011
(DKK '000)					
Deferred tax assets at 1 January	43,610	59,868	44,348	0	0
Foreign exchange adjustments	977	(470)	1,031	0	0
Change in deferred tax	(31,533)	(5,257)	9,804	0	0
Transferred to assets held for sale	0	(6,057)	0	0	0
Tax effect of adjustment of accumulated actuarial losses	4,038	(4,474)	4,685	0	0
Deferred tax assets at 31 December	17,092	43,610	59,868	0	0
Deferred tax assets relate to:					
Non-current assets	(53,784)	(12,842)	8,441	0	0
Current assets	(345)	4,150	969	0	0
Liabilities	23,875	(3,587)	4,844	0	0
Tax loss carry-forwards	47,346	55,889	45,614	0	0
	17,092	43,610	59,868	0	0

Deferred tax, liabilities	Group			Parent company	
	2012	2011	2010	2012	2011
Deferred tax liabilities at 1 January	19,688	14,295	46,282	7,264	8,773
Foreign exchange adjustments	1,229	(936)	1,599	0	0
Change in deferred tax	480	6,329	(15,796)	0	(1,509)
Tax effect of adjustment of accumulated actuarial losses	0	0	(17,790)	0	0
Deferred tax liabilities at 31 December	21,397	19,688	14,295	7,264	7,264
Provisions for deferred tax relate to:					
Non-current assets	14,430	14,189	40,181	0	0
Current assets	(297)	(547)	(33,150)	0	0
Retaxation balance relating to discontinued joint taxation	7,264	7,264	7,264	7,264	7,264
Tax loss carry-forwards	0	(1,218)	0	0	0
	21,397	19,688	14,295	7,264	7,264

No provision has been made in respect of deferred tax in connection with the share option plan, as the price of the shares at the balance sheet date was less than the exercise price of the options.

No deferred tax has been recognised on the difference between the cost of equity investments and the estimated fair value. This is because the shareholdings in the equity investments are all considered to be 'shares in a subsidiary', and any gain/loss is therefore not taxable.

The tax value of loss carry-forwards has been recognised as deferred tax assets in the companies where it is considered likely that this can be utilised in future earnings. The tax value of loss carry-forwards of DKK 48 million at 31 December 2012 (2011: DKK 70 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised.

Notes

14 Equity investments in subsidiaries (DKK '000)	Parent company	
	2012	2011
Acquisition cost at 1 January	1,307,300	1,500,943
Additions	25,261	765,075
Disposals	(110,976)	(958,718)
Cost at 31 December	1,221,585	1,307,300
Impairment losses at 1 January	272,892	371,871
Reversal in connection with disposals	(54,293)	(453,183)
Reversal of previous write-down	(52,610)	0
Impairment losses, equity investments	164,046	354,204
Impairment losses at 31 December	330,035	272,892
Carrying amount at 31 December	891,550	1,034,408

The cost of equity investments in subsidiaries was tested for impairment at the end of 2011 and 2012. The recoverable amount of the equity investments at 31 December 2012 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2013-2018 and a WACC after tax of 5.7-12.6% (2011: 6.6-17.8%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2017 has been estimated at 2.0-4.0% (2011: 2.0-3.5%). It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.

In connection with the closing of the financial statements for 2012, it was found that the recoverable amount of some of the Group's companies was lower than the parent company's original cost. As a result, impairment losses were recognised for the Poland and the Czech Republic in the parent company financial statements, and a previous write-down in Russia was reversed. However, the impairment losses and the reversal have no bearing on the consolidated financial statements.

		2012	2011
	Registered office	Equity interest, %	Equity interest, %
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH	Germany	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
H+H Finland Oy	Finland	100	100
Stone Kivitalot Oy	Finland	100	100
H+H Sverige AB	Sweden	100	100
H+H Norge AS	Norway	100	100
H+H Polska Sp. z o.o.	Poland	100	100
H+H Česká republika s.r.o.	Czech	0	100
H+H EIQ s.r.o.	Czech	100	0
H+H Slovenská republika s.r.o.	Slovakia	100	100
H+H Ukraina TOV	Ukraine	100	100
H+H UA TOV	Ukraine	100	100
OOO H+H	Russia	100	100
H+H Belgien SPRL	Belgium	100	100
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

The above list does not include indirectly owned companies without any activities.

* This activity comprises ownership of H+H UK Holding Limited, and thus the activities of H+H UK Limited.

15 Inventories/production costs (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Raw materials and consumables	49,705	49,167	0	0
Finished goods and goods for resale	144,508	141,824	0	0
	194,213	190,991	0	0
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	6,500	12,448	0	0
Foreign exchange adjustments	88	(13)	0	0
Write-downs for the year	4,431	1,008	0	0
Realised during the year	(140)	(6,943)	0	0
Reversals	(164)	0	0	0
Inventory write-downs, year-end	10,715	6,500	0	0
Wages and salaries	177,827	165,149	0	0
Production overheads	92,845	97,305	0	0
Cost of sales	776,451	762,922	0	0
Write-downs for the year	4,431	1,008	0	0
Reversals of inventory write-downs	(164)	0	0	0
Total production costs	1,051,390	1,026,384	0	0

16 Receivables (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Trade receivables	22,695	87,821	0	0
Other receivables	16,024	11,684	540	677
	38,719	99,505	540	677
Write-downs of impaired receivables have developed as follows:				
Write-downs at 1 January	5,146	6,573	0	0
Foreign exchange adjustments	47	(208)	0	0
Write-downs for the year	867	950	0	0
Realised during the year	(1,170)	(1,670)	0	0
Reversals	(377)	(149)	0	0
Transferred to assets held for sale	0	(350)	0	0
Write-downs relating to receivables, year-end	4,513	5,146	0	0

Receivables that are not past due are predominantly deemed to have a high credit quality.

Security is not normally required in respect of claims. The Group's customers are typically large well-consolidated builders' merchants and housebuilders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December 2012.

Receivables are written down directly if the value has been impaired, for example as a result of suspension of payments, compulsory winding-up or similar, based on an individual assessment of the individual debtor's ability to pay. Write-downs are made to estimated net realisable value. The income statement for 2012 recognises write-downs and losses on receivables of DKK 490 thousand (2011: DKK 801 thousand).

Notes

16 Receivables – continued	Group		Parent company	
	2012	2011	2012	2011
(DKK '000)				
Age analysis of trade receivables:				
Not past due	15,128	67,882	0	0
0-30 days	5,640	14,109	0	0
30-90 days	1,211	5,569	0	0
Over 90 days	716	261	0	0
	22,695	87,821	0	0
Write-downs relating to receivables, year-end	4,513	5,146	0	0

Write-down of receivables by geographical region

2012					
	UK	Germany Netherlands Belgium Denmark	Norway Sweden Finland	Eastern Europe	Total
Write-downs at 1 January	1,060	947	339	2,800	5,146
Foreign exchange adjustments	10	5	6	26	47
Write-downs for the year	64	410	296	97	867
Realised during the year	(147)	(223)	(246)	(554)	(1,170)
Reversals	0	0	(127)	(250)	(377)
Transferred to assets held for sale	0	0	0	0	(0)
Write-downs relating to receivables, year-end	987	1,139	268	2,119	4,513

2011					
	UK	Germany Netherlands Belgium Denmark	Norway Sweden Finland	Eastern Europe	Total
Write-downs at 1 January	885	1,456	1,277	2,955	6,573
Foreign exchange adjustments	29	(2)	(14)	(221)	(208)
Write-downs for the year	232	179	258	281	950
Realised during the year	0	(671)	(832)	(167)	(1,670)
Reversals	(86)	(15)	0	(48)	(149)
Transferred to assets held for sale	0	0	(350)	0	(350)
Write-downs relating to receivables, year-end	1,060	947	339	2,800	5,146

Trade receivables which were past due at 31 December 2012 but not impaired are also included, as follows:

	Group		Parent company	
	2012	2011	2012	2011
Maturity period of trade receivables:				
0-30 days	5,640	14,109	0	0
30-90 days	1,211	5,569	0	0
Over 90 days	0	0	0	0
	6,851	19,678	0	0

17 Share capital and treasury shares

	Number		Nominal value, DKK 1,000	
	2012	2011	2012	2011
1 January	9,810,000	9,810,000	490,500	490,500
31 December – fully paid	9,810,000	9,810,000	490,500	490,500

The share capital comprises 9,810,000 shares of nominal value DKK 50. All the shares have the same rights, with each share carrying 10 votes at the general meeting.

Treasury shares

	Number	Nominal value, DKK 1,000	% of share capital, year-end
Holding at 1 January 2011	20,489	1,024	0.2
Purchased during the year	0	0	0
Sold during the year	0	0	0
Holding at 31 December 2011	20,489	1,024	0.2
Purchased during the year	0	0	0
Sold during the year	0	0	0
Holding at 31 December 2012	20,489	1,024	0.2

All the treasury shares are owned by H+H International A/S.

Treasury shares are acquired partly in order to hedge liabilities related to the company's option plans.

At 31 December 2012 a total of 33,882 shares are required in connection with the company's option plan (2011: 62,889 shares). Management has chosen not to hedge all the outstanding options as it is unlikely that all the options will be exercised.

The company's matching share programme is not hedged by treasury shares.

18 Pension obligations

Under defined contribution plans, the employer is obliged to pay a specific contribution (e.g. a fixed amount or a fixed percentage of salary). Under defined contribution plans, the Group does not bear the risk associated with future developments in interest rates, inflation, mortality and disability.

Under defined benefit plans, the employer is obliged to pay a specific amount (e.g. a retirement pension as a fixed amount or a fixed percentage of final salary). Under defined benefit plans, the Group bears the risk associated with future developments in interest rates, inflation, mortality and disability.

Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate the obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements, an amount of DKK 167,401 thousand (2011: DKK 164,236 thousand) has been recognised under liabilities in respect of the Group's obligations to existing and former employees after deduction of the assets associated with the plans.

Notes

18 Pension obligations – continued

In the consolidated income statement, an amount of DKK 14,488 thousand (2011: DKK 5,722 thousand) has been recognised in respect of expenses relating to insured plans (defined contribution). For non-insured plans (defined benefit plans), an amount of DKK 0 thousand (2011: DKK 4,630 thousand) has been recognised in the consolidated income statement in respect of expenses.

The Group has defined benefit plans in the UK and Germany. The UK pension plans are managed by a pension fund – legally separate from the company – to which payments are made, whereas the German pension plans are unfunded.

The board of the pension fund is composed of two representatives appointed by the employer, two elected by the pension fund members and two professional independent members.

The board of the pension fund is required by law and by articles of association to act in the interest of the pension fund members. The board of the pension fund is responsible for the investment policy with regard to the plan assets.

Under the pension plan, the employees are entitled to post-retirement annual payments amounting to 1/60 of the final pensionable salary for each year of service until the retirement age of 65. In addition, the service period is limited to 40 years, resulting in a maximum yearly entitlement (lifetime annuity) of 2/3 of the final pensionable salary.

The defined benefit pension fund in the UK typically exposes the company to actuarial risks, such as investment, interest rate and longevity risk.

H+H Celcon Pension Fund is supervised by an independent fund manager, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, among other things the fund manager must ensure that a limited actuarial calculation of the pension obligations is carried out each year and a more detailed actuarial calculation of the pension obligations every three years. A detailed actuarial calculation carried out in April 2008 showed an unfunded pension obligation of DKK 128 million (GBP 15.6 million). Based on this calculation, on 26 June 2009 H+H UK Limited and H+H Celcon Pension Fund Trustee Limited entered into an agreement on the payment of contributions to cover the unfunded pension obligation (Schedule of Contributions). The agreement sets out a 15-year repayment profile under which H+H UK Limited will pay DKK 1.0 million (GBP 0.12 million) per year in the period April 2009 – March 2011 and DKK 18 million (GBP 2.17 million) per year in the period April 2011 – March 2023.

The pension fund was closed to new entrants in June 2007, and closed to the accrual of future service benefits in December 2011. The link to final salary ended at this point.

The most recent actuarial valuations (based on FRS 17 and IAS 19R) of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2012 by Mr C Richards, Fellow of the UK Institute of Actuaries. The present value of the defined benefit obligation, and the related service and past service cost, were measured using the 'projected unit credit method'.

The pension fund has been replaced by a defined contribution pension scheme where the company is not subject to any ongoing investment, interest rate or longevity risk.

18 Pension obligations – continued

	Group	
(DKK '000)	2012	2011
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	560,480	504,989
Fair value of plan assets	402,821	349,094
Deficit	157,659	155,895
Unrecognised actuarial losses (gains)	0	0
Present value of unfunded defined benefit plans recognised in the balance sheet	9,742	8,341
Unrecognised actuarial losses (gains) on unfunded benefits	0	0
Net obligation recognised in the balance sheet	167,401	164,236
Development in present value of fully or partly funded defined benefit obligation:		
Obligation at 1 January	504,989	462,130
Foreign exchange adjustments	12,965	13,539
Pension costs relating to the current financial year	0	4,630
Calculated interest on obligation	25,084	25,110
Gains/losses as a result of changes in economic assumptions	44,039	22,877
Gains/losses as a result of changes in demographic assumptions	(9,514)	0
Employee contributions	0	2,551
Gains on curtailment of defined benefit plans	0	(7,018)
Pensions paid	(18,588)	(18,650)
Empirical changes	1,505	(180)
Obligation at 31 December	560,480	504,989
Development in present value of unfunded defined benefit obligation:		
Obligation at 1 January	8,297	8,162
Foreign exchange adjustments	37	0
Pension costs relating to the current financial year	0	0
Calculated interest on obligation	350	345
Gains/losses as a result of changes in economic assumptions	1,348	303
Empirical changes	216	0
Pensions paid	(506)	(469)
Obligation at 31 December	9,742	8,341

Notes

18 Pension obligations – continued

(DKK '000)	Group	
	2012	2011
Development in fair value of pension assets:		
Plan assets at 1 January	349,094	312,367
Foreign exchange adjustments	8,890	9,427
Expected return on plan assets	17,680	17,439
Return on plan assets over and above the calculated interest	25,166	7,405
The company's contributions to plan assets	20,579	18,555
Employees' contributions to plan assets	0	2,551
Pensions paid	(18,588)	(18,650)
Pension assets at 31 December	402,821	349,094
Pension costs relating to the current financial year:		
Pension costs relating to defined benefit plans	0	(4,630)
Pension costs relating to defined contribution plans	14,488	(5,722)
Total pension costs	14,488	(10,352)
Calculated interest on obligation	(25,434)	(25,455)
Calculated interest on plan assets	17,680	17,439
Net interest on defined benefit plans	(7,754)	(8,016)
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	(47,208)	(22,080)
Gains/losses as a result of change in demographic assumptions	9,514	0
Return on plan assets over and above the calculated interest	25,166	7,405
Empirical changes	(1,721)	180
Total	(14,249)	(14,495)

The cost has been recognised in the income statement under staff costs; see note 4. Costs recognised under production costs amount to DKK 8,769 thousand (2011: DKK 6,851 thousand), and costs recognised under other external expenses amount to DKK 5,719 thousand (2011: DKK 4,568 thousand).

	Group	
	2012	2011
Plan assets can be broken down as follows:		
Shares	160,726	139,987
Bonds	239,276	207,013
Cash	2,820	2,094
Total	402,822	349,094
Return on plan assets:		
Actual return on plan assets	42,846	24,844
Calculated interest on plan assets	17,680	17,439
Actuarial gain (loss) on plan assets	25,166	7,405
The average assumptions for the actuarial calculations at the balance sheet date can be stated as follows:		
Discount rate (avg.)	4.50%	4.90%
Expected return on plan assets	2.70%	2.90%
Expected lifetime from retirement age (years)	21.60	21.44

18 Pension obligations – continued

Sensitivity analyses

The table below shows the sensitivity of the pension obligation to changes in the key assumptions for determination of the obligation on the balance sheet date. The H+H Group is also exposed to developments in the market value of the plan assets. The key actuarial assumptions in the determination of pension obligations relate to interest rate level, pay increases and mortality.

The analysis is based on the reasonably likely changes which can be expected on the balance sheet date, provided that the other parameters in the calculations are unchanged and not subject to consequential changes:

(DKK '000)	2012
Sensitivity relative to discount rate:	
If the discount falls by 0.1%, the pension obligation will increase by	9,607
Sensitivity relative to inflation:	
If the inflation rate increases by 0.1%, the pension obligation will increase by	4,119
Sensitivity relative to life expectancy from retirement age:	
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	14,008

The Group expects to pay DKK 21 million into the defined benefit pension plan in 2013.

The pension obligation is expected to fall due as follows:

(DKK '000)	2012
0-1 years	21,000
1-5 years	84,000
Over 5 years	455,000
Total	560,000

Notes

19 Provisions (DKK '000)	Group			
	2012	2011	2012	2011
	Non-current portion		Current portion	
Warranty obligations at 1 January	2,047	5,199	0	0
Foreign exchange adjustments	19	(54)	0	0
Transfers	0	0	0	0
Provisions for the year	0	50	0	0
Utilised during the year	1	0	0	0
Reversals during the year	(257)	(3,148)	0	0
Warranty obligations at 31 December	1,810	2,047	0	0
Other provisions at 1 January	1,121	1,836	0	0
Foreign exchange adjustments	68	(129)	0	0
Transfers	0	0	0	0
Provisions for the year	1,589	7,636	0	0
Utilised during the year	0	0	0	0
Reversals during the year	(1,750)	0	0	0
Transferred to liabilities relating to assets held for sale	(188)	(8,222)	0	0
Other provisions at 31 December	840	1,121	0	0
Obligation relating to restoration of sites at 1 January	4,557	13,102	0	0
Foreign exchange adjustments	142	40	0	0
Provisions for the year	0	78	0	0
Utilised during the year	0	0	0	0
Reversals during the year	(409)	(1,543)	0	0
Transferred to liabilities relating to assets held for sale	0	(7,120)	0	0
Obligation relating to restoration of sites at 31 December	4,290	4,557	0	0
Total other provisions	6,940	7,725	0	0

H+H's companies provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs. At 31 December 2012 warranty obligations relate predominantly to Germany.

Warranty obligations also include a bank guarantee pledged on behalf of a business partner.

The obligation in respect of restoration of sites relates to H+H's sites in Finland, Germany, Poland and the UK. The obligation has been calculated on the basis of external assessments of the restoration costs. Restoration is expected to take place after five years.

20 Credit institutions (DKK '000)	Group		Parent company	
	2012	2011	2012	2011
Bank loans	557,482	651,058	256,046	278,572
Lease commitments	0	678	0	9
Amortised borrowing costs	(2,079)	(3,041)	(2,079)	(3,041)
	555,403	648,695	253,967	275,540
Payables to credit institutions are recognised in the balance sheet as follows:				
Non-current	554,112	648,307	253,967	275,531
Current	0	88	0	9
Liabilities relating to assets held for sale	1,291	300	0	0
	555,403	648,695	253,967	275,540

H+H will be dependent on debt financing in the coming years, and maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 27.

Finance leases	2012			2011		
	Lease payments	Interest	Carrying amount	Lease payments	Interest	Carrying amount
0-1 year	-	-	-	196	54	142
1-5 years	-	-	-	588	52	536
	-	-	-	784	106	678

The H+H Group leases production equipment under finance leases. The lease term is typically between two and five years, with an option to purchase the asset in question at a favourable price on expiry of the lease term.

All leases follow a fixed repayment profile and none of the leases include provisions about conditional lease payments apart from provisions on indexation based on public indices. The leases are non-cancellable during the agreed lease term, but may be extended on renewed terms. The leases are normally based on a fixed interest rate.

Operating leases	2012	2011	2012	2011
	Lease payments	Lease payments	Lease payments	Lease payments
0-1 year	4,917	3,231	370	383
1-5 years	10,625	6,772	231	601
Over 5 years	728	532	0	0
Total minimum lease payments	16,270	10,535	601	984

The H+H Group leases property, production equipment and vehicles under operating leases in a few cases.

Rental obligations	2012	2011	2012	2011
	Rental payments	Rental payments	Rental payments	Rental payments
0-1 year	3,147	2,855	606	606
1-5 years	6,531	7,179	1,364	1,970
Over 5 years	59,337	57,516	0	0
	69,015	67,550	1,970	2,576

The H+H Group's key rental obligations consist of long-term land leases in Poland and the UK. An amount of DKK 6,086 thousand (2011: DKK 5,605 thousand) has been recognised in the consolidated income statement for 2012 in respect of operating leases and rental obligations.

Notes

21 Contingent liabilities	Group		Parent company	
	2012	2011	2012	2011
(DKK '000)				
Financial guarantee	0	0	294,356	372,486
	0	0	294,356	372,486

The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's credit facility.

The parent company H+H International A/S has issued letters of support to some of the subsidiaries. Management does not expect these to give rise to losses for the parent company.

The H+H Group is a party to a few pending legal proceedings. In management's opinion, the outcome of these proceedings will not have any impact on the Group's financial position apart from the receivables and payables recognised in the balance sheet.

Taxes and duties

The company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, with effect from 1 July 2012 the company is thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities.

The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

22 Auditors' remuneration	Group		Parent company	
	2012	2011	2012	2011
(DKK '000)				
Total fees for the parent company's auditors elected at the annual general meeting:				
Deloitte	2,224	0	435	0
KPMG	585	3,403	405	1,165
	2,809	3,403	840	1,165
The fee can be broken down as follows:				
Statutory audit	1,735	1,992	435	495
Other assurance engagements	0	28	0	0
Tax and VAT assistance	327	991	11	670
Other services	747	392	394	0
	2,809	3,403	840	1,165

23 Dividend

It is recommended to the annual general meeting that no dividend be paid for the financial year 2012.

24 Discontinued operations and assets held for sale

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the coming year.

Various plots of land in Poland, a sand pit in Germany, an office property in Denmark, a plot of land in the UK and unused production equipment were readied for sale during the second quarter of 2011 and classified as assets held for sale. If all the assets are sold at the expected value, the selling price for the assets will be DKK 80-90 million, and the sale is expected to result in an accounting gain before tax of DKK 25-35 million. The transactions are expected to be completed before the end of the first half of 2013 and are not included in the outlook for 2013.

A conditional purchase agreement for the office property in Denmark was signed in the third quarter of 2011. The proceeds from the sale are around DKK 7.5 million and were received from the buyer in the first quarter of 2012 in connection with the handover of the property. The property was sold for more than DKK 1.8 million more than its book value, of which DKK 0.5 million was taken to income in 2011.

As part of H+H's continued focus on core business, the Board of Directors decided in the third quarter of 2011 to divest the Finnish subsidiary Jämerä-kivitalot Oy, which designs and sells the construction of aircrete houses for private individuals. As the company has been loss-making for a number of years, the divestment will have a positive effect on H+H's future earnings. The company switched strategy in 2009 in favour of an increased focus on delivering turnkey solutions to customers, but this strategy has not proved sustainable, as the processes required to control the building phases were not fully implemented.

Disposal of the main part of the activities in Jämerä-kivitalot Oy took place in June 2012, leaving just a few projects in the company, now renamed Stone Kivitalot Oy. These are expected to be finished in the first half of 2013. Stone Kivitalot Oy is therefore classified as a discontinued operation.

Notes

24 Key figures for discontinued operations and assets held for sale

(DKK '000)	2012	2011
The discontinued operation has impacted the income statement as follows:		
Operating profit for the period until transfer of control	(29,055)	(42,580)
Tax on profit for the period	0	(6,057)
Write-down of non-current assets to fair value less expected selling costs	0	0
Gain on sale of non-current assets held for sale	6,344	0
Recirculation of accumulated currency translation adjustment relating to foreign entities	0	0
Tax on gain on sale	0	0
Impact on profit for the year, net	(22,711)	(48,637)
Operating profit for the period until transfer of control can be specified as follows:		
Revenue	103,584	129,043
Expenses	(132,639)	(171,623)
Profit for the year before tax	(29,055)	(42,580)
Tax on profit for the year	0	(6,057)
Profit for the year after tax	(29,055)	(48,637)
Profit for the year from discontinued operations	(29,055)	(48,637)
Earnings per share from discontinued operations (EPS)	(2.32)	(4.97)
Diluted earnings per share from discontinued operations (EPS-D)	(2.32)	(4.97)
Cash flow from operating activities	(30,280)	(10,335)
Cash flow from investing activities	1,214	(641)
Cash flow from financing activities	982	(6,428)
Total cash flow	(28,084)	(17,404)
The sale of the discontinued operation can be specified as follows:		
Carrying amount of net assets	1,116	
Goodwill attributed to the operation	0	
Gain on sale	6,344	
Selling price	7,460	
Assets for sale and liabilities relating to assets held for sale		
Intangible assets	15,215	16,385
Property, plant and equipment	46,416	41,798
Inventories	0	0
Receivables	26,036	30,815
Cash and cash equivalents	0	2,599
Assets held for sale, total	87,667	91,597
Credit institutions	1,291	330
Trade payables	3,193	8,594
Other payables	5,583	0
Other provisions	42,145	56,586
Liabilities relating to assets held for sale, total	52,212	65,510

25 Sale of entities

During the financial year H+H International A/S sold the subsidiary H+H Česká republika s.r.o. and the majority of the activities in Jämerä-kivitalot Oy. No entities were disposed of in 2011.

The sales can be specified as follows:

(DKK '000)	H+H Česká republika	Jämerä-kivitalot	Total
Non-current assets			
Intangible assets	631	713	1,344
Property, plant and equipment	86,648	427	87,075
Other non-current assets	0	0	0
Other current assets			
Inventories	12,096	0	12,096
Other current assets	5,286	0	5,286
Non-current liabilities	(109)	0	(109)
Current liabilities	(7,682)	(24)	(7,706)
Carrying amount of net assets disposed of	96,870	1,116	97,986
Gain on sale	5,733	6,344	12,077
Expenses in connection with disposal	10,660	0	10,660
Total consideration	113,263	7,460	112,723
Of which subsequent purchase price adjustment	421	0	421
Transferred interest-bearing debt	0	0	0
Transferred cash at bank and in hand	0	0	0
Cash selling price	113,684	7,460	121,144

26 Related parties

The Group's related parties are the Executive Board, the Board of Directors and senior executives in the H+H Group.

Apart from contracts of employment, no agreements or transactions have been entered into between the company and the Executive Board. Remuneration to the Board of Directors, the Executive Board and senior executives is disclosed in note 4.

A member of the Board of Directors – Henrik Lind – is a partner in the law firm Gorrissen Federspiel, which was paid fees totalling DKK 103 thousand in 2012 for legal assistance (2011: DKK 607 thousand).

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries, cf. note 14.

A management fee totalling DKK 17,000 thousand (2011: DKK 15,000 thousand) was received by the parent company from the remainder of the Group.

Transactions between the parent company and subsidiaries also include deposits, loans and interest; these are shown in the parent company balance sheet and notes 8 and 9.

Trading with related parties is at arm's length.

Notes

27 Financial instruments and financial risks

H+H's risk management policy

As a result of its operating, investing and financing activities, H+H is exposed to various financial risks, including market risks (currency, interest rate and commodity risks), credit risks and liquidity risks. It is H+H's policy not to speculate actively in financial risks.

H+H's financial risk management is thus aimed exclusively at managing the financial risks that are a direct consequence of H+H's operating, investing and financing activities. This note relates exclusively to financial risks directly associated with H+H's financial instruments. There have been no material changes in H+H's risk exposure or risk management compared with last year.

MARKET RISKS

Currency risks

H+H's companies are exposed to currency risks. Financial instruments are primarily entered into in the individual consolidated entities' functional currencies as a result of their purchase and sales transactions. However, H+H has a translation risk, and as a result of this H+H's profit/loss is exposed to fluctuations in the functional currencies.

H+H does not engage in currency speculation. The individual consolidated entities do not enter into financial instruments denominated in foreign currencies unless commercially warranted, and expected transactions and financial instruments in foreign currencies that exceed a limited level and time horizon require hedging. Derivatives and other financial instruments are used only to a limited extent to hedge currency risks. H+H did not use derivatives or other financial instruments to hedge currency risks in 2012, and in 2011 a minor position in EUR was hedged for SEK. This hedging took the form of a forward exchange transaction for purchase of EUR with payment in SEK. At 31 December 2011 the contract had a fair value of DKK (81) thousand, which has been recognised under financial expenses and other payables.

The individual subsidiaries do not have any material exposure to currencies other than the functional currency. The table on the following page shows the Group's monetary items by currency.

Capital management

H+H regularly evaluates the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

In 2011 H+H refinanced debt denominated in CZK and PLN in GBP to provide a more expedient currency exposure and interest savings.

H+H will continue to operate with significant loan financing. At year-end 2012 H+H had net interest-bearing debt of DKK 539 million, a decrease of DKK 90 million compared with year-end 2011.

The effective interest rate for H+H in 2012 was in the region of 4.9% (2011: 5.2%).

The effective interest rate for 2013 is expected to be in line with 2012.

At year-end 2012 H+H International A/S had a solvency ratio of 30.0%, compared with 29.8% at year-end 2011.

27 Financial instruments and financial risks – continued

Monetary items in foreign currency

(DKK '000)	2012						
	EUR	GBP	PLN	DKK	RUB	Others	Total
Trade receivables	4,370	0	2,317	6,844	2,872	6,292	22,695
Cash and cash equivalents	9,512	44	4,969	164	341	445	15,475
Trade payables	(31,821)	(42,108)	(20,671)	(6,016)	(1,951)	(4,530)	(107,097)
Credit institutions	0	(288,309)	0	(261,686)	0	(4,117)	(554,112)
Gross exposure	(17,939)	(330,373)	(13,385)	(260,694)	1,262	(1,910)	(623,039)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(17,939)	(330,373)	(13,385)	(260,694)	1,262	(1,910)	(623,039)

Monetary items in foreign currency

(DKK '000)	2011						
	EUR	GBP	PLN	DKK	RUB	Others	Total
Trade receivables	5,335	48,689	11,704	10,089	3,895	8,109	87,821
Cash and cash equivalents	5,098	100	12,580	166	297	1,614	19,855
Trade payables	(41,519)	(42,509)	(24,217)	(9,729)	(4,072)	(8,821)	(130,867)
Credit institutions	(21,918)	(279,139)	0	(290,165)	(19)	(57,154)	(648,395)
Gross exposure	(53,004)	(272,859)	67	(289,639)	101	(56,252)	(671,586)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(53,004)	(272,859)	67	(289,639)	101	(56,252)	(671,586)

Parent company's monetary items and sensitivity

(DKK '000)	2012				2011			
	Position		Sensitivity		Position		Sensitivity	
	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity
EUR/DKK	347,903	1%	3,479	2,609	322,166	1%	3,322	2,491
GBP/DKK	(60,446)	5%	(3,022)	(2,267)	(24,510)	5%	(1,226)	(919)
PLN/DKK	51,531	5%	2,577	1,932	41,630	5%	2,082	1,561
			3,033	2,274			4,178	3,133

* The hypothetical impact on profit/loss and equity is significant to the parent company's financial statements but not necessarily to the consolidated financial statements.

The parent company has significant monetary items in currencies other than the functional currency in the form of loans to subsidiaries. The table above shows the parent company's key monetary positions broken down by currency and derived sensitivity.

Notes

27 Financial instruments and financial risks – continued

Sensitivity of profit and equity to market fluctuations

(DKK '000)	2012		2011	
	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	216	4,918	768	15,352
5% increase in PLN/DKK	(3,200)	11,074	(2,092)	13,087
5% increase in RUB/DKK	3,843	1,191	(1,025)	(2,962)
	859	17,183	(2,349)	25,477

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A decline in the GBP/DKK, RUB/DKK and PLN/DKK exchange rates would result in a corresponding increase in profit/loss after tax and equity. The sensitivity analysis has been calculated at the balance sheet date on the basis of the exposure to the stated currencies at the balance sheet date. The calculations are based solely on the stated change in the exchange rate and do not take into account any knock-on effects on interest rates, other exchange rates etc.

Commodity price risks

The principal raw materials used in the production of air-crete are cement, lime, water and sand or pulverised fuel ash. Costs for cement account for roughly one-third of total raw materials consumed, excluding energy consumption. Energy costs also account for a substantial proportion of total variable costs. The pricing of most of the raw materials is hedged through standard fixed-price contracts with suppliers, typically with a term of less than one year, under which committed minimum quantities can be purchased at fixed prices.

Interest rate risks

As a result of its investing and financing activities, H+H is exposed to interest rate fluctuations both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR.

It is H+H's policy to hedge interest rate risks on H+H's loans if it is assessed that the interest payments can be hedged at a satisfactory level. Hedging is normally effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans.

The table below illustrates H+H's interest rate exposure on financial instruments at the balance sheet date.

At 31 December 2012 the Group is not involved in any interest rate swaps.

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level in relation to the average interest rate level in 2012 would reduce profit/loss before tax by DKK 5.4 million (2011: DKK 6.7 million).

27 Financial instruments and financial risks – continued

Interest rate exposure

(DKK '000)	2012				2011			
	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging
DKK	261,523	0	261,523	0	289,999	0	289,999	0
EUR	(9,512)	0	(9,512)	0	16,820	0	16,820	0
PLN	(4,969)	0	(4,969)	0	(12,580)	0	(12,580)	0
CZK	(126)	0	(126)	0	53,570	0	53,570	0
RUB	(341)	0	(341)	0	(278)	0	(278)	0
GBP	288,265	0	288,265	0	279,040	0	279,040	0
Others	3,797	0	3,797	0	1,969	0	1,969	0
Total	538,637	0	538,637	0	628,540	0	628,540	0

Liquidity risks

The H+H Group's liquidity risk is defined as the risk that the H+H Group will not, in a worst-case scenario, be able to meet its financial obligations due to insufficient liquidity. It is the H+H Group's policy for capital procurement and placing of surplus funds to be managed centrally by the parent company.

Loan agreements

As a result of H+H's reduced debt level, in November 2012 the company reduced the committed loan agreement with Danske Bank A/S by approx. DKK 100 million to approx. DKK 700 million in order to reduce its borrowing costs.

The loan agreement with Danske Bank A/S is a committed credit facility running until 15 February 2015. More favourable covenants were obtained in connection with reducing the committed credit facility. The loan agreement's covenants will be calculated quarterly until the agreements expire on 15 February 2015.

There is no obligation to make ordinary repayments prior to the expiry of the loan agreements on 15 February 2015. The company and those of its subsidiaries that are participating in the loan agreements, or that may be considered a material subsidiary, provide cross-guarantees for each other's obligations under the loan agreements.

The loan agreements may be cancelled without notice by the lender if the company's shares are delisted from NAS-

DAQ OMX Copenhagen. The loan agreements may also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors, 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.

The loan agreements prevent the Board of Directors, without the prior permission of the lender, from recommending annual dividend distributions to shareholders of an amount that exceeds 50% of the company's profit after tax in the preceding financial year. The company is also subject to restrictions on its right of disposal over its assets without the prior permission of the lender, including:

- The sale of key assets
- Delisting the shares from NASDAQ OMX Copenhagen
- Significant acquisitions, mergers, restructuring or similar transactions
- Entering into significant leases

Credit risks

H+H is exposed to credit risks in the course of its activities. These risks are primarily related to receivables in respect of sales of H+H's products. Other credit risks, which relate to

Notes

27 Financial instruments and financial risks – continued

H+H's financial liabilities fall due as follows

(DKK '000)		2012			
Non-derivative financial instruments	Carrying amount	0-1 year	1-5 years	Over 5 years	
Credit institutions and banks	554,112	0	554,112	0	
Finance lease commitments	0	0	0	0	
Trade payables	107,097	107,097	0	0	
	661,209	107,097	554,112	0	

		2011			
Non-derivative financial instruments	Carrying amount	0-1 year	1-5 years	Over 5 years	
Credit institutions and banks	648,018	0	648,018	0	
Finance lease commitments	678	142	536	0	
Trade payables	130,867	130,867	0	0	
	779,563	131,009	648,554	0	

bank deposits and counterparties under financial contracts, are considered to be insignificant.

The maximum credit risk related to financial assets corresponds to the carrying amounts recognised in the balance sheet. The H+H Group does not have any material risks relating to a single customer, business partner or country.

The H+H Group's customers are primarily large well-consolidated builders' merchants. The H+H Group has modest credit exposure to housebuilders and developers in a few markets. In keeping with the H+H Group's credit policy, all major customers are credit rated on a regular basis. Credit limits are determined on the basis of the individual customer's credit rating.

If the credit rating of a customer is considered not to be sufficient, the payment terms will be changed or security or credit insurance will be obtained. The H+H Group regularly monitors its credit exposure to customers as part of its risk management. The customer types in the individual segments are typically very similar, regardless of which segment they come from. The H+H Group has historically suffered relatively small losses as a result of non-payment on the part of customers. These losses have been evenly distributed among the H+H Group's geographical segments. The credit quality of receivables is consequently considered to be identical, regardless of which segment the receivables come from.

The H+H Group's maximum credit risk is equivalent to the carrying amount of the receivables and amounts to DKK 38,719 thousand (2011: DKK 99,505 thousand).

Hedge accounting

The H+H Group uses financial instruments, including derivatives, to only a very limited extent to hedge financial risks.

Hedging of expected future transactions (cash flow hedges)

The fair value of those financial instruments that qualify for designation as hedge accounting under IAS 39 is recognised directly in equity until the hedged items are recognised in the income statement. No such financial instruments were used in 2011 or 2012.

No long-term contracts fixing purchase prices for gas or supplies of other raw materials were entered into in 2011 and 2012.

Other derivatives

The fair value of those financial instruments that do not qualify for hedge accounting under IAS 39 is recognised directly in the income statement and disclosed in notes 8 and 9. A forward exchange contract for purchase of EUR in SEK was entered into in 2011. At 31 December 2011 the contract had a fair value of DKK (81) thousand, which has been recognised under financial expenses and other payables.

27 Financial instruments and financial risks – continued

Financial instruments that hedge expected transactions but do not qualify for hedge accounting under IAS 39

(DKK '000)	2012			2011		
	Gain/loss recognised in the income statement	Fair value at 31 December	Time to maturity	Gain/loss recognised in the income statement	Fair value at 31 December	Time to maturity
Forward exchange contract EUR/SEK EUR 650 thousand	(81)	0	-	(81)	(81)	0-1 year

Classification and fair value of financial instruments

The fair value of unlisted financial instruments is determined as the present value of expected future instalments and interest payments. The current market rate for instruments with similar maturities is used as the discount rate.

It is estimated that the fair value of financial instruments relating to the purchase and sale of products etc. with a short credit period matches the carrying amount. For a description of accounting policies and methods, including recognition criteria and basis of measurement, reference is made to the relevant sections of the accounting policies.

Categories of financial instruments

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	22,695	22,695	87,821	87,821
Other receivables	23,204	23,204	16,891	16,891
Cash and cash equivalents	15,474	15,474	19,855	19,855
Total receivables	61,373	61,373	124,567	124,567
Financial liabilities (derivatives) measured at fair value via the income statement	0	0	(81)	(81)
Financial liabilities (derivatives) used as hedging instruments	0	0	(81)	(81)
Finance lease liabilities	0	0	678	678
Loans	554,112	557,482	648,018	651,059
Trade payables and other payables	172,097	172,097	205,026	205,026
Total financial liabilities measured at amortised cost	726,209	727,089	853,722	856,763

Classification and assumptions for the calculation of fair value

Derivative financial instruments: Forward exchange contracts and interest rate swaps are valued using generally recognised valuation methods based on relevant observable swap rates and exchange rates.

Other financial instruments: Current bank loans at variable interest rates are valued at a rate of 100. The fair value of long-term loans and finance leases is calculated using models that discount all estimated and fixed cash flows to net present value. The expected cash flows for the individual loan or lease are based on contractual cash flows. Financial instruments relating to sale and purchase of goods etc. with a short credit period are considered to have a fair value equal to the carrying amount.

The methods are unchanged from 2011.

Notes

28 Management's holdings of shares in H+H International A/S

The internal rules for trading in H+H International A/S's shares by board members, executives and certain employees only permit trading in the 4-week period following each quarterly announcement.

Shares in H+H International A/S

(DKK '000)	1 January 2012	On entry/exit	Additions	Sold/settled during the year	31 December 2012	Market value*
Board of Directors:						
Anders C Karlsson	4,500	0	1,000	0	5,500	143
Asbjørn Berge	6,000	0	0	0	6,000	156
Stewart A Baseley	10,000	0	0	0	10,000	260
Pierre-Yves Jullien	0	0	0	0	0	0
Henrik Lind	0	0	0	0	0	0
Board of Directors, total	20,500	0	1,000	0	21,500	559
Executive Board:						
Michael Troensegaard Andersen	4,974	0	10,091	0	15,065	392
Niels Eldrup Meidahl	2,532	0	6,835	0	9,367	244
Executive Board, total	7,506	0	16,926	0	24,432	636
Total	30,738	0	17,026	0	45,932	1,195

* Calculation of the market value is based on the quoted share price of DKK 26 at the end of the year.

29 Major shareholders and shareholder groups

Parent company

(DKK '000)	Nominal value	% of total	Votes	% of total
Share capital at 1 January 2012:				
Shares of DKK 50	490,500	100.0	98,100	100.0
Total	490,500		98,100	

All shares carry the same rights. Each share carries 10 votes at general meetings.

Major shareholders

	Nominal value	% of total	Votes	% of total
The following shareholders hold more than 5% of the share capital or at least 5% of the voting rights in H+H International A/S at 1 January 2013:				
Danish Labour Market Supplementary Pension Fund (ATP), Hillerød	56,490	11.52	11,298	11.52
Laurids Jessen and Danebrog ApS (a company owned by Laurids Jessen), Skive	28,802	5.87	5,758	5.87
LD Equity 1 K/S, Copenhagen	28,624	5.84	5,724	5.84

Groups of shareholders at 1 January 2013

	Nominal value	% of total	Votes	% of total
Board of Directors and Executive Board	2,297	0.47	459	0.47
LD Equity 1 K/S, Laurids Jessen and Danebrog ApS, ATP	112,736	23.00	22,547	23.00
Foreign investors	45,187	9.20	9,037	9.20
H+H International A/S	1,024	0.21	205	0.21
Other registered shareholders	207,455	42.29	41,490	42.29
Unregistered shareholders	121,801	24.83	24,361	24.83
Total	490,500	100.00	98,100	100.00

30 Events after the balance sheet date

Events after the balance sheet date

There were very low levels of both commercial and residential construction in Finland in 2012, and sales to the domestic market are now too low to warrant retaining a factory there.

In January 2013 it was therefore decided to start talks with the unions concerning a possible closure of H+H's factory in Finland.

A sales agreement for unused production equipment in the UK was signed in the first quarter of 2013 at a price in the region of DKK 5 million. The sale will have a positive impact on earnings in the region of DKK 2 million.

No other significant events have occurred after the balance sheet date.



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