H+H International A/S
Interim financial report
Q1 2012

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

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

info@HplusH.com
www.HplusH.com

Company Announcement No. 264, 2012

Date:
24 May 2012

Key figures for the period 1 January to 31 March 2012

- First-quarter revenue was DKK 297 million (2011: DKK 277 million).
- First-quarter EBITDA was a negative DKK 2 million (2011: negative DKK 10 million).
- There was a loss before tax of DKK 36 million (2011: loss of DKK 46 million).
- Equity at 31 March 2012 was DKK 554 million.
- Net interest-bearing debt at 31 March 2012 was DKK 743 million, on the back of unusual high working capital end of March 2012.
- As part of its continued focus on core business, H+H has entered into a conditional agreement to sell the house-building activities of the Finnish subsidiary Jämerä-kivitalot Oy. These activities have not been reported as continuing operations since the decision to divest the business was taken in the third quarter of 2011, and so the sale has had no impact on the first-quarter results.
- H+H reiterates its outlook for EBITDA before special items for the 2012 financial year of around DKK 110-140 million for continuing operations.
- H+H also reiterates its outlook for free cash flow in 2012, which is expected to be positive in the region of DKK 0-20 million before disposals of assets.
- Total investments are expected to be in the region of DKK 50 million.

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

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

Key figures – H+H Group

Amounts in DKK million	Q1 2012	Q1 2011	Full-year 2011
Income statement			
Revenue	296.7	276.6	1,309.8
EBITDA	(1.5)	(9.5)	91.4
Operating profit (EBIT)	(26.3)	(35.2)	(10.5)
Profit before tax from continuing operations	(35.7)	(45.7)	(52.8)
Profit from continuing operations	(35.5)	(39.5)	(68.9)
Profit from discontinuing operations	(3.2)	(3.4)	(48.6)
Profit for the period	(38.7)	(42.9)	(117.5)
Balance sheet			
Non-current assets	1,193.1	1,344.0	1,173.2
Current assets	471.4	364.2	407.5
Total assets	1,664.5	1,708.2	1,580.7
Equity	553.5	687.0	553.5
Non-current liabilities	854.5	821.5	755.9
Current liabilities	256.5	199.7	271.3
Total equity and liabilities	1,664.5	1,708.2	1,580.7
Investments and debt			
Investments in non-current assets	8.6	8.2	36.9
Interest-bearing debt (net)	742.6	693.5	628.5
Cash flow			
Cash flow from operating activities	(97.4)	(57.5)	42.9
Cash flow from investing activities	(8.7)	(8.4)	(32.2)
Free cash flow	(106.1)	(65.9)	10.7
Cash flow from discontinuing operations	(16.8)	(3.1)	(17.4)
Financial ratios			
Gross margin	17.3%	16.1%	21.6%
Earnings per share (adjusted)	(4.0)	(4.4)	(12.0)
Diluted earnings per share (adjusted)	(4.0)	(4.4)	(12.0)
Return on equity	(7.0%)	(6.1%)	(18.4%)
Share price, end of period (DKK)	44.3	59.7	42.4
Book value per share, end of period (DKK)	56.4	70.0	56.4
Solvency ratio	33.3%	40.2%	35.0%

MANAGEMENT REPORT

The first quarter of 2012 brought a small decrease in sales volumes, rising prices and changes in the product mix, which together resulted in revenue growth of 7.3%.

Earnings were better than in the same period last year in the UK, Germany, the Czech Republic, Russia and Sweden, but were lower in Poland, Finland and Denmark.

The slight decrease in sales volumes in the first quarter was due to significantly lower sales in Poland following substantial stockbuilding by distributors in December 2011. Sales volumes in the first quarter of2012 were adversely impacted by low temperatures in February but partly offset by sales to Africa. Sales in Germany were slightly down on 2011, due primarily to high sales last year ahead of price increases announced for 1 April 2011, whereas the other markets matched or exceeded last year's sales volumes. Sales volumes in Russia in particular were well up on last year.

The first quarter saw sales of reinforced products to Africa. These are low-margin sales but help to improve capacity utilisation at factories producing reinforced products, which has been low in recent years.

Selling prices were generally higher than in the same period last year. There were substantial increases in Germany and Russia, and prices also rose in Poland, the UK and the Czech Republic.

H+H retained or increased its market share in all markets except Poland, where the focus is still more on raising prices than on maintaining volumes.

Price increases for raw materials, especially energy, and transport were as expected. The manufacturing excellence programme is running as expected.

Sales volumes in 2012 are expected to be on a par with 2011 except in Russia, where further strong growth is anticipated.

If the economic turmoil evolves into a full-blown credit crisis where mortgage availability for residential construction dries up as it did in 2008, this will have a major impact on H+H’s sales volumes, albeit not to anywhere near the same degree as in 2008 and 2009 because the markets have yet to recover from the previous economic downturn.

As part of its continued focus on core business, H+H has entered into a conditional agreement to sell the house-building activities of the Finnish subsidiary Jämerä-kivitalot Oy. These activities have not been reported as continuing operations since the decision to divest the business was taken in the third quarter of 2011, and so the sale has had no impact on the first-quarter results.

Revenue

First-quarter revenue was DKK 296.7 million for continuing operations, against DKK 276.6 million in 2011, an increase of DKK 20.1 million or 7.3%. Expressed in local currency, revenue was up 7.1% on the first quarter of 2011.

GBP and RUB exchange rates had a slight positive effect on revenue of DKK 2.8 million, while PLN and CZK exchange rates had a negative effect of DKK 2.4 million.

In the Western European segment, first-quarter revenue was higher than in 2011 in all countries except the Netherlands and Belgium, where there was a slight decrease. Revenue grew most in the UK, Finland and Germany. The increases in revenue in Finland and Germany were due to sales to Africa. Overall, revenue in Western Europe came to DKK 233.1 million, against DKK 204.9 million in 2011, an increase of DKK 29.2 million or 14.3%. Expressed in local currency, revenue was up 13.4% on the first quarter of 2011.

Revenue

	Q1	Q1
Amounts in DKK million	2012	2011
Western Europe	233.1	203.9
Eastern Europe	63.6	72.7
Total	296.7	276.6

In the Eastern European segment, first-quarter revenue was lower than in 2011. Revenue grew markedly in Russia and slightly in the Czech Republic, but fell in Poland due to stockbuilding by distributors in December 2011, which had a negative effect on sales in the first quarter of 2012. Overall, revenue in Eastern Europe came to DKK 63.6 million, against DKK 72.7 million in 2011, a decrease of DKK 9.1 million or 12.5%. Expressed in local currency, revenue was down 10.5% on the first quarter of 2011.

Gross profit

The overall gross margin in the first quarter was 17.3% in 2012, against 16.1% in 2011. Selling prices were higher in all countries except Sweden and Finland. It was primarily higher selling prices and good progress in the manufacturing excellence programme that pushed up the gross margin, as higher raw material prices had a negative impact on earnings.

Operating profit (EBIT)
H+H made a first-quarter operating loss of DKK 26.3 million in 2012, against DKK 35.2 million in 2011.

The 2012 figure includes net negative special items of DKK 3.4 million.

Profit before tax
H+H recorded a first-quarter loss before tax of DKK 35.7 million in 2012, against DKK 45.7 million in 2011, an improvement of DKK 10.0 million.

Profit before tax		
	Q1	Q1
Amounts in DKK million	2012	2011
Western Europe	(6.5)	(12.3)
Eastern Europe	(18.6)	(28.3)
Eliminations and unallocated items	(10.6)	(5.1)
Total	(35.7)	(45.7)

Special items
The first-quarter results for 2012 include net negative special items of DKK 3.4 million, mainly severance costs in connection with the implementation of the new strategy.

The figure for 2011 includes net negative special items of DKK 2.0 million, mainly legal fees for contacts with European competition authorities.

Investments
Investments of DKK 8.6 million were made during the first quarter of 2012, against DKK 8.2 million in 2011. Total investments for the year are still expected to be in the region of DKK 50 million.

Investments		
	Q1	Q1
Amounts in DKK million	2012	2011
Western Europe	5.2	3.6
Eastern Europe	3.4	3.8
Unallocated items	0.0	0.8
Total	8.6	8.2

Financing
Net interest-bearing debt totalled DKK 743 million on 31 March 2012, an increase of DKK 114 million since the beginning of the year. The expansion in Western Europe with long payment terms and downturn in Eastern Europe with short payment terms have together resulted in a higher level of working capital. Stockbuilding for shipments to Africa has also had a negative impact on working capital. In addition, sales were much higher than normal in March due to the hard winter weather in February, pushing trade receivables above normal levels. Working capital is expected to normalise by the end of the second quarter.

First-quarter financing costs totalled DKK 9.4 million in 2012, against DKK 10.5 million in 2011. Besides interest expenses and foreign exchange adjustments, the 2012 figure includes amortisation of borrowing costs and payment for undrawn committed credit facilities.

Taxation
The tax figure for the period is an income of DKK 0.2 million, against DKK 6.2 million for the first quarter of 2011.

Equity
H+H's equity was unchanged in the first quarter. The loss for the period reduced equity by DKK 38.7 million, while foreign exchange adjustments of investments in subsidiaries etc. increased equity by DKK 38.5 million.

Equity		
	Q1	Q1
Amounts in DKK million	2012	2011
1 January	553.5	725.6
Profit for the period	(38.7)	(42.9)
Foreign exchange adjustments	38.5	4.3
Other adjustments	0.2	0.0
31 March	553.5	687.0

SEGMENTS

Western Europe
First-quarter revenue in Western Europe was DKK 233.1 million, an increase of DKK 29.2 million or 14.3% on 2011. Expressed in local currency, revenue was up 13.4%.

Activity in the Western European markets was largely in line with expectations during the quarter. Sales volumes in the first quarter of 2012 were adversely impacted by low temperatures in February but partly offset by sales to Africa. Both prices and volumes increased in the UK market, and prices were higher in all markets except from Sweden and Finland than in the first quarter of 2011, boosting both revenue and earnings.

First-quarter EBITDA was DKK 12.1 million in 2012, against DKK 6.3 million in 2011. The improvement was due primarily to higher earnings in the UK and Germany, while there was a decrease in Finland.

There was a loss before tax of DKK 6.5 million in 2012, against DKK 12.3 million in 2011, an improvement of DKK 5.8 million. A number of loans were transferred from Poland and the Czech Republic to the UK in August 2011, resulting in an increase in interest expenses in Western Europe of DKK 3.1 million in the first quarter of 2012.

Eastern Europe
First-quarter revenue in Eastern Europe was DKK 63.6 million, a decrease of DKK 9.1 million or 12.5% on 2011. Expressed in local currency, revenue was down 10.5% on the first quarter of 2011.

Activity levels in Poland were lower than in 2011 due to stockbuilding by distributors in December 2011. The Czech Republic was on a par with last year. Sales in Russia were substantially higher than last year due to increases in both prices and volumes.

First-quarter EBITDA was a negative DKK 3.3 million in 2012, against a negative DKK 7.2 million in 2011. The improvement was due primarily to better earnings in Russia, and there was also progress in the Czech Republic. Poland, however, saw a slight deterioration.

There was a first-quarter loss before tax of DKK 13.4 million in 2012, against DKK 28.3 million in 2011. The improvement is due partly to a reduction in interest expenses of DKK 4.5 million following the transfer of loans in August 2011.

Eliminations and unallocated items
Unallocated net expenses amounted to DKK 10.6 million in the first quarter of 2012, up DKK 5.5 million on the same period in 2011.

Interest in taking over H+H International A/S
On its own initiative and without the involvement of H+H International A/S, Xella International Holdings S.à.r.l. (Xella) submitted a pre-notification of merger with H+H International A/S to the relevant competition authorities in the EU and Germany (due to the European Commission's referral of the German part of the matter to the German competition authority ("Bundeskartellamt")).

During the evaluation period an offer for commitments submitted by Xella to try counter the negative competitive consequences in relation to a merger was rejected by the Bundeskartellamt.

On 14 March 2012 the Bundeskartellamt issued a decision in relation to Xella's notification whereby the Bundeskartellamt prohibits a possible merger between Xella and H+H in the German market.

Xella has subsequently appealed the decision by the Bundeskartellamt by bringing the decision before the Düsseldorf Higher Regional Court ("Oberlandesgericht Düsseldorf").

As described in the annual report for 2011, regardless of Xella's appeal, H+H will continue to pursue its strategy on a stand-alone basis including to pursue any structural opportunity that might arise in the markets.

OUTLOOK FOR 2012

H+H reiterates its outlook for EBITDA before special items for the 2012 financial year of around DKK 110-140 million for continuing operations.

H+H also reiterates its outlook for free cash flow in 2012, which is expected to be positive in the region of DKK 0-20 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 2011 are based partly on the following specific assumptions:

- The increased financial turmoil does not result in falling sales relative to 2011, and average selling prices generally track or exceed inflation in all markets.

- Contracts are signed with new and existing customers to support revenue expectations, and no impairment losses or restructuring costs are incurred.

- Exchange rates hold around their mid-May 2012 levels, primarily for GBP, EUR, PLN, RUB and CZK.

- Energy and raw material prices rise only in line with inflation from their mid-May 2012 levels.

CONCERNING THE OUTLOOK FOR 2012

The expectations for H+H's financial performance are also 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.

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

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

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

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 31 March 2012 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2012.

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

Copenhagen, 24 May 2012

Executive Board

Michael T. Andersen CEO	Niels Eldrup Meidahl CFO

Board of Directors

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

Forward-looking statements

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

H+H International A/S is only obliged to update and adjust the expectations presented where so required by Danish legislation, including the Danish Securities Trading Act., or on the rules for issuers on NASDAQ OMX Copenhagen.

INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2012	2011	2011
Revenue	296.7	276.6	1,309.8
Production costs	(245.5)	(232.2)	(1,027.5)
Gross profit	**51.2**	**44.4**	**282.3**
Other external expenses	(50.9)	(53.9)	(195.0)
Other operating income and expenses	(1.8)	0.0	4.1
EBITDA	**(1.5)**	**(9.5)**	**91.4**
Depreciation	(24.8)	(25.7)	(101.9)
Impairment losses	0.0	0.0	0.0
EBIT	**(26.3)**	**(35.2)**	**(10.5)**
Net financing costs	(9.4)	(10.5)	(42.3)
Profit before tax from continuing operations	**(35.7)**	**(45.7)**	**(52.8)**
Tax on profit from continuing operations	0.2	6.2	(16.1)
Profit from continuing operations	**(35.5)**	**(39.5)**	**(68.9)**
Profit from discontinuing operations	(3.2)	(3.4)	(48.6)
Profit for the period	**(38.7)**	**(42.9)**	**(117.5)**
Earnings per share (EPS-Basic)	(4.0)	(4.4)	(12.0)
Diluted earnings per share (EPS-D)	(4.0)	(4.4)	(12.0)

STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2012	2011	2011
Profit for the period	(38.7)	(42.9)	(117.5)
Other comprehensive income			
Foreign exchange adjustments, foreign companies	38.5	4.3	(56.6)
Tax on other comprehensive income	0.0	0.0	1.2
Other comprehensive income after tax	**38.5**	**4.3**	**(55.4)**
Total comprehensive income	**(0.2)**	**(38.6)**	**(172.9)**

BALANCE SHEET

	Group			
Amounts in DKK million	31 March 2012	31 Dec. 2011	31 March 2011	31 Dec. 2010
ASSETS				
Non-current assets				
Intangible assets	98.9	95.1	117.3	116.6
Property, plant and equipment	1,058.7	1,037.7	1,176.4	1,187.4
Other non-current assets	35.5	40.4	50.3	55.2
Total non-current assets	**1,193.1**	**1,173.2**	**1,344.0**	**1,359.2**
Current assets				
Inventories	219.9	191.0	181.8	181.8
Receivables	165.9	105.1	175.2	100.0
Cash and cash equivalents	11.6	19.9	7.2	13.1
	397.4	**316.0**	**364.2**	**294.9**
Assets held for sale	74.0	91.5	0.0	0.0
Total current assets	**471.4**	**407.5**	**364.2**	**294.9**
TOTAL ASSETS	**1,664.5**	**1,580.7**	**1,708.2**	**1,654.1**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings	149.7	188.2	262.1	305.0
Other reserves	(86.7)	(125.2)	(65.6)	(69.9)
Total equity	**553.5**	**553.5**	**687.0**	**725.6**
Liabilities				
Total non-current liabilities	**854.5**	**755.9**	**821.5**	**759.0**
Current liabilities				
Trade payables	121.8	130.9	88.3	72.2
Other current liabilities	86.2	74.9	111.4	97.3
Liabilities relating to assets held for sale	48.5	65.5	0.0	0.0
Total current liabilities	**256.5**	**271.3**	**199.7**	**169.5**
Total liabilities	**1,111.0**	**1,027.2**	**1,021.2**	**928.5**
TOTAL EQUITY AND LIABILITIES	**1,664.5**	**1,580.7**	**1,708.2**	**1,654.1**
Net interest-bearing debt	742.6	628.5	693.5	613.6

CASH FLOW STATEMENT

Amounts in DKK million	Q1 2012	Q1 2011
Operating activities	(97.4)	(57.5)
Investing activities	(8.7)	(8.4)
Financing activities	110.4	63.1
Cash flow from discontinuing operations	(16.8)	(3.1)
Total cash flow	**(12.5)**	**(5.9)**
Cash and cash equivalents, opening	22.5	13.1
Foreign exchange adjustments of cash and cash equivalents	1.6	0.0
Cash and cash equivalents at 31 March	**11.6**	**7.2**

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2012	**490.5**	**(125.2)**	**0.0**	**188.2**	**0.0**	**553.5**
Total changes in equity in 2012						
Profit for the period	0.0	0.0	0.0	(38.7)	0.0	(38.7)
Other comprehensive income	0.0	38.5	0.0	0.0	0.0	38.5
Total comprehensive income	**0.0**	**38.5**	**0.0**	**(38.7)**	**0.0**	**(0.2)**
Share-based payment	0.0	0.0	0.0	0.2	0.0	0.2
Total changes in equity in 2012	**0.0**	**38.5**	**0.0**	**(38.5)**	**0.0**	**0.0**
Equity at 31 March 2012	**490.5**	**(86.7)**	**0.0**	**149.7**	**0.0**	**553.5**
Equity at 1 January 2011	**490.5**	**(69.9)**	**0.0**	**305.0**	**0.0**	**725.6**
Total changes in equity 2011						
Profit for the period	0.0	0.0	0.0	(42.9)	0.0	(42.9)
Other comprehensive income	0.0	4.3	0.0	0.0	0.0	4.3
Total comprehensive income	**0.0**	**4.3**	**0.0**	**(42.9)**	**0.0**	**(38.6)**
Share-based payment	0.0	0.0	0.0	0.0	0.0	0.0
Total changes in equity in 2011	**0.0**	**4.3**	**0.0**	**(42.9)**	**0.0**	**(38.6)**
Equity at 31 March 2011	**490.5**	**(65.6)**	**0.0**	**262.1**	**0.0**	**687.0**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2012 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, and that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. This interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2011 annual report. The 2011 annual report includes a full description of the accounting policies applied.

2. Segment information

Amounts in DKK million	Q1 2012						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments total
Revenue, external	183.3	49.8	233.1	62.8	0.8	63.6	296.7
Revenue, internal	24.7	0.0	24.7	1.4	0.0	1.4	26.1
EBITDA	11.0	1.1	12.1	(3.1)	(0.2)	(3.3)	8.8
Depreciation	(14.0)	(0.3)	(14.3)	(10.1)	0.0	(10.1)	(24.4)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	(3.0)	0.8	(2.2)	(13.2)	(0.2)	(13.4)	(15.6)
Net financing costs	(3.8)	(0.5)	(4.3)	(4.9)	(0.3)	(5.2)	(9.5)
Profit before tax	(6.8)	0.3	(6.5)	(18.1)	(0.5)	(18.6)	(25.1)
Non-current assets	532.5	2.2	534.7	658.3	1.1	659.4	1,194.1
Investments in non-current assets	5.2	0.0	5.2	3.4	0.0	3.4	8.6
Assets	806.7	50.3	857.0	757.8	1.5	759.3	1,616.3
Equity	192.1	9.1	201.2	315.2	(34.3)	280.9	482.1
Liabilities	614.6	41.2	655.8	442.6	35.8	478.4	1,134.2

Amounts in DKK million	Q1 2011						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments total
Revenue, external	154.1	49.8	203.9	71.6	1.1	72.7	276.6
Revenue, internal	25.6	0.0	25.6	0.9	0.0	0.9	26.5
EBITDA	5.3	1.0	6.3	(7.0)	(0.2)	(7.2)	(0.9)
Depreciation	(14.7)	(0.4)	(15.1)	(10.6)	0.0	(10.6)	(25.7)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	(9.4)	0.6	(8.8)	(17.6)	(0.2)	(17.8)	(26.6)
Net financing costs	(3.1)	(0.4)	(3.5)	(10.2)	(0.3)	(10.5)	(14.0)
Profit before tax	(12.5)	0.2	(12.3)	(27.8)	(0.5)	(28.3)	(40.6)
Non-current assets	560.0	11.3	571.3	709.0	1.1	710.1	1,281.4
Investments in non-current assets	3.5	0.1	3.6	3.8	0.0	3.8	7.4
Assets	790.4	71.2	861.6	795.1	1.4	796.5	1,658.1
Equity	269.3	10.0	279.3	75.6	(32.7)	42.9	322.2
Liabilities	521.1	61.2	582.3	719.5	34.1	753.6	1,335.9

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q1 2012	Q1 2011
Segment profit before tax for reportable segments	(25.1)	(40.6)
Unallocated group costs, corporate functions	(10.6)	(5.1)
Impairment losses, non-reportable segment	0.0	0.0
Total	(35.7)	(45.7)

3. Significant accounting estimates and judgements

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

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

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

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2011 annual report.

4. Seasonal and cyclical fluctuations

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

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

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

5. Pension obligations

H+H has defined benefit pension plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded. H+H's pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation as at 31 December 2011 shows a shortfall of DKK 113 million net (the present value of the obligations exceeds the fair value of the plan assets).

As a result of H+H's application of the corridor approach, DKK 98 million of this shortfall was not recognised in the balance sheet and equity at 31 March 2012. New actuarial calculations are carried out only once a year in connection with the preparation of the annual consolidated financial statements.

6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 743 million on 31 March 2012, an increase of DKK 114 million since the beginning of the year. The increase reflects the financial results for the quarter and seasonal variations in working capital.

H+H has a committed loan agreement with Danske Bank A/S corresponding to around DKK 800 million, which is committed until 15 February 2015, and in addition a short-term DKK 50 million uncommitted credit line.

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

7. Discontinuing 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 by the end of 2012. 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 therefore readied for sale during the second quarter of 2011 and classified as assets held for sale. If all of these assets are sold at their expected value, the sale proceeds will be around DKK 80-90 million and result in an expected accounting gain before tax of around DKK 25-35 million. The transactions are expected to be completed by the end of the second quarter of 2012 and are not included in the expectations for 2012.

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. In 2009 the company changed its strategy to concentrate more on supplying turnkey solutions to customers. This strategy has proved unviable, as the processes for managing the construction phases were not fully implemented. The divestment is under way and is expected to be completed by the end of the third quarter of 2012. Jämerä-kivitalot Oy has therefore been reclassified as a discontinuing operation. As stated in Company Announcement No. 263 of 22 May 2012, H+H has entered into a conditional agreement to sell the house-building activities of Jämerä-kivitalot Oy. The transaction will be recognised in the second quarter of 2012.

The sale of the office property in Denmark was finalised in the first quarter of 2012, generating proceeds of around DKK 7.5 million, which is more than DKK 1.8 million more than its book value. DKK 0.5 million of this gain was recognised in 2011.

Key figures for discontinuing operations	Q1	Q1
Amounts in DKK million	2012	2011
Revenue	33.8	10.8
Expenses	(36.9)	(15.4)
Profit before tax	**(3.1)**	**(4.6)**
Income tax expense	0.0	1.2
Profit for the period	**(3.1)**	**(3.4)**
Profit from discontinuing operations	**(3.1)**	**(3.4)**
Cash flow from operating activities	(16.8)	(3.3)
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	0.0	0.0
Total cash flow	**(16.8)**	**(3.3)**
Intangible assets	16.2	
Property, plant and equipment	36.3	
Deferred tax	0.0	
Inventories	6.3	
Receivables	15.2	
Assets held for sale, total	**74.0**	
Credit institutions	0.4	
Trade payables	12.5	
Other liabilities	35.6	
Liabilities relating to assets held for sale	**48.5**	

8. Share-based payment

The H+H Group introduced a share option plan for the Executive Board and other senior executives in 2007. A matching share programme for the Executive Board and other key employees was also launched in 2011. These schemes are presented in the consolidated financial statements and the annual report for 2011. An amount of DKK 0.2 million was recognised under staff costs in the first quarter of 2012 in respect of the two schemes.

9. Events after the balance sheet date

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