H+H International A/S
Interim financial report
H1 2013

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Key figures for the period 1 January to 30 June 2013

- Second-quarter revenue was DKK 369 million (2012: DKK 339 million). First-half revenue was DKK 602 million (2012: DKK 612 million).

- Second-quarter EBITDA was DKK 38 million (2012: DKK 38 million). First-half EBITDA was DKK 32 million (2012: DKK 42 million).

- H+H made a profit before tax from continuing operations of DKK 6 million for the second quarter (2012: DKK 4 million) and a loss before tax from continuing operations of DKK 30 million in the first half (2012: DKK 28 million).

- Equity at 30 June 2013 was DKK 320 million.

- Net interest-bearing debt at 30 June 2013 was DKK 570 million.

- In July 2013 H+H entered into an agreement with CEMEX Kies & Splitt GmbH under which the latter will take over the extraction of raw materials from H+H's sand pit in northern Germany. The agreement means that H+H will be paid a total of DKK 40 million over the next 12 years for the extraction of materials from the pit.

- H+H reiterates its outlook for continuing operations for the 2013 financial year:

    - EBITDA of around DKK 90 million before special items.

    - Free cash flow in the region of DKK 0-15 million before disposals of assets.

    - Investments in the region of DKK 50 million.

For further information please contact:
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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	Q2 2013	Q2 2012	H1 2013	H1 2012	Full-year 2012
Income statement					
Revenue	369.1	338.6	601.7	611.9	1,223.7
EBITDA	37.7	37.6	32.0	41.5	103.4
Operating profit (EBIT)	17.0	13.4	(9.6)	(6.9)	35.6
Profit before tax from continuing operations	6.0	3.7	(30.4)	(27.5)	(7.3)
Profit from continuing operations	3.7	0.6	(33.7)	(30.2)	(36.9)
Profit from discontinued operations	(5.5)	(13.0)	(45.2)	(21.7)	(45.5)
Profit for the period	(1.8)	(12.4)	(78.9)	(51.9)	(82.4)
Balance sheet					
Non-current assets	977.6	1,157.8	977.6	1,157.8	1,049.0
Current assets	371.9	424.6	371.9	424.6	343.8
Total assets	1,349.5	1,582.4	1,349.5	1,582.4	1,392.8
Equity	319.9	438.3	319.9	438.3	417.9
Non-current liabilities	781.7	861.2	781.7	861.2	749.9
Current liabilities	247.9	282.9	247.9	282.9	225.0
Total equity and liabilities	1,349.5	1,582.4	1,349.5	1,582.4	1,392.8
Investments and debt					
Investments in non-current assets	3.9	7.2	10.0	15.8	27.0
Interest-bearing debt (net)	570.1	660.3	570.1	660.3	538.6
Cash flow					
Cash flow from operating activities	42.3	102.0	(11.1)	10.3	44.4
Cash flow from investing activities	(0.9)	(0.9)	(7.0)	(8.9)	104.1
Free cash flow	41.4	101.1	(18.1)	1.4	148.5
Cash flow from discontinued operations	(9.8)	(8.8)	(31.1)	(32.0)	(55.6)
Financial ratios					
Gross margin	21.4%	24.2%	19.6%	22.0%	22.3%
EBITDA margin	10.2%	11.1%	5.3%	6.8%	8.4%
Return on invested capital (ROIC)	2.8%	(2.2%)	2.8%	(2.2%)	3.0%
Net interest-bearing debt/EBITDA	5.9	6.5	5.9	6.5	5.2
Earnings per share (adjusted)	(0.2)	(1.2)	(8.0)	(5.3)	(8.4)
Diluted earnings per share (adjusted)	(0.2)	(1.2)	(8.0)	(5.3)	(8.4)
Return on equity	(28.8%)	(28.6%)	(28.8%)	(28.6%)	(17.0%)
Share price, end of period (DKK)	30.0	39.0	30.0	39.0	26.0
Book value per share, end of period (DKK)	32.7	52.9	32.7	52.9	42.6
Solvency ratio	23.7%	27.7%	23.7%	27.7%	30.0%

MANAGEMENT'S REVIEW

Second-quarter revenue was up 9.0% on 2012, due partly to sales being postponed from the first quarter, when the weather had a substantial negative effect on volumes, and partly to strong sales growth in the UK.

Second-quarter earnings were on a par with last year. The increase in sales had a positive effect on earnings, but production was markedly lower than in the same period last year, which pulled down earnings. However, the decrease in production was solely a matter of phasing. Average selling prices were on a par with last year. There was a particular increase in Russia, while prices came under pressure in Poland, Sweden and Denmark.

H+H believes that it has maintained or increased its market share in all markets other than Sweden and Denmark, where competition remains fierce. There were particular gains in the UK.

Price levels for raw materials, especially energy, and transport were as expected. The Excellence programme is running according to schedule.

H+H sells extraction rights for sand pit in Germany

H+H entered into an agreement with CEMEX Kies & Splitt GmbH in July 2013 under which the latter will take over the extraction of raw materials from H+H's sand pit in northern Germany. CEMEX is one of the world's largest cement producers but also has extensive raw material extraction operations.

The risk associated with the operation of the pit has been transferred to CEMEX, while H+H will continue to own the land.

The agreement means that H+H will be paid a total of DKK 40 million over the next 12 years for the extraction of materials from the pit. The agreement will have a positive impact on EBITDA in 2013 of DKK 3.5 million.

The parties have also entered into a supply contract under which H+H will continue to be supplied with sand from the pit.

Revenue

Second-quarter revenue was DKK 369.1 million, against DKK 338.6 million in 2012, an increase of DKK 30.5 million or 9.0%. Expressed in local currency, revenue was up 10.5% on last year.

GBP and RUB exchange rates had a negative effect on revenue of DKK 6.0 million, while EUR and PLN exchange rates had a positive effect of DKK 1.0 million.

In the Western European segment, second-quarter revenue was markedly higher in the UK and was also up in Germany and the Benelux countries, but lower in Denmark and Sweden. The increase was due partly to sales being postponed from the first to the second quarter as a result of the cold winter, and partly to construction activity starting to pick up in the UK.

Overall, second-quarter revenue in Western Europe came to DKK 275.8 million, against DKK 227.4 million in 2012, an increase of DKK 48.4 million or 21.3%. Expressed in local currency, revenue was up 23.2% on last year.

Revenue

	Q2		H1	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	275.8	227.4	447.7	437.1
Eastern Europe	93.3	111.2	154.0	174.8
Total	369.1	338.6	601.7	611.9

In the Eastern European segment, second-quarter revenue was down on last year, due mainly to the sale of H+H Česká, which reduced revenue by DKK 16.4 million relative to the second quarter of 2012.

Activity levels in Russia have been positive over the past year, allowing significant price increases. However, there was a slight slowdown in construction activity in the second quarter which led to flat sales compared with the same period last year.

Second-quarter revenue in Poland was almost on a par with last year. Sales volumes were higher, but lower prices led to a slight fall in revenue.

Overall, second-quarter revenue in Eastern Europe came to DKK 93.3 million, against DKK 111.2 million in 2012, a decrease of DKK 17.9 million or 16%. Expressed in local currency and excluding the sale of H+H Česká, revenue was on a par with the second quarter of 2012.

Gross profit

The overall gross margin in the second quarter was 21.4% in 2013, against 24.2% in 2012. Average selling prices were on a par with last year. It was primarily the very low production volumes in the quarter that pulled down the gross margin. Inventories were reduced by DKK 32 million in the second quarter to a level DKK 65 million below that at the end of June 2012. Higher raw material prices impacted negatively on earnings.

Operating profit (EBIT)
H+H made a second-quarter operating profit of DKK 17.0 million in 2013, against DKK 13.4 million in 2012.

The 2013 figure includes net negative special items of DKK 0.2 million.

Profit before tax
H+H recorded a second-quarter profit before tax of DKK 6.0 million, against DKK 3.7 million in 2012, an increase of DKK 2.3 million.

Profit before tax from continuing operations				
	Q2		H1	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	12.7	10.1	(4.6)	10.0
Eastern Europe	2.9	(3.3)	(8.9)	(21.9)
Eliminations and unallocated items	(9.6)	(3.1)	(16.9)	(15.6)
Total	6.0	3.7	(30.4)	(27.5)

Special items
The second-quarter results for 2013 include net negative special items of DKK 0.2 million in the form of legal fees and cost fees, finalising the implementation of the new strategy, almost fully offset from sales of unused production equipment.

The second-quarter results for 2012 included net negative special items of DKK 4.6 million relating to the implementation of the new strategy.

Discontinued operations
As announced in the interim report for the first quarter of 2013, it was decided to close H+H Finland Oy's factory in Ikaalinen, and production ceased in April.

The Finnish operation has therefore been reclassified as discontinued in H+H International A/S's financial reporting.

Discontinued operations generated a loss before tax of DKK 5.5 million in the second quarter of 2013, against DKK 13.0 million in the same period last year.

Investments
Investments of DKK 3.9 million were made during the second quarter, against DKK 7.2 million in 2012. Total investments for the year are still expected to be in the region of DKK 50 million.

Investments				
	Q2		H1	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	3.2	5.9	7.6	11.1
Eastern Europe	0.7	1.3	2.3	4.7
Unallocated items	0.0	0.0	0.1	0.0
Total	3.9	7.2	10.0	15.8

Financing
Net interest-bearing debt totalled DKK 570 million on 30 June 2013, an increase of DKK 31 million from the beginning of the year but a decrease of DKK 90 million since 30 June 2012. Debt tends to increase during the course of the year, but the increase since the beginning of this year has been less than previously due to the sale of H+H Česká for DKK 112 million and improvements in working capital.

Second-quarter financing costs totalled DKK 11.0 million in 2013, against DKK 9.7 million in 2012. Besides interest expenses and foreign exchange adjustments, the 2013 figure includes amortisation of borrowing costs, payments for an unused committed credit facility and expenses for the pension scheme in the UK.

Taxation
The tax figure for the second quarter of 2013 is a negative DKK 2.3 million, against a negative DKK 3.1 million in 2012.

Equity
H+H’s equity fell by DKK 26 million in the second quarter of 2013. The loss for the period reduced equity by DKK 2 million, and foreign exchange adjustments of investments in subsidiaries decreased equity by DKK 24 million.

Equity		
	H1	H1
Amounts in DKK million	2013	2012
1 January	417.9	472.7
Profit for the period	(78.9)	(51.9)
Foreign exchange adjustments	(19.3)	16.6
Other adjustments	0.2	0.9
30 June	319.9	438.3

SEGMENTS

Western Europe

Second-quarter revenue in Western Europe was DKK 275.9 million, an increase of DKK 48.5 million or 21% on 2012. Expressed in local currency, revenue was up 23.2% on last year.

Revenue was markedly higher in the UK and was also up in Germany and the Benelux countries, but lower in Denmark and Sweden. The increase was due partly to sales being postponed from the first to the second quarter as a result of the cold winter, and partly to construction activity starting to pick up in the UK.

It was mainly government initiatives that stimulated the UK market, leading to a general improvement. H+H’s market share in the UK increased, due primarily to consolidation in the homebuilder market, where H+H's customers improved their market share.

Construction activity in the other Western European markets remains low relative to previous years, and market conditions are not expected to change in 2013. There has been a sharp fall in the construction activity in Sweden compared with last year.

However, visibility in the various markets remains very poor.

Second-quarter EBITDA was DKK 31.0 million, against DKK 32.1 million in 2012. The decrease was due to lower production and pressure on prices in Denmark and Sweden.

Second-quarter profit before tax was DKK 12.7 million, against DKK 10.1 million in 2012, an increase of DKK 2.6 million.

Eastern Europe

Second-quarter revenue in Eastern Europe was DKK 93.3 million, a decrease of DKK 17.9 million or 16% on 2012. Expressed in local currency and excluding the sale of H+H Česká, revenue was on a par with the second quarter of 2012.

Second-quarter revenue in Russia was slightly down on last year, partly because many projects were postponed due to the cold winter, and partly because the economy has slowed in the wake of falling oil prices and larger public deficits.

Second-quarter revenue in Poland was almost on a par with last year. Sales volumes were higher, but prices were lower, leading to a slight decrease in revenue.

Second-quarter EBITDA was DKK 15.7 million, against DKK 12.3 million in 2012. The increase was due entirely to earnings growth in Russia, as earnings in Poland deteriorated slightly.

The second quarter brought profit before tax of DKK 2.9 million, against a loss of DKK 3.3 million in 2012, an improvement of DKK 6.2 million.

Eliminations and unallocated items

Unallocated net expenses amounted to DKK 9.6 million in the second quarter of 2013, up DKK 6.5 million on the same period in 2012.

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). The appeal case is still being prepared, and the first oral hearing has been postponed several times and is currently due to be held on 28 August 2013. It is difficult to predict whether the court will want to investigate certain topics further before reaching a decision, but it is possible that a decision could be rendered before the end of 2013.

The decision by the court can be appealed if a right to appeal to the Bundesgerichtshof (Federal Supreme Court) is granted. Such an appeal could take at least another one to two years.

Regardless of the pending court 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.

OUTLOOK FOR 2013

H+H reiterates its outlook for EBITDA before special items for the 2013 financial year of around DKK 90 million for continuing operations.

The RUB and GBP have fallen 8% and 3% respectively against the DKK since the publication of H+H’s interim financial report for the first quarter. The updated mid-August 2013 exchange rate levels will reduce EBITDA by DKK 4-5 million from mid May.

The negative effects from falling exchange rates are largely offset by the positive effect on EBITDA of DKK 3.5 million from the agreement with CEMEX.

H+H also reiterates its outlook for free cash flow in 2013, which is expected to be positive in the region of DKK 0-15 million before disposals of assets.

Total investments are still 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 deterioration in the Russian market does not result in a substantial drop in volumes in the second half relative to last year, or to falling prices relative to mid-August 2013 levels. Other markets hold at their current levels. Sales to Africa continue in 2013 but at lower levels.

- The Excellence programme continues and reduces production costs further.

- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold around their mid-August 2013 levels, which in the case of GBP and RUB are lower than in 2012.

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

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 half of 2013.

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 30 June 2013 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2013.

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, 22 August 2013

Executive Board

Michael T Andersen CEO	Niels Eldrup Meidahl CFO

Board of Directors

Kent Arentoft Chairman	Stewart A Baseley	Asbjørn Berge
Pierre-Yves Jullien	Henriette Schütze	

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 the rules for issuers on NASDAQ OMX Copenhagen.

INCOME STATEMENT

	Group				
	Q2	Q2	H1	H1	Full-year
Amounts in DKK million	2013	2012	2013	2012	2012
Revenue	369.1	338.6	601.7	611.9	1,223.7
Production costs	(290.1)	(256.6)	(483.6)	(477.5)	(951.4)
Gross profit	**79.0**	**82.0**	**118.1**	**134.4**	**272.3**
Other external expenses	(44.1)	(44.3)	(88.4)	(91.0)	(182.2)
Other operating income and expenses	2.8	(0.1)	2.3	(1.9)	13.3
EBITDA	**37.7**	**37.6**	**32.0**	**41.5**	**103.4**
Depreciation	(20.7)	(24.2)	(41.6)	(48.4)	(100.1)
Impairment losses	0.0	0.0	0.0	0.0	32.3
EBIT	**17.0**	**13.4**	**(9.6)**	**(6.9)**	**35.6**
Net financing costs	(11.0)	(9.7)	(20.8)	(20.6)	(42.9)
Profit before tax from continuing operations	**6.0**	**3.7**	**(30.4)**	**(27.5)**	**(7.3)**
Tax on profit from continuing operations	(2.3)	(3.1)	(3.3)	(2.7)	(29.6)
Profit from continuing operations	**3.7**	**0.6**	**(33.7)**	**(30.2)**	**(36.9)**
Profit from discontinued operations	(5.5)	(13.0)	(45.2)	(21.7)	(45.5)
Profit for the period	**(1.8)**	**(12.4)**	**(78.9)**	**(51.9)**	**(82.4)**
Earnings per share (EPS-Basic)	(0.2)	(1.2)	(8.0)	(5.3)	(8.4)
Diluted earnings per share (EPS-D)	(0.2)	(1.2)	(8.0)	(5.3)	(8.4)

STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q2	Q2	H1	H1	Full-year
Amounts in DKK million	2013	2012	2013	2012	2012
Profit for the period	(1.8)	(12.4)	(78.9)	(51.9)	(82.4)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign companies	(24.9)	(21.9)	(19.3)	16.6	39.2
Tax on the above	0.0	0.0	0.0	0.0	0.0
	(24.9)	**(21.9)**	**(19.3)**	**16.6**	**39.2**
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains/losses on pension plans	0.0	0.9	0.0	1.8	(14.2)
Tax on the above	0.0	(0.2)	0.0	(0.4)	2.4
	0.0	**0.7**	**0.0**	**1.4**	**(11.8)**
Other comprehensive income	**(24.9)**	**(21.2)**	**(19.3)**	**18.0**	**27.4**
Total comprehensive income	**(26.7)**	**(33.6)**	**(98.2)**	**(33.9)**	**(55.0)**

BALANCE SHEET

	Group			
Amounts in DKK million	30 June 2013	31 Dec. 2012	30 June 2012	31 Dec. 2011
ASSETS				
Non-current assets				
Intangible assets	67.0	70.9	96.2	95.1
Property, plant and equipment	875.1	961.0	1,026.1	1,037.7
Other non-current assets	35.5	17.1	35.5	43.6
Total non-current assets	**977.6**	**1,049.0**	**1,157.8**	**1,176.4**
Current assets				
Inventories	157.7	194.2	222.5	191.0
Receivables	105.1	46.4	98.7	105.1
Cash and cash equivalents	9.8	15.5	9.5	19.9
	272.6	**256.1**	**330.7**	**316.0**
Assets held for sale	99.3	87.7	93.9	91.5
Total current assets	**371.9**	**343.8**	**424.6**	**407.5**
TOTAL ASSETS	**1,349.5**	**1,392.8**	**1,582.4**	**1,583.9**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings	(63.6)	15.1	57.2	107.4
Other reserves	(107.0)	(87.7)	(109.4)	(125.2)
Total equity	**319.9**	**417.9**	**438.3**	**472.7**
Liabilities				
Total non-current liabilities	**781.7**	**749.9**	**861.2**	**839.9**
Current liabilities				
Trade payables	122.5	107.1	119.5	130.9
Other current liabilities	83.3	65.7	101.6	74.9
Liabilities relating to assets held for sale	42.2	52.2	61.8	65.5
Total current liabilities	**247.9**	**225.0**	**282.9**	**271.3**
Total liabilities	**1,029.6**	**974.9**	**1,144.1**	**1,111.2**
TOTAL EQUITY AND LIABILITIES	**1,349.5**	**1,392.8**	**1,582.4**	**1,583.9**
Net interest-bearing debt	570.1	538.6	660.3	628.5

CASH FLOW STATEMENT

Amounts in DKK million	Q2 2013	Q2 2012	H1 2013	H1 2012
Operating activities	42.3	102.0	(11.1)	10.3
Investing activities	(0.9)	(0.9)	(7.0)	(8.9)
Financing activities	(28.0)	(87.0)	43.6	23.4
Cash flow from discontinued operations	(9.8)	(8.8)	(31.1)	(32.0)
Total cash flow	**3.6**	**5.3**	(5.6)	(7.2)
Cash and cash equivalents, opening	6.3	11.6	15.5	22.5
Foreign exchange adjustments of cash and cash equivalents	0.0	(0.9)	0.0	0.7
Cash and cash equivalents at 30 June	**9.9**	**16.0**	9.9	16.0

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2013	**490.5**	**(87.7)**	**0.0**	**15.1**	**0.0**	**417.9**
Total changes in equity in 2013						
Profit for the period	0.0	0.0	0.0	(78.9)	0.0	(78.9)
Other comprehensive income	0.0	(19.3)	0.0	0.0	0.0	(19.3)
Total comprehensive income	**0.0**	**(19.3)**	**0.0**	**(78.9)**	**0.0**	**(98.2)**
Share-based payment	0.0	0.0	0.0	0.2	0.0	0.2
Total changes in equity in 2013	**0.0**	**(19.3)**	**0.0**	**(78.7)**	**0.0**	**(98.0)**
Equity at 30 June 2013	**490.5**	**(107.0)**	**0.0**	**(63.6)**	**0.0**	**319.9**
Equity at 1 January 2012	**490.5**	**(125.2)**	**0.0**	**107.4**	**0.0**	**472.7**
Total changes in equity 2012						
Profit for the period	0.0	0.0	0.0	(51.9)	0.0	(51.9)
Other comprehensive income	0.0	15.8	0.0	1.4	0.0	17.2
Total comprehensive income	**0.0**	**15.8**	**0.0**	**(50.5)**	**0.0**	**(34.7)**
Share-based payment	0.0	0.0	0.0	0.3	0.0	0.3
Total changes in equity in 2012	**0.0**	**15.8**	**0.0**	**(50.2)**	**0.0**	**(34.4)**
Equity at 30 June 2012	**490.5**	**(109.4)**	**0.0**	**57.2**	**0.0**	**438.3**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 June 2013 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, but 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 2012 annual report, which includes a full description of the accounting policies applied.

As a result of H+H International A/S implementing IAS 19R (2011) in the preparation of the 2012 annual report, the accounting policies applied have changed since the interim report for the first half of 2012. H+H International A/S has ceased using the corridor approach for actuarial gains and losses. All changes in expected pension obligations and plan assets are now recognised immediately in other comprehensive income. This new approach results in equity of DKK 472.7 million on 31 December 2011 and DKK 417.9 million on 31 December 2012, against DKK 553.5 million and DKK 508.9 million respectively using the previous approach.

The impact of the new approach on the income statement for the first half of 2012 consists of a reduction in staff costs of DKK 2.0 million and an increase in financing costs of DKK 3.8 million. The tax effect of these changes is DKK 0.4 million.

2. Segment information

Amounts in DKK million	H1 2013						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments, total
Revenue, external	367.4	80.3	447.7	153.6	0.4	154.0	601.7
Revenue, internal	29.9	0.0	29.9	0.0	0.0	0.0	29.9
EBITDA	30.4	1.2	31.7	17.6	(1.0)	16.6	48.3
Depreciation and amortisation	(24.1)	(0.5)	(24.6)	(16.4)	0.0	(16.4)	(40.9)
EBIT before impairment	6.3	0.8	7.1	1.2	(1.0)	0.3	7.4
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	6.3	0.8	7.1	1.2	(1.0)	0.3	7.4
Net financing costs	(11.0)	(0.7)	(11.7)	(8.5)	(0.7)	(9.2)	(20.9)
Profit (loss) before tax	(4.7)	0.1	(4.6)	(7.2)	(1.6)	(8.9)	(13.5)
Non-current assets	443.6	19.0	462.6	486.6	1.2	487.7	950.4
Investments in non-current assets	7.5	0.1	7.6	2.3	0.0	2.3	9.9
Assets	654.7	304.6	959.2	571.6	12.5	584.1	1,543.3
Equity	377.9	3.0	380.9	207.9	(38.5)	169.5	550.4
Liabilities	276.8	301.6	578.4	363.6	51.0	414.6	992.9

Amounts in DKK million	H1 2012						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments, total
Revenue, external	330.9	106.2	437.1	172.1	2.7	174.8	611.9
Revenue, internal	53.5	0.0	53.5	4.2	0.0	4.2	57.7
EBITDA	45.0	4.7	49.7	9.4	(0.4)	9.0	58.7
Depreciation and amortisation	(27.2)	(0.6)	(27.8)	(19.9)	0.0	(19.9)	(47.7)
EBIT before impairment	17.8	4.1	21.9	(10.5)	(0.4)	(10.9)	11.0
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	17.8	4.1	21.9	(10.5)	(0.4)	(10.9)	11.0
Net financing costs	(11.1)	(0.8)	(11.9)	(10.4)	(0.6)	(11.0)	(22.9)
Profit (loss) before tax	6.7	3.3	10.0	(20.9)	(1.0)	(21.9)	(11.9)
Non-current assets	489.0	1.8	490.8	620.1	1.1	621.2	1,112.0
Investments in non-current assets	11.1	0.0	11.1	4.7	0.0	4.7	15.8
Assets	724.8	70.7	795.5	720.4	1.7	722.1	1,517.6
Equity	186.6	17.4	204.0	291.6	(33.2)	258.4	462.4
Liabilities	538.2	53.3	591.5	428.8	34.9	463.7	1,055.2

Reconciliation of reportable segments' earnings before tax

	H1	H1
Amounts in DKK million	2013	2012
Segment profit (loss) before tax for reportable segments	(13.5)	(11.9)
Unallocated group costs, corporate functions	(16.9)	(15.6)
Impairment losses, non-reportable segment	0.0	0.0
	(30.4)	(27.5)

Amounts in DKK million	Q2 2013						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	228.5	47.3	275.8	92.9	0.4	93.3	369.1
Revenue, internal	17.5	0.0	17.5	0.0	0.0	0.0	17.5
EBITDA	28.3	2.6	31.0	16.4	(0.7)	15.7	46.7
Depreciation	(12.0)	(0.3)	(12.3)	(8.1)	0.0	(8.1)	(20.3)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	16.3	2.4	18.7	8.3	(0.7)	7.7	26.4
Net financing costs	(5.7)	(0.3)	(6.0)	(4.4)	(0.4)	(4.8)	(10.7)
Profit before tax	10.6	2.1	12.7	4.0	(1.0)	2.9	15.6
Non-current assets	443.6	19.0	462.6	486.6	1.2	487.7	950.4
Investments in non-current assets	3.2	0.0	3.2	0.7	0.0	0.7	3.9
Assets	654.7	304.6	959.2	571.6	12.5	584.1	1,543.3
Equity	377.9	3.0	380.9	207.9	(38.5)	169.5	550.4
Liabilities	276.8	301.6	578.4	363.6	51.0	414.6	992.9

Amounts in DKK million	Q2 2012						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	171.0	56.4	227.4	109.3	1.9	111.2	338.6
Revenue, internal	30.2	0.0	30.2	2.8	0.0	2.8	33.0
EBITDA	28.5	3.6	32.1	12.5	(0.2)	12.3	44.4
Depreciation	(13.8)	(0.3)	(14.1)	(9.8)	0.0	(9.8)	(23.9)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	14.7	3.3	18.0	2.7	(0.2)	2.5	20.5
Net financing costs	(7.6)	(0.3)	(7.9)	(5.5)	(0.3)	(5.8)	(13.7)
Profit before tax	7.1	3.0	10.1	(2.8)	(0.5)	(3.3)	6.8
Non-current assets	489.0	1.8	490.8	620.1	1.1	621.2	1,112.0
Investments in non-current assets	5.9	0.0	5.9	1.3	0.0	1.3	7.2
Assets	724.8	70.7	795.5	720.4	1.7	722.1	1,517.6
Equity	186.6	17.4	204.0	291.6	(33.2)	258.4	462.4
Liabilities	538.2	53.3	591.5	428.8	34.9	463.7	1,055.2

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q2 2013	Q2 2012
Segment profit before tax for reportable segments	15.6	6.8
Unallocated group costs, corporate functions	(9.6)	(3.1)
Impairment losses, non-reportable segment	0.0	0.0
Total	6.0	3.7

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 2012 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 2012 shows a shortfall of DKK 157.7 million net (the present value of the obligations exceeds the fair value of the plan assets). The whole of this shortfall has been recognised in the balance sheet.

H+H International A/S has implemented IAS 19R (2011) 'Employee benefits' with effect from 1 January 2012, ahead of the revision's effective date, which means that it no longer uses the corridor approach for actuarial gains and losses.

All changes in expected pension obligations and plan assets are now 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 have been restated accordingly.

The Group's pension obligations and the changes in its accounting policies are described in more detail in the 2012 annual report.

6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 570 million on 30 June 2013, an increase of DKK 31 million from the beginning of the year but a decrease of DKK 90 million since 30 June 2012. Debt tends to increase during the course of the year, but the increase since the beginning of this year has been less than previously due to the sale of H+H Česká for DKK 112 million and improvements in working capital.

H+H has a committed loan agreement with Danske Bank A/S corresponding to around DKK 700 million, which is committed until 15 February 2015.

H+H will continue to be dependent on debt financing in the coming years. Maintenance of the committed credit facility is conditional upon compliance with a number of financial covenants. 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.

7. 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 course of 2013. Various plots of land in Poland, a plot of land in the UK and unused production equipment have therefore been readied for sale 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 50-90 million and result in an expected accounting gain before tax of around DKK 25-35 million. The transactions are expected to be completed within 12 months and are not included in the outlook for 2013.

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, builds and sells aircrete houses for private individuals. The divestment was carried out in 2012 through the disposal of the bulk of the company's activities. All that is left in the company, subsequently renamed Stone Kivitalot Oy, is a few projects due to be completed in 2013. Stone Kivitalot Oy has therefore been classified as a discontinued operation. As the company has been loss-making for a number of years, the reclassification and divestment in 2012 will have a positive effect on H+H's earnings from continuing operations.

H+H closes Finnish factory to increase efficiency and profitability
Following the conclusion of negotiations with the unions, it was decided to close H+H Finland Oy's factory in Ikaalinen in order to boost overall competitiveness and optimise the capacity utilisation of H+H's other factories.

The closure took place in April 2013 and is not expected to affect sales volumes in H+H's European markets, but exports to Africa will be substantially reduced. The closure entailed 66 redundancies at H+H Finland Oy and is expected to have a positive effect on operating profit in the region of DKK 10 million per year from 2014. H+H will continue to sell aircrete products in the Finnish market from its factories outside Finland, and sales activities will be handled by H+H Sverige AB.

The Finnish operation has therefore been reclassified as discontinued in H+H International A/S's financial reporting.

Key figures for discontinued operations	Q2	Q2	H1	H1
Amounts in DKK million	2013	2012	2013	2012
Revenue	8.5	52.7	32.3	109.9
Expenses	(14.0)	(65.7)	(77.5)	(131.6)
Profit before tax	**(5.5)**	**(13.0)**	(45.2)	(21.7)
Tax	0.0	0.0	0.0	0.0
Profit for the period	**(5.5)**	**(13.0)**	(45.2)	(21.7)
Profit from discontinued operations	**(5.5)**	**(13.0)**	**(45.2)**	**(21.7)**
Cash flow from operating activities	(9.5)	(8.1)	(30.6)	(30.5)
Cash flow from investing activities	(0.3)	(0.7)	(0.4)	(1.5)
Cash flow from financing activities	0.0	0.0	(0.1)	0.0
Total cash flow	**(9.8)**	**(8.8)**	**(31.1)**	**(32.0)**

Assets held for sale	
Intangible assets	16.1
Property, plant and equipment	54.7
Deferred tax	0.0
Inventories	19.1
Receivables	9.4
Assets held for sale, total	**99.3**

Liabilities relating to assets held for sale	
Credit institutions	13.9
Trade payables	2.0
Other liabilities	26.3
Liabilities relating to assets held for sale	**42.2**

8. Share-based payment

The H+H Group introduced a share option plan for the Executive Board and other senior executives in 2007. Matching share programmes for the Executive Board and other key employees were also implemented in 2011 and 2012. These schemes are presented in the consolidated financial statements and annual report for 2012. An amount of DKK 0.2 million was recognised under staff costs in the first half of 2013 in respect of the two schemes, against DKK 0.3 million in the same period in 2012.

A third matching share programme for the Executive Board and other key employees was introduced in the second quarter of 2013. It is largely identical to the previous programmes in terms of vesting criteria, etc. The value of the programme at inception in May 2013 is estimated at DKK 1.7 million and will be recognised over the next three years. An amount of DKK 0.03 million was recognised in respect of this scheme in the second quarter of 2013.

9. Events after the balance sheet date

H+H entered into an agreement with CEMEX Kies & Splitt GmbH in July 2013 under which the latter will take over the extraction of raw materials from H+H's sand pit in northern Germany. The agreement means that H+H will be paid a total of DKK 40 million over the next 12 years for the extraction of materials from the pit.

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