H+H International A/S
Interim financial report
Q1-Q3 2013

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Key figures for the period 1 January to 30 September 2013

- Third-quarter revenue was DKK 377 million (2012: DKK 350 million). Revenue for the first three quarters was DKK 978 million (2012: DKK 962 million).

- Third-quarter EBITDA was DKK 42 million (2012: DKK 39 million). EBITDA for the first three quarters was DKK 74 million (2012: DKK 80 million).

- H+H made a profit before tax from continuing operations in the third quarter of DKK 8 million (2012: loss of DKK 45 million) and a loss before tax from continuing operations for the first three quarters of DKK 22 million (2012: DKK 72 million). The 2012 figures include write-downs of assets in the Czech Republic of DKK 46 million.

- Equity at 30 September 2013 was DKK 320 million.

- Net interest-bearing debt at 30 September 2013 was DKK 528 million.

- To improve earnings in Poland, it has been decided to shut down production temporarily in Skawina. There has been excess capacity in the Polish market in recent years, resulting in stiff price competition and low capacity utilisation at Polish production facilities. With this shutdown, H+H aims to help reduce the excess capacity in Poland and increase capacity utilisation at the company's other Polish production facilities.

- Oberlandesgericht Düsseldorf has rejected Xella's objections against the Bundeskartellamt's prohibition decision on a potential merger between Xella and H+H in the German market and denied Xella access to appeal the court's judgement.

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

    - EBITDA of around DKK 90 million before special items
    - Free cash flow is upgraded to be in the region of DKK 20 million before disposals of assets, against DKK 0-15 million as previously announced
    - Investments 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	Q3 2013	Q3 2012	Q1-Q3 2013	Q1-Q3 2012	Full-year 2012
Income statement					
Revenue	376.5	349.9	978.2	961.8	1,223.7
EBITDA	41.8	38.5	73.8	79.9	103.4
Operating profit (EBIT)	19.0	(32.4)	9.4	(39.4)	35.6
Profit before tax from continuing operations	8.4	(44.7)	(22.0)	(72.3)	(7.3)
Profit from continuing operations	5.7	(46.3)	(28.0)	(76.6)	(36.9)
Profit from discontinued operations	0.1	(8.8)	(45.1)	(30.6)	(45.5)
Profit for the period	5.8	(55.1)	(73.1)	(107.2)	(82.4)
Balance sheet					
Non-current assets	957.0	1,114.0	957.0	1,114.0	1,049.0
Current assets	325.2	390.0	325.2	390.0	343.8
Total assets	1,282.2	1,504.0	1,282.2	1,504.0	1,392.8
Equity	320.2	401.5	320.2	401.5	417.9
Non-current liabilities	690.2	833.7	690.2	833.7	749.9
Current liabilities	271.8	268.8	271.8	268.8	225.0
Total equity and liabilities	1,282.2	1,504.0	1,282.2	1,504.0	1,392.8
Investments and debt					
Investments in non-current assets	7.7	5.4	17.7	21.3	27.0
Interest-bearing debt (net)	528.3	652.9	528.3	652.9	538.6
Cash flow					
Cash flow from operating activities	64.8	36.7	53.7	47.0	44.4
Cash flow from investing activities	(6.4)	(5.4)	(13.4)	(14.3)	104.1
Free cash flow	58.4	31.3	40.3	32.7	148.5
Cash flow from discontinued operations	(5.3)	(16.6)	(36.4)	(48.6)	(55.6)
Financial ratios					
Gross margin	21.9%	22.0%	20.5%	22.0%	22.3%
EBITDA margin	11.1%	11.0%	7.5%	8.3%	8.4%
Return on invested capital (ROIC)	7.4%	(5.8%)	7.4%	(5.8%)	3.0%
Net interest-bearing debt/EBITDA	5.2	6.3	5.2	6.3	5.2
Earnings per share (adjusted)	0.6	(5.6)	(7.5)	(11.0)	(8.4)
Diluted earnings per share (adjusted)	0.6	(5.6)	(7.5)	(11.0)	(8.4)
Return on equity	(13.4%)	(31.3%)	(13.4%)	(31.3%)	(17.0%)
Share price, end of period (DKK)	31.1	29.9	31.1	29.9	26.0
Book value per share, end of period (DKK)	32.6	40.9	32.6	40.9	42.6
Solvency ratio	25.0%	26.7%	25.0%	26.7%	30.0%

MANAGEMENT'S REVIEW

Third-quarter sales were up 8% on 2012, and there was organic growth of 12.5%. The improvement was due primarily to a substantial rise in sales in the UK, along with healthy growth in Russia and Germany, while sales fell in Scandinavia.

Third-quarter earnings as measured by EBITDA were up 9% on last year. Higher sales and better capacity utilisation had a positive impact on earnings. Average selling prices were on a par with last year. There was a particular increase in Russia, while prices in Poland, Sweden and Denmark were lower.

H+H believes that it 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 to schedule.

Temporary shutdown of factory in Poland

To improve earnings, H+H has decided to shut down production temporarily at the factory in Skawina.

There has been excess capacity in the Polish market in recent years, resulting in stiff price competition and low capacity utilisation at Polish production facilities. With this shutdown, H+H aims to help reduce this excess capacity and increase capacity utilisation at the company's other Polish production facilities. The shutdown is expected to boost earnings by DKK 3-5 million on an annual basis from 2014. The change will result in severance costs in the fourth quarter, which will be recognised under special items.

Judgement in the appeal case concerning Xella's pre-merger notification of a possible merger with H+H

Xella International Holdings S.à.r.l. ('Xella') has shown interest in taking over H+H International A/S ('H+H') and therefore submitted pre-merger notifications to relevant competition authorities. The German competition authority ('Bundeskartellamt') decided on 14 March 2012 to prohibit a possible merger between Xella and H+H in the German market.

Xella subsequently appealed this decision to the Düsseldorf Higher Regional Court ('Oberlandesgericht Düsseldorf'). On 25 September 2013 the court rejected Xella's objections to the Bundeskartellamt's decision and furthermore denied Xella access to appeal the court's judgement.

In October 2013 Xella petitioned for leave to appeal the Oberlandesgericht Düsseldorf's judgement. It is estimated that the current appeal will be decided upon within 6-18 months. In case Xella wins the appeal and is granted access to appeal the Oberlandesgericht Düsseldorf's rejection of Xella's objections to the Bundeskartellamt's prohibition decision, a judgement in the subsequent appeal case is expected within an additional 12-24 months.

Regardless of the appeal, H+H will continue to execute its existing strategy, which includes pursuing structural opportunities that may arise in the markets.

Revenue

Third-quarter revenue was DKK 376.5 million, against DKK 349.9 million in 2012, an increase of DKK 26.6 million or 8%. There was organic growth of 12.5%. Expressed in local currency, revenue was up 9.6% on last year.

GBP and RUB exchange rates had a negative effect on revenue of DKK 9.4 million, while EUR and SEK exchange rates had a positive effect of DKK 0.4 million.

Gross profit

The overall gross margin in the third quarter was 21.9%, against 22.0% in 2012. Average selling prices were on a par with last year. It was better capacity utilisation due to higher production volumes that raised the gross margin. Higher raw material prices offset the improvement in production.

Special items

The third-quarter results for 2013 include net positive special items of DKK 1 million, consisting of lawyers' fees and costs for implementing the final phase of the new strategy, and more than fully offset by sales of unused production equipment.

The third-quarter results for 2012 included net negative special items of DKK 1.9 million, mainly costs relating to the implementation of the new strategy and costs for advisers etc. in connection with the sale of H+H Česká.

EBITDA

Third-quarter EBITDA was DKK 41.8 million, against DKK 38.5 million last year. Excluding H+H Česká, the 2012 figure would have been DKK 2 million lower.

The increase in EBITDA was due to a higher gross profit only partly offset by an increase in other external expenses. Over the first three quarters of the year, however, other external expenses were largely on a par with 2012. The third quarter brought net other operating income of DKK 1.3 million, against net expenses of DKK 1.1 million last year.

Operating profit (EBIT)
H+H made a third-quarter operating profit of DKK 19.0 million in 2013, against a loss of DKK 32.4 million in 2012, an improvement of DKK 51.4 million.

The figure for 2012 includes write-downs of assets in the Czech Republic of DKK 46 million.

Profit before tax from continuing operations
H+H recorded a third-quarter profit before tax of DKK 8.4 million, against a loss of DKK 44.7 million in 2012, an improvement of DKK 53.1 million.

Profit before tax from continuing operations

	Q3		Q1-Q3	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	14.3	10.0	9.6	19.9
Eastern Europe	6.0	(46.7)	(2.8)	(68.6)
Eliminations and unallocated items	(11.9)	(8.0)	(28.8)	(23.6)
Total	8.4	(44.7)	(22.0)	(72.3)

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's financial reporting.

Discontinued operations generated a profit of DKK 0.1 million in the third quarter of 2013, against a loss of DKK 8.8 million in the same period last year.

Investments
Investments of DKK 7.7 million were made during the third quarter, against DKK 5.4 million in 2012. Total investments for the year are still expected to be in the region of DKK 50 million.

Investments

	Q3		Q1-Q3	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	4.5	4.2	12.0	15.3
Eastern Europe	3.2	1.2	5.6	5.9
Unallocated items	0.0	0.0	0.1	0.1
Total	7.7	5.4	17.7	21.3

Financing
Net interest-bearing debt totalled DKK 528 million on 30 September 2013, down DKK 10 million since the beginning of the year and down DKK 125 million on 30 September 2012. The decrease relative to last year is due to the sale of H+H Česká for DKK 112 million and further improvements in working capital.

Net working capital to sales improved from 9.8% on 30 September 2012 to 7.0% on 30 September 2013.

Third-quarter financing costs totalled DKK 10.6 million in 2013, against DKK 12.3 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 third quarter of 2013 is a negative DKK 2.7 million, against a negative DKK 1.6 million in 2012.

Equity
H+H's equity grew by DKK 0.3 million in the third quarter of 2013. The profit for the period increased equity by DKK 5.8 million, while foreign exchange adjustments of investments in subsidiaries reduced equity by DKK 5.5 million.

Equity

	Q1-Q3	Q1-Q3
Amounts in DKK million	2013	2012
1 January	417.9	472.7
Profit for the period	(73.1)	(107.2)
Foreign exchange adjustments	(25.0)	35.2
Other adjustments	0.4	0.8
30 Sep.	320.2	401.5

SEGMENTS

Revenue

	Q3		Q1-Q3	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	274.5	235.7	722.2	672.8
Eastern Europe	102.0	114.2	256.0	289.0
Total	376.5	349.9	978.2	961.8

Western Europe
Third-quarter revenue in Western Europe was DKK 274.5 million, an increase of DKK 38.8 million or 16.5% on 2012. Expressed in local currency, revenue was up 19.3% on 2012.

Revenue was markedly higher in the UK and was also up in Germany and the Benelux countries, but lower in Denmark and Sweden. There are clear signs of a recovery in construction activity in the UK.

Government initiatives in particular stimulated the UK market, contributing to a more 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 construction activity in Sweden relative to last year.

However, visibility in the various markets remains very poor.

Third-quarter EBITDA was DKK 30.8 million, against DKK 29.6 million in 2012. The increase was due to higher levels of activity.

Third-quarter profit before tax was DKK 14.3 million, against DKK 10.0 million in 2012, an increase of DKK 4.3 million.

Eastern Europe

Third-quarter revenue in Eastern Europe was DKK 102.0 million, a decrease of DKK 12.2 million or 10.7% on 2012. However, there was organic growth of 2.9%.

The third quarter saw healthy growth in both sales volumes and revenue in Russia. The slowdown in the second quarter seems to be only temporary, but visibility in the market remains very poor. In Poland, sales volumes increased but prices remain under pressure.

Third-quarter EBITDA was DKK 17.5 million, against DKK 15.2 million in 2012. There were improvements in both Russia and Poland. Recent quarters' downward trend in Poland seems to have come to an end.

The third quarter brought profit before tax of DKK 6.0 million, against a loss of DKK 46.7 million in 2012, an improvement of DKK 52.7 million. The 2012 figure includes write-downs of assets in the Czech Republic of DKK 46 million.

Eliminations and unallocated items

Unallocated net expenses amounted to DKK 11.9 million in the third quarter of 2013, up DKK 3.9 million on the same period in 2012.

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.

H+H upgrades its outlook for free cash flow in 2013, which is expected to be positive in the region of DKK 20 million before disposals of assets, against DKK 0-15 million as previously announced.

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:

- Markets hold at their current levels.

- The Excellence programme continues and reduces production costs further.

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

- Energy and raw material prices rise only in line with inflation from their mid-November 2013 levels.

ABOUT THE OUTLOOK FOR 2013

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.

Financial calendar for 2014

2013 annual report	14 March 2014
Annual general meeting, including adoption of annual report for 2013*	10 April 2014
Interim financial report Q1 2014	22 May 2014
Interim financial report H1 2014	21 August 2014
Interim financial report Q1-Q3 2014	20 November 2014

* Items for the agenda must be submitted at least six weeks before the meeting (i.e. before 27 February 2014).

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 three quarters 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 September 2013 and of the results of H+H's operations and its cash flows for the period 1 January to 30 September 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, 19 November 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				
Amounts in DKK million	Q3 2013	Q3 2012	Q1-Q3 2013	Q1-Q3 2012	Full-year 2012
Revenue	376.5	349.9	978.2	961.8	1,223.7
Production costs	(293.9)	(273.0)	(777.5)	(750.6)	(951.4)
Gross profit	**82.6**	**76.9**	**200.7**	**211.2**	**272.3**
Other external expenses	(42.1)	(37.3)	(130.5)	(128.3)	(182.2)
Other operating income and expenses	1.3	(1.1)	3.6	(3.0)	13.3
EBITDA	**41.8**	**38.5**	**73.8**	**79.9**	**103.4**
Depreciation	(22.8)	(24.5)	(64.4)	(72.9)	(100.1)
Impairment losses	0.0	(46.4)	0.0	(46.4)	32.3
EBIT	**19.0**	**(32.4)**	**9.4**	**(39.4)**	**35.6**
Net financing costs	(10.6)	(12.3)	(31.4)	(32.9)	(42.9)
Profit before tax from continuing operations	**8.4**	**(44.7)**	**(22.0)**	**(72.3)**	**(7.3)**
Tax on profit from continuing operations	(2.7)	(1.6)	(6.0)	(4.3)	(29.6)
Profit from continuing operations	**5.7**	**(46.3)**	**(28.0)**	**(76.6)**	**(36.9)**
Profit from discontinued operations	0.1	(8.8)	(45.1)	(30.6)	(45.5)
Profit for the period	**5.8**	**(55.1)**	**(73.1)**	**(107.2)**	**(82.4)**
Earnings per share (EPS-Basic)	0.6	(5.6)	(7.5)	(11.0)	(8.4)
Diluted earnings per share (EPS-D)	0.6	(5.6)	(7.5)	(11.0)	(8.4)

STATEMENT OF COMPREHENSIVE INCOME

	Group				
Amounts in DKK million	Q3 2013	Q3 2012	Q1-Q3 2013	Q1-Q3 2012	Full-year 2012
Profit for the period	5.8	(55.1)	(73.1)	(107.2)	(82.4)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign companies	(5.7)	19.4	(25.0)	35.2	39.2
Tax on the above	0.0	(1.7)	0.0	(1.7)	0.0
	(5.7)	**17.7**	**(25.0)**	**33.5**	**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	2.7	(14.2)
Tax on the above	0.0	(0.2)	0.0	(0.6)	2.4
	0.0	**0.7**	**0.0**	**2.1**	**(11.8)**
Other comprehensive income	**(5.7)**	**18.4**	**(25.0)**	**35.6**	**27.4**
Total comprehensive income	**0.1**	**(36.7)**	**(98.1)**	**(71.6)**	**(55.0)**

BALANCE SHEET

	Group			
Amounts in DKK million	30 Sep. 2013	31 Dec. 2012	30 Sep. 2012	31 Dec. 2011
ASSETS				
Non-current assets				
Intangible assets	79.9	70.9	96.7	95.1
Property, plant and equipment	835.1	961.0	988.1	1,037.7
Other non-current assets	42.0	17.1	29.2	43.6
Total non-current assets	**957.0**	**1,049.0**	**1,114.0**	**1,176.4**
Current assets				
Inventories	150.3	194.2	202.5	191.0
Receivables	90.5	46.4	83.5	105.1
Cash and cash equivalents	14.4	15.5	10.6	19.9
	255.2	**256.1**	**296.6**	**316.0**
Assets held for sale	70.0	87.7	93.4	91.5
Total current assets	**325.2**	**343.8**	**390.0**	**407.5**
TOTAL ASSETS	**1,282.2**	**1,392.8**	**1,504.0**	**1,583.9**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings	(57.6)	15.1	2.7	107.4
Other reserves	(112.7)	(87.7)	(91.7)	(125.2)
Total equity	**320.2**	**417.9**	**401.5**	**472.7**
Liabilities				
Total non-current liabilities	**690.2**	**749.9**	**833.7**	**839.9**
Current liabilities				
Trade payables	133.2	107.1	111.9	130.9
Other current liabilities	99.2	65.7	95.8	74.9
Liabilities relating to assets held for sale	39.4	52.2	61.1	65.5
Total current liabilities	**271.8**	**225.0**	**268.8**	**271.3**
Total liabilities	**962.0**	**974.9**	**1,102.5**	**1,111.2**
TOTAL EQUITY AND LIABILITIES	**1,282.2**	**1,392.8**	**1,504.0**	**1,583.9**
Net interest-bearing debt	528.3	538.6	652.9	628.5

CASH FLOW STATEMENT

Amounts in DKK million	Q3 2013	Q3 2012	Q1-Q3 2013	Q1-Q3 2012
Operating activities	64.8	36.7	53.7	47.0
Investing activities	(6.4)	(5.4)	(13.4)	(14.3)
Financing activities	(48.6)	(20.6)	(5.0)	2.8
Cash flow from discontinued operations	(5.3)	(16.6)	(36.4)	(48.6)
Total cash flow	**4.5**	**(5.9)**	**(1.1)**	**(13.1)**
Cash and cash equivalents, opening	9.9	16.0	15.5	22.5
Foreign exchange adjustments of cash and cash equivalents	0.0	0.5	0.0	1.2
Cash and cash equivalents at 30 Sep.	**14.4**	**10.6**	**14.4**	**10.6**

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	(73.1)	0.0	(73.1)
Other comprehensive income	0.0	(25.0)	0.0	0.0	0.0	(25.0)
Total comprehensive income	**0.0**	**(25.0)**	**0.0**	**(73.1)**	**0.0**	**(98.1)**
Share-based payment	0.0	0.0	0.0	0.4	0.0	0.4
Total changes in equity in 2013	**0.0**	**(25.0)**	**0.0**	**(72.7)**	**0.0**	**(97.7)**
Equity at 30 Sep. 2013	**490.5**	**(112.7)**	**0.0**	**(57.6)**	**0.0**	**320.2**
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	(107.2)	0.0	(107.2)
Other comprehensive income	0.0	33.5	0.0	2.1	0.0	35.6
Total comprehensive income	**0.0**	**33.5**	**0.0**	**(105.1)**	**0.0**	**(71.6)**
Share-based payment	0.0	0.0	0.0	0.4	0.0	0.4
Total changes in equity in 2012	**0.0**	**33.5**	**0.0**	**(104.7)**	**0.0**	**(71.2)**
Equity at 30 Sep. 2012	**490.5**	**(91.7)**	**0.0**	**2.7**	**0.0**	**401.5**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 September 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 period 1 January to 30 September 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 period 1 January to 30 September 2012 consists of a reduction in staff costs of DKK 3.0 million and an increase in financing costs of DKK 5.7 million. The tax effect of these changes is DKK 0.6 million.

2. Segment information

Amounts in DKK million	Q1-Q3 2013						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	601.8	120.4	722.2	255.4	0.6	256.0	978.2
Revenue, internal	45.8	0.0	45.8	0.0	0.0	0.0	45.8
EBITDA	59.6	2.8	62.4	35.4	(1.3)	34.1	96.5
Depreciation and amortisation	(34.7)	(0.7)	(35.4)	(24.4)	0.0	(24.4)	(59.8)
EBIT before impairment	24.9	2.2	27.1	10.9	(1.3)	9.7	36.7
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	24.9	2.2	27.1	10.9	(1.3)	9.7	36.7
Net financing costs	(16.4)	(1.0)	(17.4)	(11.5)	(1.0)	(12.5)	(29.9)
Profit (loss) before tax	8.5	1.1	9.6	(0.6)	(2.3)	(2.8)	6.8
Non-current assets	483.6	3.4	487.0	482.6	1.4	484.0	971.1
Investments in non-current assets	11.9	0.1	12.0	5.6	0.0	5.6	17.6
Assets	632.3	300.6	932.8	570.0	12.5	582.5	1,515.3
Equity	395.4	(4.7)	390.7	211.0	(39.6)	171.3	562.0
Liabilities	236.9	305.3	542.2	359.0	52.1	411.1	953.3

Amounts in DKK million	Q1-Q3 2012						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	521.9	150.9	672.8	284.6	4.4	289.0	961.8
Revenue, internal	69.3	0.0	69.3	7.7	0.0	7.7	77.0
EBITDA	72.1	7.2	79.3	24.9	(0.7)	24.2	103.5
Depreciation and amortisation	(40.9)	(0.8)	(41.7)	(30.1)	0.0	(30.1)	(71.8)
EBIT before impairment	31.2	6.4	37.6	(5.2)	(0.7)	(5.9)	31.7
Impairment losses	0.0	0.0	0.0	(46.4)	0.0	(46.4)	(46.4)
Operating profit (loss) (EBIT)	31.2	6.4	37.6	(51.6)	(0.7)	(52.3)	(14.7)
Net financing costs	(16.5)	(1.2)	(17.7)	(15.4)	(0.9)	(16.3)	(34.0)
Profit (loss) before tax	14.7	5.2	19.9	(67.0)	(1.6)	(68.6)	(48.7)
Non-current assets	491.3	7.0	498.3	605.5	1.1	606.6	1,104.9
Investments in non-current assets	15.3	0.0	15.3	5.9	0.0	5.9	21.2
Assets	706.0	63.4	769.4	689.2	1.6	690.8	1,460.2
Equity	209.3	9.2	218.5	260.4	(34.9)	225.5	444.0
Liabilities	496.7	54.2	550.9	428.8	36.5	465.3	1,016.2

Reconciliation of reportable segments' earnings before tax

	Q1-Q3	Q1-Q3
Amounts in DKK million	2013	2012
Segment profit (loss) before tax for reportable segments	6.8	(48.7)
Unallocated group costs, corporate functions	(28.8)	(23.6)
Impairment losses, non-reportable segment	0.0	0.0
Total	(22.0)	(72.3)

Amounts in DKK million	Q3 2013						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	234.4	40.1	274.5	101.8	0.2	102.0	376.5
Revenue, internal	16.0	0.0	16.0	0.0	0.0	0.0	16.0
EBITDA	29.2	1.6	30.8	17.8	(0.3)	17.5	48.2
Depreciation	(10.6)	(0.2)	(10.8)	(8.1)	0.0	(8.1)	(18.9)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	18.6	1.4	20.0	9.7	(0.3)	9.4	29.4
Net financing costs	(5.3)	(0.4)	(5.7)	(3.0)	(0.4)	(3.4)	(9.1)
Profit before tax	13.3	1.0	14.3	6.7	(0.7)	6.0	20.3
Non-current assets	483.6	3.4	487.0	482.6	1.4	484.0	971.1
Investments in non-current assets	4.5	(0.0)	4.5	3.2	0.0	3.2	7.7
Assets	632.3	300.6	932.8	570.0	12.5	582.5	1,515.3
Equity	395.4	(4.7)	390.7	211.0	(39.6)	171.3	562.0
Liabilities	236.9	305.3	542.2	359.0	52.1	411.1	953.3

Amounts in DKK million	Q3 2012						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	191.0	44.7	235.7	112.5	1.7	114.2	349.9
Revenue, internal	15.8	0.0	15.8	3.5	0.0	3.5	19.3
EBITDA	27.1	2.5	29.6	15.5	(0.3)	15.2	44.8
Depreciation	(13.7)	(0.2)	(13.9)	(10.2)	0.0	(10.2)	(24.1)
Impairment losses	0.0	0.0	0.0	(46.4)	0.0	(46.4)	(46.4)
Operating profit (EBIT)	13.4	2.3	15.7	(41.1)	(0.3)	(41.4)	(25.7)
Net financing costs	(5.3)	(0.4)	(5.7)	(5.0)	(0.3)	(5.3)	(11.0)
Profit before tax	8.1	1.9	10.0	(46.1)	(0.6)	(46.7)	(36.7)
Non-current assets	491.3	7.0	498.3	605.5	1.1	606.6	1,104.9
Investments in non-current assets	4.2	0.0	4.2	1.2	0.0	1.2	5.4
Assets	706.0	63.4	769.4	689.2	1.6	690.8	1,460.2
Equity	209.3	9.2	218.5	260.4	(34.9)	225.5	444.0
Liabilities	496.7	54.2	550.9	428.8	36.5	465.3	1,016.2

Reconciliation of reportable segments' earnings before tax

	Q3	Q3
Amounts in DKK million	2013	2012
Segment profit before tax for reportable segments	20.3	(36.7)
Unallocated group costs, corporate functions	(11.9)	(8.0)
Impairment losses, non-reportable segment	0.0	0.0
Total	8.4	(44.7)

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 528 million on 30 September 2013, down DKK 10 million since the beginning of the year and down DKK 125 million on 30 September 2012. The decrease relative to last year is due to the sale of H+H Česká for DKK 112 million and further 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 80 million and result in an expected accounting gain before tax of around DKK 10 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.

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 continues to sell aircrete products in the Finnish market from its factories outside Finland, and sales activities are being handled by H+H Sverige AB.

The Finnish operation has therefore been reclassified as discontinued in the financial reporting.

Key figures for discontinued operations

Amounts in DKK million	Q3 2013	Q3 2012	Q1-Q3 2013	Q1-Q3 2012
Revenue	6.7	29.6	39.0	139.5
Expenses	(6.6)	(38.4)	(84.1)	(170.1)
Profit before tax	**0.1**	**(8.8)**	(45.1)	(30.6)
Tax	0.0	0.0	0.0	0.0
Profit for the period	**0.1**	**(8.8)**	(45.1)	(30.6)
Profit from discontinued operations	**0.1**	**(8.8)**	**(45.1)**	**(30.6)**
Cash flow from operating activities	(5.4)	(18.0)	(36.0)	(48.5)
Cash flow from investing activities	0.0	1.4	(0.4)	(0.1)
Cash flow from financing activities	0.1	0.0	0.0	0.0
Total cash flow	**(5.3)**	**(16.6)**	**(36.4)**	**(48.6)**

Assets held for sale	
Intangible assets	1.0
Property, plant and equipment	43.9
Deferred tax	0.0
Inventories	15.4
Receivables	9.7
Assets held for sale, total	**70.0**
Liabilities relating to assets held for sale	
Credit institutions	15.5
Trade payables	1.7
Other liabilities	22.2
Liabilities relating to assets held for sale	**39.4**

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 0.4 million was recognised under staff costs in the first three quarters 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 0.05 million was recognised in respect of this scheme in the third quarter of 2013.

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.