

# Annual Report 2014

H+H International A/S

**H+H**

Build with ease



CVR No. 49 61 98 12

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# On track, despite market uncertainties

*"With the acquisition of one of Poland's main aircrete producers we expect to significantly improve our results in this challenging market. It's an important step towards achieving our long-term financial targets."*



*Kent Arentoft, Chairman.*

## **Our business**

2014 was the first year in our strategic plan, *Creating value through profitable growth*.

Despite continued economic uncertainty in Europe with weak growth in many markets, we managed to make progress. Revenue grew by 9.5%. In the UK we saw the strong recovery from 2013 continue, and our Russian operation delivered high volume growth but was negatively impacted by lower selling prices. The devaluation of the RUB was partly counter-balanced by the strengthening of the GBP. The main challenge in 2014 was our Polish activities, which operated under difficult market conditions.

We were able to upgrade the EBITDA guidance during the year and saw improvements in the EBIT margin and ROIC development. Although we achieved the best EBITDA result since 2007, we are not yet at a satisfactory level and have plenty of hard work ahead of us to reach our long-term financial targets, as laid out in the strategic plan. The many activities we initiated during the year mean we are on the right track and moving forward.

## **Acquisition in Poland**

The acquisition of the Polish aircrete producer Grupa Prefabet, closed on 5 February 2015, fits perfectly into our strategy. The combined Polish aircrete operation is expected to benefit from economies of scale and efficiency improvements. Our aim is to concentrate production on six locations, against the current 10, at the same time consolidating H+H's position as a strong number two producer in the Polish market. This is an important step in becoming the overall number one within our chosen geographical footprint, improving earnings and increasing the return on invested capital.

In light of the expansion in Poland, the Board of Directors decided to strengthen its knowledge of the building materials supplier industry in Eastern Europe. For that reason, Søren Østergaard Sørensen, previously Executive Vice President for Sales in the Grundfos Group, was welcomed as a new member of H+H's Board in November 2014.

## **Capital structure**

In consequence of the Polish acquisition, H+H sought and obtained shareholders' approval for a 9.99% capital increase at an extraordinary general meeting on 4 November 2014. We greatly appreciate our shareholders' confidence in and support for H+H's strategy. We believe that the Polish acquisition will finance itself within the next three years, and thus the capital increase will serve as bridge financing but also as a general strengthening of our capital base.

Our net interest-bearing debt at the end of 2014 was DKK 517 million, equal to a debt/EBITDA ratio of 3.8 compared with 5.7 in 2013.



*Apartment buildings built using H+H Thermo blocks.*

### **Dividend**

At the annual general meeting on 14 April 2015, the Board of Directors will recommend that no dividend be paid for the 2014 financial year.

Finally, I would like to thank the management team and all our employees for keeping up the momentum and being able to deliver our best result in many years.

On behalf of the Board of Directors,

Kent Arentoft  
Chairman

# Key figures

(DKK million)	Group				
	2014*	2013*	2012*	2011*	2010**
<b>Income statement</b>					
Revenue	1,379.9	1,260.1	1,223.6	1,309.8	1,185.5
Gross profit	340.5	261.5	272.3	283.4	237.6
Operating profit before depreciation, amortisation and financial items (EBITDA)	137.4	93.6	103.4	92.5	(4.8)
Operating profit (EBIT)	45.0	5.9	35.6	(9.4)	(245.4)
Net financing costs	(44.3)	(42.5)	(42.9)	(50.3)	(29.1)
Profit/loss before tax	0.7	(36.6)	(7.3)	(59.8)	(274.5)
Loss after tax for the year from continuing operations	(6.8)	(40.1)	(36.8)	(75.8)	(262.9)
Loss after tax for the year from discontinued operations	(16.3)	(52.4)	(45.5)	(48.6)	(7.6)
Loss after tax for the year	(23.1)	(92.5)	(82.4)	(124.5)	(270.5)
<b>Balance sheet</b>					
Non-current assets	864.7	962.4	1,045.6	1,176.4	1,363.9
Total current assets	352.0	330.5	343.8	407.5	294.9
Share capital	98.1	490.5	490.5	490.5	490.5
Equity	151.7	293.9	417.9	472.7	670.7
Non-current liabilities	789.8	750.1	746.5	840.0	818.5
Total current liabilities	275.2	249.0	225.0	271.3	169.6
Total equity and liabilities	1,216.7	1,292.9	1,389.4	1,584.0	1,658.8
Investments in property, plant and equipment	42.6	35.5	24.0	36.9	35.2
Interest-bearing debt (net)	517.3	531.6	538.6	628.5	613.6
<b>Cash flow</b>					
Cash flow from operating activities	92.9	58.2	44.4	42.9	46.4
Cash flow from investing activities	(32.6)	(30.1)	104.1	(32.2)	(31.8)
Free cash flow	60.3	28.1	148.5	10.8	14.6
<b>Financial ratios</b>					
Gross margin	24.7%	20.8%	22.3%	21.6%	20.0%
Operating margin (EBIT margin)	3.3%	0.5%	2.9%	(0.7%)	(20.7%)
Return on invested capital (ROIC)	6.7%	0.7%	3.8%	(0.7%)	(16.2%)
Return on equity	(10.4%)	(26.0%)	(18.5%)	(19.5%)	(33.2%)
Solvency ratio	12.5%	22.7%	30.1%	29.8%	40.4%
Net interest-bearing debt/EBITDA	3.8	5.7	5.2	6.8	(127.8)
<b>Share and dividend figures</b>					
Average number of shares outstanding	9,791,192	9,789,511	9,789,511	9,789,511	9,789,511
Adjusted average number of shares outstanding	9,791,192	9,789,511	9,789,511	9,789,511	9,789,511
Share price, year-end (DKK)	35.3	47.7	26.0	42.4	53.0
Book value per share, year-end (DKK)	15.5	30.0	43.0	56.0	68.0
Price/book value	2.3	1.6	0.6	0.8	0.8
Price-earnings ratio (PE)	(15.0)	(5.0)	(3.1)	(3.3)	(1.9)
Earnings per share (adjusted)	(2.4)	(9.5)	(8.4)	(12.7)	(27.6)
Diluted earnings per share (adjusted)	(2.4)	(9.5)	(8.4)	(12.7)	(27.6)
Dividend per share (adjusted)	0	0	0	0	0
<b>Staff</b>					
Average full-time staff	866	885	1,001	1,084	1,156

\* Figures have been adjusted for discontinued operations.

\*\* Figures for 2010 have further been adjusted for the transition to IAS 19R (2011) where impact on the income statement is concerned.

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33.

The other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations & Ratios 2010".

# Highlights

- Revenue of DKK 1,380 million and organic growth of 9.4%.
- EBITDA of DKK 137 million and EBITDA before special items of DKK 140 million, which is at the top end of our upgraded guidance.
- EBIT margin of 3.3%.
- Net interest-bearing debt on 31 December 2014 of DKK 517 million. Credit facility of DKK 712 million with Danske Bank, committed until 15 February 2018.
- ROIC was 6.7%.
- Equity on 31 December 2014 of DKK 152 million, adversely impacted by exchange rates and adjustments to UK pension obligations.
- Operational excellence programme continued to deliver significant savings of approx. DKK 20 million. New enhanced sales and marketing set-up implemented with the overall target of creating a higher growth rate than our competitors and penetrating new market segments.
- Outlook for 2015: Organic revenue growth is expected to be 6-8%. EBITDA before special items is expected to be DKK 150-170 million. EBIT margin of 3-4%. Investments excluding acquisitions and divestments are expected to be in the region of DKK 60 million. Special items include estimated badwill as mentioned on page 75 and the restructuring costs in Poland as earlier announced.
- After the balance sheet date, the acquisition of Grupa Prefabet S.A. in Poland was closed.



# Our company

*"We're creating excellence and continuing to grow in our geographical markets with our overall one-company approach."*



*Michael Troensegaard Andersen, CEO.*

## BUILD WITH EASE

H+H can trace its roots back to 1909, when it was founded in Denmark to mine sand and gravel, and was one of the pioneers in the manufacture of aircrete, which it started in 1937. Today we develop, produce, sell and distribute aircrete products and solutions primarily for walls in residential, industrial and other non-residential buildings.

H+H has built a very strong market position and is today Europe's second-largest aircrete supplier.

Construction techniques may vary greatly from country to country, but our expertise does not, and changing long-standing building traditions takes vision and innovative thinking.

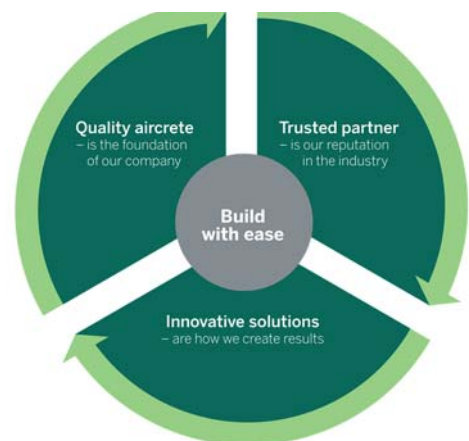
H+H offers a wide range of services and solutions to ensure a high level of customer satisfaction. Our *Build with ease* value proposition has been incorporated across our sales organisation and is a strong communicator of how we work and where we focus our efforts. *Build with ease* sets the overall standard for how we work as a team with our customers.

## OUR MARKETS

H+H operates in a number of countries in Western and Eastern Europe.

H+H's activities in Western Europe cover the Benelux countries, Denmark, Germany, Sweden and the UK. We have seen a strong recovery in construction activity in the UK, partly driven by government initiatives that continue to stimulate the market. In Germany, following a strong first half we saw a slowdown in our core segments, leading to flat revenue development overall compared with 2013. In the Nordic region, the mild winter boosted activity in the construction sector, which then held up for the rest of the year.

Our activities in Eastern Europe cover Northwest Russia and Poland. In Russia there were no dramatic changes in market conditions in 2014. Despite the political situation in Russia and Ukraine, building activity remained high throughout the year. However, the market in Northwest Russia remains volatile, with low visibility caused by slowdown, geopolitical uncertainty and a significant drop in oil prices. Poland is the biggest aircrete market in Europe, but fierce competition and



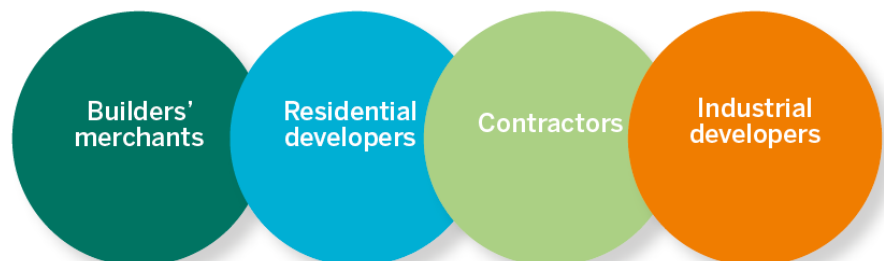
extensive overcapacity have put pressure on prices. Activity levels have dropped significantly in recent years due to the economic slowdown. With H+H's acquisition at the beginning of 2015 of one of Poland's major aircrete producers, Grupa Prefabet, expectations are that the combined Polish operation will capture synergies in both sales and production.

In general, 2014 was characterised by economic uncertainty which hit construction activity in our markets, but with positive trends in a few areas. The OECD forecasts economic growth in our markets of around 1-2% in 2015.



## OUR CUSTOMERS

Our main customer groups are builders' merchants and residential developers. We will continue to work closely with them to offer the best possible solutions at fair prices and with products fit for purpose. Only through our joint success will we be able to increase our market share and sales.



We offer customers a one-company approach, utilising best practices within sales and marketing. As part of our sales excellence programme, we are investing strongly in cross-border sharing of best practices, training and harmonisation of methodologies. This is a strong tool for our sales force in its daily work in a competitive market and ensures that our strategic objectives are realised.

H+H meets challenges by evaluating the possible consequences on an individual basis, and reacts to unforeseen market challenges to safeguard our market position. We constantly monitor economic and political developments and competitors in the markets in which we operate.



# Strategy and long-term financial targets

*"Our new enhanced sales and marketing set-up is focused on making us the overall number one aircrete supplier in our chosen geographical markets."*

*Michael Troensegaard Andersen, CEO.*

One focus area in 2014 was the acquisition of the Polish aircrete producer Grupa Prefabet. Poland is the biggest aircrete market in Europe, but extensive overcapacity has led to lack of profitability among producers.

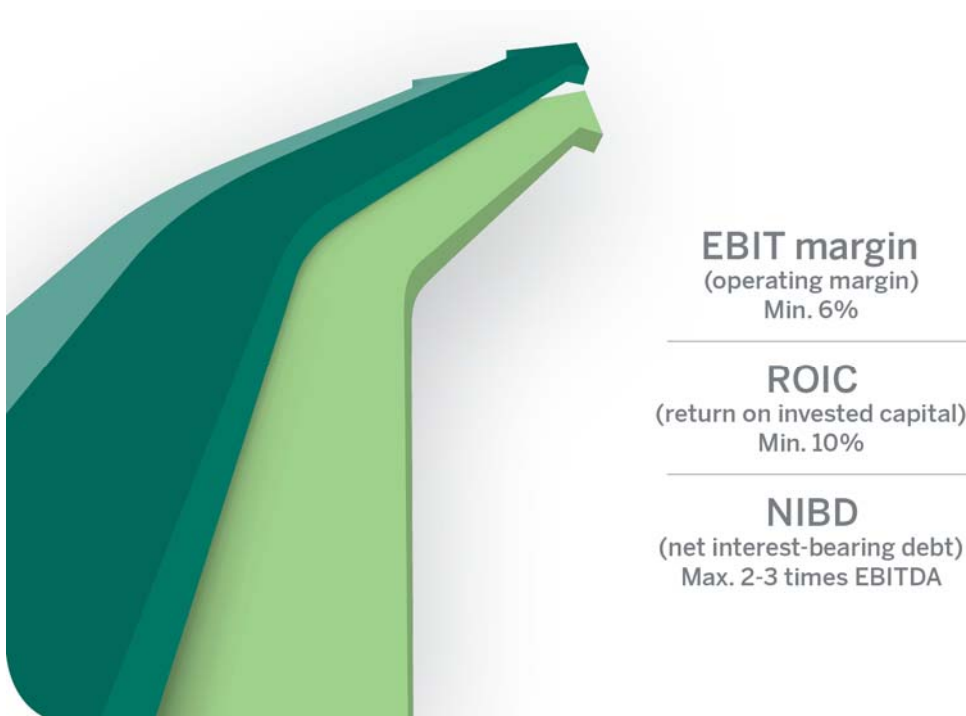
It is expected that, with the acquisition of Grupa Prefabet, H+H will benefit from economies of scale and be able to capture significant cost and efficiency synergies through a significant restructuring effort.

Overall market conditions in our chosen geographical footprint are expected to improve gradually over the coming years. The UK market in particular has seen a positive growth rate within the construction sector, supported by government initiatives. The Russian market, on the other hand, is very volatile due to the drop in oil prices and the geopolitical situation. In the longer term we still see underlying demand for new dwellings in Russia driven by demographics and the standard of the existing housing stock.

Our focus going forward is on obtaining a return on invested capital (ROIC) that exceeds the cost of invested capital.

We aim to consolidate H+H's position as one of the leading European aircrete suppliers and become the overall number one within our chosen geographical footprint in terms of size, profit and market share.

## LONG-TERM FINANCIAL TARGETS



## THE THREE CORE ELEMENTS OF OUR STRATEGIC PLAN

### One-company approach

H+H continues to build its pan-European brand, and our value proposition *Build with ease* is ensuring a strong, homogeneous and value-added service for our local and international customers. H+H will continue to harvest synergies from operations, sales and marketing to increase shareholder value.

### Attractive aircrete solutions

Building traditions and methods differ from country to country, and H+H has been able to adapt and develop solutions for local markets. Our *Build with ease* value proposition will continue to drive our development of value-added solutions. We will focus on further strengthening and supporting both local innovation and more group-wide initiatives.

### Highest growth rate

We continue to strengthen our market position as the number two in Europe, and our long-term goal is to become the overall number one aircrete supplier in our chosen geographical footprint. Our large market share in growth markets such as the UK and Northwest Russia is helping us, and we have managed to gain market shares from other wall-building materials.



## ENHANCED SALES AND MARKETING INITIATIVES

In 2014 we initiated a new sales performance management concept as part of our enhanced sales and marketing set-up. These initiatives follow up our one-company approach and strategic plan through the following key target areas:

- Higher growth rate than our competitors
- Penetration of new market segments
- Continuous brand building

We aim to promote cross-border best practice and knowledge sharing within sales and marketing, monitor sales closely, communicate promptly on threats and opportunities, and increase brand awareness within existing as well as new market and customer segments.

Our focus will be on improving environmental properties and on developing powerful solutions to increase penetration of higher-growth segments such as residential high-rise buildings and non-residential buildings.

The enhanced sales and marketing set-up is also linked to our similar operational excellence programme, which has brought average annual savings of DKK 20 million over the past four years. It is expected that the two programmes together will result in increased market share and profitability for H+H going forward.

Constant focus on innovation will support the growing interest in efficient, environmentally friendly and energy-saving solutions, while also enabling penetration of new or less-developed segments.

## H+H ERGO

Innovation was taken to a new level in 2014 with the installation rig H+H ERGO, which supports our value proposition *Build with ease* and strengthens our company brand as a responsible and solution-oriented supplier in the construction of both single-family and high-rise structures.

In a competitive construction market where time is money, H+H ERGO will reduce the customer's labour costs. H+H ERGO can be operated by one person only, whereas two or three people would normally be needed for manually moving and mounting aircrete wall panels.

Another important benefit of H+H ERGO is much higher safety for installers. The installation rig is equipped with a powerful electric motor and hydraulic lifting, tilting and lowering functions. With H+H ERGO, aircrete wall panels can be guided into place. There is no need for heavy lifting with all its implications for health and safety.

H+H ERGO simply gets the job done faster, safer and smarter.

- H+H ERGO is equipped with mover technology
- H+H ERGO's unique head has a 60° tilt function
- All the functions on H+H ERGO are hydraulic
- H+H ERGO can lift up to 300 kg



## H+H strengthens its position in the Polish aircrete market

*“With H+H’s acquisition of Grupa Prefabet S.A. in 2015, the company has laid the foundation for a significant restructuring of the Polish market. The acquisition is in line with our stated strategy of consolidating H+H’s position as one of the leading European aircrete suppliers and becoming the overall number one within our chosen geographical footprint.”*

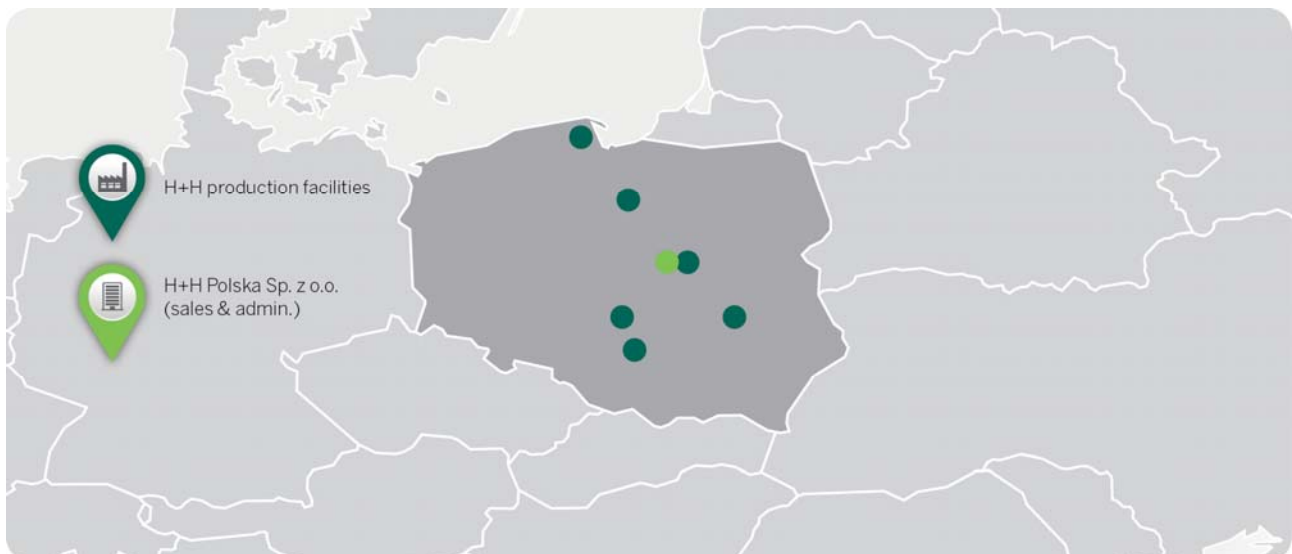
*Michael Troensegaard Andersen, CEO*

H+H International A/S has previously highlighted a need for restructuring in the Polish market and has been exploring the opportunities for structural change for some years. With H+H’s takeover of Grupa Prefabet, closed on 5 February 2015, the stage is set for actions that will benefit not only H+H but also the Polish aircrete and construction market as a whole.

The purchase price of PLN 60 million (DKK 108 million) will be paid according to an agreed deferred payment schedule.

H+H entered the Polish aircrete market in 2006, and the acquisition of Grupa Prefabet has made H+H a strong number two in the market with six continuing production facilities. H+H decided back in December 2013 to temporarily close down its manufacturing facility in Skawina to reduce market capacity, and in 2015 as part of the integration of Grupa Prefabet it was decided to permanently close the Skawina facility and three other plants in Wilkasy, Dlugi Kant and Kozenice. The aim is to remove further capacity from the market and to consolidate production at fewer sites. Closing the four factories is equivalent to a market capacity reduction of around 15%.

### Location of continuing H+H production facilities in Poland



The takeover of Grupa Prefabet's facility in Gdansk also opens for the supply of block products to markets in the Nordic region as a supplement to the current sourcing pattern.

The planned restructuring will take place over the next couple of years and is expected to reduce market capacity significantly. H+H expects to achieve synergies mainly through higher capacity utilisation, efficiency gains and direct cost savings.

The acquisition of Grupa Prefabet will result in recognition of goodwill estimated at DKK 56 million. In addition to the effect on the income statement, there will be opportunities to free up cash.



# Financial review and outlook for 2015

*"EBITDA is up 47% on last year, mainly due to the strong performance in the UK. We have also improved our position in most of our other markets."*



*Ian Perkins, CFO.*

## INCOME STATEMENT

### Revenue

Revenue was DKK 1,380 million, against DKK 1,260 million in 2013, an increase of DKK 120 million or 9.5%. Organic growth was up 9.4%. The increase in sales was due to a combination of growth in volume and selling prices.

The RUB exchange rate had a negative effect on revenue of DKK 32 million, while the GBP exchange rate had a positive effect of DKK 35 million. Other currencies were virtually unchanged from 2013.

### Production costs

Average production costs were similar to those incurred in 2013. Prices for raw materials, primarily energy, and transport were as expected. Higher sales activity increased capacity utilisation at a number of factories, which, together with savings due to production improvements through the excellence programme, fully offset the increase in raw material costs.

### Gross profit

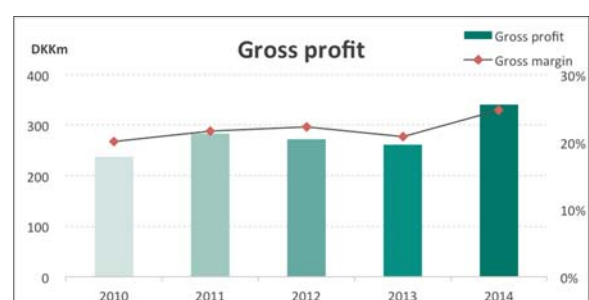
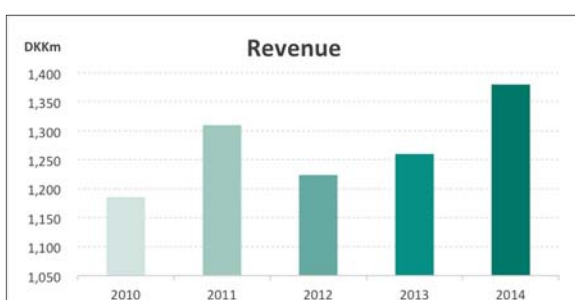
The gross margin was 24.7%, against 20.8% in 2013. Average selling prices were higher than in 2013, and higher capacity utilisation due to higher production volumes had a positive impact on margins.

### Special items

The results for 2014 include negative special items of DKK 2.7 million, consisting of costs for the acquisition of Grupa Prefabet S.A. in Poland.

### EBITDA

Full-year EBITDA was DKK 137.4 million, against DKK 93.6 million in 2013, up 47%. EBITDA before special items was DKK 140.1 million.



The increase in EBITDA was due to increases in selling prices, sales volumes and production savings. Other external expenses were higher than in 2013, mainly as a result of pre-acquisition costs and costs associated with our strategic initiatives.

### Operating profit (EBIT)

Operating profit was DKK 45.0 million in 2014 (equivalent to an EBIT margin of 3.3%), against DKK 5.9 million in 2013 (equivalent to an EBIT margin of 0.5%), an improvement of DKK 39.1 million. Excluding special items, EBIT was DKK 47.7 million in 2014 against DKK 7.5 million in 2013.

### Return on invested capital (ROIC)

Return on invested capital was 6.7%, against 0.7% in 2013.

### Profit before tax from continuing operations

Profit before tax was DKK 0.7 million, against a loss of DKK 36.6 million in 2013, an improvement of DKK 37.3 million.

Net financials totalled DKK 44.3 million in 2014, against DKK 42.5 million in 2013. Besides interest expenses and foreign exchange adjustments, the figure includes amortisation of borrowing costs, payments for an unused committed credit facility and expenses for the pension scheme in the UK.

### Taxation

Tax for 2014 was DKK 7.6 million, against DKK 3.5 million in 2013. The higher tax expenses are due to higher income, mainly in the UK.

### Discontinued operations

Discontinued operations generated a loss of DKK 16.3 million in 2014, against a loss of DKK 52.4 million in 2013.

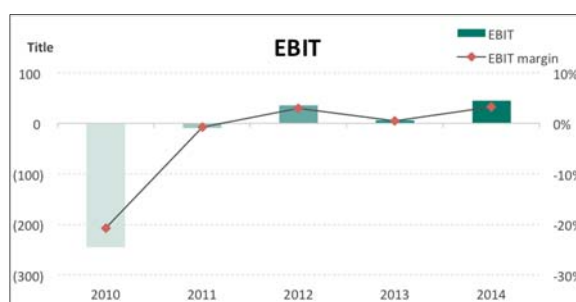
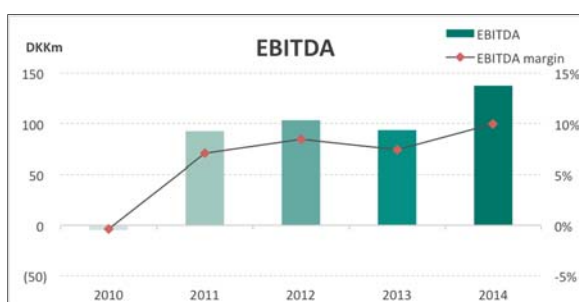
### Other comprehensive income

Other comprehensive income was a negative DKK 120.0 million against a negative DKK 32.0 million in 2013, adversely impacted by movements in foreign exchange rates of DKK 91.5 million and the UK pension obligations of DKK 28.5 million. Further details are outlined on page 17 in the Equity section.

### Western Europe

Revenue in Western Europe was DKK 1,073 million, an increase of DKK 137 million or 14.6% on 2013. Expressed in local currency, revenue was up 11.1% on 2013.

Revenue growth in Western Europe was driven primarily by higher revenue in the UK, where both prices and volumes increased. Revenue also increased in the Nordic and Benelux countries but was lower in Germany due to a weak market



and a lack of sales to Africa. Visibility in the various markets remains poor, except for the UK, where the strong recovery in 2013 continued through 2014.

EBITDA was DKK 122.8 million, against DKK 67.4 million in 2013. The increase was due to higher selling prices and better capacity utilisation. A more favourable GBP exchange rate also improved earnings.

Profit before tax was DKK 44.2 million, against a loss of DKK 11.0 million in 2013, an improvement of DKK 55.2 million.

### Eastern Europe

Revenue in Eastern Europe was DKK 307 million, a decrease of DKK 17 million or 5.2% on 2013. Expressed in local currency, revenue was up 4.6%.

In Russia, 2014 saw high growth in both sales volumes and revenue, expressed in local currency, but average prices were lower than last year, due to higher sales at lower prices to customers further away from the factory and generally increased uncertainty in the market. However, there were no dramatic changes in market conditions due to the geopolitical situation.

In Poland, sales volumes and revenue were lower than last year. H+H shut down production temporarily at the factory in Skawina and increased prices, which had a negative effect on volumes. EBITDA, however, was higher than in 2013.

EBITDA was DKK 23.0 million, against DKK 35.7 million in 2013, a decrease of DKK 12.7 million because of a weaker RUB.

2014 brought a loss before tax of DKK 32.4 million, against a loss of DKK 15.4 million in 2013, a decrease of DKK 17.0 million.

### Eliminations and unallocated items

Unallocated net expenses amounted to DKK 11.0 million in 2014, up DKK 10.2 million on 2013.

## CASH FLOW

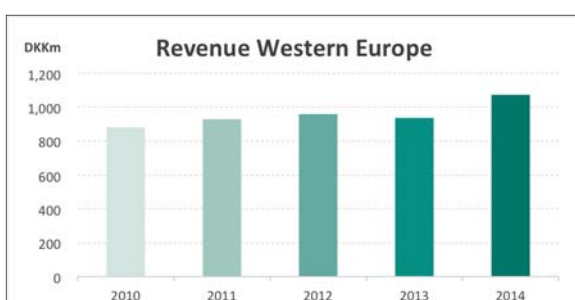
### Cash flow from operating activities

Cash flow from operating activities was DKK 92.9 million, due primarily to an increase in operating profit. Free cash flow was DKK 60.3 million, against DKK 28.1 million in 2013.

Net working capital to sales decreased from 7% on 31 December 2013 to 4% on 31 December 2014. This was mainly due to higher trade payables and revenue, partly offset by higher inventories.

### Investments

Investments of DKK 42.6 million were made during 2014, against DKK 35.5 million in 2013.





## BALANCE SHEET

The balance sheet total at 31 December 2014 was DKK 1,217 million, against DKK 1,293 million at year-end 2013.

### Financing

Net interest-bearing debt totalled DKK 517 million on 31 December 2014, down DKK 14 million on 31 December 2013. The debt/EBITDA ratio was reduced to 3.8 in 2014 from 5.7 in 2013.

H+H signed a new credit facility of DKK 712 million with Danske Bank, which is committed until 15 February 2018.

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 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.

### Equity

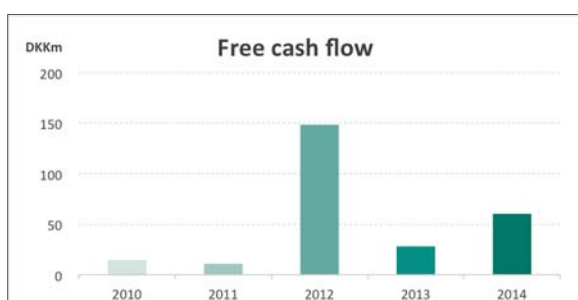
H+H's equity decreased by DKK 142.2 million in 2014. The profit for the period decreased equity by DKK 23.1 million, while foreign exchange adjustments of investments in subsidiaries decreased equity by DKK 91.5 million, largely driven by the decrease in the RUB.

Adjustments to pension obligations in the UK further reduced equity by DKK 28.6 million. The reason for this is a significant drop in the interest rate on the bonds used to calculate the liability required to cover benefits offered under the defined benefits pension scheme.

At an extraordinary general meeting on 4 November 2014, resolutions were adopted to reduce the company's share capital from nominally DKK 490,500,000 to DKK 98,100,000 and transfer the balance of DKK 392,400,000 to a special fund. At the same time, it was decided to change the denomination of the shares in connection with the capital reduction from a nominal value of DKK 5 or multiples thereof issued in shares of DKK 50 to a nominal value of DKK 10 or multiples thereof issued in shares of DKK 10. Furthermore, it was decided to authorise the Board of Directors to increase the company's share capital by nominally up to DKK 9,800,190, equal to 9.99% of the company's share capital after implementation of the above share capital reduction.

### Events after the balance sheet date

On 9 October 2014 H+H International A/S's subsidiary H+H Polska Sp. z o.o. signed an agreement with Grupa Ozarow S.A. to acquire 100% of the shares in its Polish aircrete company Grupa Prefabet S.A. Closing of the transaction took place on 5 February 2015. This will result in recognition of goodwill estimated at DKK 56 million.



Following the release of the annual report for 2014, the company intends to investigate the possibility of executing a capital increase of up to 9.99% of the share capital.

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

### OUTLOOK FOR 2015

- Organic revenue growth is expected to be 6-8%.
- EBITDA before special items is expected to be DKK 150-170 million.
- EBIT margin of min. 3-4%.
- Investments excluding acquisitions and divestments are expected to be DKK 60 million, including DKK 20 to support the restructuring in Poland.
- Special items include estimated goodwill as mentioned on page 75 and the restructuring costs in Poland as earlier announced.

These expectations for H+H's financial performance in 2015 are based partly on the following specific assumptions:

- Economic growth of around 0-3% in our geographical footprint.
- The operational excellence programme continues and reduces production costs further.
- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold at their mid-March 2015 levels.
- Energy and raw material prices rise only in line with inflation from their mid-March 2015 levels.
- Lower sales volume and lower margins in Russia due to the uncertainty about the economy and expectation of increasing inflation, but still a profit after tax for our Russian subsidiary.
- Market conditions in Poland improve and the restructuring plan runs according to plan.
- For other markets, the geopolitical situation does not result in changed market conditions.

### ABOUT THE OUTLOOK FOR 2015

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 geographical markets
- Developments in the market for building materials
- Distribution factors
- Weather conditions
- Geopolitical developments

H+H International A/S will 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 Copenhagen.

### DISCLAIMER

This annual report contains forward-looking statements.

Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H International A/S, may cause actual developments and results to differ materially from the expectations expressed in the annual report.

# Production

*"In 2014 the supply chain structure showed its real strength through focused strategic actions across the units' operational footprint. Our operational excellence programme continued its strong performance."*



*Bjørn Rici Andersen, Chief Operating Officer.*

## Production facilities

In 2014 H+H produced aircrete at 11 factories in Germany, Poland, Russia and the UK with a total output of more than 2.5 million m<sup>3</sup> of aircrete.

The acquisition of Grupa Prefabet with its five production plants will increase H+H's production capacity in Poland significantly and enable H+H to restructure the supply chain to gain a stronger market position. The integration of Grupa Prefabet and the realisation of synergies will be a major focus area in the coming year. Once completed, H+H's value proposition will be improved through a higher level of customer service, quality products and cost leadership in the market.

## Health & safety management

Health & safety (H&S) management is a top priority for our operations team. In 2014 we completed most of the initiatives commenced in 2013 to improve the safety culture in our factories. This includes a group health and safety policy, the introduction of a group safety officer function, clear reporting and follow-up of any lost-time accidents, access control and making management's commitment to H&S visible in the organisation. The H&S journey never stops, but 2014 was used to ensure a stronger foundation for an improved H&S culture.

The results are clearly visible in a lost-time accident frequency of 13 per million working hours in 2014, against 30 in 2013, a 50% reduction on a like-for-like basis.

## Operational excellence programme

Our operational excellence programme continued to deliver significant savings within the supply chain with a strong performance in all markets. Total savings of approx. DKK 20 million were realised in 2014. Going forward, we will strengthen the operational excellence programme through further competence development within lean manufacturing techniques.

## Focus areas going forward:



## Supply chain platform

2014 was in many ways a challenging year with volatile market conditions and global economic uncertainty. This was exacerbated by the Ukrainian crisis, which weakened the RUB. In order to ensure profitability, we focused constantly on flexibility, production performance and cost control of our supply chain in order to ensure prompt responses to changes in demand and utilisation plans. Strong demand in Russia and the UK in particular put pressure on the supply chain to maximise output, which was accomplished successfully. In Poland and Germany, however, the difficult market conditions demanded higher flexibility and strict cost control, which were achieved through clear management processes.



In 2014 a new supply chain management platform was implemented with uniform definitions of key performance indicators (KPIs) and P&L reporting for the supply chain by factory and entity as well as for the Group. The focus was on ensuring transparency of performance, delegating responsibility and empowering the organisation to deliver agreed results. The new KPI system has enabled benchmarks across production plants, highlighting potential performance improvements. The new management system forms the basis for all performance follow-up with full responsibility in the supply chain.

In order to ensure a profitable business, we have been adjusting to the current somewhat unstable market conditions by paying close attention to the performance

and potential of our production facilities and making any necessary changes. The restructuring of the supply chain for Sweden and Finland, which was completed in 2014 with the closure of our factory in Ikaalinen, Finland, and the mothballing of our factory in Skawina, Poland, has had positive effects. Detailed analysis and a focused effort in 2014 to increase overall equipment efficiency at the factory in Kikerino, Russia, made it possible to limit the scope of a previously planned DKK 40 million investment while still achieving a significant increase in annual output.

## Product innovation

Through innovation, we aim to make aircrete a stronger and more competitive product compared with other building materials, and to make our products competitive with products supplied by our peers in our geographical markets.

In 2014 we launched a new product innovation programme (PIP) with the aim of developing a structured, common platform for sharing ideas across geographical markets and generating innovative new solutions, with the purpose of fully realising our intellectual and economic potential. The platform will ensure that ideas are shared systematically to address cross-border product and solution needs.

# Risk management

Risk management is an ongoing process at H+H, involving the identification of risks and an assessment of their potential impact on earnings and equity. We aim to mitigate identified risks through internal business procedures, insurance and/or follow-up. Procedures, guidelines and various control systems have been developed to monitor and mitigate the risks identified, ensuring optimal management of all key risks.

H+H uses long-term scenarios as part of an annual evaluation of opportunities for and barriers to future growth, conducted during the strategy process. The scenarios are used to evaluate the impact of major decisions and the potential impact of major risks.

The Board of Directors has ultimate responsibility for the Group's risk management process and establishes the overall framework for it, whereas the duty of monitoring compliance with policies has been delegated to the CFO.

Risk	Scenario	Probability	Impact factor	Action
Market	With significant operational gearing and fixed costs, demand has a noticeable effect on H+H's financial performance. Developments in the global economy and especially the construction sector, as well as political initiatives such as taxes or tax deductions targeting the building industry or home owners, or changes to the mortgage system, have a significant direct and indirect impact on H+H.	High	High	Monitoring economic and political developments in the various markets and effective sales follow-up on a weekly basis.
Production	A major production breakdown or fire in a factory could cause a long-term loss of production. This shortfall would have an effect on sales unless made up by the other factories.	Low	Medium/high	Plans are in place to limit the time to fix production issues. Business interruption due to natural disasters/fire/explosions etc. is covered by insurance, which includes the additional cost of servicing the market from other sourcing options.
Raw materials & energy	Production is dependent on the supply of raw materials. Production costs are exposed to the effects of higher energy prices on the cost of transportation and price changes for cement, sand and lime.	High	Medium	All critical raw materials have dual sourcing, and substitution of suppliers can be implemented relatively easily (although at a cost). The cost of energy consumption in production corresponds to 5-10% of revenue, so we monitor prices closely.

Risk	Scenario	Probability	Impact factor	Action
Competition & pricing	H+H is the second-largest player in the European market. This market position could be endangered by mergers between competitors. Excess production capacity in some markets could result in a price war.	Low	Medium	Competitor monitoring to the extent possible. Strong market visibility to maintain market position. Price monitoring in the various markets on a weekly basis with possible price adjustments.
Interest & foreign exchange rates	H+H's earnings are primarily in RUB, GBP and EUR, while its borrowings are primarily in GBP, PLN, EUR and DKK. Any developments in the financial markets, especially in RUB and GBP, could have a significant impact on H+H.	High	Medium/high	Exchange and interest rate risks are mitigated under established policies and are subject to ongoing follow-up and reporting. H+H does not hedge currency exposure but tries to match assets and liabilities within the country when possible.
Capital structure & cash flow	Net interest-bearing debt amounted to DKK 517 million at the end of 2014, and H+H will remain dependent on external financing in the future.	Low	High	A new bank agreement on a credit facility of DKK 712 million was entered into with effect from 30 June 2014 and expires on 15 February 2018. The bank can terminate the facility prematurely if H+H fails to meet certain financial covenants. In 2014 there was no breach of the financial covenants.

# Corporate social responsibility

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

H+H develops, manufactures and sells aircrete products for the building industry in Western and Eastern Europe and strives to do so sustainably from a commercial, health & safety and environmental perspective. This goal of doing business in a sustainable way is an integral part of all of H+H's activities.

Aircrete is a particularly eco-friendly building material, not only because of its excellent thermal insulation properties but also because the production of aircrete is easy on the environment, and at the end of its life cycle aircrete can be crushed and used for other purposes, such as road fill and cat litter. The primary materials used in the production of aircrete are cement, lime and sand, all of which are based on abundantly available natural resources. In some countries, pulverised fuel ash, a residual product from power generation at coal-fired power stations, is used as a raw material instead of sand.

### CSR policies

The majority of CSR policies within the H+H Group are local policies developed and implemented by the individual subsidiaries.

H+H has so far only implemented group-wide principles for a few CSR areas in recent years, e.g. within health & safety, but does not yet have complete group-wide CSR policies in place. Specifically, H+H does not yet have any group-based policy concerning human rights or climate.

It was intended to establish a structured compliance organisation in the H+H Group during 2014, followed by a more complete group-wide CSR policy structure. However, H+H's acquisition of Grupa Prefabet S.A. with its five factories has taken up considerable resources since August 2014 with regard to due diligence of the said factories, and planning and now execution of the integration and restructuring plan. As a result, the establishment of a group-based compliance organisation and CSR policy structure has been delayed, and is now expected to take place from the second half of 2015 onwards.

### CSR statement for 2014

Pursuant to section 99a of the Danish Financial Statements Act, H+H International A/S publishes an annual statement on its CSR policies, actions taken to implement these policies and the results of these actions. The 2014 statement forms part of Management's review and can be found on the company's website at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement).

# Corporate governance

## RECOMMENDATIONS ON CORPORATE GOVERNANCE

As a company listed on NASDAQ Copenhagen, H+H International A/S is subject to its *Rules for issuers of shares*, including an obligation either to comply with the *Recommendations on Corporate Governance* issued by the Danish Committee on Corporate Governance or to explain why not and describe any alternative implemented instead. The recommendations as last updated in November 2014 are available on the Committee's website, [www.corporategovernance.dk](http://www.corporategovernance.dk).

In accordance with the recommendations, H+H International A/S has prepared a report on the company's compliance with the recommendations in 2014. The report forms part of the company's *Statutory annual corporate governance statement under section 107b of the Danish Financial Statements Act*, which can be viewed on the company's website at [www.HplusH.com/governance-statement](http://www.HplusH.com/governance-statement). H+H International A/S essentially complies with the recommendations, and in the few instances of non-compliance, the reason for the non-compliance and a description of what is done instead are provided in the above corporate governance statement for 2014.

### Evaluation of the Board of Directors

The Board of Directors held 11 meetings in 2014, while the Audit Committee held five, the Nomination Committee held one and the Remuneration Committee two.

In connection with H+H's then potential acquisition in Poland of Grupa Prefabet S.A., the Board of Directors concluded that it needed to strengthen its competences within the building materials supplier industry in Eastern Europe. For that reason, the Board of Directors proposed a change to the composition of the Board whereby an existing member was replaced with a new member possessing a special knowledge of the building industry in Poland and Russia, and the proposed change to the Board was approved at an extraordinary general meeting in November 2014.

At the end of 2014, the Board of Directors undertook a self-evaluation based on input from a questionnaire and one-on-one sessions between the Chairman and some members of the Board of Directors and the Executive Board, if the Chairman or the member requested such a session. The input from and issues raised in the questionnaire or the one-on-one sessions were subsequently discussed by the Board of Directors and considered in the light of, among other things, the Board of Directors' competence and diversity profile published on the company's website, [www.HplusH.com](http://www.HplusH.com). The conclusions from the evaluation together with recommendations from the Nomination Committee will form the basis for the Board of Directors' decision on whom to nominate as candidates for the Board of Directors at the company's annual general meeting on 14 April 2015.

### Diversity at management level

H+H International A/S's organisation represents different skills, nationalities, ages, genders and international experience. Recruitment for management positions takes place with an emphasis on skills and experience, and without discrimination on the grounds of age, gender, nationality etc.

H+H International A/S's organisation is very small with only 12 employees (including the one member of the Executive Board), but still the organisation is quite diverse representing different nationalities and ranging in age from 30 to 60+ years with four women and eight men.

Pursuant to section 139a of the Danish Companies Act, H+H International A/S has set an objective for the gender distribution of the Board of Directors, whereby the Board shall seek to ensure that each gender is represented among its shareholder-elected members when the Board of Directors consists of four or five shareholder-elected members, and that each gender is represented by at least two shareholder-elected members when the Board consists of six, seven or eight shareholder-elected members. This objective was to be reached no later than by the annual general meeting in 2016; however, it has already been met, as the Board of Directors' five shareholder-elected members have consisted of one



woman and four men since 2013. In 2015, a new objective aiming to make the gender representation more equal than today will be set.

In accordance with the exemption granted to small organisations with fewer than 50 employees, cf. section 139a(6) of the Companies Act, H+H International A/S has not set any objectives or produced any policies to ensure diversity in the company's management. Even though this is in accordance with the Companies Act, the lack of diversity-related objectives and policies for management positions is a departure from recommendation 2.1.6 of the *Recommendations on Corporate Governance*, since the recommendations are stricter in this respect than the obligations under the Companies Act.

The decision not to establish any objectives or policy with regard to diversity is due to the small size of H+H International's organisation, with fewer than 15 persons in total. The limited number of employees means there are often few, if any, changes in the organisation in any given year, which again makes it very difficult to effectively pursue any diversity objectives or policy within a meaningful time frame.

It should be noted that the management teams at H+H International A/S's subsidiaries are generally diverse with people of different nationalities, ages and genders working as managers within production, sales, marketing, HR and finance.



*Factories in Wittenborn, Germany.*

# Shareholder information

## SHARE CAPITAL AND SHAREHOLDERS

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

As at 1 January 2015, H+H International A/S had 3,139 registered shareholders (corresponding to 74.57% of the share capital), including 156 foreign shareholders, and the company held 12,021 treasury shares. On the same date, H+H International A/S had three major shareholders, each holding more than 5% of its shares: ATP, Laurids Jessen and his company Danebroge ApS, and LD Equity 1 K/S.

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

## CAPITAL STRUCTURE

The Board of Directors and Executive Board regularly evaluate the company's capital structure on the basis of expected cash flow and in the light of the company's earnings, debt, loan covenants etc. with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

An extraordinary general meeting of H+H International A/S on 4 November 2014 approved a decrease in the nominal value of the company's shares from DKK 50 per share to DKK 10 per share. Accordingly, on 4 December 2014 the share capital was reduced by DKK 392,400,000, which was allocated to a special fund in accordance with section 188(1)(3) of the Danish Companies Act. The extraordinary general meeting also authorised the Board of Directors to increase the company's share capital by up to DKK 9,800,190, or 9.99%, during the period until 3 November 2019.

Following the release of the annual report for 2014, the company intends to investigate the possibility of executing a capital increase of up to 9.99% of the share capital.

H+H International A/S had a solvency ratio of 12.5% at the end of 2014, compared with 22.7% at the end of 2013. The company's net interest-bearing debt totalled DKK 517 million at the end of 2014, compared with DKK 532 million at the end of 2013.

## SHARES

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

The company's share price dropped 26% to DKK 35.3 per share in 2014. By way of comparison, the OMXC20 index gained around 21% and the OMXCXC20 index gained 4.1%. Turnover in 2014 was 4,264,175 shares at a total price of DKK 193 million.

## DIVIDENDS

Given the loss after tax for 2014 of DKK 23.1 million, and given the uncertainty with respect to H+H's future earnings, the Board of Directors will recommend to the annual general meeting on 14 April 2015 that no dividend be paid for the 2014 financial year. It should also be noted that, under the terms of H+H International A/S's loan agreement with Danske Bank

A/S, the Board of Directors is subject to an obligation to the effect that any proposed resolution concerning the distribution of dividends for a given financial year must not exceed 50% of the company's profit after tax in the financial year in question.

Despite recent years' negative results as a consequence of the economic crisis, it is still a natural overall objective for H+H International A/S to generate a reasonable return for its shareholders in the form of share price appreciation and the distribution of dividends and/or reduction of share capital through the buyback and cancellation of shares in the company.

### INVESTOR RELATIONS POLICY

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

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

Relevant investor information is available on the company's website, [www.HplusH.com](http://www.HplusH.com). In 2014 the company held more than 30 investor meetings and published 19 company announcements. The company is covered by Danske Bank Markets.

Enquiries concerning IR issues should be addressed to Vice President Bjarne Pedersen at [shareholder@HplusH.com](mailto:shareholder@HplusH.com) or by telephone on +45 35 27 02 00.

### ANNUAL GENERAL MEETING

The next annual general meeting will be held on 14 April 2015. The time and place will be announced in the notice of the annual general meeting published via the Danish Business Authority's IT system as well as in a company announcement and on the company's website. The notice will be published no earlier than five weeks and no later than three weeks prior to the annual general meeting.

Documents for use at the annual general meeting will be made available on the company's website, [www.HplusH.com](http://www.HplusH.com), no later than three weeks before the meeting. Shareholder proposals for the agenda of the annual general meeting must be submitted no later than six weeks before the meeting (i.e. before 3 March 2015). Unless otherwise stated in the Danish Companies Act or the company's Articles of Association, resolutions on the amendment of the Articles of Association will be valid only if carried by at least two-thirds of the votes cast and of the voting share capital represented at the general meeting.

### FINANCIAL CALENDAR 2015

Date	Event
16 March 2015	Annual Report 2014
14 April 2015	Annual General Meeting
20 May 2015	Interim financial report Q1 2015
19 August 2015	Interim financial report H1 2015
18 November 2015	Interim financial report Q1-Q3 2015

# Board of Directors

According to the company's Articles of Association, all shareholder-elected members of the Board of Directors are elected by simple majority for a term of office lasting until the next annual general meeting. The current term of office expires at the annual general meeting on 14 April 2015. At the coming annual general meeting, the Board of Directors will propose the re-election of all members. The remuneration of the individual members of the Board of Directors and the Executive Board is presented in note 3 to the financial statements.

## KENT ARENTOFT



Male. Born 1962. President and CEO, Dalhoff Larsen & Horneman A/S.

- Chairman. Joined the Board of Directors in 2013. Member of the Nomination Committee (chairman) and Remuneration Committee (chairman).
- Holds 10,000 H+H shares, with no changes in his holding in 2014.
- Broad organisation and management experience in international companies in the building materials and contracting sector, in particular within strategy development and M&A transactions.
- Independent as defined in the Danish *Recommendations on Corporate Governance*.

### Other management positions and directorships

- Chairman of the board of directors of Cembrit Group A/S / Cembrit Holding A/S and DSV Miljø Holding A/S plus 9 subsidiaries.
- Member of the board of directors of Solix Group AB (Sweden).

## STEWART A BASELEY



Male. Born 1958. Executive Chairman, Home Builders Federation (UK).

- Joined the Board of Directors in 2010. Member of the Remuneration Committee.
- Holds 10,000 H+H shares, with no changes in his holding in 2014.
- Experience in the international house-building industry and the developer industry, particularly in the UK, as well as international management experience.
- Independent as defined in the Danish *Recommendations on Corporate Governance*.

### Other management positions and directorships

- Member of the board of directors of four subsidiaries of Home Builders Federation (UK), HBF Insurance PCC Limited (Guernsey), the National House-Building Council (UK), Akomex Sp. z o.o. (Poland), Druk-Pak SA (Poland), MEDI-system Sp. z o.o. (Poland), ProService Agent Transferowy Sp. z o.o. (Poland) and ZREW Transformatory Sp. z o.o. (Poland).
- Senior Advisor on Central and Eastern Europe for Highlander Partners L.P. (USA).
- Chairman of Habitat for Humanity Great Britain (UK).
- Patron of Children with Special Needs Foundation (UK).

## PIERRE-YVES JULLIEN



Male. Born 1950. President and CEO, Hempel A/S.

- Joined the Board of Directors in 2010. Member of the Nomination Committee and Remuneration Committee.
- Experience in the management of a major global manufacturer, including turnarounds and efficiency improvement as well as B2B sales.
- Independent as defined in the Danish *Recommendations on Corporate Governance*.

### Other management positions and directorships

- Managing director, chairman or member of the board of directors of 12 companies in the Hempel Group.
- Member of the board of Saudi Arabian Packaging Industry W.L.L. (Saudi Arabia).

### HENRIETTE SCHÜTZE



Female. Born 1968. Executive director and CFO, Nordic Tankers Group.

- Joined the Board of Directors in 2013. Member of the Audit Committee (chairman).
- Holds 531 H+H shares, all acquired in 2014.
- Extensive financial management experience from international listed and unlisted companies, particularly management, strategy development, turnarounds, change management and productivity/efficiency improvements.
- Independent as defined in the Danish Recommendations on Corporate Governance.

### Other management positions and directorships

- CEO, CFO, chairman or member of the board of directors of 12 companies in the Nordic Tankers Group.
- Member of the board of directors of BKR Carriers AS (Norway), BKR Tankers AS (Norway) and IMD Alumni Club of Denmark.

### SØREN ØSTERGAARD SØRENSEN



Male. Born 1958. Professional board member.

- Joined the Board of Directors in November 2014. Member of the Audit Committee and the Nomination Committee.
- Extensive international experience, including from Poland and Russia, within organisation and management, particularly within strategy development, M&A transactions, international sales and marketing, and product development.
- Independent as defined in the Danish Recommendations on Corporate Governance.

### Other management positions and directorships

- Chairman of the board of directors of Hydratech Industries A/S and three subsidiaries, Fremdrift A/S and Monark GmbH (Germany).
- Deputy chairman of the board of directors of Eksport Kredit Finansiering A/S, Frese Holding A/S and three subsidiaries, and IAI Holding A/S and one subsidiary.
- Member of the board of directors of AVK Holding A/S.

# Executive board and organisation

## MICHAEL TROENSEGAARD ANDERSEN



Male. Born 1961. CEO of H+H International A/S since 2011.

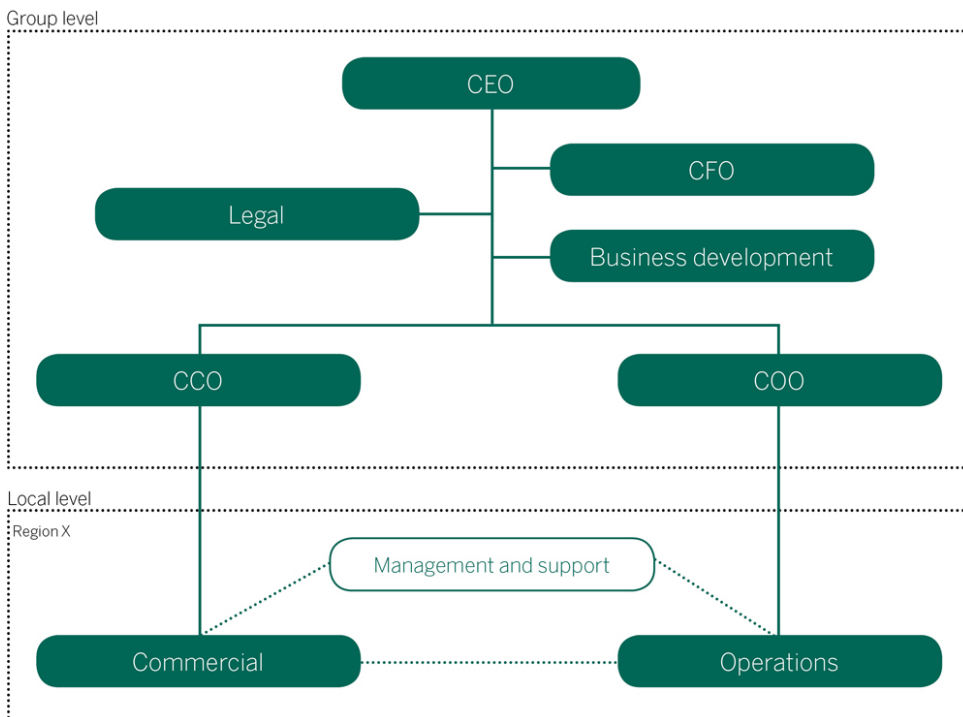
- Holds 21,554 H+H shares, of which 2,089 net were acquired in 2014. All shares are invested in a matching share incentive programme.

### Background

- 2004-2011: Employed at Trelleborg AB, from 2008 to 2011 as president of a global business unit consisting of 10 subsidiaries in Europe, the USA and Asia, and from 2004 to 2008 as managing director of Trelleborg Sealing Solutions Helsingør A/S.
- 1997-2004: Employed in executive positions within sales, marketing and general management at Alto International A/S (now part of the Nilfisk Group).
- Holds an M.Sc. (Engineering) and a B.Comm. (Accounting).

## ORGANISATION

The H+H Group had a total of around 860 competent and committed employees in 2014.



# Income statement

Note	(DKK '000)	Group		Parent company	
		2014	2013	2014	2013
2	Revenue	1,379,927	1,260,070	0	0
3, 16	Production costs	(1,039,439)	(998,583)	0	0
	<b>Gross profit</b>	<b>340,488</b>	<b>261,487</b>	<b>0</b>	<b>0</b>
3	Sales and distribution costs	(94,966)	(88,282)	0	0
3	Administrative costs	(103,172)	(87,224)	(39,096)	(24,886)
4	Other operating costs	(10,245)	(7,604)	0	(3,610)
5	Other operating income	5,309	15,189	34,322	19,323
	<b>Profit/loss before depreciation, amortisation and financial items (EBITDA)</b>	<b>137,414</b>	<b>93,566</b>	<b>(4,774)</b>	<b>(9,173)</b>
6	Depreciation and amortisation	(85,094)	(86,742)	(1,688)	(1,395)
7	Impairment losses	(7,325)	(940)	(66,761)	(144,965)
	<b>Operating profit/loss (EBIT)</b>	<b>44,995</b>	<b>5,884</b>	<b>(73,223)</b>	<b>(155,533)</b>
8	Financial income	860	281	18,202	24,264
9	Financial expenses	(45,110)	(42,754)	(41,311)	(23,684)
	<b>Profit/loss from continuing operations before tax</b>	<b>745</b>	<b>(36,589)</b>	<b>(96,332)</b>	<b>(154,953)</b>
10	Tax on profit from continuing operations	(7,552)	(3,520)	7,264	0
	<b>Loss for the year from continuing operations</b>	<b>(6,807)</b>	<b>(40,109)</b>	<b>(89,068)</b>	<b>(154,953)</b>
24	Loss for the year from discontinued operations	(16,256)	(52,364)	0	0
	<b>Loss for the year</b>	<b>(23,063)</b>	<b>(92,473)</b>	<b>(89,068)</b>	<b>(154,953)</b>
12	Earnings per share (EPS-Basic) (DKK)	(2.36)	(9.45)		
12	Diluted earnings per share (EPS-D) (DKK)	(2.36)	(9.45)		
12	Earnings per share from continuing operations (EPS-Basic) (DKK)	(0.70)	(4.10)		
12	Diluted earnings per share from continuing operations (EPS-D) (DKK)	(0.70)	(4.10)		

# Statement of comprehensive income

Note	(DKK '000)	Group		Parent company	
		2014	2013	2014	2013
	<b>Profit for the year</b>	<b>(23,063)</b>	<b>(92,473)</b>	<b>(89,068)</b>	<b>(154,953)</b>
	<b>Other comprehensive income:</b>				
	Items that will not be reclassified subsequently to profit or loss:				
	Actuarial losses and gains, see note 19	(36,054)	(6,263)	0	0
	Tax on actuarial losses and gains	7,487	1,285	0	0
		<b>(28,567)</b>	<b>(4,978)</b>	<b>0</b>	<b>0</b>
	Items that may be reclassified subsequently to profit or loss:				
	Foreign exchange adjustments, foreign companies	(105,581)	(31,270)	0	0
	Tax on foreign exchange adjustments, foreign companies	14,074	4,220	0	0
		<b>(91,507)</b>	<b>(27,050)</b>	<b>0</b>	<b>0</b>
	<b>Other comprehensive income after tax</b>	<b>(120,074)</b>	<b>(32,028)</b>	<b>0</b>	<b>0</b>
	<b>Total comprehensive income for the year</b>	<b>(143,137)</b>	<b>(124,501)</b>	<b>(89,068)</b>	<b>(154,953)</b>



# Balance sheet at 31 December

## ASSETS

Note	(DKK '000)	Group		Parent company	
		2014	2013	2014	2013
	Goodwill	51,431	58,559	0	0
	Other intangible assets	3,951	4,669	3,152	3,758
<b>13</b>	<b>Intangible assets</b>	<b>55,382</b>	<b>63,228</b>	<b>3,152</b>	<b>3,758</b>
	Land and buildings	325,401	341,415	0	0
	Plant and machinery	326,007	388,180	0	0
	Fixtures and fittings, tools and equipment	95,883	134,540	111	612
	Property, plant and equipment under construction	21,857	18,740	0	0
<b>13</b>	<b>Property, plant and equipment</b>	<b>769,148</b>	<b>882,875</b>	<b>111</b>	<b>612</b>
14	Deferred tax assets	40,210	16,338	0	0
15	Equity investments in subsidiaries	0	0	811,185	800,605
	Receivables from subsidiaries	0	0	279,953	350,888
	<b>Other non-current assets</b>	<b>40,210</b>	<b>16,338</b>	<b>1,091,138</b>	<b>1,151,493</b>
	<b>Total non-current assets</b>	<b>864,740</b>	<b>962,441</b>	<b>1,094,401</b>	<b>1,155,863</b>
16	Inventories	180,570	166,202	0	0
17	Trade receivables	39,983	39,393	0	0
	Tax receivable	845	493	0	0
17	Other receivables	14,775	13,977	1,137	418
	Prepayments	5,900	5,882	0	0
	Cash	72,168	40,084	20	15
	<b>Current assets</b>	<b>314,241</b>	<b>266,031</b>	<b>1,157</b>	<b>433</b>
24	Assets held for sale	37,746	64,476	0	0
	<b>Total current assets</b>	<b>351,987</b>	<b>330,507</b>	<b>1,157</b>	<b>433</b>
	<b>Total assets</b>	<b>1,216,727</b>	<b>1,292,948</b>	<b>1,095,558</b>	<b>1,156,296</b>

# Balance sheet at 31 December

## EQUITY AND LIABILITIES

Note	(DKK '000)	Group		Parent company	
		2014	2013	2014	2013
	Share capital	98,100	490,500	98,100	490,500
	Translation reserve	(206,272)	(114,765)	0	0
	Retained earnings/losses	259,884	(81,848)	594,104	289,810
	<b>Equity</b>	<b>151,712</b>	<b>293,887</b>	<b>692,204</b>	<b>780,310</b>
19	Pension obligations	189,522	156,912	0	0
20	Provisions	2,553	4,000	0	0
14	Deferred tax liabilities	8,201	17,493	0	7,264
21	Credit institutions	589,516	571,678	323,680	294,403
	<b>Non-current liabilities</b>	<b>789,792</b>	<b>750,083</b>	<b>323,680</b>	<b>301,667</b>
	Trade payables	165,013	119,507	3,992	2,784
	Income tax	8,573	666	0	0
	Payables to subsidiaries	0	0	67,552	60,616
	Other payables	77,737	79,106	8,130	10,919
	<b>Current liabilities</b>	<b>251,323</b>	<b>199,279</b>	<b>79,674</b>	<b>74,319</b>
24	Liabilities relating to assets held for sale	23,900	49,699	0	0
	<b>Total current liabilities</b>	<b>275,223</b>	<b>248,978</b>	<b>79,674</b>	<b>74,319</b>
	<b>Total liabilities</b>	<b>1,065,015</b>	<b>999,061</b>	<b>403,354</b>	<b>375,986</b>
	<b>Total equity and liabilities</b>	<b>1,216,727</b>	<b>1,292,948</b>	<b>1,095,558</b>	<b>1,156,296</b>

# Cash flow statement

Note	(DKK '000)	Group		Parent company	
		2014	2013	2014	2013
	Operating profit/loss	44,995	5,884	(73,223)	(155,533)
	Financial items, paid	(32,076)	(29,550)	(23,109)	3,257
	Depreciation, amortisation and impairment losses	92,419	87,682	68,449	146,360
	Other adjustments	3,704	(3,200)	963	(2,172)
	Change in inventories	(19,779)	(3,287)	0	0
	Change in receivables	(6,692)	(18,335)	(720)	123
	Change in trade payables and other payables	46,059	39,623	(1,581)	(1,853)
	Change in provisions	(27,997)	(20,759)	0	0
	Income tax paid	(7,728)	175	0	0
	<b>Operating activities</b>	<b>92,905</b>	<b>58,233</b>	<b>(29,221)</b>	<b>(9,818)</b>
	Sale of property, plant and equipment	9,974	5,785	0	222
	Capital contributions to subsidiaries	0	0	(77,341)	(54,020)
25	Sale of subsidiaries	0	0	0	0
	Acquisition of property, plant and equipment and intangible assets	(42,567)	(35,907)	(581)	(520)
	<b>Investing activities</b>	<b>(32,593)</b>	<b>(30,122)</b>	<b>(77,922)</b>	<b>(54,318)</b>
	<b>Free cash flow</b>	<b>60,312</b>	<b>28,111</b>	<b>(107,143)</b>	<b>(64,136)</b>
	Change in intra-Group balances	0	0	77,871	23,700
	Raising of long-term debt	0	25,413	29,277	40,436
	Reduction of long-term debt	(12,949)	0	0	0
	<b>Financing activities</b>	<b>(12,949)</b>	<b>25,413</b>	<b>107,148</b>	<b>64,136</b>
24	<b>Cash flow from discontinued operations</b>	<b>(14,306)</b>	<b>(28,777)</b>	<b>0</b>	<b>0</b>
	<b>Cash flow for the year</b>	<b>33,057</b>	<b>24,747</b>	<b>5</b>	<b>0</b>
	Cash and cash equivalents at 1 January	40,084	15,475	15	15
	Foreign exchange adjustments of cash and cash equivalents	(973)	(138)	0	0
	<b>Cash and cash equivalents at 31 December</b>	<b>72,168</b>	<b>40,084</b>	<b>20</b>	<b>15</b>
	Cash and cash equivalents at 31 December, continuing operations	72,168	40,006		
	Cash and cash equivalents at 31 December, discontinued operations	0	78		
		<b>72,168</b>	<b>40,084</b>		

## Statement of changes in equity

(DKK '000)	Group			Total
	Share capital	Translation reserve	Retained earnings	
<b>Equity at 1 January 2013</b>	<b>490,500</b>	<b>(87,715)</b>	<b>15,097</b>	<b>417,882</b>
Loss for the year	0	0	(92,473)	(92,473)
<b>Other comprehensive income:</b>				
Foreign exchange adjustments, subsidiaries	0	(31,270)	0	(31,270)
Actuarial gains/losses on pension plans	0	0	(6,263)	(6,263)
Tax on other comprehensive income	0	4,220	1,285	5,505
<b>Net gains recognised directly in equity</b>	<b>0</b>	<b>(27,050)</b>	<b>(4,978)</b>	<b>(32,028)</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>(27,050)</b>	<b>(97,451)</b>	<b>(124,501)</b>
Share-based payment	0	0	506	506
<b>Total changes in equity</b>	<b>0</b>	<b>(27,050)</b>	<b>(96,945)</b>	<b>(123,995)</b>
<b>Equity at 31 December 2013</b>	<b>490,500</b>	<b>(114,765)</b>	<b>(81,848)</b>	<b>293,887</b>
Loss for the year	0	0	(23,063)	(23,063)
<b>Other comprehensive income:</b>				
Foreign exchange adjustments, subsidiaries	0	(105,581)	0	(105,581)
Actuarial gains/losses on pension plans	0	0	(36,054)	(36,054)
Tax on other comprehensive income	0	14,074	7,487	21,561
<b>Net gains recognised directly in equity</b>	<b>0</b>	<b>(91,507)</b>	<b>(28,567)</b>	<b>(120,074)</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>(91,507)</b>	<b>(51,630)</b>	<b>(143,137)</b>
Share-based payment	0	0	962	962
Capital reduction	(392,400)	0	392,400	0
<b>Total changes in equity</b>	<b>(392,400)</b>	<b>(91,507)</b>	<b>341,732</b>	<b>(142,175)</b>
<b>Equity at 31 December 2014</b>	<b>98,100</b>	<b>(206,272)</b>	<b>259,884</b>	<b>151,712</b>

## Statement of changes in equity

(DKK '000)	Parent company			Total
	Share capital	Retained earnings	Proposed dividend	
<b>Equity at 1 January 2013</b>	<b>490,500</b>	<b>444,257</b>	<b>0</b>	<b>934,757</b>
Loss for the year	0	(154,953)	0	(154,953)
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>(154,953)</b>	<b>0</b>	<b>(154,953)</b>
Share-based payment	0	506	0	506
<b>Total changes in equity</b>	<b>0</b>	<b>(154,447)</b>	<b>0</b>	<b>(154,447)</b>
<b>Equity at 31 December 2013</b>	<b>490,500</b>	<b>289,810</b>	<b>0</b>	<b>780,310</b>
Loss for the year	0	(89,068)	0	(89,068)
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>(89,068)</b>	<b>0</b>	<b>(89,068)</b>
Share-based payment	0	962	0	962
Capital reduction	(392,400)	392,400	0	0
<b>Total changes in equity</b>	<b>(392,400)</b>	<b>304,294</b>	<b>0</b>	<b>(88,106)</b>
<b>Equity at 31 December 2014</b>	<b>98,100</b>	<b>594,104</b>	<b>0</b>	<b>692,204</b>

# Notes to the consolidated financial statements

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# Notes – Financial statements

## 1 GENERAL ACCOUNTING POLICIES

The annual report for the period 1 January – 31 December 2014 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

H+H International A/S is a public limited company registered in Denmark. The annual report of H+H International A/S for 2014 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2014 on 16 March 2015. The annual report will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 14 April 2015.

### Basis of preparation

The annual report is presented in DKK rounded to the nearest DKK 1,000. The annual report has been prepared using the historical cost principle. However, recognised derivatives are measured at fair value, and non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less selling costs.

There have been no changes to the accounting policies compared with last year, except for implementation of new accounting standards. The accounting policies have been applied consistently to the financial year and the comparative figures.

The accounting policies applied to the consolidated financial statements as a whole are described below, while the remaining accounting policies are described in connection with the notes to which they relate. The aim is to aid a better understanding of the individual items. The descriptions of accounting policies in the notes form part of the overall description of accounting policies.

### Adoption of new and revised IFRSs

H+H International A/S has adopted the new or revised and amended International Financial Reporting Standards (IFRSs) issued by IASB and endorsed by the European Union effective for the financial year 2014. Based on an analysis carried out by H+H International A/S, the application of the new IFRSs has not had a material impact on the consolidated financial statements in 2014 and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

### New IFRSs which have been issued but not yet become effective

In addition to the above, IASB has issued a number of new or amended standards and interpretations (IFRSs), some of which have been endorsed by the European Union but not yet come into effect. H+H International A/S has assessed the impact of these IFRSs that are not yet effective. None of the new standards or interpretations are expected to have a material impact on H+H International A/S.

## DESCRIPTION OF ACCOUNTING POLICIES

### Consolidated financial statements

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

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

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

### Foreign currency translation

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

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

# Notes – Financial statements

## 1 GENERAL ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

### Cash flow statement

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

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

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

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

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

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

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt. Cash and cash equivalents comprise cash and securities with a maturity of less than three months at the time of acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.



# Notes – Financial statements

## 1 GENERAL ACCOUNTING POLICIES – CONTINUED

### Critical accounting estimates and judgements

Determining the carrying amounts of some assets and liabilities requires management to make judgements, estimates and assumptions concerning future events. The estimates and assumptions made are based on historical experience and other factors that are believed by management to be sound under the circumstances but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the H+H Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates. It may be necessary to change estimates made previously as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events.

Critical accounting estimates made in connection with the financial reporting are set out in the following notes:

- Impairment testing of intangible assets, note 13
- Impairment testing of property, plant and equipment, note 13
- Useful lives of production assets, note 13
- Recovery of deferred tax assets, note 14
- Valuation of inventories, note 16
- Valuation of receivables, note 17
- Defined benefit pension plans, note 19
- Assets held for sale and discontinued operations, note 24

# Notes – Income statement

## 2 SEGMENT INFORMATION

(DKK million)	Group							
	2014							
	Western Europe			Eastern Europe			Total	
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Dis-continued operations*	Reporting segments
Revenue, external	888.7	184.2	1,072.9	307.0	0.0	307.0	15.2	1,395.1
Revenue, internal	93.6	0.0	93.6	5.4	0.0	5.4	1.4	100.4
EBITDA	125.6	(2.8)	122.8	23.7	(0.7)	23.0	(13.1)	132.7
Depreciation	(52.3)	(0.5)	(52.8)	(30.6)	0.0	(30.6)	(2.0)	(85.4)
EBITA	73.3	(3.3)	70.0	(6.9)	(0.7)	(7.6)	(15.1)	47.3
Impairment losses	(1.3)	0.0	(1.3)	(6.0)	0.0	(6.0)	0.0	(7.3)
Operating profit (EBIT)	72.0	(3.3)	68.7	(12.9)	(0.7)	(13.6)	(15.1)	40.0
Financial income	5.3	0.3	5.6	0.1	0.0	0.1	0.0	5.7
Financial expenses	(28.2)	(1.9)	(30.1)	(17.5)	(1.4)	(18.9)	(1.2)	(50.2)
Profit/loss before tax**	49.1	(4.9)	44.2	(30.3)	(2.1)	(32.4)	(16.3)	(4.5)
Non-current assets	508.5	6.9	515.4	401.2	0.6	401.8	6.7	923.9
Investments in intangible assets and property, plant and equipment	33.3	1.2	34.5	7.5	0.0	7.5	0.0	42.0
Assets	879.8	50.4	930.2	474.0	0.7	474.7	15.0	1,419.9
Equity	105.8	6.7	112.5	178.9	(39.8)	139.1	(40.1)	211.5
Liabilities	774.0	43.7	817.7	295.0	40.6	335.6	55.1	1,208.4
Average full-time equivalent staff	416	43	459	400	0	400	7	866

(DKK million)	Group							
	2013							
	Western Europe			Eastern Europe			Total	
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Dis-continued operations*	Reporting segments
Revenue, external	775.8	160.4	936.2	323.9	0.0	323.9	43.7	1,303.8
Revenue, internal	71.7	0.0	71.7	0.8	0.0	0.8	0.0	72.5
EBITDA	68.0	(0.6)	67.4	36.8	(1.1)	35.7	(45.8)	57.3
Depreciation	(53.4)	(0.9)	(54.3)	(32.4)	0.0	(32.4)	0.0	(86.7)
EBITA	14.6	(1.5)	13.1	4.3	(1.1)	3.2	(45.8)	(29.5)
Impairment losses	(0.9)	0.0	(0.9)	0.0	0.0	0.0	(3.3)	(4.2)
Operating profit (EBIT)	13.7	(1.5)	12.2	4.3	(1.1)	3.2	(49.1)	(33.7)
Financial income	3.2	0.2	3.4	0.1	0.0	0.1	0.0	3.5
Financial expenses	(25.0)	(1.6)	(26.6)	(16.4)	(2.3)	(18.7)	(3.3)	(48.6)
Loss before tax**	(8.2)	(2.8)	(11.0)	(12.1)	(3.3)	(15.4)	(52.4)	(78.8)
Non-current assets	721.6	16.9	738.5	486.1	1.3	487.4	18.6	1,244.5
Investments in intangible assets and property, plant and equipment	25.4	0.1	25.5	9.6	0.0	9.6	0.6	35.7
Assets	680.3	53.8	734.1	567.9	1.4	569.3	18.6	1,322.0
Equity	371.5	2.4	373.9	199.9	(39.1)	160.8	(15.3)	519.4
Liabilities	582.8	51.4	634.2	368.0	40.6	408.6	33.9	1,076.7
Average full-time equivalent staff	390	41	431	413	0	413	28	872

\* See note 24.

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

# Notes – Income statement

## 2 SEGMENT INFORMATION – CONTINUED

(DKK million)	Group	
	2014	2013
Segment revenue for the reporting segments	1,495.5	1,376.3
Elimination of inter-segment sales	(99.0)	(72.5)
Revenue for discontinued operations	(16.6)	(43.7)
<b>Revenue</b>	<b>1,379.9</b>	<b>1,260.1</b>
Segment loss before tax for reporting segments	(4.6)	(78.8)
Loss from discontinued operations	16.3	52.4
Non-allocated Group expenses, central functions	(11.0)	(10.2)
<b>Loss before tax</b>	<b>0.7</b>	<b>(36.6)</b>
Total assets for reporting segments	1,419.9	1,596.0
Other non-allocated assets, eliminations and similar	(196.5)	(284.5)
Assets relating to discontinued operations	(6.7)	(18.6)
<b>Assets</b>	<b>1,216.7</b>	<b>1,292.9</b>
Total liabilities for reporting segments	1,208.4	1,076.7
Other non-allocated obligations, eliminations and similar	(88.3)	(43.7)
Liabilities relating to discontinued operations	(55.1)	(33.9)
<b>Liabilities</b>	<b>1,065.0</b>	<b>999.1</b>

Revenue in Denmark was DKK 98,059 thousand in 2014 (2013: DKK 77,906 thousand).

Non-current assets in Denmark at year-end 2014 amounted to DKK 3,822 thousand (2013: DKK 7,283 thousand).

### Key customers

Travis Perkins in the United Kingdom represented approx. 31% of the H+H Group's total revenue in 2014 (2013: approx. 28%). The following countries represent more than 10% of revenue or non-current assets.

(DKK million)	Group			
	2014		2013	
	Revenue	Non-current assets	Revenue	Non-current assets
UK	644.8	201.5	508.0	188.1
Germany	245.4	303.9	273.4	280.3
Poland	144.1	219.3	169.0	254.3
Russia	161.7	136.9	154.7	227.4
Other countries and eliminations	183.9	3.1	155.0	12.3
	<b>1,379.9</b>	<b>864.7</b>	<b>1,260.1</b>	<b>962.4</b>

When presenting information on geographical areas, information on revenue is based on the legal entity. All revenue relates to sales of goods.

# Notes – Income statement

## 2 SEGMENT INFORMATION – CONTINUED

### Accounting policies



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

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

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

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

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

## 3 STAFF COSTS

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Wages and salaries	237.846	222.180	18.700	14.785
Defined contribution plans, see note 19	8.672	9.640	0	0
Share-based payment	962	506	506	401
Remuneration to the Board of Directors	1.797	1.838	1.838	1.838
Other staff costs	35.694	34.258	177	469
	<b>284.971</b>	<b>268.422</b>	<b>21.221</b>	<b>17.493</b>
<b>Staff costs are recognised as follows:</b>				
Production costs	164.150	157.643	0	0
Sales and distribution costs	64.904	60.068	0	0
Administrative costs	55.917	50.711	21.221	17.493
	<b>284.971</b>	<b>268.422</b>	<b>21.221</b>	<b>17.493</b>
<b>Average full-time equivalent staff</b>	<b>866</b>	<b>885</b>	<b>13</b>	<b>13</b>
<b>Remuneration to the Executive Board:</b>				
Michael Troensegaard Andersen (CEO):				
Salary and fees	3.000	2.700	3.000	2.700
Bonus plans	1.000	649	1.000	649
Share-based payment	718	223	718	223
	<b>4.718</b>	<b>3.572</b>	<b>4.718</b>	<b>3.572</b>
Niels Eldrup Meidahl (CFO until 1 December 2014):				
Salary and fees	1.797	1.558	1.797	1.558
Bonus plans	422	499	422	499
Share-based payment	(134)	126	(134)	126
	<b>2.085</b>	<b>2.183</b>	<b>2.085</b>	<b>2.183</b>
<b>Total</b>	<b>6.803</b>	<b>5.755</b>	<b>6.803</b>	<b>5.755</b>

Ian Perkins was appointed as CFO as of 1 December 2014. Ian Perkins has been the Financial Director of H+H UK Limited since 2009 and prior to this held management positions in British industrial companies supplying components to the building industry. Ian holds a BA (Hons) degree in Business from Portsmouth University and is a Chartered Management Accountant.

# Notes – Income statement

## 3 STAFF COSTS – CONTINUED

### Guidelines for remuneration to the Board of Directors and Executive Board

The annual general meeting on 14 April 2011 adopted the existing "Guidelines for remuneration to the Board of Directors and Executive Board, including general guidelines for incentive scheme for the Executive Board". All remuneration for 2014 has been determined in accordance with these guidelines. The Board of Directors does not receive any form of incentive payment, and remuneration to the Executive Board consists of a combination of fixed annual salary and a performance-based element comprising a short-term and long-term incentive plan.

The maximum amount of incentive remuneration (short-term and long-term) that can be achieved in accordance with the annual pool of incentive programmes, valued at the start of the vesting period for the annual pool, must not exceed 80% of the executive officer's fixed annual salary at the start of the vesting period, based on valuation pursuant to IFRS.

### Board of Directors

The Board of Directors comprises five members. The annual general meeting on 10 April 2014 approved remuneration to the Chairman of the Board for 2014 of DKK 600,000 (2013: DKK 600,000) and remuneration to ordinary board members of DKK 300,000 (2013: DKK 300,000). Remuneration to members of the Board of Directors also covers committee work. The Board's committees currently comprise an Audit Committee, a Nomination Committee and a Remuneration Committee.

### Executive Board

A member of the Executive Board may resign with six months' notice. The company may dismiss the Executive Board with 12 months' notice. Under normal circumstances, if the company gives notice to an executive board member without reason, the member is entitled to a termination benefit equivalent to 12 months' fixed salary. However, if a shareholder acquires the majority of votes in the company as a result of a compulsory or voluntary offer in accordance with the rules governing this in the Danish Securities Trading Act or if the company's operations are transferred to a new owner, the period of notice the executive board member must give the company if the member wants to resign is shortened to three months for a period of two years from the time of takeover. In a corresponding takeover situation where the company dismisses a member of the Executive Board, the member will have a claim of twice the normal termination benefit, equivalent to 24 months' fixed salary.

### Cash-based incentive schemes

The Executive Board has the opportunity to earn an annual cash bonus. This is based on performance in relation to the achievement of defined financial ratios for the company (key performance indicators such as EBIT, EBITDA, PBT, EPS, ROE, increase in share price etc.) and/or defined individual performance criteria, economic or otherwise (e.g. execution of strategy, restructuring plans, R&D projects, lean projects etc.). The bonus is therefore not guaranteed. In the case of termination of employment, the member is entitled to a pro rata bonus up to the date of termination if the performance achieved by year-end means that a cash bonus has been earned.

## SHARE-BASED INCENTIVE SCHEME

### Matching share programme

In March 2014 a matching share programme was launched for the Executive Board and certain key employees. The Executive Board and key employees invested a total of 7,051 H+H shares into the matching share programme initiated in 2014, which will trigger allocation of a further 21,153 H+H shares in March 2017 if all the vesting criteria are fulfilled.

The vesting criteria relate to continuous employment in the H+H Group during the vesting period, the Group's operating profit and other financial targets. The value of the programme at inception in March 2014 is estimated at DKK 1.0 million and will be recognised as staff costs until the expiry of the vesting period in March 2017.

The fair value of the programme has been determined as the maximum number of shares which can be granted. The share price used in calculating the value of the programme is the share price at 31 May 2014. The programme is not hedged by purchase of treasury shares.

Matching share programmes similar to the one described above were launched in May 2011, June 2012 and May 2013. The value of the 2011 programme at inception was DKK 1.9 million, whereas the actual value at the time of grant in March 2014 (when 8,468 matching shares were granted, equal to one matching share per share invested by each participant in the 2011 programme) was DKK 0.5 million.

The value of the 2012 programme at inception in 2012 was DKK 1.8 million, which is recognised as staff costs until the expiry of the vesting period in March 2015. It was assessed during 2013 that the programme could trigger a maximum of one matching share per investment share, and the amount recognised for the programme was adjusted accordingly. Based on the financial statements for 2014, 11,580 matching shares will be granted in March 2015 under the 2012 programme, equal to the estimated one matching share per investment share.

## Notes – Income statement

### 3 STAFF COSTS – CONTINUED

The value of the 2013 programme at inception in 2013 was DKK 1.7 million, which is recognised as staff costs until the expiry of the vesting period in March 2016. It was assessed during 2014 that the programme could trigger a maximum of three matching shares per investment share. No adjustment has been recognised, except for an adjustment related to resignation of one participant.

Since 2011 when the matching share programme was launched, two participants in the programme have left H+H of their own will, and the annual matching programmes in which they took part were therefore reversed in respect of their participation interests.

None of the programmes have been hedged by purchase of treasury shares, but the company's prior holding of treasury shares will cover the grant of matching shares through 2015. In February 2015, the Board of Directors decided that, for the time being, the company will not hedge any future grant of matching shares.

#### Previous option programme

In May 2007, the Board of Directors of H+H International A/S established a share option plan for the Executive Board and other senior executives with a vesting period of 2007-2009. No share option plan has been adopted for 2014. The Board of Directors of H+H International A/S is not included in the company's share option plan.

Each share option entitles the holder to buy one share in H+H. The exercise price is calculated as the average price in the 10 business days after the publication of the annual report for the financial year to which the share options relate, plus 20%. The options are exercisable during a one-year period beginning three years and ending four years after the publication of the annual report for the financial year to which the share options relate. Unless specifically agreed as part of a termination agreement, the right to be granted and to exercise share options is conditional upon the option holder's employment with the company not having ceased, either due to the option holder having given notice of termination or breach of contract on the part of the option holder. There are no other vesting conditions. The fair value of the share option plan at the issue date has been calculated at DKK 4.5 million in total, and breaks down into DKK 1.5 million for the 2007 grant, DKK 1.5 million for the 2008 grant and DKK 1.5 million for the 2009 grant. The fair value of the programme at 31 December 2014 is DKK 0 million.

No hedging of the granted share options has been carried out in recent years as the relatively large drop in the company's share price meant that the probability of the oldest options still exercisable being used before expiry of the exercise period (March 2014) was considered very low. There were 20,489 treasury shares at year-end 2013. The cost recognised in the 2014 income statement in respect of share options is DKK 0 thousand (2013: DKK 16 thousand).

(DKK '000)	Group					
	Total		Former Executive Board		Other employees	
	Number	Avg. exercise price	Number	Avg. exercise price	Number	Avg. exercise price
Outstanding options at 31 December 2012	33,882		8,550		25,332	
Expired	(15,750)		(4,275)		(11,475)	
Outstanding options at 31 December 2013	18,132		4,275		13,857	
Expired	(18,132)		(4,275)		(13,857)	
<b>Outstanding options at 31 December 2014</b>	<b>0</b>		<b>0</b>		<b>0</b>	

#### Breakdown of outstanding options by exercise period:

Outstanding options at 31 December 2013

	2013-2014		2014-2015		Total	
2013-2014	18,132	79	4,275	79	13,857	79
2014-2015	0	0	0	0	0	0
<b>Total</b>	<b>18,132</b>		<b>4,275</b>		<b>13,857</b>	

# Notes – Income statement

## 3 STAFF COSTS – CONTINUED

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

### Management's holding of shares in H+H International A/S

(DKK '000)	1 January 2014	Additions or sold/settled during the year	31 December 2014	Market value*
<b>Board of Directors:</b>				
Kent Arentoft	10,000	0	10,000	353
Stewart A Baseley	10,000	0	10,000	353
Pierre-Yves Jullien	0	0	0	0
Henriette Schütze	0	531	531	19
Søren Østergaard Sørensen (joined 4 November 2014)	0	0	0	0
	20,000	531	20,531	725
<b>Executive Board:</b>				
Michael Troensegaard Andersen	19,465	2,089	21,554	761
<b>Total</b>	<b>39,465</b>	<b>2,620</b>	<b>42,085</b>	<b>1,486</b>

\* Calculation of the market value is based on the quoted share price of DKK 35.30 at the end of the year.

### Accounting policies

The H+H Group's incentive schemes comprise a matching share programme for senior executives.

The value of services rendered by employees in return for option and share grants is measured at the fair value of the options and shares. For equity-settled share options, the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period of the options and shares. The costs are set off directly against equity.

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

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

## 4 OTHER OPERATING COSTS

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Special costs related to closure of business units and employees made redundant	0	2,975	0	0
Onerous contract - Westbury lease	6,743	0	0	0
Acquisition-related costs, Grupa Prefabet S.A.	2,687	0	0	0
Other	815	4,629	0	3,610
<b>Total</b>	<b>10,245</b>	<b>7,604</b>	<b>0</b>	<b>3,610</b>


### Accounting policies

Other operating costs comprise items secondary to the entities' activities such as restructuring costs, losses on disposal of property, plant and equipment, and losses related to divestment of subsidiaries and activities.

## Notes – Income statement

### 5 OTHER OPERATING INCOME

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Management fee	0	0	25,761	18,862
Gain on disposal of property, plant and equipment	3,143	6,376	2,978	461
Rental income	0	1,221	0	0
Adjustment of environmental provision	0	1,050	0	0
Refund of property taxes	0	2,778	0	0
Other	2,166	3,764	5,583	0
<b>Total</b>	<b>5,309</b>	<b>15,189</b>	<b>34,322</b>	<b>19,323</b>

 **Accounting policies**  
Other operating income comprises items secondary to the entities' activities such as management fee, rental income, gains on disposal of property, plant and equipment, and gains related to divestment of subsidiaries and activities.

### 6 DEPRECIATION AND AMORTISATION

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Other intangible assets	1,448	4,240	1,612	1,252
Land and buildings	18,795	15,726	0	0
Plant and machinery	51,243	51,057	0	0
Fixtures and fittings, tools and equipment	13,608	15,719	76	143
<b>Total</b>	<b>85,094</b>	<b>86,742</b>	<b>1,688</b>	<b>1,395</b>

### 7 IMPAIRMENT LOSSES

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Land and buildings	1,287	940	0	0
Write-down of equity investments	0	0	66,761	144,965
Impairment loss relating to goodwill in Poland	6,038	0	0	0
<b>Total</b>	<b>7,325</b>	<b>940</b>	<b>66,761</b>	<b>144,965</b>

An impairment loss of DKK 6 million relating to goodwill in Poland has been recognised in 2014 as a result of lower capacity utilisation and prices than previously anticipated; see note 13.

The write-down of equity investments in the parent company for 2014 relates to H+H Polska Sp. z o. o. and OOO H+H Russia, and is based on the recoverable amount being lower than the parent company's original costs. In 2013 the write-down of equity investments related to H+H Finland Oy, Stone Kivitalot Oy, H+H Polska Sp. z o.o., H+H Danmark A/S and H+H Sverige AB. The write-down of equity investments in 2014 and 2013 has no bearing on the consolidated financial statements; see note 15.



## Notes – Income statement

### 8 FINANCIAL INCOME

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Interest income	311	123	0	0
Interest income from subsidiaries	0	0	18,202	20,572
Other exchange rate adjustments	427	132	0	0
Reversal of write-down of intra-Group debt	0	0	0	3,692
Other financial income	122	26	0	0
<b>Total</b>	<b>860</b>	<b>281</b>	<b>18,202</b>	<b>24,264</b>

#### Accounting policies

Financial income comprises interest income, capital gains, transactions denominated in foreign currencies, amortisation of financial assets, and surcharges and allowances under the tax prepayment scheme etc.

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

### 9 FINANCIAL EXPENSES

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Interest expenses	32,387	29,673	15,796	13,731
Interest expenses to subsidiaries	0	0	2,522	2,631
Interest on financial instruments	32,387	29,673	18,318	16,362
Exchange rate adjustments relating to loans to subsidiaries	0	0	4,264	2,678
Other exchange rate adjustments	994	1,829	0	116
Write-down of intra-group debt	0	0	17,491	0
Financial expenses relating to pension plans, see note 19	6,628	6,211	0	0
Other financial expenses	5,101	5,041	1,238	4,528
<b>Total</b>	<b>45,110</b>	<b>42,754</b>	<b>41,311</b>	<b>23,684</b>

#### Accounting policies

Financial expenses comprise interest expenses, capital losses, impairment losses relating to securities, payables and transactions in foreign currencies, and amortisation of financial liabilities, including finance lease obligations etc.

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

# Notes – Income statement

## 10 TAX

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Tax on profit from continuing operations	7,552	3,520	(7,264)	0
Tax on other comprehensive income	(21,561)	(5,505)	0	0
<b>Total</b>	<b>(14,009)</b>	<b>(1,985)</b>	<b>(7,264)</b>	<b>0</b>
<b>Total tax can be broken down as follows:</b>				
Current tax for the year	15,049	0	0	0
Adjustment relating to changes in tax rate	297	116	0	0
Adjustment of deferred tax	(29,355)	(2,156)	(7,264)	0
Prior-year adjustments	0	55	0	0
<b>Total</b>	<b>(14,009)</b>	<b>(1,985)</b>	<b>(7,264)</b>	<b>0</b>
<b>Current joint taxation contribution for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tax on profit from continuing operations can be broken down as follows:</b>				
Calculated 24.5% (2013: 25%) tax on income from ordinary activities	185	(8,422)	(23,601)	(28,739)
Less tax in foreign Group entities compared with 24.5% rate (2013: 25%)	(768)	(249)	0	0
Tax effect of:				
Unrecognised deferred tax asset	7,031	10,371	2,530	3,306
Write-down of deferred tax asset	2,869	1,697	(7,264)	0
Other adjustments	(3,308)	(2,543)	0	0
Non-deductible expenses	1,543	2,746	21,071	26,627
Prior-year adjustments	0	55	0	0
Non-taxable income	0	(135)	0	(1,194)
<b>Total</b>	<b>7,552</b>	<b>3,520</b>	<b>(7,264)</b>	<b>0</b>

### Accounting policies

Tax on profit comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that can be attributed to items in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity.

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

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

The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, all companies that are jointly taxed are thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

# Notes – Income statement

## 11 INCOME STATEMENT CLASSIFIED BY FUNCTION

It is Group policy to prepare the income statement based on an adapted classification of costs by function in order to show earnings before depreciation, amortisation and financial items (EBITDA). Depreciation, amortisation and impairment of property, plant and equipment and intangible assets are therefore classified by function and presented on separate lines.

The table below shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function:

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Revenue	1,379,927	1,260,070	0	0
Production costs	(1,125,096)	(1,079,917)	0	0
<b>Gross profit including depreciation and amortisation</b>	<b>254,831</b>	<b>180,153</b>	<b>0</b>	<b>0</b>
Sales and distribution costs	(95,281)	(88,837)	0	0
Administrative costs	(109,619)	(93,017)	(107,545)	(171,246)
Other operating costs	(10,245)	(7,604)	0	(3,610)
Other operating income	5,309	15,189	34,322	19,323
<b>Earnings before interest and tax (EBIT)</b>	<b>44,995</b>	<b>5,884</b>	<b>(73,223)</b>	<b>(155,533)</b>
<b>Depreciation, amortisation and impairment comprise:</b>				
Amortisation of intangible assets	1,448	4,240	1,612	1,252
Write-down of intangible assets	6,038	0	0	0
Depreciation of property, plant and equipment	83,646	82,502	76	143
Write-down of property, plant and equipment	1,287	940	0	0
Write-down of equity investments	0	0	66,761	144,965
<b>Total</b>	<b>92,419</b>	<b>87,682</b>	<b>68,449</b>	<b>146,360</b>
<b>Depreciation, amortisation and impairment are allocated to:</b>				
Production costs	85,657	81,334	0	0
Sales and distribution costs	315	555	0	0
Administrative costs	6,447	5,793	68,449	146,360
<b>Total</b>	<b>92,419</b>	<b>87,682</b>	<b>68,449</b>	<b>146,360</b>

### Accounting policies

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place, and if the income can be measured reliably and is expected to be received. Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

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

Sales and distribution costs include costs of distribution of goods sold during the year as well as marketing costs etc. This includes costs of sales personnel, and advertising and exhibition costs. Administrative costs include costs incurred during the year for management and administration, including costs for administrative staff, office premises and office expenses. Administrative costs also include impairment of trade receivables.

## Notes – Income statement

### 12 EARNINGS PER SHARE (EPS)

	Group	
	2014	2013
Average number of shares	9,810,000	9,810,000
Average number of treasury shares	(18,808)	(20,489)
Average number of outstanding shares	9,791,192	9,789,511
Dilution from share options	0	0
<b>Average number of outstanding shares, diluted</b>	<b>9,791,192</b>	<b>9,789,511</b>
Loss for the year (DKK '000)	(23,063)	(92,473)
<b>Shareholders in H+H International A/S (DKK '000)</b>	<b>(23,063)</b>	<b>(92,473)</b>
Earnings per share (EPS) (DKK)	(2.36)	(9.45)
Diluted earnings per share (EPS-D) (DKK)	(2.36)	(9.45)

For earnings and diluted earnings per share from discontinued operations; see note 24.

Earnings per share from continuing and discontinued operations respectively for 2014 are calculated on the basis of the equivalent key figures used to calculate earnings per share.

(DKK '000)	2014	2013
Loss from discontinued operations	(16,256)	(52,364)
Loss from continuing operations	(6,807)	(40,109)
<b>Loss for the year</b>	<b>(23,063)</b>	<b>(92,473)</b>

# Notes – Balance sheet

## 13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(DKK '000)	Parent company			
	2014		2013	
	Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
Total cost at 1 January	6,262	1,194	6,262	1,020
Transfers	425	(425)	0	0
Additions during the year	581	0	0	520
Disposals during the year	0	0	0	(346)
<b>Total cost at 31 December</b>	<b>7,268</b>	<b>769</b>	<b>6,262</b>	<b>1,194</b>
Total depreciation and amortisation at 1 January	(2,504)	(582)	(1,252)	(563)
Depreciation and amortisation of disposals	0	0	0	124
Depreciation and amortisation for the year	(1,612)	(76)	(1,252)	(143)
<b>Total depreciation and amortisation at 31 December</b>	<b>(4,116)</b>	<b>(658)</b>	<b>(2,504)</b>	<b>(582)</b>
<b>Carrying amount at 31 December</b>	<b>3,152</b>	<b>111</b>	<b>3,758</b>	<b>612</b>

(DKK '000)	Group					
	2014					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2014	83,194	25,754	523,845	1,150,205	253,223	26,673
Transfers	0	0	3,583	7,525	2,823	(13,931)
Foreign exchange adjustments, year-end rate	(2,233)	(458)	1,307	(26,627)	(51,685)	(185)
Additions during the year	0	751	881	17,680	6,022	17,233
Disposals during the year	0	0	(4,273)	(673)	(5,117)	0
<b>Total cost at 31 December 2014</b>	<b>80,961</b>	<b>26,047</b>	<b>525,343</b>	<b>1,148,110</b>	<b>205,266</b>	<b>29,790</b>
Total depreciation and amortisation at 1 January 2014	(24,635)	(21,085)	(182,430)	(762,025)	(118,683)	(7,933)
Foreign exchange adjustments, year-end rate	1,143	420	1,290	(10,405)	16,372	0
Foreign exchange adjustments for the year	0	17	181	902	1,640	0
Depreciation and amortisation of disposals	0	0	1,099	668	4,896	0
Depreciation and amortisation for the year	0	(1,448)	(18,795)	(51,243)	(13,608)	0
Impairment losses for the year	(6,038)	0	(1,287)	0	0	0
<b>Total depreciation, amortisation and impairment losses at 31 December 2014</b>	<b>(29,530)</b>	<b>(22,096)</b>	<b>(199,942)</b>	<b>(822,103)</b>	<b>(109,383)</b>	<b>(7,933)</b>
<b>Carrying amount at 31 December 2014</b>	<b>51,431</b>	<b>3,951</b>	<b>325,401</b>	<b>326,007</b>	<b>95,883</b>	<b>21,857</b>

# Notes – Balance sheet

## 13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

(DKK '000)	Group					
	2013					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2013	84,107	29,726	519,564	1,238,900	271,072	23,541
Transfers	0	(17,008)	18,013	5,141	2,657	(8,803)
Foreign exchange adjustments, year-end rate	(913)	(235)	(7,155)	(33,337)	(17,003)	(411)
Additions during the year	0	266	42	15,371	7,882	12,346
Disposals during the year	0	(902)	(9,839)	(69,213)	(10,467)	0
Transferred from assets held for sale	0	17,121	12,240	0	0	0
Transferred to assets held for sale	0	(3,214)	(9,020)	(6,657)	(918)	0
<b>Total cost at 31 December 2013</b>	<b>83,194</b>	<b>25,754</b>	<b>523,845</b>	<b>1,150,205</b>	<b>253,223</b>	<b>26,673</b>
Total depreciation and amortisation at 1 January 2013	(25,045)	(17,891)	(174,007)	(793,801)	(116,382)	(7,933)
Transfers	0	2,042	(2,042)	0	0	0
Foreign exchange adjustments, year-end rate	410	152	1,386	12,053	4,631	0
Foreign exchange adjustments for the year	0	(14)	5	730	500	0
Depreciation and amortisation of disposals	0	940	9,501	68,512	8,063	0
Depreciation and amortisation for the year	0	(4,240)	(15,726)	(51,057)	(15,719)	0
Impairment losses for the year	0	0	(940)	0	0	0
Transferred from assets held for sale	0	(2,074)	(1,473)	0	0	0
Transferred to assets held for sale	0	0	866	1,538	224	0
<b>Total depreciation, amortisation and impairment losses at 31 December 2013</b>	<b>(24,635)</b>	<b>(21,085)</b>	<b>(182,430)</b>	<b>(762,025)</b>	<b>(118,683)</b>	<b>(7,933)</b>
<b>Carrying amount at 31 December 2013</b>	<b>58,559</b>	<b>4,669</b>	<b>341,415</b>	<b>388,180</b>	<b>134,540</b>	<b>18,740</b>

Interest totalling DKK 0 thousand was capitalised in 2014 (2013: DKK 0 thousand).

### Impairment test of goodwill

On 31 December 2014, management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill to the cash-generating units. Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in each country.

The recoverable amount was defined as the value in use for the purpose of impairment testing. In general the impairment tests were based on the budget and strategy projections as approved by management.

DKK 28,216 thousand (2013: DKK 28,260 thousand) of the goodwill relates to Germany (Western Europe segment) and DKK 23,225 thousand (2013: DKK 30,299 thousand) to Poland (Eastern Europe segment).

The assumptions used for the impairment tests are the same as those used in the impairment tests for non-current assets and are shown on page 55.

Average annual growth has been assessed by local and Group management. The growth rate is not expected to exceed the average long-term growth rate in the H+H Group's markets. An increasing gross margin has been estimated for the period 2015-2020, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases.

The WACC is based on generally recognised principles including the determination of return on equity and cost of debt as well as assumptions provided by external analysts.

## Notes – Balance sheet

### 13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The return on equity is estimated on the basis of information provided by an independent survey performed by the IESE Business School regarding the market risk premium and the risk-free rate for the relevant countries. Furthermore, the beta value is the same as that used by the analysts covering the H+H share. The cost of debt is estimated based on the actual margin in the bank agreements and the risk-free rate.

In 2014 the impairment test of goodwill showed an impairment of DKK 6 million relating to goodwill in Poland, which is discussed in more detail below. After recognising an impairment loss on goodwill in Poland and based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of goodwill. If the assumptions are not met, this could result in further indications of impairment. The main assumptions relate to annual growth in revenue and gross margin. The primary reason for the impairment loss relating to goodwill in Poland is a generally greater slowdown in the Polish market for building materials than anticipated, and the fact that the Polish market is characterised by significant overcapacity and low prices. Continued cyclical difficulties in the market and increased competition have resulted in significant losses in the Polish subsidiary in recent years.

#### Impairment tests of non-current assets

The Group's key non-current assets were tested for impairment in 2014, including with regard to assets in Poland, Germany, the UK and Russia, which together represent approx. 94% of the Group's total non-current assets at 31 December 2014.

The impairment tests of non-current assets performed at 31 December 2014 do not show any indications of impairment. However, as a result of the economic situation for the Group, there is a particular risk that the future will bring indications of impairment in some subsidiaries. The assets in Poland are the most exposed to impairment in relation to the assumptions mentioned above. Based on these assumptions, management considers the recoverable amount to exceed the carrying amount of property, plant and equipment. If the assumptions below are not met, this could result in indications of impairment. The main assumptions relate to annual growth in revenue and gross margin.

The assumptions made can be summarised as follows:

	2014			
	Poland	Germany	UK	Russia
Carrying amount of intangible assets, property, plant and equipment at 31 December 2014 (DKK '000)	224,541	277,883	167,047	157,728
Estimated average annual growth in revenue 2015-2020 (CAGR)	8.0%	5.6%	4.2%	5.1%
Estimated average annual growth in gross margin in percentage point 2015-2020	2.4	0.8	0.2	(0.2)
WACC, after tax	7.1%	4.7%	6.1%	13.8%

	2013			
	Poland	Germany	UK	Russia
Carrying amount of intangible assets, property, plant and equipment at 31 December 2013 (DKK '000)	254,308	280,596	182,081	243,096
Estimated average annual growth in revenue 2014-2019 (CAGR)	7.9%	4.4%	4.9%	7.0%
Estimated average annual growth in gross margin in percentage point 2014-2019	3.2	0.6	1.0	(0.8)
WACC, after tax	8.5%	6.0%	6.6%	10.5%

WACC before tax 2014: Poland 8.8%, Germany 6.5%, UK 7.7% and Russia 17.3%.  
WACC before tax 2013: Poland 10.5%, Germany 8.3%, UK 8.4% and Russia 13.1%.

The WACC after tax in Poland has decreased from 2013 to 2014 due to a decrease in the risk-free rate from 3.9% to 2.1%, partly offset by an increase in the beta value. No changes have been applied to the market premium, which is the same as in 2013 at 6.3%.

# Notes – Balance sheet

## 13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

On 31 December 2014 the recoverable amount for the cash-generating unit Poland (including goodwill) is equivalent to the carrying amount. Any negative change in the assumptions will necessitate further impairment losses. The very sensitive analysis for Poland indicates the following adverse consequences:

- If average annual growth in revenue in the period 2015-2020 (CAGR) were to be reduced by 1.0 percentage point to 7.0%, this would necessitate impairment losses of DKK 43 million.
- If WACC after tax were to be increased by 1.0 percentage point to 8.1%, this would necessitate impairment losses of DKK 43 million.
- If the annual growth rate in the residual period were to be reduced by 0.5 percentage point to 2.5%, this would necessitate an impairment loss of DKK 19 million. If the annual growth rate in the residual period were to be reduced by 1.0 percentage point to 2.0%, this would necessitate impairment losses of DKK 34 million.
- If the annual growth rate in the residual period were to be reduced by 1.0 percentage point to 2.0% and WACC after tax were to be increased by 1.0 percentage point to 8.1%, this would necessitate impairment losses of DKK 65 million.

### Accounting policies

#### Intangible assets

Goodwill is recognised initially in the balance sheet at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity, and translated on initial recognition into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

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

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

Recognised development costs are measured at cost less cumulative amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the H+H Group's development activities and interest expenses on loans to finance development projects that relate to the production period. On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

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

#### Property, plant and equipment

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

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



# Notes – Balance sheet

## 13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

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

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

- Buildings 10-50 years
- Plant and machinery 2-20 years
- Fixtures and fittings, tools and equipment 2-10 years
- Intangible assets 3-35 years
- Land is not depreciated

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount. The effect on depreciation of any changes in depreciation period or residual value is recognised prospectively as a change in accounting estimates.

### Critical accounting estimates and judgements

#### Impairment of non-current assets

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

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

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under depreciation and amortisation.

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

The calculation for impairment testing is based on budgets approved by management. Cash flows after the budget period are extrapolated using individual growth rates. The discount rate used for the calculation incorporates possible impacts of future risks.

#### Useful lives of production assets

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed. The Group has reassessed estimates of the useful lives for 2014. The expected useful lives of production assets are unchanged from 2013.

# Notes – Balance sheet

## 14 DEFERRED TAX

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Deferred tax at 1 January	(1,155)	(4,305)	(7,264)	(7,264)
Foreign exchange adjustments	(769)	(662)	0	0
Change in deferred tax	26,446	2,527	7,264	0
Tax effect of adjustment of accumulated actuarial losses	7,487	1,285	0	0
<b>Deferred tax at 31 December</b>	<b>32,009</b>	<b>(1,155)</b>	<b>0</b>	<b>(7,264)</b>

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
<b>Deferred tax relates to:</b>				
Non-current assets	(53,971)	(70,806)	0	0
Current assets	(168)	(22)	0	0
Liabilities	39,371	32,705	0	0
Retaxation balance relating to discontinued joint taxation	0	0	0	(7,264)
Tax loss carry-forwards	46,777	36,968	0	0
<b>Total</b>	<b>32,009</b>	<b>(1,155)</b>	<b>0</b>	<b>(7,264)</b>
<b>Breakdown of deferred tax and recognition in the balance sheet:</b>				
Deferred tax assets	40,210	16,338	0	0
Deferred tax liabilities	(8,201)	(17,493)	0	(7,264)
<b>Total</b>	<b>32,009</b>	<b>(1,155)</b>	<b>0</b>	<b>(7,264)</b>

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

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

The tax value of loss carry-forwards has been recognised as deferred tax assets in the companies where, based on budget, it is considered very likely that this can be utilised in future earnings, and a history of profit before tax within the last three years has been verified. The tax value of loss carry-forwards of DKK 130 million at 31 December 2014 (2013: DKK 85 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised.

### Accounting policies

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

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

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

Deferred tax assets and liabilities are offset if the H+H Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously. Adjustment of deferred tax is made in respect of elimination of unrealised intra-group profits and losses.

## Notes – Balance sheet

### 14 DEFERRED TAX – CONTINUED

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

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

#### Critical accounting estimates and judgements

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

### 15 INVESTMENTS IN SUBSIDIARIES

(DKK '000)	Parent company	
	2014	2013
Acquisition cost at 1 January	1,275,606	1,221,585
Additions	77,425	58,933
Disposals	(47,201)	(4,912)
<b>Cost at 31 December</b>	<b>1,305,830</b>	<b>1,275,606</b>
Impairment losses at 1 January	(475,001)	(330,036)
Reversal in connection with disposals	47,117	0
Reversal of previous write-down	0	0
Impairment losses, equity investments	(66,761)	(144,965)
<b>Impairment losses at 31 December</b>	<b>(494,645)</b>	<b>(475,001)</b>
<b>Carrying amount at 31 December</b>	<b>811,185</b>	<b>800,605</b>

The cost of investments in subsidiaries was tested for impairment at the end of 2014. The recoverable amount of the equity investments at 31 December 2014 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2015-2020 and a WACC after tax of 4.7-13.8% (2013: 6.0-10.5%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2019 has been estimated at 2.0-3.0% (2013: 2.0-3.0%). It is estimated that the growth rate will not exceed the long-term average growth rate in the respective company's markets; see note 13 for further information on the impairment tests.

In connection with the closing of the financial statements for 2014, it was found that the recoverable amount of some of the Group's companies was lower than the parent company's original cost. As a result, impairment losses of DKK 66.8 million were recognised in the parent company financial statements; see note 7.

# Notes – Balance sheet

## 15 INVESTMENTS IN SUBSIDIARIES – CONTINUED

		2014	2013
	Registered office	Equity interest, %	Equity interest, %
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH	Germany	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
H+H Finland Oy	Finland	100	100
Stone Kivitalot Oy	Finland	100	100
H+H Sverige AB	Sweden	100	100
H+H Norge AS	Norway	0	100
H+H Polska Sp. z o.o.	Poland	100	100
H+H EIQ s.r.o.	Czech Rep.	100	100
H+H Slovenská republika s.r.o.	Slovakia	0	100
H+H Ukraina TOV	Ukraine	100	100
H+H UA TOV	Ukraine	100	100
OOO H+H	Russia	100	100
H+H Belgien SPRL	Belgium	0	100
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

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

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



### Accounting policies

Equity investments in subsidiaries in the parent company's financial statements: Equity investments in subsidiaries are measured at cost. If there is any indication of impairment, an impairment test is carried out as described in note 13. Cost is written down to the recoverable amount whenever the carrying amount is higher.

# Notes – Balance sheet

## 16 INVENTORIES/PRODUCTION COSTS

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Raw materials and consumables	45,414	42,829	0	0
Finished goods and goods for resale	135,156	123,373	0	0
<b>Total</b>	<b>180,570</b>	<b>166,202</b>	<b>0</b>	<b>0</b>
<b>Write-downs recognised in the inventories above have developed as follows:</b>				
Write-downs at 1 January	9,059	10,715	0	0
Foreign exchange adjustments	(173)	(157)	0	0
Write-downs for the year	2,575	3,982	0	0
Realised during the year	(1,078)	(281)	0	0
Reversals	(165)	(45)	0	0
Transferred to assets held for sale	0	(5,155)	0	0
<b>Total</b>	<b>10,218</b>	<b>9,059</b>	<b>0</b>	<b>0</b>
<b>Production costs comprised:</b>				
Wages and salaries	164,150	157,643	0	0
Production overheads	93,338	88,428	0	0
Cost of sales	779,541	748,575	0	0
Write-downs for the year	2,575	3,982	0	0
Reversals of inventory write-downs	(165)	(45)	0	0
<b>Total</b>	<b>1,039,439</b>	<b>998,583</b>	<b>0</b>	<b>0</b>

### Accounting policies

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value. In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

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

The net realisable value of inventories is determined as the selling price less any costs of completion and costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and developments in expected selling price.

### Critical accounting estimates and judgements

Estimation uncertainty relates to write-downs to net realisable value. Inventories are generally written down in accordance with the Group's policies in this area, which comprise individual assessment of inventories with a view to possible losses as a result of obsolescence, quality and cyclical effects.

## Notes – Balance sheet

### 17 TRADE AND OTHER RECEIVABLES

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Trade receivables	39,983	39,393	0	0
Other receivables	14,775	13,977	1,137	418
<b>Total</b>	<b>54,758</b>	<b>53,370</b>	<b>1,137</b>	<b>418</b>

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
<b>Age analysis of trade receivables:</b>				
Not past due	33,220	27,766	0	0
0-30 days	4,677	9,840	0	0
30-90 days	1,688	1,673	0	0
Over 90 days	398	114	0	0
<b>Total trade receivables</b>	<b>39,983</b>	<b>39,393</b>	<b>0</b>	<b>0</b>
<b>Write-downs relating to receivables, year-end</b>	<b>4,589</b>	<b>4,939</b>	<b>0</b>	<b>0</b>

#### Write-down of receivables by geographical region

(DKK '000)	Group					
	2014			2013		
	Western Europe	Eastern Europe	Total	Western Europe	Eastern Europe	Total
Write-downs at 1 January	1,794	3,145	4,939	2,394	2,119	4,513
Foreign exchange adjustments	4	(367)	(363)	(31)	(26)	(57)
Write-downs for the year	227	2,529	2,756	1,086	1,116	2,202
Realised during the year	(635)	(469)	(1,104)	(601)	(64)	(665)
Reversals	(37)	(1,602)	(1,639)	(935)	0	(935)
Transferred to assets held for sale	0	0	0	(119)	0	(119)
<b>Write-downs relating to receivables at 31 December</b>	<b>1,353</b>	<b>3,236</b>	<b>4,589</b>	<b>1,794</b>	<b>3,145</b>	<b>4,939</b>

The parent company has no trade receivables and there have not been any write-downs of receivables for 2014 or 2013.

Other receivables include VAT, other indirect taxes etc. and fall due within one year of the balance sheet date.

Receivables that are not past due are predominantly deemed to have a high credit quality. Security is not normally required in respect of claims. The Group's customers are typically large well-consolidated builders' merchants and housebuilders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December 2014.

# Notes – Balance sheet

## 17 TRADE AND OTHER RECEIVABLES – CONTINUED

Trade receivables which were past due at 31 December 2014 but not impaired are also included, as follows:

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
<b>Maturity period of trade receivables:</b>				
0-30 days	4,677	9,840	0	0
30-90 days	733	1,673	0	0
Over 90 days	0	0	0	0
<b>Total</b>	<b>5,410</b>	<b>11,513</b>	<b>0</b>	<b>0</b>

### Accounting policies

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

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

### Critical accounting estimates and judgements

Management currently makes estimates in assessing the recoverability of receivables at the balance sheet date. The international financial situation has been taken into consideration in the assessment of write-downs at the balance sheet date and in the day-to-day management and control of receivables.

## 18 SHARE CAPITAL AND TREASURY SHARES

	Number		Nominal value, DKK '000	
	2014	2013	2014	2013
Share capital at 1 January	9,810,000	9,810,000	490,500	490,500
Capital reduction	9,810,000	9,810,000	(392,400)	0
<b>Share capital at 31 December – fully paid</b>	<b>9,810,000</b>	<b>9,810,000</b>	<b>98,100</b>	<b>490,500</b>

At the extraordinary general meeting held on 4 November 2014, a resolution was passed to reduce the company's share capital by a nominal amount of DKK 392,400,000 – from DKK 490,500,000 to DKK 98,100,000 at par – for allocation to a special fund in accordance with section 188(1)(3) of the Danish Companies Act.

At the same time as the capital reduction, the denomination of the shares was changed to nominal DKK 10. After the capital reduction, the share capital comprises 9,810,000 shares of nominal value DKK 10. All the shares have the same rights, with each share carrying 10 votes at the general meeting.

There have been no movements in the share capital in the last five years except for the above.

# Notes – Balance sheet

## 18 SHARE CAPITAL AND TREASURY SHARES – CONTINUED

### Treasury shares

	Number	Nominal value, DKK '000	% of share capital, year-end
Holding at 1 January 2013	20,489	1,024	0.2
Holding at 31 December 2013	20,489	1,024	0.2
Purchased during the year	0	0	0
Granted due to matching share programme in 2011	(8,468)	(423)	(0.1)
Capital reduction	0	(481)	0
Sold during the year	0	0	0
<b>Holding at 31 December 2014</b>	<b>12,021</b>	<b>120</b>	<b>0.1</b>

All the treasury shares are owned by H+H International A/S. Treasury shares are acquired in order to hedge liabilities related to the company's former option plans.

At 31 December 2014, a total of 0 shares are required in connection with the company's option plans (2013: 18,132). Management has chosen not to hedge the matching share programme apart from the remaining 12,021 shares acquired in relation to the company's former option plans.



#### Accounting policies

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

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



# Notes – Balance sheet

## 19 PENSION OBLIGATIONS

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

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

The Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate the obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements, an amount of DKK 189,522 thousand (2013: DKK 156,914 thousand) has been recognised under liabilities in respect of the Group's obligations to existing and former employees after deduction of the assets associated with the plans.

In the consolidated income statement, an amount of DKK 8,672 thousand (2013: DKK 9,640 thousand) has been recognised in respect of expenses relating to insured plans (defined contribution). For non-insured plans (defined benefit plans), an amount of DKK 6,920 thousand (2013: DKK 6,211 thousand) has been recognised in the consolidated income statement as financial expenses.

The Group has defined benefit plans in the UK and Germany. The UK pension plans are managed by a pension fund – legally separate from the company – to which payments are made, whereas the German pension plans are unfunded. The board of the pension fund is composed of two representatives appointed by the employer, two elected by the pension fund members and two professional independent members.

The board of the pension fund is required by law and by articles of association to act in the interest of the pension fund members. The board of the pension fund is responsible for the investment policy with regard to the plan assets. Under the pension plan, employees are entitled to post-retirement annual payments amounting to 1/60 of the final pensionable salary for each year of service before the retirement age of 65. In addition, the service period is limited to 40 years, resulting in a maximum yearly entitlement (lifetime annuity) of 2/3 of the final pensionable salary.

The defined benefit pension fund in the UK typically exposes the company to actuarial risks, such as investment, interest rate, inflation and longevity. H+H Celcon Pension Fund is supervised by an independent corporate trustee, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, the corporate trustee must ensure among other things that a limited actuarial calculation of the pension obligations is carried out each year and a more detailed actuarial calculation of the pension obligations every three years. A detailed actuarial calculation carried out in April 2011 showed an unfunded pension obligation of DKK 169 million (GBP 20.4 million). Based on this calculation, on 16 August 2012 H+H UK Limited and H+H Celcon Pension Fund Trustee Limited entered into an agreement on the payment of contributions to cover the unfunded pension obligation (Schedule of Contributions). The agreement sets out a 12-year repayment profile under which H+H UK Limited will pay DKK 21 million (GBP 2.17 million) per year in the period April 2011 – March 2024.

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

The most recent actuarial valuations (based on IAS 19R) of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2014 by Mr C Richards, Fellow of the UK Institute of Actuaries, and in Germany by AON. The present value of the defined benefit obligation, and the related service and past service cost, were measured using the projected unit credit method.

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

# Notes – Balance sheet

## 19 PENSION OBLIGATIONS – CONTINUED

(DKK '000)	Group	
	2014	2013
<b>Pensions and similar obligations:</b>		
Present value of fully or partly funded defined benefit plans	687,249	567,367
Fair value of plan assets	508,453	420,073
Deficit	178,796	147,294
Present value of unfunded defined benefit plans recognised in the balance sheet	10,726	9,618
<b>Net obligation recognised in the balance sheet</b>	<b>189,522</b>	<b>156,912</b>
<b>Development in present value of defined benefit obligation:</b>		
Obligation at 1 January	576,985	570,222
Foreign exchange adjustments	39,851	(12,311)
Calculated interest on obligation	26,972	23,607
Gains/losses as a result of changes in economic assumptions	87,355	11,304
Gains/losses as a result of changes in demographic assumptions	(9,024)	4,304
Empirical changes	(987)	147
Pension paid	(23,177)	(20,288)
<b>Obligation at 31 December</b>	<b>697,975</b>	<b>576,985</b>
<b>Breakdown of the present value of defined benefit obligation:</b>		
Present value of fully or partly funded defined benefit obligations	687,249	567,367
Present value of unfunded defined benefit obligations	10,726	9,618
<b>Obligation at 31 December</b>	<b>697,975</b>	<b>576,985</b>

# Notes – Balance sheet

## 19 PENSION OBLIGATIONS – CONTINUED

(DKK '000)	Group	
	2014	2013
<b>Development in fair value of plan assets:</b>		
Plan assets at 1 January	420,073	402,821
Foreign exchange adjustments	29,515	(8,504)
Calculated interest income	20,052	17,396
Return on plan assets over and above the calculated interest	41,293	9,492
The company's contributions to plan assets	20,154	19,045
Pensions paid	(22,633)	(20,177)
<b>Plan assets at 31 December</b>	<b>508,454</b>	<b>420,073</b>
<b>Pension costs relating to the current financial year, recognised as staff costs:</b>		
Pension costs relating to defined contribution plans	8,672	9,640
<b>Total pension costs</b>	<b>8,672</b>	<b>9,640</b>
<b>Financial costs relating to the defined benefit plans for the current year:</b>		
Calculated interest on obligation	(26,972)	(23,607)
Calculated interest on plan assets	20,052	17,396
<b>Net interest on defined benefit plans</b>	<b>(6,920)</b>	<b>(6,211)</b>
<b>Pension costs recognised in other comprehensive income:</b>		
Gains/losses as a result of change in economic assumptions	(87,355)	(11,304)
Gains/losses as a result of change in demographic assumptions	9,024	(4,304)
Return on plan assets over and above the calculated interest	41,293	9,492
Changes due to experience adjustment	984	(147)
<b>Total</b>	<b>(36,054)</b>	<b>(6,263)</b>

The cost has been recognised in the income statement under staff costs; see note 3. Costs recognised under production costs amount to DKK 4,996 thousand (2013: DKK 5,662 thousand), costs recognised under sales and distribution costs amount to DKK 1,975 thousand (2013: DKK 2,157 thousand) and costs recognised under administrative costs amount to DKK 1,701 thousand (2013: DKK 1,821 thousand).

### Plan assets can be broken down as follows:

Shares	194,738	175,170
Bonds	312,699	243,223
Cash	1,017	1,680
<b>Total</b>	<b>508,454</b>	<b>420,073</b>

All plan assets are investments held in LGIM funds, which in turn invest directly in highly rated assets that are traded on a stock exchange.

# Notes – Balance sheet

## 19 PENSION OBLIGATIONS – CONTINUED

### Return on plan assets

Actual return on plan assets	61,345	26,888
Calculated interest on plan assets	20,052	17,396
<b>Actuarial gain (loss) on plan assets</b>	<b>41,293</b>	<b>9,492</b>

### The average assumptions for the actuarial calculations at the balance sheet date can be stated as follows:

Discount rate (avg.)	3.5%	4.6%
Expected inflation rate	3.0%	3.5%
Members' lifetime from retirement age (years)	22.8	22.8

### Sensitivity analysis

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

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

(DKK '000)	Group	
	2014	2013
<b>Sensitivity relative to discount rate:</b>		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	12,902	9,722
<b>Sensitivity relative to inflation:</b>		
If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	7,555	4,174
<b>Sensitivity relative to life expectancy from retirement age:</b>		
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	24,682	14,182

The Group expects to pay DKK 21 million into the defined benefit pension plan in 2014 (2013: DKK 19 million).

### The pension obligation is expected to fall due as follows:

0-1 year	23,744	21,047
1-5 years	94,975	84,189
Over 5 years	579,256	471,749
<b>Total</b>	<b>697,975</b>	<b>576,985</b>

# Notes – Balance sheet

## 19 PENSION OBLIGATIONS – CONTINUED

### Actuarial assumptions

#### Discount rate

The discount rate is based on high-quality corporate bonds, and an adjustment has been made to reflect the fact that the duration of the bonds does not correspond to the duration of the pension obligation.

#### Price inflation

Inflation is based on market expectations for inflation over the duration of the pension liabilities and is calculated as a single equivalent rate.

Demographic assumptions are based on the latest available mortality projection model.



### Accounting policies

Pension obligations: The H+H Group has entered into pension agreements and similar agreements with some of its employees. Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

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

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

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



### Critical accounting estimates and judgements

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

All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations.

# Notes – Balance sheet

## 20 PROVISIONS

(DKK '000)	Group	
	2014	2013
Provisions at 1 January	4,000	6,940
Foreign exchange adjustments	(701)	(129)
Provisions for the year	2,546	10,334
Utilised during the year	(750)	(1,487)
Reversals during the year	(1,851)	(6,014)
Transferred from liabilities relating to assets held for sale	0	188
Transferred to liabilities relating to assets held for sale	(691)	(5,832)
<b>Provisions at 31 December</b>	<b>2,553</b>	<b>4,000</b>
<b>Breakdown of the provisions at 31 December:</b>		
Warranty obligations	1,093	1,486
Obligations relating to restoration of sites	991	933
Other provisions	469	1,581
<b>Total</b>	<b>2,553</b>	<b>4,000</b>

H+H's companies provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs. At 31 December 2014, warranty obligations relate predominantly to Germany.

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

### Accounting policies

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

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

In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation. A pre-tax discount rate is applied that reflects the general interest rate level plus the specific risks attached to the provision. The changes in present values during the financial year are recognised under financial expenses.

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

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

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

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

# Notes – Balance sheet

## 21 CREDIT INSTITUTIONS

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
Bank loans	592,510	590,355	326,674	295,016
Amortised borrowing costs	(2,994)	(613)	(2,994)	(613)
<b>Total</b>	<b>589,516</b>	<b>589,742</b>	<b>323,680</b>	<b>294,403</b>
<b>Payables to credit institutions are recognised in the balance sheet as follows:</b>				
Non-current	589,516	571,678	323,680	294,403
Liabilities relating to assets held for sale	0	18,064	0	0
<b>Total</b>	<b>589,516</b>	<b>589,742</b>	<b>323,680</b>	<b>294,403</b>

H+H will be dependent on debt financing in the coming years, and maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 26.



### Accounting policies

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

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

## 22 CONTINGENT LIABILITIES

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
<b>Operating leases</b>	<b>Lease payments</b>	<b>Lease payments</b>	<b>Lease payments</b>	<b>Lease payments</b>
0-1 year	9,770	9,507	191	342
1-5 years	14,054	17,475	149	238
Over 5 years	0	1,242	0	0
<b>Total</b>	<b>23,824</b>	<b>28,224</b>	<b>340</b>	<b>580</b>

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Assets held under operating leases comprise production equipment and vehicles, primarily in the UK and Germany.

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
<b>Rental obligations</b>	<b>Lease payments</b>	<b>Lease payments</b>	<b>Lease payments</b>	<b>Lease payments</b>
0-1 year	2,867	3,084	672	606
1-5 years	5,397	5,108	560	758
Over 5 years	59,494	56,967	0	0
<b>Total</b>	<b>67,758</b>	<b>65,159</b>	<b>1,232</b>	<b>1,364</b>

The H+H Group's key rental obligations consist of long-term land leases in Ukraine and the UK.

An amount of DKK 12,047 thousand (2013: DKK 7,928 thousand) has been recognised in the consolidated income statement for 2014 in respect of operating leases and rental obligations.

# Notes – Balance sheet

## 22 CONTINGENT LIABILITIES – CONTINUED

### Taxes and duties

The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, the parent company is thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities, and to withhold corporation tax from 1 January 2013. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

### Financial guarantee

The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's credit facility. The financial guarantee at 31 December 2014 amounts to DKK 265,836 thousand (2013: DKK 295,474 thousand).

### Other

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

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

Shares in subsidiaries have been pledged as security for a loan agreement with Danske Bank A/S.

## 23 AUDITORS' REMUNERATION

(DKK '000)	Group		Parent company	
	2014	2013	2014	2013
<b>Total fees for the parent company's auditors elected at the annual general meeting:</b>				
Deloitte	2,638	2,080	693	510
<b>Total</b>	<b>2,638</b>	<b>2,080</b>	<b>693</b>	<b>510</b>
<b>The total fee can be broken down as follows:</b>				
Statutory audit	1,813	1,786	539	510
Tax and VAT assistance	175	188	0	0
Other services	650	106	154	0
<b>Total</b>	<b>2,638</b>	<b>2,080</b>	<b>693</b>	<b>510</b>

## 24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

### Assets held for sale

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

Various plots of land in Poland, land and buildings in the Czech Republic, 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 40 million and result in an expected accounting gain before tax of around DKK 0-5 million. The transactions are expected to be completed within 12 months and are not included in the outlook for 2015. During 2014 a plot of land in the UK classified as held for sale was sold for DKK 9 million.

### Discontinued operations

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 subsidiary's activities. All that is left in the subsidiary, subsequently renamed Stone Kivitalot Oy, is a few projects due to be completed in 2015. Stone Kivitalot Oy has therefore been classified as a discontinued operation.

In 2013 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 2013. The Finnish operation has therefore been classified as a discontinued operation.



# Notes – Balance sheet

## 24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE – CONTINUED

(DKK '000)	Group	
	2014	2013
<b>Discontinued operations have impacted the income statement as follows:</b>		
Operating loss for the period until transfer of control	(16,256)	(52,364)
Tax on loss for the period	0	0
Gain on sale of non-current assets held for sale	0	0
<b>Total</b>	<b>(16,256)</b>	<b>(52,364)</b>
<b>Operating loss for the period until transfer of control can be specified as follows:</b>		
Revenue	16,620	43,178
Expenses	(32,876)	(95,542)
Loss for the year before tax	(16,256)	(52,364)
Tax on loss for the year	0	0
Loss for the year after tax	(16,256)	(52,364)
<b>Loss for the year from discontinued operations</b>	<b>(16,256)</b>	<b>(52,364)</b>
Earnings per share from discontinued operations (EPS) (DKK)	(1.66)	(5.35)
Diluted earnings per share from discontinued operations (EPS-D) (DKK)	(1.66)	(5.35)
Cash flow from operating activities	(17,464)	(45,555)
Cash flow from investing activities	(161)	9
Cash flow from financing activities	3,319	16,769
<b>Total cash flow</b>	<b>(14,306)</b>	<b>(28,777)</b>
<b>Assets for sale and liabilities relating to assets held for sale:</b>		
Intangible assets	963	3,962
Property, plant and equipment	28,752	42,988
Inventories	2,969	10,550
Receivables	5,062	6,900
Cash and cash equivalents	0	76
<b>Assets held for sale, total</b>	<b>37,746</b>	<b>64,476</b>
Credit institutions	0	18,064
Trade payables	6,233	1,143
Other payables	17,667	8,694
Other provisions	0	21,798
<b>Liabilities relating to assets held for sale, total</b>	<b>23,900</b>	<b>49,699</b>

# Notes – Balance sheet

## 24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE – CONTINUED

### Accounting policies

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

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

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

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

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

Profit after tax from discontinued operations, value adjustments after tax on associated assets and liabilities, and gains/losses on sale are presented in a separate line in the income statement, and the comparative figures are restated. Revenue, expenses, value adjustments and tax on the discontinued operations are disclosed in the notes. Assets and associated liabilities for discontinued operations are recorded separately in the balance sheet without the comparative figures being restated, cf. "Assets held for sale", and the main items are specified in the notes.

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

### Critical accounting estimates and judgements

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

# Notes – Balance sheet

## 25 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND ACTIVITIES

### Acquisition of subsidiaries

After the end of the financial year, H+H acquired 100% of the shares in the Polish aircrete company Grupa Prefabet S.A. on 5 February 2015 for a total consideration of PLN 60 million (DKK 108 million) in enterprise value. The purchase price will be paid in accordance with a detailed deferred payment plan.

Grupa Prefabet S.A. is one of the leading aircrete manufacturers in Poland, with five production sites and around 325 employees. Poland is the largest aircrete market in Europe but the level of activity has fallen significantly in recent years as a result of the economic slowdown, which has meant large overcapacity and lack of profitability among manufacturers. H+H anticipates that the acquisition of Grupa Prefabet S.A. will enable it to take part in the required restructuring of the Polish market, and expects to be able to realise savings through economies of scale.

The table below provides a summary of the cost price of Grupa Prefabet S.A. and the preliminary calculation of fair value of acquired assets and assumed liabilities on the acquisition date.

(DKK '000)	Group 5 February 2015
Other intangible assets	32.123
Property, plant and equipment	111.784
Receivables	10.798
Inventories	20.506
Assets held for sale	0
Other current assets	2.103
<b>Acquired assets</b>	<b>177.314</b>
Non-current liabilities	2.804
Payables	18.288
Other current liabilities	4.409
Deferred tax	4.722
<b>Assumed liabilities</b>	<b>30.223</b>
Total identifiable acquired net assets	147.091
Negative goodwill in connection with the acquisition	(56.271)
<b>Purchase price</b>	<b>90.820</b>
<b>Movements in cash flow in connection with the acquisition:</b>	
Purchase price	90.820
Deferred payment	(60.404)
<b>Net cash flow in connection with the acquisition of Grupa Prefabet S.A.</b>	<b>30.416</b>

The cost price was PLN 60 million (DKK 108 million) before any adjustments related to net working capital, PLN 37.5 million of which is deferred. The deferred amount falls due in June 2016 and June 2017. Payment of the deferred amount is not subject to any other conditions.

Grupa Ozorow S.A., the seller, has a charge on the acquired assets of Grupa Prefabet S.A.

Due to the tough market situation in Poland, the purchase price of Grupa Prefabet S.A. was significantly lower than the fair value of the company's assets.

# Notes – Balance sheet

## 25 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND ACTIVITIES – CONTINUED

Acquisition-related costs of DKK 2.7 million have been recognised under other operating costs in the Group's income statement for 2014. Additional acquisition-related costs of DKK 3.4 million will be recognised in the income statement for 2015.

Acquired assets and assumed liabilities mainly comprise property, plant and equipment and intangible assets relating to acquired factories and inventories.

### Impact on the consolidated financial statements

With the exception of the transaction costs incurred, the acquisition has no impact on the Group's revenue, profit or balance sheet for 2014 as the acquisition was not completed until after the end of the financial year. For 2015, the Group's EBITDA is expected to be impacted by DKK 10 million before restructuring costs.



### Accounting policies

For accounting purposes, business combinations are handled using the acquisition method. The cost is measured as the total of the transferred consideration, measured at fair value on the transaction date, and any non-controlling interests in the acquiree. For each individual business combination, non-controlling interests in the acquiree are measured either at fair value or at the proportionate share of the entity's identifiable net assets. Acquisition costs incurred are charged to the income statement. After initial recognition, goodwill is measured at cost less accumulated impairment losses. To test for impairment, goodwill acquired as a result of a business combination is allocated to the cash-generating units in H+H that are expected to benefit from the business combination. If goodwill represents part of the cash-generating unit, and part of the activity in this unit is divested, goodwill relating to the activity disposed of is recognised in the carrying amount of the activity in connection with determination of profit or loss on disposal of the activity. Goodwill divested in this connection is measured on the basis of the relative value of the divested activity and the remainder of the cash-generating unit.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

## 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

### H+H's risk management policy

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

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

### Currency risks

H+H's companies are exposed to currency risks. Financial instruments are primarily entered into in the individual consolidated entities' functional currencies as a result of their purchase and sales transactions. However, H+H has a translation risk, as a result of which H+H's profit/loss is exposed to fluctuations in the functional currencies. H+H does not engage in currency speculation.

The individual consolidated entities do not enter into financial instruments denominated in foreign currencies unless commercially warranted, and expected transactions and financial instruments in foreign currencies that exceed a limited level and time horizon require hedging. Derivatives and other financial instruments are used only to a limited extent to hedge currency risks. H+H did not use derivatives or other financial instruments to hedge currency risks in 2014 or 2013.

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

### Interest rate risks

As a result of its investing and financing activities, H+H is exposed to interest rate fluctuations both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR. It is H+H's policy to hedge interest rate risks on H+H's loans if it is assessed that the interest payments can be hedged at a satisfactory level. Hedging is normally effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans.

# Notes – Balance sheet

## 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

### Liquidity risks

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

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

### Loan agreement

The Group has a loan agreement with Danske Bank A/S, which is a committed credit facility of DKK 712 million running until 15 February 2018. The loan agreement's financial covenants will be calculated quarterly until the agreement expires.

At the end of June and December 2016 and 2017, the loan agreement facility is to be reduced by DKK 25 million (i.e. a total reduction of DKK 100 million). The company and those of its subsidiaries that are participating in the loan agreements, or that may be considered a material subsidiary, provide cross-guarantees for one another's obligations under the loan agreement. As part of the bank agreement, Danske Bank A/S has a charge on various assets of H+H Polska Sp. Z o.o. and a secondary charge on the assets of Grupa Prefabet S.A. acquired in 2015.

The loan agreement may be cancelled without notice by the lender if the company's shares are delisted from NASDAQ OMX Copenhagen. The loan agreement may also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors, individually or through coordinated collaboration, gain control of more than one-third of the shares or more than one-third of the total number of voting rights carried by the shares in H+H International A/S.

The loan agreement prevents the Board of Directors, without the prior permission of Danske Bank A/S, from recommending annual dividend distributions to shareholders of an amount that exceeds 50% of the company's net profit after tax in the preceding financial year.

The company is also required to obtain the prior permission of Danske Bank A/S in the case of e.g.:

- The sale of key assets or discontinuation of any material part of the business
- Significant acquisitions, divestments, mergers, restructuring or similar transactions
- Entering into significant leases
- Initiation of major investment projects
- Provision of security in assets to third parties if the total value of third-party security thereby exceeds a certain threshold

The loan agreement contains a number of financial covenants to be fulfilled for each calendar quarter concerning:

- Leverage ratio (net debt to EBITDA)
- Solvency ratio (equity to total assets)
- Interest cover ratio (EBITDA to financial net payables ratio)
- Debt service cover (cash flow to debt service ratio)
- Capital expenditure

The H+H Group has fulfilled all the financial covenants in 2014, and the budget for 2015 supports fulfilment of the covenants in each quarter.

### Credit risks

H+H is exposed to credit risks in the course of its activities. These risks are primarily related to receivables in respect of sales of H+H's products. Other credit risks, which relate to bank deposits and counterparties under financial contracts, are considered to be insignificant.

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

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

# Notes – Balance sheet

## 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

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

### Monetary items in foreign currency

(DKK '000)	Group						
	2014						
	EUR	GBP	PLN	DKK	RUB	Other	Total
Trade receivables	2,724	12,965	2,441	12,845	5,244	3,764	39,983
Cash and cash equivalents	2,590	66,750	887	503	1,015	423	72,168
Trade payables	(23,921)	(99,811)	(20,157)	(10,522)	(3,901)	(6,701)	(165,013)
Credit institutions	(22,078)	(206,314)	(27,633)	(328,973)	0	(4,518)	(589,516)
Gross exposure	(40,685)	(226,410)	(44,462)	(326,147)	2,358	(7,032)	(642,378)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
<b>Net exposure</b>	<b>(40,685)</b>	<b>(226,410)</b>	<b>(44,462)</b>	<b>(326,147)</b>	<b>2,358</b>	<b>(7,032)</b>	<b>(642,378)</b>

	2013						
	EUR	GBP	PLN	DKK	RUB	Other	Total
Trade receivables	3,110	7,716	5,922	6,862	9,472	6,311	39,393
Cash and cash equivalents	12,963	18,557	1,852	136	6,014	562	40,084
Trade payables	(21,229)	(62,775)	(20,677)	(7,104)	(2,484)	(5,238)	(119,507)
Credit institutions	0	(249,746)	(17,304)	(300,650)	0	(3,978)	(571,678)
Gross exposure	(5,156)	(286,248)	(30,207)	(300,756)	13,002	(2,343)	(611,708)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
<b>Net exposure</b>	<b>(5,156)</b>	<b>(286,248)</b>	<b>(30,207)</b>	<b>(300,756)</b>	<b>13,002</b>	<b>(2,343)</b>	<b>(611,708)</b>

### Parent company's monetary items and sensitivity

(DKK '000)	2014				2013			
	Position	Sensitivity			Position	Sensitivity		
	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity
EUR/DKK	296,509	1%	2,965	2,224	316,728	1%	3,167	2,375
GBP/DKK	(44,183)	5%	(2,209)	(1,657)	(57,075)	5%	(2,854)	(2,140)
PLN/DKK	(6,124)	5%	306	230	57,929	5%	2,896	2,172
			<b>1,062</b>	<b>797</b>			<b>3,209</b>	<b>2,407</b>

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

## Notes – Balance sheet

### 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

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

#### Sensitivity of profit and equity to market fluctuations

(DKK '000)	Group			
	2014		2013	
	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	2.871	(6.212)	97	(8.005)
5% increase in PLN/DKK	(1.995)	10.458	(1.577)	9.271
5% increase in RUB/DKK	460	8.448	873	13.259
	<b>1.336</b>	<b>12.694</b>	<b>(607)</b>	<b>14.525</b>

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

#### Interest rate exposure

(DKK '000)	Group							
	2014				2013			
	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging
DKK	328,471	0	328,471	0	300,514	0	300,514	0
EUR	19,488	0	19,488	0	(12,964)	0	(12,964)	0
PLN	26,747	0	26,747	0	15,452	0	15,452	0
CZK	(146)	0	(146)	0	(137)	0	(137)	0
RUB	(1,015)	0	(1,015)	0	(6,014)	0	(6,014)	0
GBP	139,563	0	139,563	0	231,189	0	231,189	0
Other	4,240	0	4,240	0	3,555	0	3,555	0
<b>Total</b>	<b>517,348</b>	<b>0</b>	<b>517,348</b>	<b>0</b>	<b>531,595</b>	<b>0</b>	<b>531,595</b>	<b>0</b>

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2014 the Group was not involved in any interest rate swaps.

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level relative to the average interest rate level in 2014 would reduce profit/loss before tax by DKK 5.3 million (2013: DKK 5.3 million).

The interest rate is variable, changing in accordance with the performance of the covenants contained in the loan agreement.

## Notes – Balance sheet

### 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

H+H's financial liabilities fall due as follows:

(DKK '000)	Group			
	2014			
Non-derivative financial instruments:	Carrying amount	0-1 year	1-5 years	Over 5 years
Credit institutions and banks	589,516	0	589,516	0
Trade payables	165,013	165,013	0	0
<b>Total</b>	<b>754,529</b>	<b>165,013</b>	<b>589,516</b>	<b>0</b>

(DKK '000)	Group			
	2013			
Non-derivative financial instruments:	Carrying amount	0-1 year	1-5 years	Over 5 years
Credit institutions and banks	571,678	0	571,678	0
Trade payables	119,507	119,507	0	0
<b>Total</b>	<b>691,185</b>	<b>119,507</b>	<b>571,678</b>	<b>0</b>

#### Hedge accounting under IAS 39

The fair value of those financial instruments that qualify for designation as hedge accounting under IAS 39 is recognised directly in equity until the hedged items are recognised in the income statement. No such financial instruments were used in 2014 or 2013.

#### Other derivatives that do not qualify for hedge accounting under IAS 39

The fair value of those financial instruments that do not qualify for hedge accounting under IAS 39 is recognised directly in the income statement. No such contracts have been recognised at 31 December 2014 or 31 December 2013.

#### Categories of financial instruments

(DKK '000)	Group			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	39,983	39,983	39,393	39,393
Other receivables	14,775	14,775	19,859	19,859
Cash and cash equivalents	72,168	72,168	40,084	40,084
<b>Total receivables</b>	<b>126,926</b>	<b>126,926</b>	<b>99,336</b>	<b>99,336</b>
Credit institutions and banks	589,516	586,522	571,678	572,291
Trade payables and other payables	242,750	242,750	198,613	198,613
<b>Total financial liabilities measured at amortised cost</b>	<b>832,266</b>	<b>829,272</b>	<b>770,291</b>	<b>770,904</b>

#### Classification and assumptions for the calculation of fair value

Current bank loans at variable interest rates are valued at a rate of 100. The fair value of long-term loans and finance leases is calculated using models that discount all estimated and fixed cash flows to net present value. The expected cash flows for the individual loan or lease are based on contractual cash flows. Financial instruments relating to sale and purchase of goods etc. with a short credit period are considered to have a fair value equal to the carrying amount. The methods are unchanged from 2013.



# Notes – Balance sheet

## 27 RELATED PARTIES

The Group's related parties are the Executive Board and the Board of Directors.

Apart from contracts of employment, no agreements or transactions have been entered into between the company and the Executive Board. Remuneration to the Board of Directors and the Executive Board is disclosed in note 3.

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries; see note 15.

A management fee totalling DKK 25,761 thousand (2013: DKK 18,862 thousand) was received by the parent company from the remainder of the Group.

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

Trading with related parties is at arm's length.

## 28 EVENTS AFTER THE BALANCE SHEET DATE

On 5 February 2015, H+H announced that the acquisition of Grupa Prefabet S.A. had been closed as the conditions for the transaction had been met with the approval of the Polish competition authority. The purchase price of DKK 108 million (enterprise value) will be paid according to an agreed payment schedule where approximately DKK 40 million has already been paid and the remaining amount will be payable in two instalments by mid-2016 (DKK 32 million) and mid-2017 (DKK 36 million) respectively; see note 25 for more information on the acquisition.

Further to the completion of H+H's acquisition of Grupa Prefabet S.A. in Poland, an overall Polish restructuring plan was announced. The new structure for H+H's activities in Poland will lead to closure of three factories in addition to the already mothballed H+H factory in Skawina, which will be closed permanently, leaving six factories in operation. Once restructured, the Polish aircrete activities are expected to generate increased earnings. An unavoidable and regrettable consequence of the required restructuring is redundancies involving 200 employees.

In connection with completion of the acquisition, and in order to strengthen the company's capital base, H+H announced that H+H International A/S is investigating the possibility of increasing its share capital by up to 9.99%. It is expected that the process will be initiated after the release of the company's annual report for 2014.

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

# Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2014.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2014 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2014.

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

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

Copenhagen, 16 March 2015

## EXECUTIVE BOARD

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Michael Troensegaard Andersen  
CEO

## BOARD OF DIRECTORS

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Kent Arentoft  
Chairman

Stewart A Baseley

Pierre-Yves Jullien

Henriette Schütze

Søren Østergaard Sørensen

# Independent auditors' report

## To the shareholders of H+H International A/S

### Report on the consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and parent company financial statements of H+H International A/S for the financial year 1 January – 31 December 2014, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the parent company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

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

### Auditors' responsibility

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

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

### Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2014, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

### Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent company financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent company financial statements.

Copenhagen, 16 March 2015

### Deloitte

Statsautoriseret Revisionspartnerselskab

**Anders O Gjelstrup**  
State Authorised  
Public Accountant

**Kirsten Aaskov Mikkelsen**  
State Authorised  
Public Accountant

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