H+H International A/S
Interim financial report
Q1 2014

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Key figures for the period 1 January to 31 March 2014

- First-quarter revenue was DKK 289 million (2013: DKK 233 million).
- EBITDA was DKK 8 million (2013: loss of DKK 6 million).
- The quarter brought a loss for the period of DKK 30 million (2013: loss of DKK 77 million)
- Equity at 31 March 2014 was DKK 246 million.
- Net interest-bearing debt at 31 March 2014 was DKK 629 million (31 March 2013: DKK 615 million).
- On 22 May 2014, a new committed credit facility running from 30 June 2014 to 15 February 2018 was agreed with Danske Bank A/S.
- H+H reiterates its outlook for 2014:
    - Organic growth is expected to be in the region of 3-6%
    - EBITDA is expected to be in the region of DKK 110-130 million
    - Total investment is expected to be in the region of DKK 60 million

Quote:
"The first quarter of 2014 came in above expectations. Revenue was up around 25% on 2013," says Michael T Andersen, CEO. *"The improvement was due primarily to a substantial rise in revenue in all markets except Russia, where there was a smaller increase. Sales were positively impacted by the mild weather in Europe, which has moved construction activity forward, but we also benefited from improved market conditions in the UK".*

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Michael T Andersen, CEO, or Niels Eldrup Meidahl, CFO, tel. +45 35 27 02 00.

Key figures – H+H Group

Amounts in DKK million	Q1 2014	Q1 2013	Full-year 2013
Income statement			
Revenue	289.3	232.6	1,260.1
Gross profit	54.8	39.1	261.5
Operating profit before depreciation, amortisation and financial items (EBITDA)	8.1	(5.7)	93.6
Operating profit (EBIT)	(14.2)	(26.6)	5.9
Net financing costs	(10.9)	(9.8)	(42.5)
Loss before tax from continuing operations	(25.1)	(36.4)	(36.6)
Loss from continuing operations	(27.3)	(37.4)	(40.1)
Loss from discontinued operations	(2.4)	(39.7)	(52.4)
Loss for the period	(29.7)	(77.1)	(92.5)
Balance sheet			
Non-current assets	959.7	1,033.1	962.4
Current assets	324.4	371.5	330.5
Share capital	490.5	490.5	490.5
Equity	245.9	346.4	293.9
Non-current liabilities	803.0	814.9	750.1
Current liabilities	235.2	243.3	248.9
Total equity and liabilities	1,284.1	1,404.6	1,292.9
Investments in property, plant and equipment	12.6	6.2	35.5
Interest-bearing debt (net)	628.8	614.5	531.6
Cash flow			
Cash flow from operating activities	(71.3)	(53.4)	58.2
Cash flow from investing activities	(3.3)	(6.1)	(30.1)
Free cash flow	(74.6)	(59.5)	28.1
Cash flow from discontinued operations	(0.7)	(21.3)	(28.8)
Financial ratios			
Gross margin	18.9%	16.8%	20.8%
Operating margin (EBIT margin)	(4.9%)	(11.4%)	0.5%
Return on invested capital (ROIC)	2.2%	2.6%	0.7%
Return on equity	(16.2%)	(13.2%)	(26.0%)
Solvency ratio	0.2	0.2	0.2
Net interest-bearing debt/EBITDA	5.9	6.4	5.7
Share and dividend figures			
Share price, end of period (DKK)	47.5	29.6	47.7
Book value per share, end of period (DKK)	25.1	35.4	30.0
Earnings per share (adjusted)	(3.0)	(7.9)	(9.5)
Diluted earnings per share (adjusted)	(3.0)	(7.9)	(9.5)

MANAGEMENT'S REVIEW

First-quarter revenue was up 24.4% on 2013, and measured in local currencies revenue was up 24.9%. The improvement was due primarily to a substantial rise in revenue in all markets, except for Russia where revenue was only slightly up. Sales activities during the quarter benefited from mild European weather.

First-quarter earnings as measured by EBITDA were up DKK 14 million on last year. Higher volumes and better capacity utilisation had a positive impact on earnings, and higher prices in some markets also increased earnings. Average selling prices were slightly higher than in the same period last year. There was a particular increase in the UK.

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

Merger of sales organisations in Scandinavia

As part of the new strategic plan for 2014-2016 it has been decided to merge the sales organisations in Scandinavia into one to strengthen the sales approach in the region and to reduce costs.

Sale of assets

A plot of land close to the factory in Borough Green in the UK was sold during the quarter for DKK 9 million.

Revenue

First-quarter revenue was DKK 289 million, against DKK 233 million in 2013, an increase of DKK 56 million or 24.4%. Expressed in local currency, revenue was up 24.9% on last year.

The RUB exchange rate had a negative effect on revenue of DKK 5.3 million, while the GBP exchange rate had a positive effect of DKK 4.8 million.

Gross profit

The overall gross margin in the first quarter was 18.9%, against 16.8% in 2013. Average selling prices were slightly higher than last year, but better capacity utilisation due to higher production volumes also raised the gross margin. Higher raw material prices partially offset the improvement in production and selling prices.

Special items

The first-quarter results for 2014 include net negative special items of DKK 0.5 million, consisting of costs for implementing the final phase of the new strategy.

EBITDA

First-quarter EBITDA was DKK 8.1 million, against a negative DKK 5.7 million last year. EBITDA before special items was DKK 8.6 million.

The increase in EBITDA was due to a higher gross profit and, to some extent, lower other external expenses. The first quarter brought net other operating income of DKK 1.4 million, against net expenses of DKK 0.5 million last year.

Operating profit (EBIT)

H+H made a first-quarter operating loss of DKK 14.2 million in 2014, against a loss of DKK 26.6 million in 2013, an improvement of DKK 12.4 million.

Profit before tax from continuing operations

H+H recorded a first-quarter loss before tax of DKK 25.1 million, against a loss of DKK 36.4 million in 2013, an improvement of DKK 11.3 million.

Profit before tax from continuing operations

	Q1	
Amounts in DKK million	2014	2013
Western Europe	(2.3)	(17.4)
Eastern Europe	(14.8)	(11.8)
Eliminations and unallocated items	(8.0)	(7.2)
Total	(25.1)	(36.4)

Taxation

The tax figure for the first quarter of 2014 is a negative DKK 2.2 million, against a negative DKK 1.0 million in 2013.

Discontinued operations

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

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

Discontinued operations generated a loss of DKK 2.4 million in the first quarter of 2014, against a loss of DKK 39.7 million in the same period last year.

Cash flow

First-quarter free cash flow was a negative DKK 74.6 million, against a negative DKK 59.5 million in the same period of 2013.

Cash flow from operating activities in the first quarter was a negative DKK 71.3 million, due primarily to high net working capital as a result of the high sales in the first quarter of 2014.

Investments

Investments of DKK 12.6 million were made during the first quarter. The sale of a plot of land in Borough Green in the UK has been offset against investments in the cash flow statement. In the first quarter of 2013 investments totalled DKK 6.2 million.

Investments

	Q1	
Amounts in DKK million	2014	2013
Western Europe	9.7	4.4
Eastern Europe	2.9	1.6
Unallocated items	0.0	0.2
Total	12.6	6.2

Financing

Net interest-bearing debt totalled DKK 628 million on 31 March 2014, up DKK 97 million since the beginning of the year and up DKK 12 million on 31 March 2013.

Net working capital to sales improved from 10.4% on 31 March 2013 to 9.6% on 31 March 2014.

First-quarter financing costs totalled DKK 10.9 million in 2014, against DKK 9.8 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.

On 22 May 2014, a new committed credit facility running from 30 June 2014 to 15 February 2018 was agreed with Danske Bank A/S subject to H+H's fulfilment of certain formal requirements concerning the execution of the loan agreement by all relevant H+H Group entities and establishment of certain security.

Equity

H+H’s equity fell by DKK 48 million in the first quarter of 2014. The loss for the period decreased equity by DKK 29.7 million, and foreign exchange adjustments of investments in subsidiaries reduced equity by DKK 18.8 million.

Equity

	Q1	Q1
Amounts in DKK million	2014	2013
1 January	293.9	417.9
Profit for the period	(29.7)	(77.1)
Foreign exchange adjustments	(18.8)	5.6
Other adjustments	0.5	0.0
31 March	245.9	346.4

SEGMENTS

Revenue

	Q1	
Amounts in DKK million	2014	2013
Western Europe	228.8	171.9
Eastern Europe	60.5	60.7
Total	289.3	232.6

Western Europe

First-quarter revenue in Western Europe was DKK 228.8 million, an increase of DKK 56.9 million or 33.1% on 2013. Expressed in local currency, revenue was up 30.6% on 2013.

Revenue was markedly higher in all markets due to mainly mild weather. There are clear signs of a strong recovery in construction activity in the UK.

Government initiatives continue to stimulate the UK market, contributing to a more general improvement. H+H’s market share in the UK increased, due primarily to consolidation in the homebuilder market, where H+H’s customers improved their market share.

Construction activity in the other Western European markets benefited from mainly mild weather conditions during the quarter, but it is too early to conclude that these markets will improve in 2014.

Visibility in the various markets remains very poor, except for the UK where the strong recovery in 2013 is expected to continue in 2014.

First-quarter EBITDA was DKK 17.7 million, against DKK 0.7 million in 2013. The increase was due to higher levels of activity, higher sales prices and better utilisation of the factories.

First-quarter loss before tax was DKK 2.3 million, against loss of DKK 17.4 million in 2013, an improvement of DKK 15.1 million.

Eastern Europe
First-quarter revenue in Eastern Europe was DKK 60.5 million, a decrease of DKK 0.2 million or -0.3% on 2013. Expressed in local currency, revenue was up 8.8% on last year.

The first quarter saw healthy growth in both sales volumes and revenue in Poland, but although prices were slightly higher than last year they remained under pressure. In Russia, revenue in local currency was slightly higher than in 2013.

First-quarter EBITDA was DKK -2.6 million, against DKK 0.9 million in 2013. There were improvements in Poland. Recent quarters' downward trend in Poland seems to have come to an end.

The first quarter brought a loss before tax of DKK 14.8 million, against a loss of DKK 11.8 million in 2013, a decrease of DKK 3.0 million.

Eliminations and unallocated items
Unallocated net expenses amounted to DKK 8.0 million in the first quarter of 2014, up DKK 0.8 million on the same period in 2013.

OUTLOOK FOR 2014

H+H reiterates its outlook for organic revenue growth, which is expected to be in the region of 3-6%.

H+H reiterates its outlook for EBITDA before special items of around DKK 110-130 million for continuing operations.

Total investments are still expected to be in the region of DKK 60 million.

These expectations for H+H's financial performance in 2014 are based partly on the following specific assumptions:

- Economic growth of around 2% 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-May 2014 levels, which in the case of RUB is a lower level than in 2013.
- Energy and raw material prices rise only in line with inflation from their mid-May 2014 levels.
- The current political situation in Russia and Ukraine does not result in changed market conditions in Russia.

ABOUT THE OUTLOOK FOR 2014

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

Management believes that the most significant assumptions underlying H+H's expectations relate to:

- Sales volumes and product mix
- Price competition in many of H+H's markets
- General economic developments
- Developments in the market for building materials
- Distribution factors
- Weather conditions

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 NASDAX OMX Copenhagen

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

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

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

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 31 March 2014 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2014.

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

Copenhagen, 22 May 2014

EXECUTIVE BOARD

Michael T Andersen
CEO

Niels Eldrup Meidahl
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Asbjørn Berge

Stewart A Baseley

Pierre-Yves Jullien

Henriette Schütze

CONDENSED INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2014	2013	2013
Revenue	289.3	232.6	1,260.1
Production costs	(234.5)	(193.5)	(998.6)
Gross profit	**54.8**	**39.1**	**261.5**
Other external expenses	(48.1)	(44.3)	(175.5)
Other operating income and expenses	1.4	(0.5)	7.6
Profit/loss before depreciation, amortisation and financial items (EBITDA)	**8.1**	**(5.7)**	**93.6**
Depreciation	(21.0)	(20.9)	(86.7)
Impairment losses	(1.3)	0.0	(1.0)
Operating profit/loss (EBIT)	**(14.2)**	**(26.6)**	**5.9**
Net financing costs	(10.9)	(9.8)	(42.5)
Profit before tax from continuing operations	**(25.1)**	**(36.4)**	**(36.6)**
Tax on profit from continuing operations	(2.2)	(1.0)	(3.5)
Profit from continuing operations	**(27.3)**	**(37.4)**	**(40.1)**
Profit from discontinued operations	(2.4)	(39.7)	(52.4)
Profit for the period	**(29.7)**	**(77.1)**	**(92.5)**
Earnings per share (EPS-Basic)	(3.0)	(7.9)	(9.5)
Diluted earnings per share (EPS-D)	(3.0)	(7.9)	(9.5)

STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2014	2013	2013
Profit for the period	(29.7)	(77.1)	(92.5)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign companies	(18.8)	5.6	(31.2)
Tax on foreign exchange adjustments, foreign companies	0.0	0.0	4.2
	(18.8)	**5.6**	**(27.0)**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses and gains	0.0	0.0	(6.3)
Tax on actuarial losses and gains	0.0	0.0	1.3
	0.0	**0.0**	**(5.0)**
Other comprehensive income after tax	**(18.8)**	**5.6**	**(32.0)**
Total comprehensive income	**(48.5)**	**(71.5)**	**(124.5)**

BALANCE SHEET

	Group			
Amounts in DKK million	31 March 2014	31 Dec. 2013	31 March 2013	31 Dec. 2012
ASSETS				
Non-current assets				
Intangible assets	65.2	63.2	67.8	70.9
Property, plant and equipment	863.2	882.9	923.3	961.0
Other non-current assets	31.3	16.3	42.0	13.7
Total non-current assets	**959.7**	**962.4**	**1,033.1**	**1,045.6**
Current assets				
Inventories	173.7	166.2	189.0	194.2
Receivables	101.5	59.7	61.6	46.4
Cash and cash equivalents	7.7	40.1	6.3	15.5
	282.9	**266.0**	**256.9**	**256.1**
Assets held for sale	41.5	64.5	114.6	87.7
Total current assets	**324.4**	**330.5**	**371.5**	**343.8**
TOTAL ASSETS	**1,284.1**	**1,292.9**	**1,404.6**	**1,389.4**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings/losses	(111.0)	(81.8)	(62.0)	15.1
Other reserves	(133.6)	(114.8)	(82.1)	(87.7)
Total equity	**245.9**	**293.9**	**346.4**	**417.9**
Liabilities				
Total non-current liabilities	**803.0**	**750.1**	**814.9**	**746.5**
Current liabilities				
Trade payables	119.6	119.5	103.0	107.1
Other current liabilities	72.1	79.7	67.9	65.7
Liabilities relating to assets held for sale	43.5	49.7	72.4	52.2
Total current liabilities	**235.2**	**248.9**	**243.3**	**225.0**
Total liabilities	**1,038.2**	**999.0**	**1,058.2**	**971.5**
TOTAL EQUITY AND LIABILITIES	**1,284.1**	**1,292.9**	**1,404.6**	**1,389.4**
Net interest-bearing debt	628.8	531.6	614.5	538.6

CASH FLOW STATEMENT

Amounts in DKK million	Q1 2014	Q1 2013
Operating activities	(71.3)	(53.4)
Investing activities	(3.3)	(6.1)
Financing activities	43.0	71.6
Cash flow from discontinued operations	(0.7)	(21.3)
Total cash flow	**(32.3)**	**(9.2)**
Cash and cash equivalents, opening	40.1	15.5
Foreign exchange adjustments of cash and cash equivalents	0.0	0.0
Cash and cash equivalents at 31 March	**7.8**	**6.3**

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2014	**490.5**	**(114.8)**	**0.0**	**(81.8)**	**0.0**	**293.9**
Total changes in equity in 2014						
Profit for the period	0.0	0.0	0.0	(29.7)	0.0	(29.7)
Other comprehensive income	0.0	(18.8)	0.0	0.0	0.0	(18.8)
Total comprehensive income	**0.0**	**(18.8)**	**0.0**	**(29.7)**	**0.0**	**(48.5)**
Share-based payment	0.0	0.0	0.0	0.5	0.0	0.5
Total changes in equity in 2014	**0.0**	**(18.8)**	**0.0**	**(29.2)**	**0.0**	**(48.0)**
Equity at 31 March 2014	**490.5**	**(133.6)**	**0.0**	**(111.0)**	**0.0**	**245.9**
Equity at 1 January 2013	**490.5**	**(87.7)**	**0.0**	**15.1**	**0.0**	**417.9**
Total changes in equity 2013						
Profit for the period	0.0	0.0	0.0	(77.1)	0.0	(77.1)
Other comprehensive income	0.0	5.6	0.0	0.0	0.0	5.6
Total comprehensive income	**0.0**	**5.6**	**0.0**	**(77.1)**	**0.0**	**(71.5)**
Share-based payment	0.0	0.0	0.0	0.0	0.0	0.0
Total changes in equity in 2013	**0.0**	**5.6**	**0.0**	**(77.1)**	**0.0**	**(71.5)**
Equity at 31 March 2013	**490.5**	**(82.1)**	**0.0**	**(62.0)**	**0.0**	**346.4**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2014 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, but that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. This interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2013 annual report, which includes a full description of the accounting policies applied.

2. Segment information

Amounts in DKK million	Q1 2014						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	189.1	39.7	228.8	60.1	0.4	60.5	289.3
Revenue, internal	17.0	0.0	17.0	0.0	0.0	0.0	17.0
EBITDA	17.6	0.1	17.7	(2.3)	(0.3)	(2.6)	15.1
Depreciation	(12.8)	(0.2)	(13.0)	(7.5)	(0.2)	(7.7)	(20.7)
Impairment losses	(1.3)	0.0	(1.3)	0.0	0.0	0.0	(1.3)
Operating profit (EBIT)	3.5	(0.1)	3.4	(9.8)	(0.5)	(10.3)	(6.9)
Net financing costs	(5.3)	(0.4)	(5.7)	(4.1)	(0.4)	(4.5)	(10.2)
Profit before tax	(1.8)	(0.5)	(2.3)	(13.9)	(0.9)	(14.8)	(17.1)
Non-current assets	476.4	3.1	479.5	450.8	0.8	451.6	931.1
Investments in non-current assets	9.6	0.1	9.7	2.9	0.0	2.9	12.6
Assets	641.8	306.1	947.9	547.6	12.9	560.5	1,508.4
Equity	389.7	(18.5)	371.2	170.0	(41.4)	128.6	499.8
Liabilities	252.1	324.6	576.7	377.6	54.3	431.9	1,008.6

Amounts in DKK million	Q1 2013						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	138.9	33.0	171.9	60.7	0.0	60.7	232.6
Revenue, internal	12.4	0.0	12.4	0.0	0.0	0.0	12.4
EBITDA	2.1	(1.4)	0.7	1.2	(0.3)	0.9	1.6
Depreciation	(12.1)	(0.2)	(12.3)	(8.3)	0.0	(8.3)	(20.6)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	(10.0)	(1.6)	(11.6)	(7.1)	(0.3)	(7.4)	(19.0)
Net financing costs	(5.4)	(0.4)	(5.8)	(4.1)	(0.3)	(4.4)	(10.2)
Profit before tax	(15.4)	(2.0)	(17.4)	(11.2)	(0.6)	(11.8)	(29.2)
Non-current assets	471.7	3.8	475.5	523.6	1.2	524.8	1,000.3
Investments in non-current assets	4.3	0.1	4.4	1.6	0.0	1.6	6.0
Assets	663.7	302.2	965.9	606.2	12.8	619.0	1,584.9
Equity	365.0	4.5	369.5	233.5	(38.3)	195.2	564.7
Liabilities	298.7	297.7	596.4	372.7	51.1	423.8	1,020.2

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q1 2014	Q1 2013
Segment profit before tax for reportable segments	(17.1)	(29.2)
Unallocated group costs, corporate functions	(8.0)	(7.2)
Impairment losses, non-reportable segment	0.0	0.0
Total	(25.1)	(36.4)

3. Significant accounting estimates and judgements

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

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

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

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2013 annual report.

4. Seasonal and cyclical fluctuations

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

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

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

5. Pension obligations

H+H has defined-benefit pension plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded. H+H's pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation as at 31 December 2013 shows a shortfall of DKK 147.3 million net (the present value of the obligations exceeds the fair value of the plan assets). The whole of this shortfall has been recognised in the balance sheet.

6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 629 million on 31 March 2014, up DKK 97 million since the beginning of the year and up DKK 14 million on 31 March 2013.

H+H has a committed loan agreement with Danske Bank A/S corresponding to around DKK 700 million, which is committed until 15 February 2015. On 22May 2014, a new committed credit facility running from 30 June 2014 to 15 February 2018 was agreed with Danske Bank A/S subject to H+H's fulfilment of certain formal requirements concerning the execution of the loan agreement by all relevant H+H Group entities and establishment of certain security.

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

7. Discontinued operations and assets held for sale

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the course of 2014. Various plots of land in Poland, a plot of land 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 50 million and result in an expected accounting gain before tax of around DKK 10 million. The transactions are expected to be completed within 12 months and are not included in the outlook for 2014.

As part of H+H’s continued focus on core business, the Finnish subsidiary Jämerä-kivitalot Oy, which designs, builds and sells aircrete houses for private individuals, was divested in 2012 through the disposal of the bulk of the company’s activities. All that is left in the company, subsequently renamed Stone Kivitalot Oy, is a few projects due to be completed in 2014. Stone Kivitalot Oy has therefore been classified as a discontinued operation.

Furthermore it was decided in the first quarter of 2013 to close H+H Finland Oy’s factory in Ikaalinen in order to boost overall competitiveness and optimise the capacity utilisation of H+H’s other factories. The closure took place in April 2013 and is not expected to affect sales volumes in H+H’s European markets, but exports to Africa will be substantially reduced. The Finnish operation has therefore been reclassified as discontinued in the financial reporting.

In the fourth quarter of 2013 it was decided to reclassify the sand pit in Germany from assets held for sale to other intangible assets and land and buildings due to the lease agreement with CEMEX.

In the first quarter of 2014 the plot of land in the UK was sold for DKK 9 million.

Key figures for discontinued operations

Amounts in DKK million	Q1 2014	Q1 2013
Revenue	3.8	23.8
Expenses	(6.2)	(63.5)
Profit before tax	**(2.4)**	**(39.7)**
Tax	0.0	0.0
Profit for the period	**(2.4)**	**(39.7)**
Profit from discontinued operations	**(2.4)**	**(39.7)**
Cash flow from operating activities	(0.7)	(21.2)
Cash flow from investing activities	0.0	(0.1)
Cash flow from financing activities	0.0	0.0
Total cash flow	**(0.7)**	**(21.3)**

Assets held for sale	
Intangible assets	2.0
Property, plant and equipment	29.8
Deferred tax	0.0
Inventories	5.5
Cash	0.1
Receivables	4.1
Assets held for sale, total	**41.5**

Liabilities relating to assets held for sale	
Credit institutions	18.4
Trade payables	1.2
Other liabilities	23.9
Liabilities relating to assets held for sale	**43.5**

8. Share-based payment

The H+H Group introduced a share option plan for the Executive Board and other senior executives in 2007. Matching share programmes for the Executive Board and other key employees were also implemented in 2011, 2012 and 2013. These schemes are presented in the consolidated financial statements and annual report for 2013. An amount of DKK 0.5 million was recognised under staff costs in the first quarter of 2014 in respect of the three schemes, against DKK 0 million in the same period in 2013.

A fourth matching share programme for the Executive Board and other key employees will be implemented in the second quarter of 2014. It will be largely identical to the previous programmes in terms of vesting criteria, etc.

9. Events after the balance sheet date

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