Annual Report 2015

H+H International A/S

CVR No. 49 61 98 12

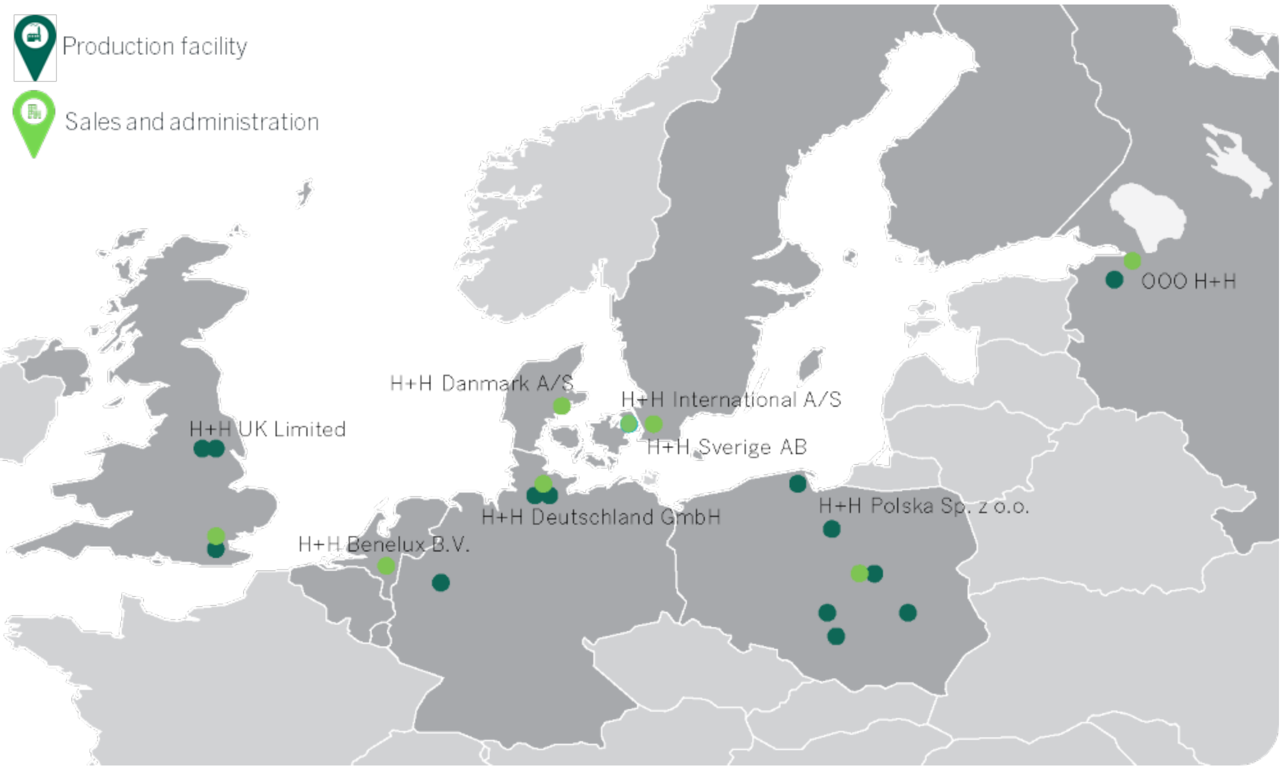
Build with ease

Contents

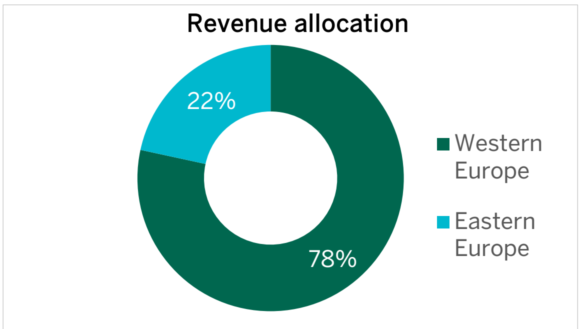
The H+H Group

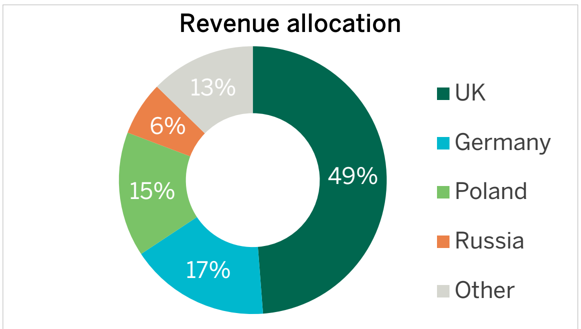
PRODUCTION FACILITIES AND MARKETS

H+H has 13 aircrete factories in Northern and Central Europe and Northwest Russia with a total output of more than **2.5** million cubic metres of aircrete a year and has a leading position in most of its markets.



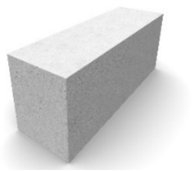
The Group reports on two segments; Western Europe and Eastern Europe, The main countries with both production and sales are the UK and Germany in the Western European segment and Poland and Russia in the Eastern European segment. H+H also has sales subsidiaries in the Nordic and Benelux countries as part of the Western European segment.

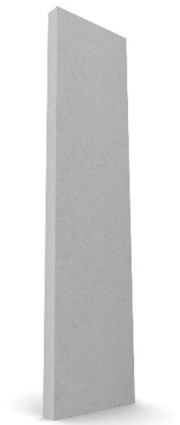




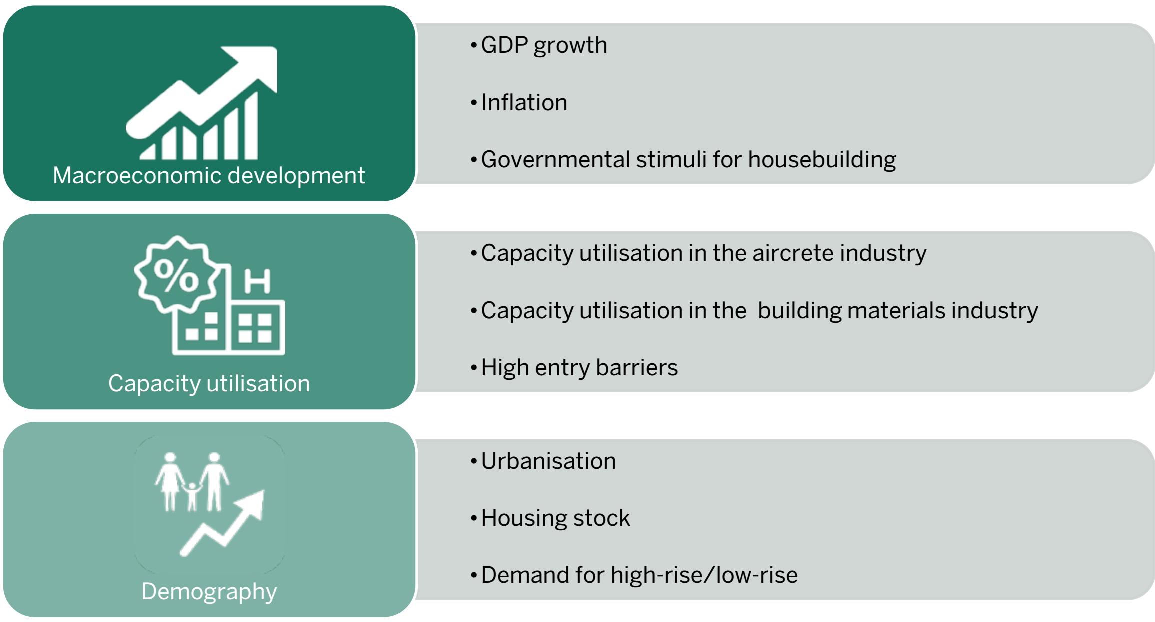
CORE BUSINESS FOCUS – A SINGLE PRODUCT RANGE

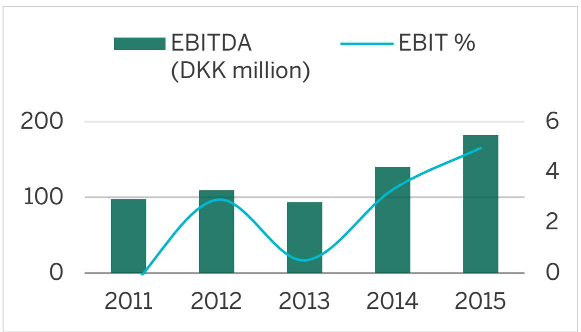
H+H's core activity is the manufacture and sale of autoclaved aerated concrete (AAC), or aircrete. The main product is a block used for building new houses, mainly in the low-rise segment. The product range also includes more advanced products such as thermo blocks and standing wall elements.

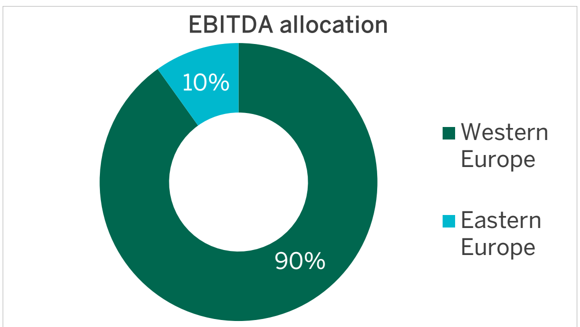




EXTERNAL DRIVERS UNDERPINNING FURTHER GROWTH AND PROFITABILITY





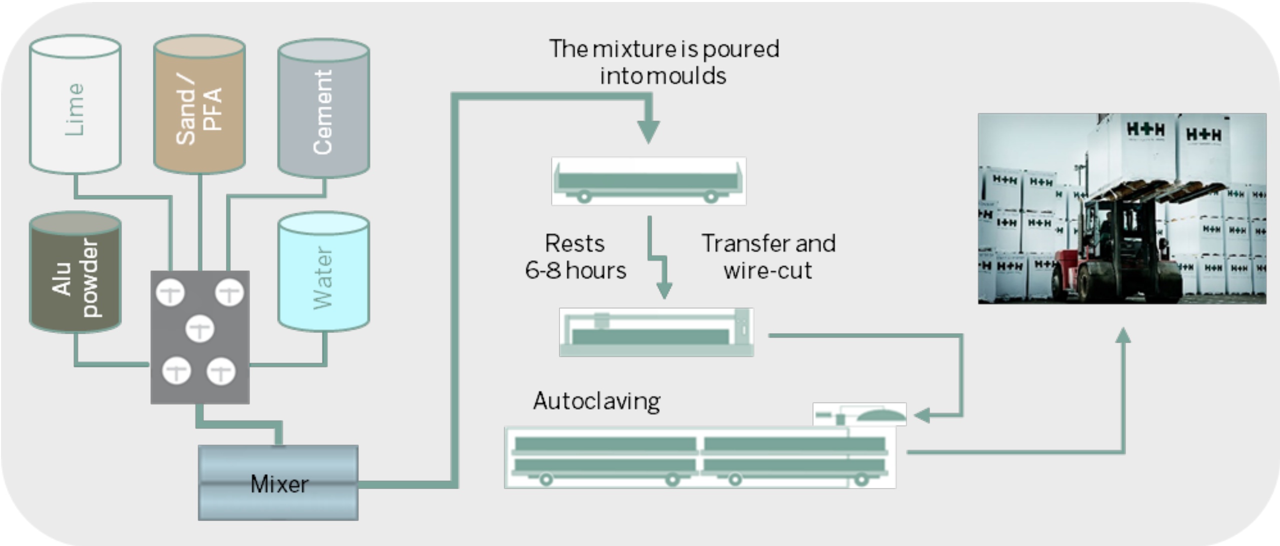


PRODUCTION PROCESS AND MAIN COST DRIVERS

The general production flow is the same at all factories, although the factory layout varies due to differences in preferences and available technologies when the factories were fitted out.

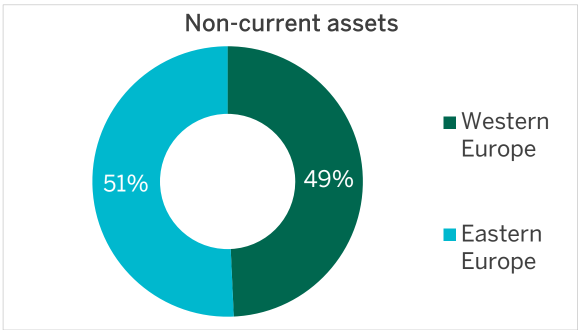
The main differences are whether products are sand-based or use pulverised fuel ash (PFA) and whether any reinforcement is applied to the products. Currently only the UK factories produce with PFA, and reinforced products are made only in Germany.

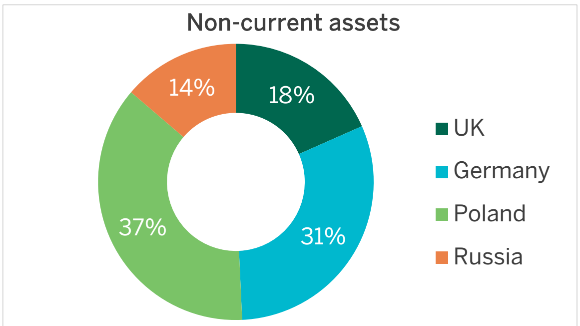
Illustrative production process:



Cement costs account for roughly one-third of direct production costs, excluding energy, and are equivalent to around 10% of revenue.

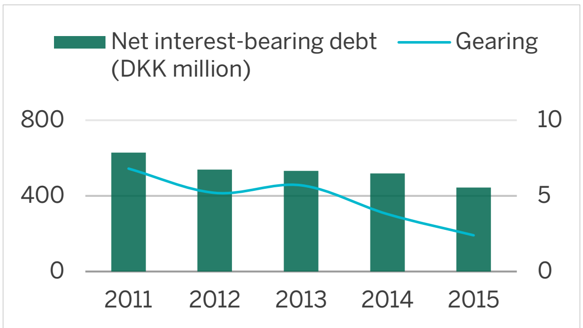
Costs for energy consumption in production also correspond to around 10% of revenue. The production of steam for the autoclaving process accounts for a substantial part of the energy consumption, and the primary energy sources are gas and electricity.

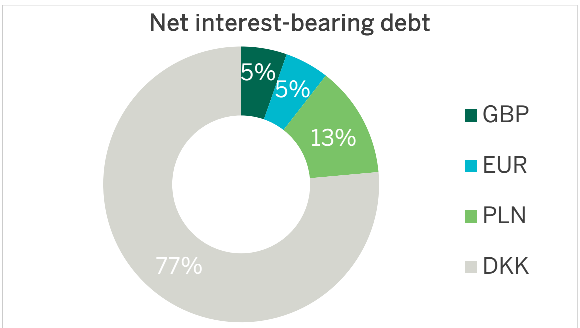




Highlights

- Revenue of DKK 1,621 million and organic growth (excluding effect from changes in foreign exchange rates and revenue from acquisitions, divestments and closed-down businesses) of 9%.
- EBITDA of DKK 182 million before special items, which is slightly above the top end of our most recent outlook of DKK 170-180 million.
- EBIT margin of 5.0% before special items.
- Net interest-bearing debt on 31 December 2015 of DKK 445 million. Gearing is 1.9x EBITDA and 2.4x EBITDA before special items.
- ROIC was 10.3% before special items.
- Equity on 31 December 2015 of DKK 255 million, which is higher than last year due to the reduced UK pension obligations, a profit for the year and share capital increase.
- Operational excellence programme continued to deliver improvements. The commercial excellence programme helped us achieve a higher growth rate and market penetration.
- Outlook for 2016:
    - Organic revenue growth is expected to be 3-4%.
    - EBITDA before special items is expected to be DKK 190-210 million.
    - Investments excluding acquisitions and divestments are expected to be in the region of DKK 80 million.





Key figures

	Group				
(DKK million)	**2015***	**2014***	**2013***	**2012***	**2011***
Income statement					
Revenue	1,621.0	1,379.9	1,260.1	1,223.6	1,309.8
Gross profit	410.2	340.5	261.5	272.3	283.4
Operating profit before depreciation, amortisation and financial items and before special items (EBITDA before special items)	182.3	140.1	93.6	109.4	97.6
Operating profit before depreciation, amortisation and financial items (EBITDA)	232.4	137.4	93.6	103.4	92.5
Operating profit before special items (EBIT before special items)	80.3	47.7	5.9	(62.2)	(4.3)
Operating profit/loss (EBIT)	130.4	45.0	5.9	35.6	(9.4)
Net financing costs	(36.9)	(44.3)	(42.5)	(42.9)	(50.3)
Profit/loss before tax	93.5	0.7	(36.6)	(7.3)	(59.8)
Profit/loss after tax for the year from continuing operations	58.4	(6.8)	(40.1)	(36.8)	(75.8)
Loss after tax for the year from discontinued operations	(19.1)	(16.3)	(52.4)	(45.5)	(48.6)
Profit/loss after tax for the year	39.3	(23.1)	(92.5)	(82.4)	(124.5)
Balance sheet					
Non-current assets	908.0	864.7	962.4	1,045.6	1,176.4
Total current assets	337.8	352.0	330.5	343.8	407.5
Share capital	107.9	98.1	490.5	490.5	490.5
Equity	255.0	151.7	293.9	417.9	472.7
Non-current liabilities	651.2	789.8	750.1	746.5	840.0
Total current liabilities	339.7	275.2	249.0	225.0	271.3
Total equity and liabilities	1,245.9	1,216.7	1,292.9	1,389.4	1,584.0
Investments in property, plant and equipment	60.7	42.6	35.5	24.0	36.9
Interest-bearing debt (net)	445.1	517.3	531.6	538.6	628.5
Cash flow					
Cash flow from operating activities	112.1	92.9	58.2	44.4	42.9
Cash flow from investing activities	(53.9)	(32.6)	(30.1)	104.1	(32.2)
Free cash flow	58.2	60.3	28.1	148.5	10.8
Financial ratios					
Gross margin	25.3%	24.7%	20.8%	22.3%	21.6%
Operating margin (EBIT margin)	8.0%	3.3%	0.5%	2.9%	(0.7%)
Return on invested capital (ROIC)	16.7%	5.3%	0.6%	3.3%	(0.7%)
Return on equity	19.3%	(10.4%)	(26.0%)	(18.5%)	(19.5%)
Solvency ratio	20.5%	12.5%	22.7%	30.1%	29.8%
Net interest-bearing debt/EBITDA	1.9	3.8	5.7	5.2	6.8
Share and dividend figures					
Average number of shares outstanding	10,572,702	9,791,192	9,789,511	9,789,511	9,789,511
Adjusted average number of shares outstanding	10,572,702	9,791,192	9,789,511	9,789,511	9,789,511
Share price, year-end (DKK)	86.5	35.3	47.7	26.0	42.4
Book value per share, year-end (DKK)	24	15	30	43	56
Price/book value	3.6	2.3	1.6	0.6	0.8
Price-earnings ratio (PE)	23.4	(15.0)	(5.0)	(3.1)	(3.3)
Earnings per share	3.7	(2.4)	(9.5)	(8.4)	(12.7)
Diluted earnings per share	3.7	(2.4)	(9.5)	(8.4)	(12.7)
Dividend per share	0	0	0	0	0
Staff					
Average full-time staff	1,034	866	885	1,001	1,084

* Figures have been adjusted for discontinued operations.

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 & Financial Ratios 2015".

Turnaround completed

"We have completed the turnaround, and the company is now in the process of normalising the business. We operate in a cyclical business which is strongly correlated with general economic activity. The positive economic outlook will support further growth of H+H."

Kent Arentoft, Chairman

Completing the turnaround

2015 was the year when H+H regained momentum after several years in turnaround mode. The financial results are the best since the financial crisis and everything except for the development in Russia has moved in our favour. We expect these trends to continue during 2016, and our financial performance to improve further.

H+H concluded the acquisition of the Polish company Grupa Prefabet in 2015. The transaction fits perfectly into our strategy, as we see a need for balanced capacity utilisation – not only in Poland, but across all our markets. Only in this way can we continue to develop the market and reinvest in our products, value proposition and factories.

I would like to thank our shareholders for their support for the acquisition of Grupa Prefabet and their interest in participating in the capital increase in March 2015. Further, I would like to thank all our employees for contributing to the turnaround.

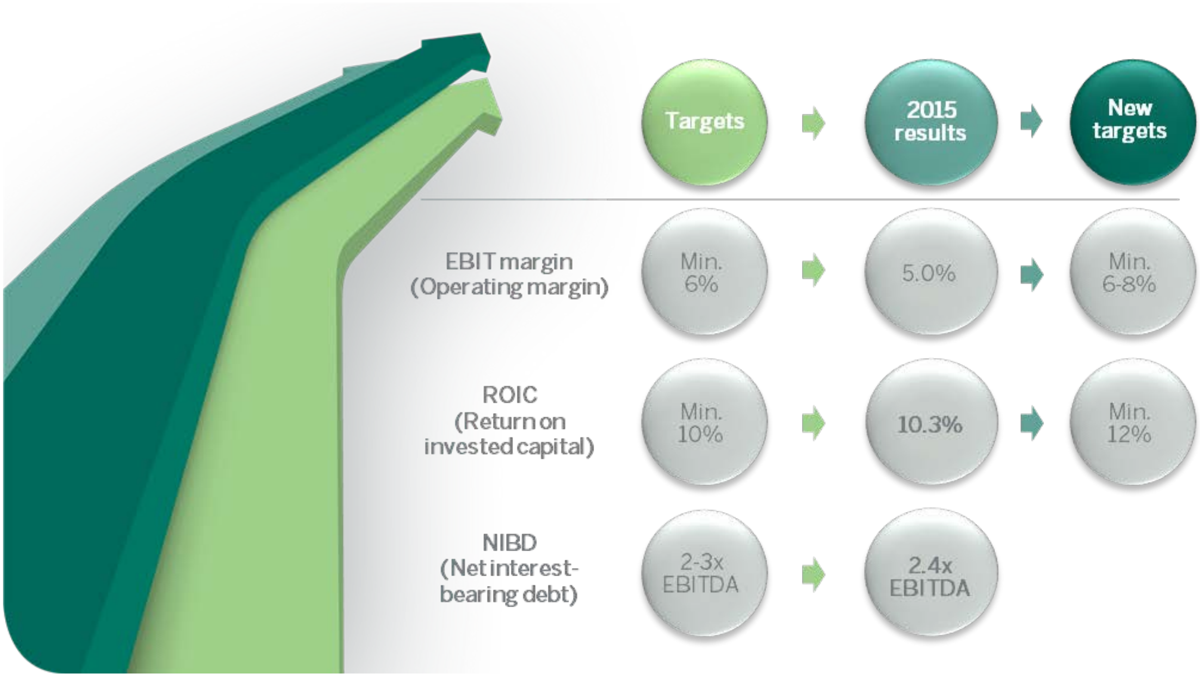
Continued progress in a cyclical business environment

H+H is generally well-positioned as a leading player in the most attractive aircrete markets in Europe. Our business model is capital-intensive and heavily exposed to the residential new-build sector, which means that economic growth in our markets is a pivotal driver of our performance. Except for Russia, we expect growth in the residential new-build sector in all our markets in the short term.

It is our judgement that growth will return to the Russian economy within the medium term. Growth in the residential new-build sector will bring significant contributions to the Group's earnings in the long-term perspective. Hence, we maintain our position in the St Petersburg area, despite the short-term uncertainties. The expected growth in other markets will absorb the negative impact from Russia and, together with expected further improvements in our business processes, has led the Board to upgrade our long-term targets.

NEW LONG-TERM FINANCIAL TARGETS

In 2014 we introduced three long-term financial targets to be achieved in 2016; we are well ahead as two out of three have been achieved in 2015, and we therefore set new long-term financial targets to ensure an unwavering focus on continuous improvements and expanding the existing business.



Our debt position, for many years critical, is now acceptable. This improves our opportunities to participate in further restructuring activities in our markets when applicable.

On behalf of the Board of Directors,

Kent Arentoft
Chairman

How we create profitable growth

"Performance against all main KPIs improved, and the company is better equipped to withstand a new economic downturn than at any time since the financial crisis. We will continue to pursue growth initiatives and harvest synergies from our one-company setup across our geographical footprint."

Michael Troensegaard Andersen, CEO

Different markets, different dynamics

In 2015 H+H completed its turnaround and delivered significantly better results than originally expected. The year was dominated by two major themes:

- Positive market developments in the UK housebuilding industry
- The acquisition and integration of Grupa Prefabet in Poland

2015 benefited in many ways from the strategic and tactical initiatives launched in 2014. The year continued the trend from 2014 of volatile market conditions and unpredictable demand, especially in Eastern Europe. We did see growth in demand in most markets, with the exception of Russia, and so the utilisation of our asset base improved, especially in Western Europe. Dwindling demand in Russia was a challenge dealt with through flexibility and cost control. Demand in the UK, Germany and Denmark in particular put pressure on the supply chain to maximise output, which was accomplished successfully with a satisfactory increase in productivity.

Positive market developments in the UK housebuilding industry

A large proportion of our earnings in 2015 came from the UK, where results have improved significantly in recent years. This is due to an improved economic situation combined with government initiatives (especially the Help to Buy scheme) which have stimulated growth in the UK building sector. Capacity utilisation in the UK was close to 100%, and we were able to satisfy market demand by operating our plants at very high utilisation rates throughout the year and building up stocks in the low season to meet demand in the peak season.

As the market in the UK continues to grow and is set to do so for the foreseeable future, H+H is planning a significant investment at its Borough Green factory. This will make it the most advanced aircrete facility in the UK and help ensure continued consistent availability of aircrete as demand increases, bolstering our market leader position. We have already started to carry out the detailed design and planning work to enable a smooth upgrade to be completed in the first half of 2018. This project is the beginning of a period when our investment levels will increase. For many years capital expenditure has been significantly below depreciation, but going forward we expect the two to be more evenly balanced.

We know that 2018 will bring lower production output due to the completion of the Borough Green upgrade, and we will partly mitigate this by building up stocks in the low season and partly by imports to have adequate aircrete to supply the market during 2018.

Integration of Grupa Prefabet in Poland

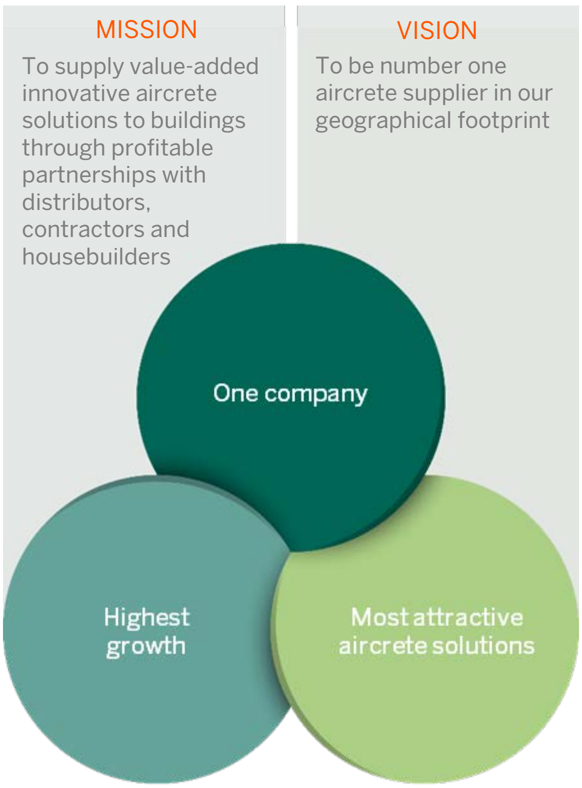
The overall objective of the transaction was to return H+H to profitability in the Polish aircrete market. After several years of losses in Poland, we are heading back towards satisfactory earnings levels. The target for 2015 was to improve EBITDA by DKK 10 million, and this was achieved. The long-term target is an EBIT margin of min. 6% in 2018.

The integration process was a major initiative throughout the year. The capacities of ten factories (five H+H and five Grupa Prefabet) were consolidated into the final set-up of six factories within the first few weeks after the takeover. Harmonisation of our value proposition to the market was achieved as planned, and the synergies in costs and productivity have surpassed our initial expectations. The new factory set-up leaves H+H with a competitive and leading position in the aircrete market in Poland.

We expect to see the fruits of our labours in the coming years as the reduction of capacity impacts on the market balance.

Continuing the strategic direction in 2016

The company’s strategy has been adjusted to cater for actual developments in surroundings. There has been no fundamental change in the aircrete industry or the way we do business. Our mission statement is unchanged, and our vision remains to be the number one aircrete supplier in our geographical footprint. We have made progress on this, but it still requires growth and a value proposition to our customers that sets us apart from the competition.



In sales, the commercial excellence programme has integrated both the way the sales teams work and how the management team executes performance management. On the operational side, the team has made progress in lean manufacturing, and a lean organisation has been established. A continuous focus on health and safety (H&S) is also a key focus for the team.

Besides the excellence programmes, an important focus area for 2016 is to strive to achieve a positive price development in Poland and Germany, since the price levels are unusually low considering that both markets are now showing moderate growth and capacity utilisation of the factories is therefore slowly increasing. Considering the still moderate market level in both countries, a satisfactory improvement of our earnings through price increases will, however, largely depend on the market strategy (i.e. price versus volume) of the main competitors and not so much on H+H’s actions since H+H is not the market leader in the countries.

Another main focus point in 2016 is the asset sales programme running from 2015 to 2017. We had a fine first year in 2015, including completion of the conditional DKK 22 million sale of land announced in May 2015. To achieve the target set for the programme, we must continue to manage the asset sales processes effectively.

Finally, the market situation in Russia requires close follow-up in order to mitigate risks. Our performance management set-up ensures monitoring of developments.

THE THREE CORE ELEMENTS OF THE 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.

Flexibility, productivity, cost control and planning of resources throughout the value chain are key to maintaining a competitive cost position whilst supplying our customers with quality products and services. We were able to ensure a prompt response to changes in demand and utilisation plans.

The excellence programmes have taken the company forward in terms of prices, costs and overall market share. H+H will continue this journey, improving profitability, the balance sheet and cash flow. 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. 2015 was used to consolidate the platform and prepare for the next phase of implementing a lean manufacturing culture.

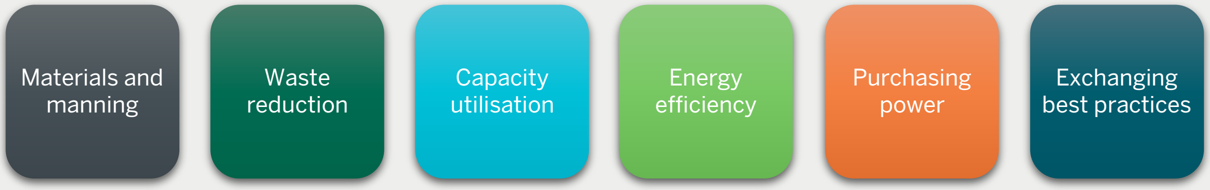
"Our one-company approach showed its strengths again in 2015. The operational excellence team managed to make savings of approx. DKK 20 million."

Bjørn Rici Andersen
Chief Operating Officer

Our operational excellence programme continued to underpin our competitive position in the market. The programme delivered significant savings within the supply chain with a strong performance in all markets. Total savings of approx. DKK 20 million were realised in 2015. The operations team was strengthened with new skills in lean manufacturing in 2015, and the first pilot project was initiated in Germany. A detailed rollout plan for the coming three years has been integrated into the strategic plan for 2016-2018.

Our constant drive to create shareholder value by focusing our assets on markets with satisfactory margins continued in 2015. Analysis of market and product segments led to the decision to step out of the industrial market segment. H+H's value proposition in this segment was not competitive, gross margins were unattractive due to low prices, and the industrial segment offered no synergies with H+H's core market of residential buildings. The decision will lead to a significant simplification of the German production set-up and improve the overall cost structure in Germany.

The continued focus of the operational excellence programme is to improve the competitive position by focusing on:



Health & safety (H&S) is another important area where the one-company approach brings us synergies. H&S management is our top priority, and several new initiatives were launched in 2015 to further strengthen the Group's H&S culture in five key areas. After several years of significant improvements, our H&S has reached a stage where a further strengthening of our efforts is necessary to continue the positive development. The lost-time accident frequency of 13 per million working hours in 2015 compares with 13 in 2014 and 30 in 2013. Our aim is to be below 10 in 2016 and 7.5 in 2017.

Most 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. We will focus on further strengthening and supporting both local innovation and more group-wide initiatives. Through innovation, we aim to make aircrete a stronger and more competitive product than other building materials, and to make our products competitive with those supplied by our peers in our geographical markets.

In 2015, we launched a new product innovation organisation led by a group innovation manager to harvest synergies and ideas across the Group. The purpose of this new position is to continue our work on a structured platform for sharing ideas across geographical markets. The innovation platform will ensure that ideas are exchanged systematically to address cross-border product and solution needs.

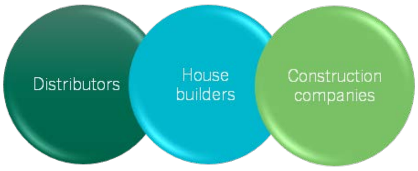
Highest growth rate

H+H continues to strengthen its 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 is helping us, and the *Build with ease* value proposition will continue to drive our development of value-added solutions.

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.

We offer customers a one-company approach, utilising best practices within sales and marketing. As part of our sales excellence programme, we are investing heavily 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.

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 with products that are fit for purpose. Only through our joint success will we be able to increase our market share and sales.



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.

THE CYCLICALITY OF AN AIRCRETE-ONLY BUSINESS

H+H's business focuses on aircrete and related services only and its geographical footprint is limited to Northern and Central Europe and Northwest Russia. It is also a cyclical business as demand is driven by housebuilding activity.

The supply side

Our geographical footprint consists of countries where aircrete has a high market penetration. This is by design, and outside the current geographical footprint mainly only the Czech Republic, Romania, Turkey and China have similarly high penetration levels. Despite efforts to penetrate new segments and win market share from substitute products, our experience to date has shown that such changes take time. This is because, even with aircrete's excellent performance and properties, we have to change building traditions dating back many years.

In the UK, capacity utilisation in the aircrete industry is currently above 90%, but spare capacity is still available and imports from mainland Europe can serve as a buffer to avoid supply shortages.

In times of shortages of building materials, willingness to change building traditions is higher, as substitute products may offer the only way to keep on building. Hence, taking the substitution factor into account, capacity utilisation plays a pivotal role – in both the heavy building materials industry as a whole and the aircrete industry in particular. The lifespan of an aircrete factory is long, assuming adequate maintenance during its lifetime, and it is both capital-intensive and time-consuming to increase capacity with current production methods. Therefore, the asset base can produce an acceptable return over time, even during periods with low growth rates. In markets with high aircrete penetration, changes in installed capacity proved to be limited due to the entry barriers.

Exports of aircrete from Poland to Kaliningrad and Ukraine declined in 2015 by around 5% of the Polish market.

In times of high demand, imports from other regions can serve as a buffer, allowing producers located far away from the market to turn a profit despite the additional transport costs. When recession sets in, these imported products are the first to leave the market.

The demand side

The main driver on the demand side for aircrete is the need for new residential buildings. This is heavily influenced by general economic and demographic developments.

The general economic drivers are mainly GDP growth, inflation and governmental stimuli for housebuilding. GDP growth is a reasonable indicator in the longer term, but in the short term the correlation can be quite low as demand for housebuilding is also driven by sentiment and often overreacts: growth in housebuilding may exceed GDP growth during an economic boom but fall short when times are hard. Inflation rates and monetary policy can impact demand, as high inflation makes it attractive to have surplus cash invested in real estate. A good example of this is Russia, where there was a building boom despite everything pointing to an upcoming economic crisis back in 2014.

The demand side can also be stimulated by government initiatives. A good example of this is in the UK, where the government has introduced a number of programmes to support housebuilding and encourage people to own rather than rent. Access to financing is to some extent also politically driven, and lack of financing reduces demand in the market.

Around 80% of housing in Russia was built before 1995.

A number of other drivers impact demand. One is demographics, and there are two long-term trends here that will affect the housebuilding industry: an ageing population and urbanisation. There are also significant differences in floor space per capita across the various markets, and in some cases a large proportion of the housing stock was built to standards that are below the requirements for modern living.

Energy renovation is another political driver on the demand side. Legislators have set higher requirements for energy efficiency in recent years, which may affect building traditions and the choice of building materials. Aircrete is well-positioned for new builds. For renovations, aircrete has only a niche position and nothing points to further penetration of this market segment.

The aircrete business cycle

To some extent, the drivers above and the diversity of its geographical markets give H+H a natural hedge against changes in economic conditions, despite some correlation across markets.

Our main competitors within aircrete are Ytong (Xella), Solbet, Thermalite (Forterra) and Aeroc (LSR Group). The range of substitute products is wide, the main ones being clay bricks, limestone, timber and various types of concrete. As competitors have a broader product range than H+H, their cycles may deviate if their customers' demand does not follow the same pattern as our customers' demand.

Capacity in the German building materials industry is based on demand during the post-reunification period in the 1990s.

Financial review and outlook for 2016

"Our financial performance continued to improve, with EBITDA up 30% and our debt reduced, and is in line with the long-term financial target.

"We are now in a much stronger financial position than a few years ago."

Ian Perkins, CFO

INCOME STATEMENT

Revenue

Revenue was DKK 1,621 million, against DKK 1,380 million in 2014, an increase of DKK 241 million or 17%, driven by organic growth and the acquisition of Grupa Prefabet. Organic growth was 9%, a combination of higher volumes and higher selling prices.

The RUB exchange rate had a negative effect on revenue of DKK 35.1 million, while the GBP exchange rate had a positive effect of DKK 78.1 million. Other currencies were virtually unchanged from 2014.

Production costs

Production costs were slightly higher than in 2014, mainly due to an increase in indirect costs, whereas raw material costs were at the same level thanks to low energy costs and operational excellence savings.

Gross profit

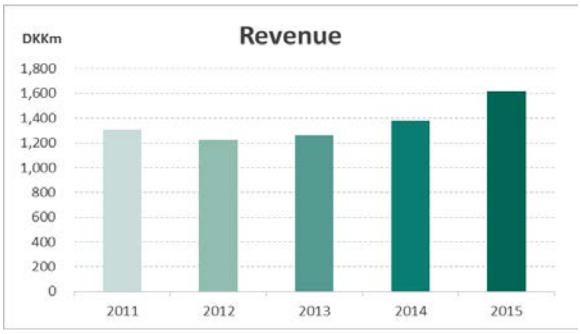
The gross margin was 25.3%, against 24.7% in 2014. Average selling prices were up on 2014 and increased capacity utilisation due to higher production volumes had a positive impact on margins, offset in part by an adverse country mix.

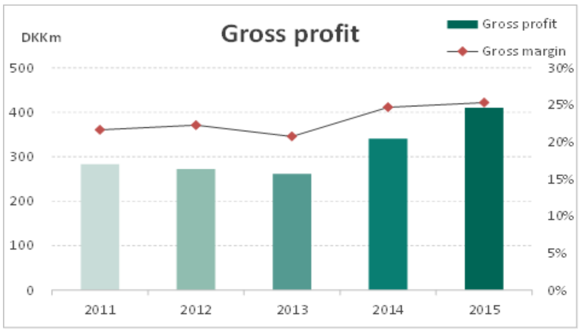
Special items

2015 brought net positive special items of DKK 50.1 million, with negative goodwill from the acquisition of Grupa Prefabet in Poland and sales of assets at a profit offset in part by reorganisation costs in Poland, Germany and the Nordic region.

EBITDA

EBITDA came to DKK 232.4 million, against DKK 137.4 million in 2014, up 69.1%. EBITDA before special items was DKK 182.3 million, against DKK 140.1 million in 2014, up 30%.





The increase in EBITDA was due to better selling prices, sales volumes and the operational excellence programme. Other external expenses were higher than in 2014, mainly as a result of the acquisition of Grupa Prefabet.

Operating profit (EBIT)

Operating profit was DKK 130.4 million in 2015 (equivalent to an EBIT margin of 8.0%), against DKK 45.0 million in 2014 (equivalent to an EBIT margin of 3.3%), an improvement of DKK 85.4 million. Excluding special items, EBIT was DKK 80.3 million (equivalent to an EBIT margin of 5.0%), against DKK 47.7 million in 2014.

Return on invested capital (ROIC)

Return on invested capital was 16.7%, compared with 5.3% in 2014. Return on invested capital before special items was 10.3%, compared with 5.7% in 2014.

Profit before tax from continuing operations

Profit before tax was DKK 93.5 million, against DKK 0.7 million in 2014, an improvement of DKK 92.8 million.

Net financials totalled DKK 36.9 million in 2015, against DKK 44.3 million in 2014. 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

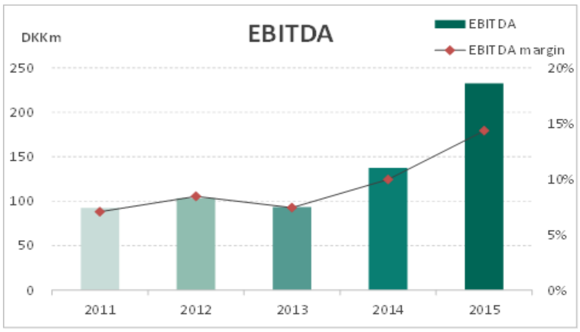
Tax for 2015 was DKK 35.1 million, against DKK 7.6 million in 2014. The higher tax expenses are due to higher income, mainly in the UK.

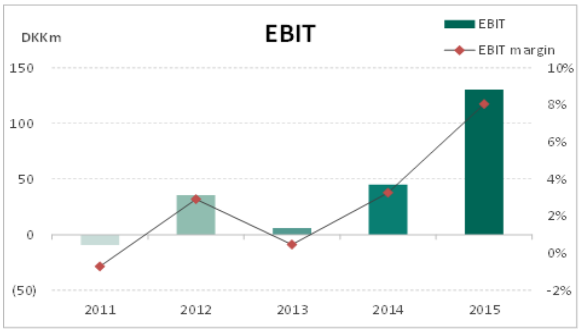
Discontinued operations

Discontinued operations generated a loss of DKK 19.1 million in 2015, against a loss of DKK 16.3 million in 2014.

Other comprehensive income

Other comprehensive income was a positive DKK 22.4 million, against a negative DKK 120.0 million in 2014. Losses of DKK 37.8 million on movements in foreign exchange rates were more than offset by gains of DKK 60.2 million on UK pensions. Further details can be found in the Equity section.





Western Europe

Revenue in Western Europe was DKK 1,272 million, an increase of DKK 200 million or 18.6% on 2014. Expressed in local currency, revenue was up 11.4% on 2014. 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 and in Germany.

EBITDA was DKK 169.3 million, against DKK 122.8 million in 2014. The increase was due to higher selling prices and better capacity utilisation.

Profit before tax was DKK 96.6 million, against DKK 44.2 million in 2014, an improvement of DKK 52.4 million.

Eastern Europe

Revenue in Eastern Europe was DKK 351 million, an increase of DKK 44 million or 14.2% on 2014. Expressed in local currency and adjusted for the acquisition of Grupa Prefabet, revenue was in line with 2014.

In Russia, 2015 started well but the economic and political situation caused volumes and, to a lesser extent, prices to fall during the year.

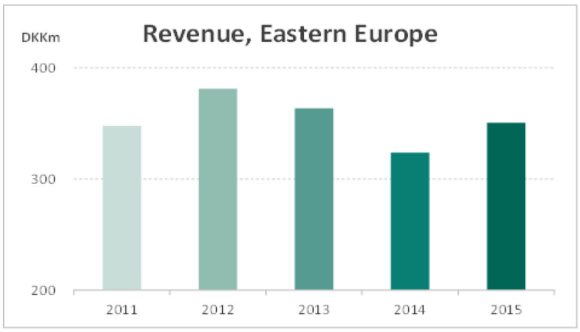
In Poland, sales volumes and revenue were higher than in 2014, largely as a result of the acquisition of Grupa Prefabet but also due to organic growth. The integration of Grupa Prefabet has run to schedule, and we have achieved lower production costs due to the synergies.

EBITDA was DKK 71.5 million, against DKK 23.0 million in 2014, an increase of DKK 48.5 million. Adjusted for special items, EBITDA was DKK 19.1 million.

2015 brought a profit before tax of DKK 9.6 million, against a loss of DKK 32.4 million in 2014, an improvement of DKK 42.0 million.

Eliminations and unallocated items

Unallocated net expenses amounted to DKK 12.6 million in 2015, up DKK 1.6 million on 2014.



CASH FLOW

Operating activities

Cash flow from operating activities was DKK 112.1 million, due primarily to the increase in operating profit. Free cash flow was DKK 58.2 million, against DKK 60.3 million in 2014.

Net working capital to sales decreased from 4.0% on 31 December 2014 to 2.3% on 31 December 2015. This was mainly due to a reduction in stock and an increase in trade payables. The increase in other receivables relates to the asset sale programme, where sale of a land plot is partly financed by a mortgage to the buyer.

Investing activities

Investments of DKK 60.7 million were made during 2015, against DKK 42.6 million in 2014.

The acquisition of 100% of the shares in the Polish aircrete company Grupa Prefabet was concluded in the first quarter of 2015 for a total consideration of PLN 60 million (DKK 108 million) (enterprise value). Under the agreement with Grupa Ozarow S.A., DKK 30.4 million was paid during the year and the remaining amount will be paid in two instalments by mid-2016 (DKK 32 million) and mid-2017 (DKK 36 million).

The announced asset sale programme brought a net cash flow of DKK 37.2 million, consisting partly of the announced conditional sale of a land plot in Poland, which was completed in the fourth quarter of 2015. The remainder relates to sale of the equipment and steel scrap.

Financing activities

The share capital increase in March 2015 generated net proceeds of DKK 42 million. Further details on the share capital increase can be found in the Equity section.

BALANCE SHEET

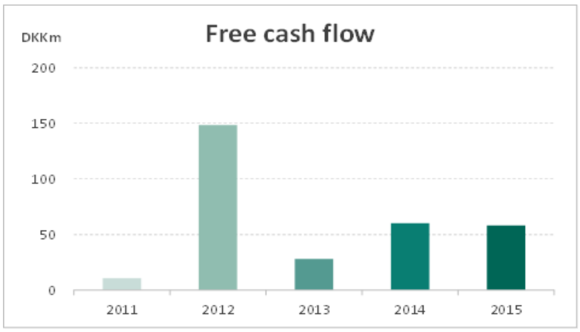
The balance sheet total at 31 December 2015 was DKK 1,246 million, against DKK 1,217 million at year-end 2014.

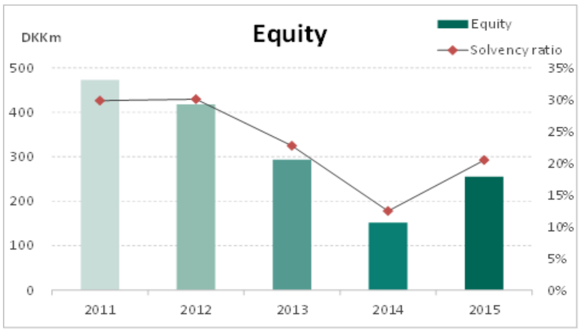
Financing

Net interest-bearing debt totalled DKK 445 million on 31 December 2015, down DKK 72 million on 31 December 2014. The debt-to-EBITDA ratio was reduced to 1.9 (2.4 excluding special items) from 3.8 in 2014.

In 2014, 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 increased by DKK 103.3 million in 2015. The profit for the period increased equity by DKK 39.3 million, while foreign exchange adjustments of investments in subsidiaries decreased equity by DKK 37.8 million, largely driven by the fall in the RUB exchange rate.

Adjustments to pension obligations in the UK increased equity by DKK 60.2 million. The main reason for this is a rise in the interest rate on the bonds used to calculate the liability required to cover benefits offered under the defined-benefit pension scheme.

Following a board resolution in November 2014, the company's share capital was reduced from DKK 490,500,000 to DKK 98,100,000, and the balance of DKK 392,400,000 was transferred to a special fund. At the same time, the nominal value of each share was changed from DKK 50 to DKK 10. As authorised by the general meeting, the Board increased the company's share capital in March 2015 by DKK 9,800,190, equivalent to 9.99% of the company's share capital after the above share capital reduction. Net proceeds from the share capital increase were DKK 42 million.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

OUTLOOK FOR 2016

- Organic revenue growth is expected to be 3-4 %.
- EBITDA before special items is expected to be DKK 190-210 million.
- Investments excluding acquisitions and divestments are expected to be in the region of DKK 80 million.

These expectations for H+H's financial performance in 2016 are based partly on the following specific assumptions:

- Economic growth of around a negative 2% to a positive 3.5% in our geographical footprint.
- The commercial and operational excellence programmes continue to deliver improvements.
- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold at their mid-March 2016 levels.
- Energy and raw material prices rise only in line with inflation from their mid-March 2016 levels.
- The geopolitical situation does not result in changed market conditions.

ABOUT THE OUTLOOK FOR 2016

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.

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 GBP and EUR, while its borrowings are primarily in DKK, GBP, PLN and EUR. Any developments in the financial markets, especially in 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 445 million at the end of 2015 and H+H will remain dependent on external financing in the future.	Low	High	The current bank agreement on a credit facility of DKK 712 million expires on 15 February 2018. The bank can terminate the facility prematurely if H+H fails to meet certain financial covenants. In 2015 there was no breach of the financial covenants.
UK pensions	The UK defined-benefit pension scheme is closed but has accrued benefits and a pension deficit. Each year the pension assets and liability are revalued. A change in the discount rate of 0.1 percentage point would change the obligations by approx. DKK 11 million, affecting equity.	Medium	Low	The current bank agreement allows for changes in the pension deficit.

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

In 2015 H+H developed a general group-wide Code of Conduct as well as various underlying group policies concerning supplier conduct, competition law compliance, anti-corruption, health & safety etc. All policies are in the midst of being implemented in the various H+H companies via online training or seminars, as well as regular awareness activities such as tests and quizzes, competitions and general awareness campaigns in the form of posters, screen savers etc. In addition, H+H will launch a whistleblower system in most countries during the first quarter of 2016, enabling H+H's employees, suppliers and customers to file reports on non-compliance.

CSR statement for 2015

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 2015 statement forms part of Management's review and can be found on the company's website at 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.

In accordance with the recommendations, H+H International A/S has prepared a report on the company's compliance with the recommendations in 2015. 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. 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 corporate governance statement for 2015.

Evaluation of the Board of Directors

The Board of Directors held nine meetings in 2015, while the Audit Committee held five, the Nomination Committee held one and the Remuneration Committee three.

At the end of 2015, the Board of Directors initiated its annual self-evaluation based on input from a questionnaire and one-to-one sessions between the Chairman and members of the Board of Directors and the Executive Board where requested by the Chairman or the member. The input from and issues raised in the questionnaire and the one-to-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. The conclusions from the evaluation together with recommendations from the Nomination Committee 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 2016.

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 13 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 three women and ten 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 by at least two shareholder-elected members when the Board of Directors has four or five shareholder-elected members, and by at least three shareholder-elected members when the Board has six, seven or eight shareholder-elected members. This new and more ambitious objective increasing the gender distribution to the levels prescribed in section 139a of the Danish Companies Act was set during 2015 and has to be reached no later than by the annual general meeting in 2019. Currently, the Board of Directors has five shareholder-elected members, one of whom is a woman. Since a new board member had been elected to the Board of Directors at an extraordinary general meeting in November 2014, the Board did not see a need to elect yet another new board member shortly thereafter at the annual general meeting in April 2015. However, when a new board member is to be elected, the Board of Directors will, when choosing whom to propose as a new member of the Board, consider not only the skills and experience of the candidate, but also the diversity of the Board with regard to gender as well as age, nationality etc.

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 in turn 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.

Shareholder information

SHARE CAPITAL AND SHAREHOLDERS

H+H International A/S has share capital with a nominal value of DKK 107,900,190 carrying a total of 10,790,019 votes and divided into 10,790,019 shares, each with a nominal value of DKK 10 and carrying one vote.

The share capital was increased by 980,019 new shares in 2015 in order to strengthen the capital base following the acquisition of Grupa Prefabet. The gross proceeds were DKK 45.08 million.

As at 1 January 2016, H+H International A/S had 3,676 registered shareholders (corresponding to 76.57% of the share capital), including 173 foreign shareholders, and the company held 24,441 treasury shares. On the same date, H+H International A/S had two major shareholders, each holding more than 5% of its shares: ATP and Nordea Fund Management, filial af Nordea Funds OY, Finland.

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.

H+H International A/S had a solvency ratio of 20.5% at the end of 2015, compared with 12.5% at the end of 2014. The company's net interest-bearing debt totalled DKK 445 million at the end of 2015, compared with DKK 517 million at the end of 2014.

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 increased by 145% to DKK 86.5 per share in 2015. By way of comparison, the OMXC20 index gained around 29% and the OMXC SmallCap index gained 28%. Turnover in 2015 was 7,836,059 shares at a total price of DKK 458 million.

DIVIDENDS

Given the current capital structure of the company, the Board of Directors will recommend to the annual general meeting on 14 April 2016 that no dividend be paid for the 2015 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.

Following recent years' improved results as a consequence of the turnaround, 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. In 2015 the company held more than 25 investor meetings and published 19 company announcements. The company is covered by Danske Bank Markets and Handelsbanken Capital Markets.

Enquiries concerning IR issues should be addressed to Vice President Bjarne Pedersen at 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 2016. 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, 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 2016). 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 2016

Date	Event
17 March 2016	Annual Report 2015
14 April 2016	Annual General Meeting
19 May 2016	Interim financial report Q1 2016
18 August 2016	Interim financial report H1 2016
18 November 2016	Interim financial report Q1-Q3 2016

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 2016. 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. Chairman of the Board of Directors.

- Joined the Board of Directors in 2013. Member of the Nomination Committee (chairman) and Remuneration Committee (chairman).
- Indirectly holds 10,000 H+H shares via a company he controls, with no changes in his holding in 2015.
- 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 10 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 2015.
- Experience in the international housebuilding 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 Fuerst Day Lawson Holdings Limited (UK) and six subsidiaries, 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) and ProService Agent Transferowy 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) and Troy Homes Ltd. (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 20 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, with no changes in her holding in 2015.
- 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 nine companies in the Nordic Tankers Group.
- Member of the board of directors of BKR Carriers AS (Norway), BKR Tankers AS (Norway), Crystal Nordics A/S, the Royal Danish Theatre 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 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, Exodraft A/S and Sanistål A/S.

Executive Board and organisation

MICHAEL TROENSEGAARD ANDERSEN

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

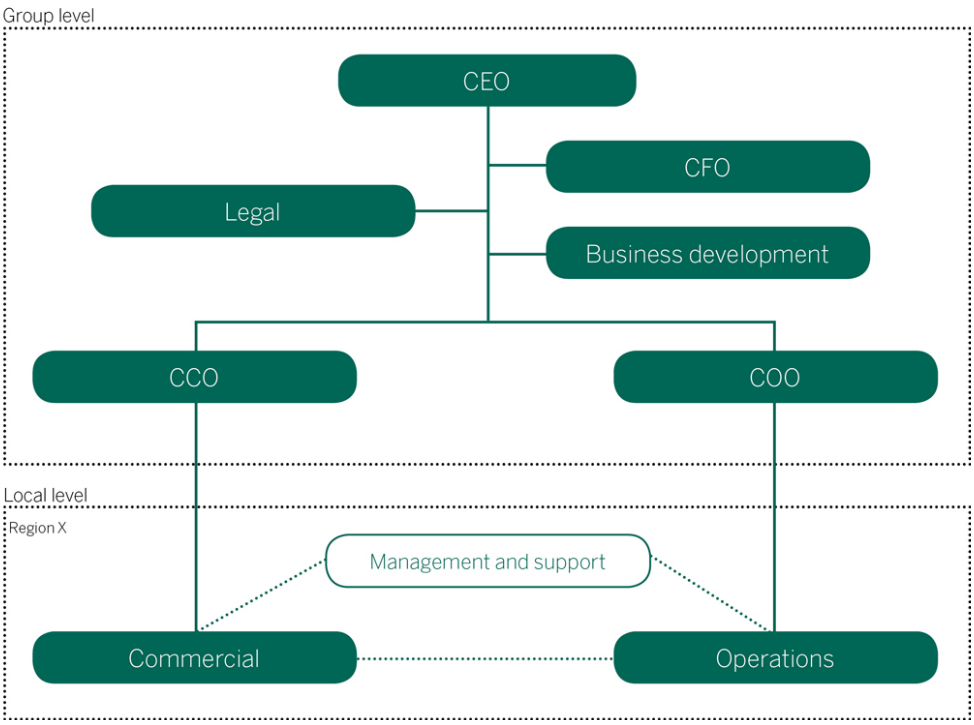
- Holds 19,400 H+H shares. Net 2,154 H+H shares were sold in 2015. All shares are invested in a matching share incentive programme.

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 1,000 competent and committed employees in 2015.



Income statement

		Group		Parent company	
Note	**(DKK '000)**	**2015**	**2014**	**2015**	**2014**
2	Revenue	1,620,993	1,379,927	0	0
3, 16	Production costs	(1,210,744)	(1,039,439)	0	0
	Gross profit	**410,249**	**340,488**	**0**	**0**
3	Sales and distribution costs	(110,295)	(94,966)	0	0
3	Administrative costs	(121,607)	(103,172)	(37,348)	(39,096)
4	Other operating costs	(31,144)	(10,245)	0	0
5	Other operating income	85,216	5,309	28,906	34,322
	Profit/loss before depreciation, amortisation and financial items (EBITDA)	**232,419**	**137,414**	**(8,442)**	**(4,774)**
6	Depreciation and amortisation	(93,317)	(85,094)	(1,590)	(1,688)
7	Impairment losses	(8,733)	(7,325)	(4,000)	(66,761)
	Operating profit/loss (EBIT)	**130,369**	**44,995**	**(14,032)**	**(73,223)**
8	Financial income	1,451	860	16,200	18,202
9	Financial expenses	(38,319)	(45,110)	(76,550)	(41,311)
	Profit/loss from continuing operations before tax	**93,501**	**745**	**(74,382)**	**(96,332)**
10	Tax on profit from continuing operations	(35,107)	(7,552)	482	7,264
	Profit/loss for the year from continuing operations	**58,394**	**(6,807)**	**(73,900)**	**(89,068)**
24	Loss for the year from discontinued operations	(19,146)	(16,256)	0	0
	Profit/loss for the year	**39,248**	**(23,063)**	**(73,900)**	**(89,068)**

12	Earnings per share (EPS-Basic) (DKK)	3.71	(2.36)		
12	Diluted earnings per share (EPS-D) (DKK)	3.71	(2.36)		
12	Earnings per share from continuing operations (EPS-Basic) (DKK)	5.52	(0.70)		
12	Diluted earnings per share from continuing operations (EPS-D) (DKK)	5.52	(0.70)		

Statement of comprehensive income

		Group		Parent company	
Note	**(DKK '000)**	**2015**	**2014**	**2015**	**2014**
	Profit/loss for the year	**39,248**	**(23,063)**	**(73,900)**	**(89,068)**
	Other comprehensive income:				
	Items that will not be reclassified subsequently to the income statement:				
	Actuarial losses and gains, see note 19	73,424	(36,054)	0	0
	Tax on actuarial losses and gains	(13,236)	7,487	0	0
		60,188	**(28,567)**	**0**	**0**
	Items that may be reclassified subsequently to the income statement:				
	Foreign exchange adjustments, foreign companies	(45,898)	(105,581)	0	0
	Tax on foreign exchange adjustments, foreign companies	8,085	14,074	0	0
		(37,813)	**(91,507)**	**0**	**0**
	Other comprehensive income after tax	**22,375**	**(120,074)**	**0**	**0**
	Total comprehensive income for the year	**61,623**	**(143,137)**	**(73,900)**	**(89,068)**

Balance sheet at 31 December

ASSETS

		Group		Parent company	
Note	**(DKK '000)**	**2015**	**2014**	**2015**	**2014**
	Goodwill	51,940	51,431	0	0
	Other intangible assets	2,668	3,951	1,766	3,152
13	**Intangible assets**	**54,608**	**55,382**	**1,766**	**3,152**
	Land and buildings	364,662	325,401	0	0
	Plant and machinery	361,366	326,007	0	0
	Fixtures and fittings, tools and equipment	85,030	95,883	35	111
	Property, plant and equipment under construction	30,903	21,857	0	0
13	**Property, plant and equipment**	**841,961**	**769,148**	**35**	**111**
14	Deferred tax assets	11,455	40,210	0	0
15	Equity investments in subsidiaries	0	0	814,083	811,185
	Receivables from subsidiaries	0	0	207,628	279,953
	Other non-current assets	**11,455**	**40,210**	**1,021,711**	**1,091,138**
	Total non-current assets	**908,024**	**864,740**	**1,023,512**	**1,094,401**
16	Inventories	172,943	180,570	0	0
17	Trade receivables	49,905	39,983	0	0
	Tax receivable	434	845	0	0
17	Other receivables	32,487	14,775	9,622	1,137
	Prepayments	6,164	5,900	0	0
	Cash	51,547	72,168	18	20
	Current assets	**313,480**	**314,241**	**9,640**	**1,157**
24	Assets held for sale	24,389	37,746	0	0
	Total current assets	**337,869**	**351,987**	**9,640**	**1,157**
	Total assets	**1,245,893**	**1,216,727**	**1,033,152**	**1,095,558**

Balance sheet at 31 December

EQUITY AND LIABILITIES

		Group		Parent company	
Note	**(DKK '000)**	**2015**	**2014**	**2015**	**2014**
	Share capital	107,902	98,100	107,902	98,100
	Translation reserve	(244,087)	(206,272)	0	0
	Retained earnings	391,193	259,884	552,077	594,104
	Equity	**255,008**	**151,712**	**659,979**	**692,204**
19	Pension obligations	112,659	189,522	0	0
20	Provisions	3,990	2,553	28,000	0
14	Deferred tax liabilities	5,353	8,201	0	0
25	Deferred payment, acquisition of subsidiary	32,548	0	0	0
21	Credit institutions	496,629	589,516	335,878	323,680
	Non-current liabilities	**651,179**	**789,792**	**363,878**	**323,680**
	Trade payables	187,162	165,013	1,563	3,992
	Income tax	11,289	8,573	0	0
	Payables to subsidiaries	0	0	0	67,552
25	Deferred payment, acquisition of subsidiary	27,856	0	0	0
	Other payables	113,399	77,737	7,732	8,130
	Current liabilities	**339,706**	**251,323**	**9,295**	**79,674**
24	Liabilities relating to assets held for sale	0	23,900	0	0
	Total current liabilities	**339,706**	**275,223**	**9,295**	**79,674**
	Total liabilities	**990,885**	**1,065,015**	**373,173**	**403,354**
	Total equity and liabilities	**1,245,893**	**1,216,727**	**1,033,152**	**1,095,558**

Cash flow statement

		Group		Parent company	
Note	**(DKK '000)**	**2015**	**2014**	**2015**	**2014**
	Operating profit/loss	130,369	44,995	(14,032)	(73,223)
	Financial items, paid	(21,335)	(32,076)	(3,409)	(23,109)
	Depreciation, amortisation and impairment losses	102,050	92,419	5,590	68,449
	Gain on disposal of property, plant and equipment	(26,942)	(3,143)	0	0
	Other adjustments	3,406	3,704	1,463	963
	Change in inventories	30,341	(19,779)	0	0
	Change in receivables	(16,583)	(6,692)	(1,021)	(720)
	Change in trade payables and other payables	18,020	46,059	(2,827)	(1,581)
	Negative goodwill - non-cash effect	(56,271)	0	0	0
	Change in provisions	(28,716)	(27,997)	0	0
	Income tax paid	(22,267)	(7,728)	0	0
	Operating activities	**112,072**	**89,762**	**(14,236)**	**(29,221)**
	Sale of property, plant and equipment	37,189	13,117	0	0
	Capital contributions to subsidiaries	0	0	(6,896)	(77,341)
25	Acquisition of subsidiaries	(30,416)	0	0	0
	Acquisition of property, plant and equipment and intangible assets	(60,655)	(42,567)	(128)	(581)
	Investing activities	**(53,882)**	**(29,450)**	**(7,024)**	**(77,922)**
	Free cash flow	**58,190**	**60,312**	**(21,260)**	**(107,143)**
	Change in intra-group balances	0	0	(33,389)	77,871
	Dividend from subsidiaries	0	0	2,239	0
	Raising of long-term debt	0	0	12,198	29,277
	Reduction of long-term debt	(110,975)	(12,949)	0	0
	Capital increase	42,024	0	42,024	0
	Acquisition of treasury shares	(1,814)	0	(1,814)	0
	Financing activities	**(70,765)**	**(12,949)**	**21,258**	**107,148**
24	**Cash flow from discontinued operations**	**(12,105)**	**(14,306)**	**0**	**0**
	Cash flow for the year	**(24,680)**	**33,057**	**(2)**	**5**
	Cash and cash equivalents at 1 January	72,168	40,084	20	15
	Foreign exchange adjustments of cash and cash equivalents	4,059	(973)	0	0
	Cash and cash equivalents at 31 December	**51,547**	**72,168**	**18**	**20**
	Cash and cash equivalents at 31 December, continuing operations	51,547	72,168		
	Cash and cash equivalents at 31 December, discontinued operations	0	0		
		51,547	**72,168**		

Statement of changes in equity

(DKK '000)		**Group**		
	Share capital	**Translation reserve**	**Retained earnings**	**Total**
Equity at 1 January 2014	**490,500**	**(114,765)**	**(81,848)**	**293,887**
Profit/loss for the year	0	0	(23,063)	(23,063)
Other comprehensive income:				
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
Net gains recognised directly in equity	**0**	**(91,507)**	**(28,567)**	**(120,074)**
Total comprehensive income	**0**	**(91,507)**	**(51,630)**	**(143,137)**
Share-based payment	0	0	962	962
Capital reduction	(392,400)	0	392,400	0
Total changes in equity	**(392,400)**	**(91,507)**	**341,732**	**(142,175)**
Equity at 31 December 2014	**98,100**	**(206,272)**	**259,884**	**151,712**
Profit/loss for the year	0	0	39,248	39,248
Other comprehensive income:				
Foreign exchange adjustments, subsidiaries	0	(45,900)	0	(45,900)
Actuarial gains/losses on pension plans	0	0	73,424	73,424
Tax on other comprehensive income	0	8,085	(13,236)	(5,151)
Net gains recognised directly in equity	**0**	**(37,815)**	**60,188**	**22,373**
Total comprehensive income	**0**	**(37,815)**	**99,436**	**61,621**
Issue of ordinary shares (980,019 shares)	9,802	0	35,279	45,081
Expenses in connection with share issue	0	0	(3,055)	(3,055)
Acquisition of treasury shares	0	0	(1,814)	(1,814)
Share-based payment	0	0	1,463	1,463
Total changes in equity	**9,802**	**(37,815)**	**131,309**	**103,296**
Equity at 31 December 2015	**107,902**	**(244,087)**	**391,193**	**255,008**

Statement of changes in equity

(DKK '000)	Parent company			
	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2014	**490,500**	**289,810**	**0**	**780,310**
Profit/loss for the year	0	(89,068)	0	(89,068)
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**(89,068)**	**0**	**(89,068)**
Share-based payment	0	962	0	962
Capital reduction	(392,400)	392,400	0	0
Total changes in equity	**(392,400)**	**304,294**	**0**	**(88,106)**
Equity at 31 December 2014	**98,100**	**594,104**	**0**	**692,204**
Profit/loss for the year	0	(73,900)	0	(73,900)
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**(73,900)**	**0**	**(73,900)**
Issue of ordinary shares (980,019 shares)	9,802	35,279	0	45,081
Expenses in connection with share issue	0	(3,055)	0	(3,055)
Acquisition of treasury shares	0	(1,814)	0	(1,814)
Share-based payment	0	1,463	0	1,463
Total changes in equity	**9,802**	**(42,027)**	**0**	**(32,225)**
Equity at 31 December 2015	**107,902**	**552,077**	**0**	**659,979**

Notes to the consolidated financial statements

Notes - Financial statements

Notes - Income statement

Notes - Balance sheet

Notes - Supplementary information

Notes – Financial statements

1 GENERAL ACCOUNTING POLICIES

The annual report for the period 1 January – 31 December 2015 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 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed 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 2015 on 16 March 2016. 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 2016.

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 EU effective for the financial year 2015. 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 2015 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 EU 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, except for IFRS 16 Leases, which was issued in January 2016. The standard will replace IAS 17 Leases currently in force and is effective for annual periods beginning on or after 1 January 2019. The standard has not yet been endorsed by the EU. The new standard is expected to have an impact on H+H International A/S as a lessee, as all leases (except for short-term leases and leases of low-value assets) have to be recognized in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated over the lease term in a similar way to other assets such as property, plant and equipment, and interest on the lease liability is calculated in a similar way to finance leases under IAS 17 Leases. Consequently, the change will also impact the presentation of the income statement and cash flow statement. As the standard has only recently been issued, H+H International A/S has not yet assessed the impact on future financial statements. It is thus not possible to give an estimate of the effect of the implementation of the standard.

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.

Notes – Financial statements

GENERAL ACCOUNTING POLICIES – CONTINUED

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.

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

GENERAL ACCOUNTING POLICIES – CONTINUED

Financial ratios

Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.

Other financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2015".

The financial ratios under Key figures have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit}}{\text{Average invested capital}}$
Profit for the year	Profit attributable to the shareholders in the parent company
Earnings per share (EPS-Basic)	$\frac{\text{Profit}}{\text{Average number of shares outstanding}}$
Diluted earnings per share (EPS-D)	$\frac{\text{Diluted earnings}}{\text{Diluted average number of shares outstanding}}$
Return on equity	$\frac{\text{Profit x 100}}{\text{Average equity excl. non-controlling interests}}$
Solvency ratio	$\frac{\text{Equity at year-end attributable to H+H x 100}}{\text{Total equity and liabilities, year end}}$
Book value per share, year-end	$\frac{\text{Equity in H+H, year-end}}{\text{Number of shares, year-end}}$
Price/book value	$\frac{\text{Share price}}{\text{Book value per share, year-end}}$
Price-earnings ratio (PE)	$\frac{\text{Share price}}{\text{Earnings per share}}$
Payout ratio	$\frac{\text{Total dividend paid x 100}}{\text{Profit}}$
Free cash flow	The sum of cash flow from operating and investing activities

Invested capital is calculated as net working capital plus tangible assets and intangible assets excluding goodwill.

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
- Investments in subsidiaries, note 15
- 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
- Acquisition and divestment of subsidiaries and activities, note 25

Notes – Income statement

2 SEGMENT INFORMATION

(DKK million)	Group 2015							
	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	1,065.2	207.2	1,272.4	350.7	0.0	350.7	2.1	1,625.2
Revenue, internal	101.9	0.5	102.4	8.0	0.0	8.0	2.0	112.4
EBITDA	171.2	(1.9)	169.3	71.9	(0.4)	71.5	(12.0)	228.8
Depreciation	(53.8)	(0.7)	(54.5)	(37.2)	0.0	(37.2)	0.0	(91.7)
EBITA	117.3	(2.6)	114.7	34.7	(0.4)	34.3	(17.5)	131.5
Impairment losses	0.0	0.0	0.0	(8.7)	0.0	(8.7)	(5.5)	(14.2)
Operating profit (EBIT)	117.3	(2.6)	114.7	26.0	(0.4)	25.6	(17.5)	122.8
Financial income	12.4	0.8	13.2	0.4	0.0	0.4	0.0	13.6
Financial expenses	(30.0)	(1.3)	(31.3)	(16.4)	0.0	(16.4)	(1.7)	(49.4)
Profit/loss before tax**	99.7	(3.1)	96.6	10.0	(0.4)	9.6	(19.2)	87.0
Non-current assets	443.8	5.6	449.4	470.5	8.7	479.2	0.0	928.6
Investments in intangible assets and property, plant and equipment	41.1	1.5	42.6	17.9	0.0	17.9	0.0	60.5
Investments in subsidaries	0.0	0.0	0.0	(30.6)	0.0	(30.6)	0.0	(30.6)
Assets	950.9	44.5	995.4	569.6	8.7	578.3	1.0	1,574.7
Equity	184.8	7.4	192.2	169.5	(41.7)	127.8	(55.0)	265.0
Liabilities	766.0	37.1	803.1	400.2	50.4	450.6	56.0	1,309.7
Average full-time equivalent staff	428	46	474	545	0	545	3	1,022

(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

* 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

	Group	
(DKK million)	**2015**	**2014**
Segment revenue for the reporting segments	1,737.6	1,495.5
Elimination of inter-segment sales	(112.4)	(99.0)
Revenue for discontinued operations	(4.2)	(16.6)
Revenue	**1,621.0**	**1,379.9**
Segment profit/loss before tax for reporting segments	87.0	(4.6)
Loss from discontinued operations	19.1	16.3
Non-allocated Group expenses, central functions	(12.6)	(11.0)
Profit/loss before tax	**93.5**	**0.7**
Total assets for reporting segments	1,574.7	1,419.9
Other non-allocated assets, eliminations and similar	(327.8)	(196.5)
Assets relating to discontinued operations	(1.0)	(6.7)
Assets	**1,245.9**	**1,216.7**
Total liabilities for reporting segments	1,309.7	1,208.4
Other non-allocated obligations, eliminations and similar	(262.7)	(88.3)
Liabilities relating to discontinued operations	(56.1)	(55.1)
Liabilities	**990.9**	**1,065.0**

Revenue in Denmark was DKK 116,080 thousand in 2015 (2014: DKK 98,059 thousand).
Non-current assets in Denmark at year-end 2015 amounted to DKK 4,358 thousand (2014: DKK 3,822 thousand).

Key customers
The biggest customer in the United Kingdom represented approx. 34% of the H+H Group's total revenue in 2015 (2014: approx. 31%). The following countries represent more than 10% of revenue or non-current assets.

	Group			
(DKK million)	**2015**		**2014**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
UK	790.8	165.6	644.8	201.5
Germany	274.3	278.1	245.4	303.9
Poland	244.3	333.0	144.1	219.3
Russia	105.7	123.8	161.7	136.9
Other countries and eliminations	205.9	7.5	183.9	3.1
	1,621.0	**908.0**	**1,379.9**	**864.7**

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.

Notes – Income statement

3 STAFF COSTS

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Wages and salaries	275,020	237,846	18,254	18,741
Defined contribution plans, see note 19	10,942	8,672	0	0
Share-based payment	1,463	962	1,463	506
Remuneration to the Board of Directors	1,800	1,797	1,800	1,797
Other staff costs	42,313	35,694	125	177
	331,538	**284,971**	**21,642**	**21,221**
Staff costs are recognised as follows:				
Production costs	188,293	164,150	0	0
Sales and distribution costs	76,512	64,904	0	0
Administrative costs	66,733	55,917	21,642	21,221
	331,538	**284,971**	**21,642**	**21,221**
Average full-time equivalent staff	**1,034**	**866**	**12**	**13**
Remuneration to the Executive Board:				
Michael Troensegaard Andersen (CEO):				
Salary	3,117	3,000	3,117	3,000
Bonus	1,447	1,000	1,447	1,000
Share-based payment	728	718	728	718
	5,292	**4,718**	**5,292**	**4,718**
Niels Eldrup Meidahl (CFO until 1 December 2014):				
Salary	0	1,797	0	1,797
Bonus	0	422	0	422
Share-based payment	0	(134)	0	(134)
	0	**2,085**	**0**	**2,085**
Total	**5,292**	**6,803**	**5,292**	**6,803**
Remuneration to non-registered members of executive management:				
Salary	5,162	0	3,417	0
Bonus	1,821	0	1,821	0
Share-based payment	299	0	299	0
Pension	282	0	0	0
Total	**7,564**	**0**	**5,537**	**0**

From 2015, Group executive management consists of CEO Michael T. Andersen and three other executives.

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 2015 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 a 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 14 April 2015 approved remuneration to the Chairman of the Board for 2015 of DKK 600,000 (2014: DKK 600,000) and remuneration to ordinary board members of DKK 300,000 (2014: 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
Members of the Executive Board may resign with six months' notice. The company may dismiss a member of 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 a member of the Executive Board 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
Members of the Executive Board have 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 (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 April 2015, a matching share programme was launched for the Executive Board and certain key employees. The Executive Board and key employees invested a total of 16,396 H+H shares into the matching share programme initiated in 2015, which will trigger allocation of a further 49,188 H+H shares in April 2018 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 April 2015 was estimated at DKK 2.5 million and will be recognised as staff costs until the expiry of the vesting period in April 2018.

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 average share price on the first 10 days of the trading window. The programme is partly hedged by purchase of treasury shares.

Matching share programmes similar to the one described above were launched in May 2011, June 2012, May 2013 and March 2014. 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 was DKK 1.8 million, which was 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 were 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 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 2015 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 the resignation of one participant. Based on the financial statements for 2015, 46,983 matching shares will be granted in May 2016 under the 2013 programme, equal to the estimated three matching shares per investment share.

The value of the 2014 programme at inception was DKK 1.0 million, which is recognised as staff costs until the expiry of the vesting period in March 2017. It was assessed during 2015 that the programme could trigger a maximum of three matching shares per investment share.

Since the matching share programme was launched in 2011, 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.

In November 2015, the Board of Directors decided that the company will hedge part of the future grant of shares. Consequently, the company bought 24,000 shares in November 2015.

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 2015. The Board of Directors of H+H International A/S is not included in the company's share option plan.

At the beginning of 2014, there were 18,432 outstanding options. None of them were exercised at expiry of the exercise period (March 2014), therefore the cost recognised in the 2014 income statement was DKK 0 thousand.

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 2015	Additions or sold/settled during the year	31 December 2015	Market value*
Board of Directors:				
Kent Arentoft (indirect ownership)	10,000	0	10,000	865
Stewart A Baseley	10,000	0	10,000	865
Pierre-Yves Jullien	0	0	0	0
Henriette Schütze	531	0	531	46
Søren Østergaard Sørensen	0	0	0	0
	20,531	0	20,531	1,776
Executive Board:				
Michael Troensegaard Andersen	21,554	(2,154)	19,400	1,678
Total	**42,085**	**(2,154)**	**39,931**	**3,454**

* Calculation of the market value is based on the quoted share price of DKK 86.50 at 31 December 2015.

Notes – Income statement

3 STAFF COSTS – CONTINUED

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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Exiting Westbury land lease and other costs related to Westbury	10,783	6,743	0	0
Acquisition-related costs, Grupa Prefabet S.A.	19,760	2,687	0	0
Other	601	815	0	0
Total	**31,144**	**10,245**	**0**	**0**

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.

5 OTHER OPERATING INCOME

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Management fee	0	0	28,025	25,761
Negative goodwill related to acquisition of Grupa Prefabet S.A.	56,271	0	0	0
Gain on disposal of property, plant and equipment in Poland	26,942	3,143	881	2,978
Rental income	858	0	0	0
Adjustment of environmental provision	0	0	0	0
Refund of property taxes	0	0	0	0
Other	1,145	2,166	0	5,583
Total	**85,216**	**5,309**	**28,906**	**34,322**

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. Please see note 25 for further information on the negative goodwill related to the acquisition of Grupa Prefabet.

Notes – Income statement

6 DEPRECIATION AND AMORTISATION

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Other intangible assets	2,782	1,448	1,514	1,612
Land and buildings	19,760	18,795	0	0
Plant and machinery	57,850	51,243	0	0
Fixtures and fittings, tools and equipment	12,925	13,608	76	76
Total	**93,317**	**85,094**	**1,590**	**1,688**

7 IMPAIRMENT LOSSES

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Land and buildings	8,733	1,287	0	0
Write-down of equity investments	0	0	4,000	66,761
Impairment loss relating to goodwill in Poland	0	6,038	0	0
Total	**8,733**	**7,325**	**4,000**	**66,761**

The impairment loss of DKK 8.7 million relates mainly to land and buildings in Gorzkowice in Poland and partly to land and buildings in Most in the Czech Republic.

An impairment loss of DKK 6 million relating to goodwill in Poland was 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 relates to H+H Finland Oy; please see note 15 for further information.

The write-down of equity investments in the parent company for 2014 related to H+H Polska Sp. z o.o. and OOO H+H Russia, and was based on the recoverable amount being lower than the parent company's original costs. The write-down of equity investments in 2014 had no bearing on the consolidated financial statements; see note 15.

8 FINANCIAL INCOME

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Interest income	159	311	0	0
Interest income from subsidiaries	0	0	13,961	18,202
Exchange rate adjustments	1,205	427	0	0
Dividend from subsidiary	0	0	2,239	0
Other financial income	87	122	0	0
Total	**1,451**	**860**	**16,200**	**18,202**

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.

Notes – Income statement

9 FINANCIAL EXPENSES

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Interest expenses	21,494	32,387	11,218	15,796
Interest expenses to subsidiaries	0	0	2,776	2,522
Interest on financial instruments	21,494	32,387	13,994	18,318
Exchange rate adjustments relating to loans to subsidiaries	0	0	2,420	4,264
Other exchange rate adjustments	1,439	994	0	0
Write-down of intra-group debt	0	0	59,180	17,491
Financial expenses relating to pension plans; see note 19	6,595	6,920	0	0
Other financial expenses	8,791	4,809	956	1,238
Total	**38,319**	**45,110**	**76,550**	**41,311**

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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Tax on profit from continuing operations	35,107	7,552	(482)	(7,264)
Tax on other comprehensive income	5,151	(21,561)	0	0
Total	**40,258**	**(14,009)**	**(482)**	**(7,264)**
Total tax can be broken down as follows:				
Current tax for the year	17,195	15,049	(2,246)	0
Adjustment relating to changes in tax rate	2,616	297	0	0
Adjustment of deferred tax	8,807	(29,355)	386	(7,264)
Change in valuation of tax assets	12,693	0	1,378	0
Prior-year adjustments	(1,053)	0	0	0
Total	**40,258**	**(14,009)**	**(482)**	**(7,264)**
Current joint taxation contribution for the year	**0**	**0**	**0**	**0**
Tax on profit from continuing operations can be broken down as follows:				
Calculated 23.5% (2014: 24.5%) tax on income from ordinary activities	19,725	185	(9,960)	(23,601)
Less tax in foreign Group entities compared with 23.5% rate (2014: 24.5%)	(4,614)	(768)	0	0
Tax effect of:				
Change in valuation of tax assets	(1,831)	9,900	2,151	(4,734)
Other adjustments	6,319	(3,308)	0	0
Non-deductible expenses/non taxable income	12,019	1,543	0	8
Non-deductible losses/non taxable gains related to investments in subsidaries	3,489	0	7,327	21,063
Total	**35,107**	**7,552**	**(482)**	**(7,264)**

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:

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Revenue	1,620,993	1,379,927	0	0
Production costs	(1,296,432)	(1,125,096)	0	0
Gross profit including depreciation and amortisation	**324,561**	**254,831**	**0**	**0**
Sales and distribution costs	(117,827)	(95,281)	0	0
Administrative costs	(130,437)	(109,619)	(70,938)	(107,545)
Other operating costs	(31,144)	(10,245)	0	0
Other operating income	85,216	5,309	28,906	34,322
Operating profit/loss (EBIT)	**130,369**	**44,995**	**(42,032)**	**(73,223)**
Depreciation, amortisation and impairment comprise:				
Amortisation of intangible assets	2,783	1,448	1,514	1,612
Write-down of intangible assets	0	6,038	0	0
Depreciation of property, plant and equipment	90,534	83,646	76	76
Write-down of property, plant and equipment	8,733	1,287	0	0
Write-down of equity investments	0	0	32,000	66,761
Total	**102,050**	**92,419**	**33,590**	**68,449**
Depreciation, amortisation and impairment are allocated to:				
Production costs	85,688	85,657	0	0
Sales and distribution costs	7,532	315	0	0
Administrative costs	8,830	6,447	33,590	68,449
Total	**102,050**	**92,419**	**33,590**	**68,449**

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 recognise production costs, relating 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	
	2015	2014
Average number of shares	10,577,905	9,810,000
Average number of treasury shares	(5,203)	(18,808)
Average number of outstanding shares	10,572,702	9,791,192
Dilution from share options	0	0
Average number of outstanding shares, diluted	**10,572,702**	**9,791,192**
Profit/loss for the year (DKK '000)	39,248	(23,063)
Shareholders in H+H International A/S (DKK '000)	**39,248**	**(23,063)**
Earnings per share (EPS) (DKK)	3.71	(2.36)
Diluted earnings per share (EPS-D) (DKK)	3.71	(2.36)

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

Earnings per share from continuing and discontinued operations respectively for 2015 are calculated on the basis of the equivalent key figures used to calculate earnings per share.

(DKK '000)	**2015**	**2014**
Profit/loss from discontinued operations	(19,146)	(16,256)
Profit/loss from continuing operations	58,394	(6,807)
Profit/loss for the year	**39,248**	**(23,063)**

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Parent company			
(DKK '000)	2015		2014	
	Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
Total cost at 1 January	7,268	769	6,262	1,194
Transfers	0	0	425	(425)
Additions during the year	128	0	581	0
Disposals during the year	0	0	0	0
Total cost at 31 December	**7,396**	**769**	**7,268**	**769**
Total depreciation and amortisation at 1 January	(4,116)	(658)	(2,504)	(582)
Depreciation and amortisation of disposals	0	0	0	0
Depreciation and amortisation for the year	(1,514)	(76)	(1,612)	(76)
Total depreciation and amortisation at 31 December	**(5,630)**	**(734)**	**(4,116)**	**(658)**
Carrying amount at 31 December	**1,766**	**35**	**3,152**	**111**

	Group					
(DKK '000)	2015					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under con-struction
Total cost at 1 January 2015	80,961	26,047	525,343	1,148,110	205,266	29,790
Transfers	0	80	990	12,488	2,885	(16,443)
Foreign exchange adjustments, year-end rate	1,074	465	13,290	8,543	(10,795)	401
Additions during the year	0	1,090	13,000	14,592	6,885	25,088
Acquisitions through business combinations	0	13	64,072	79,596	0	0
Disposals during the year	0	(3,762)	(14,076)	(16,300)	(5,248)	0
Transferred to assets held for sale	0	0	(16,414)	0	0	0
Total cost at 31 December 2015	**82,035**	**23,933**	**586,205**	**1,247,029**	**198,993**	**38,836**
Total depreciation and amortisation at 1 January 2015	(29,530)	(22,096)	(199,942)	(822,103)	(109,383)	(7,933)
Foreign exchange adjustments, year-end rate	(565)	(151)	(2,643)	(19,395)	2,411	0
Foreign exchange adjustments for the year	0	7	198	1,085	878	0
Depreciation and amortisation of disposals	0	3,757	9,337	12,600	5,056	0
Depreciation and amortisation for the year	0	(2,782)	(19,760)	(57,850)	(12,925)	0
Impairment losses for the year	0	0	(8,733)	0	0	0
Total depreciation, amortisation and impairment losses at 31 December 2015	**(30,095)**	**(21,265)**	**(221,543)**	**(885,663)**	**(113,963)**	**(7,933)**
Carrying amount at 31 December 2015	**51,940**	**2,668**	**364,662**	**361,366**	**85,030**	**30,903**

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Group					
(DKK '000)	**2014**					
	Goodwill	**Other intangible assets**	**Land and buildings**	**Plant and machinery**	**Fixtures and fittings, tools and equipment**	**Property, plant and equipment under con-struction**
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
Transferred from assets held for sale	0	0	0	0	0	0
Transferred to assets held for sale	0	0	0	0	0	0
Total cost at 31 December 2014	**80,961**	**26,047**	**525,343**	**1,148,110**	**205,266**	**29,790**
Total depreciation and amortisation at 1 January 2014	(24,635)	(21,085)	(182,430)	(762,025)	(118,683)	(7,933)
Transfers	0	0	0	0	0	0
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
Transferred from assets held for sale	0	0	0	0	0	0
Transferred to assets held for sale	0	0	0	0	0	0
Total depreciation, amortisation and impairment losses at 31 December 2014	**(29,530)**	**(22,096)**	**(199,942)**	**(822,103)**	**(109,383)**	**(7,933)**
Carrying amount at 31 December 2014	**51,431**	**3,951**	**325,401**	**326,007**	**95,883**	**21,857**

Interest totalling DKK 0 thousand was capitalised in 2015 (2014: DKK 0 thousand).

Impairment test of goodwill

On 31 December 2015, 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.

For the purpose of impairment testing the recoverable amount was defined as the value in use. In general, the impairment tests were based on the budget and strategy projections as approved by management. The assumptions of the forecast are based on benchmarked external data and historic trends. The key parameters in the calculation of the value in use are revenue, earnings, discount rate and the preconditions for the terminal period

DKK 28,370 thousand (2014: DKK 28,216 thousand) of the goodwill relates to Germany (Western Europe segment) and DKK 23,670 thousand (2014: DKK 23,225 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 58.

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 2016-2021, 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 conducted 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.

Impairment tests of non-current assets

The Group's key non-current assets were tested for impairment in 2015, 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 2015.

The impairment tests of non-current assets performed at 31 December 2015 do not show any indications of impairment.

The assumptions made can be summarised as follows:

	2015			
	Poland	**Germany**	**UK**	**Russia**
Carrying amount of intangible assets, property, plant and equipment at 31 December 2015 (DKK '000)	339,839	272,297	165,063	123,642
Estimated average annual growth in revenue 2016-2021 (CAGR)	5.7%	3.6%	3.6%	9.3%
Estimated average annual growth in gross margin in percentage points 2016-2021	2.2	1.3	(0.5)	0.2
WACC after tax	5.9%	4.5%	5,4%	11.8%

	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 points 2015-2020	2.4	0.8	0.2	(0.2)
WACC after tax	7.1%	4.7%	6.1%	13.8%

The WACC after tax in Poland decreased from 2014 to 2015 due to a decrease in the market risk premium and the external loan interest rate, partly offset by an increase in the risk-free rate.

The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2021 has been estimated at 2.0% (2014: 2.0-3.0%)

The extreme market conditions currently being experienced in Russia make it more difficult than normal to predict the future performance of our Russian business. However, an external valuation carried out in November 2015 showed a valuation in excess of its current asset value.

Group management believes that likely changes in the key assumptions will not cause the carrying amount of goodwill and non-current assets to exceed the recoverable amounts. The following sensitivity analysis of impairment tests focuses on changes in discount rate (WACC), long-term growth rate and Compound Average Growth Rate (CAGR). The changes in CAGR for 2016-2021 and beyond are based on the assumption that tax paid follows the decrease in gross margin. All other factors are unchanged in the sensitivity analysis. The assumptions must change as follows before the carrying amount equals the value in use.

	2015			
	Poland	**Germany**	**UK**	**Russia**
Long-term growth rate after 2021	-8.9%	-2.2%	<-20%	-1.4%
Change in estimated average annual growth in revenue 2016-2021 (CAGR)	0.5%	0.3%	<-10%	6.6%
WACC after tax	12.2%	7.9%	>20%	13.8%

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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.

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.

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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 2015. The expected useful lives of production assets are unchanged from 2014.

Notes – Balance sheet

14 DEFERRED TAX

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Deferred tax at 1 January	32,009	(1,155)	0	(7,264)
Addition from acquisition	(4,722)	0	0	0
Foreign exchange adjustments	315	(769)	0	0
Change in deferred tax	(8,807)	26,446	0	7,264
Valuation of tax asset	(12,693)	0	0	0
Tax effect of adjustment of accumulated actuarial losses	0	7,487	0	0
Deferred tax at 31 December	**6,102**	**32,009**	**0**	**0**

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Deferred tax relates to:				
Non-current assets	(111,350)	(53,971)	0	0
Current assets	(6,675)	(168)	0	0
Liabilities	32,696	39,371	0	0
Retaxation balance relating to discontinued joint taxation	0	0	0	0
Tax loss carry-forwards	91,431	46,777	0	0
Total	**6,102**	**32,009**	**0**	**0**
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	11,455	40,210	0	0
Deferred tax liabilities	(5,353)	(8,201)	0	0
Total	**6,102**	**32,009**	**0**	**0**

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 116 million at 31 December 2015 (2014: DKK 130 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 from/payables to subsidiaries.

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

	Parent company	
(DKK '000)	**2015**	**2014**
Acquisition cost at 1 January	1,305,830	1,275,606
Additions	6,898	77,425
Disposals	0	(47,201)
Cost at 31 December	**1,312,728**	**1,305,830**
Impairment losses at 1 January	(494,645)	(475,001)
Reversal in connection with disposals	0	47,117
Reversal of previous write-down	0	0
Impairment losses, equity investments	(4,000)	(66,761)
Impairment losses at 31 December	**(498,645)**	**(494,645)**
Carrying amount at 31 December	**814,083**	**811,185**

The cost of investments in subsidiaries was tested for impairment at the end of 2015. The recoverable amount of the equity investments at 31 December 2015 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2016-2021 and a WACC after tax of 4.5-11.8% (2014: 4.7-13.8%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2021 has been estimated at 2.0% (2014: 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.

A further provision for an impairment loss of DKK 28 million has been recognised in 2015 regarding H+H Finland Oy and Stone Kivitalot Oy. The carrying amount of the two subsidiaries amounts to 0 in the above table and the provision is included in the balance sheet.

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

	Registered office	2015 Equity interest, %	2014 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 Polska Sp. z o.o.	Poland	100	100
H+H EIQ s.r.o.	Czech Rep.	100	100
H+H Ukraina TOV	Ukraine	100	100
H+H UA TOV	Ukraine	100	100
OOO H+H	Russia	100	100
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

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

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

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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Raw materials and consumables	47,194	45,414	0	0
Finished goods and goods for resale	125,749	135,156	0	0
Total	**172,943**	**180,570**	**0**	**0**
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	10,218	9,059	0	0
Foreign exchange adjustments	(502)	(173)	0	0
Write-downs for the year	3,328	2,575	0	0
Realised during the year	(593)	(1,078)	0	0
Reversals	(6,241)	(165)	0	0
Transferred to assets held for sale	0	0	0	0
Total	**6,210**	**10,218**	**0**	**0**
Production costs comprised:				
Wages and salaries	188,293	164,150	0	0
Production overheads	115,059	93,338	0	0
Cost of sales	910,305	779,541	0	0
Write-downs for the year	3,328	2,575	0	0
Reversals of inventory write-downs	(6,241)	(165)	0	0
Total	**1,210,744**	**1,039,439**	**0**	**0**

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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Trade receivables	49,905	39,983	0	0
Other receivables	32,487	14,775	9,622	1,137
Total	**82,392**	**54,758**	**9,622**	**1,137**

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Age analysis of trade receivables:				
Not past due	46,147	33,220	0	0
0-30 days	3,758	4,677	0	0
30-90 days	0	1,688	0	0
Over 90 days	0	398	0	0
Total trade receivables	**49,905**	**39,983**	**0**	**0**
Write-downs relating to receivables, year-end	**7,427**	**4,589**	**0**	**0**

Write-downs of receivables by geographical region	Group					
(DKK '000)	**2015**			**2014**		
	Western Europe	**Eastern Europe**	**Total**	**Western Europe**	**Eastern Europe**	**Total**
Write-downs at 1 January	1,353	3,236	4,589	1,794	3,145	4,939
Foreign exchange adjustments	17	(135)	(118)	4	(367)	(363)
Write-downs for the year	825	4,319	5,144	227	2,529	2,756
Realised during the year	(144)	(605)	(749)	(635)	(469)	(1,104)
Reversals	(263)	(1,176)	(1,439)	(37)	(1,602)	(1,639)
Transferred to assets held for sale	0	0	0	0	0	0
Write-downs relating to receivables at 31 December	**1,788**	**5,639**	**7,427**	**1,353**	**3,236**	**4,589**

The parent company has no trade receivables and there have not been any write-downs of receivables for 2015 or 2014.

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 2015.

Notes – Balance sheet

17 TRADE AND OTHER RECEIVABLES - CONTINUED

Trade receivables which were past due at 31 December 2015 but not impaired are also included, as follows:

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Maturity period of trade receivables:				
0-30 days	3,756	4,677	0	0
30-90 days	0	733	0	0
Over 90 days	0	0	0	0
Total	**3,756**	**5,410**	**0**	**0**

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	
	2015	**2014**	**2015**	**2014**
Share capital at 1 January	9,810,000	9,810,000	98,100	490,500
Capital reduction	0	0	0	(392,400)
Issue of ordinary shares (980,190 shares)	980,190	0	9,802	0
Share capital at 31 December – fully paid	**10,790,190**	**9,810,000**	**107,902**	**98,100**

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 from nominal DKK 100 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.

On 20 March 2015, H+H International A/S increased its share capital by a nominal amount of DKK 9,800,190 from DKK 98,100,000 to DKK 107,900,190. H+H International A/S's total nominal share capital is DKK 107,900,190 divided into 10,790,019 shares of nominal DKK 10 each, corresponding to 10,790,019 votes.

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 2014	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
Holding at 31 December 2014	12,021	120	0.1
Purchased during the year	24,000	240	0.2
Granted due to matching share programme in 2012	(11,580)	(116)	(0.1)
Capital reduction	0	0	0
Sold during the year	0	0	0
Holding at 31 December 2015	**24,441**	**244**	**0.2**

All the treasury shares are owned by H+H International A/S. Treasury shares are acquired in order to hedge liabilities related to the matching share programmes.

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 as a result of 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 112,659 thousand (2014: DKK 189,522 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 11,159 thousand (2014: DKK 8,672 thousand) has been recognised in respect of expenses relating to insured plans (defined contribution plans). For non-insured plans (defined benefit plans), an amount of DKK 6,595 thousand (2014: DKK 6,920 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 22 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.

Notes – Balance sheet

19 PENSION OBLIGATIONS – CONTINUED

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 2015 by Mr Oscar Brown, 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.

	Group	
(DKK '000)	**2015**	**2014**
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	647,020	687,249
Fair value of plan assets	544,880	508,453
Deficit	102,140	178,796
Present value of unfunded defined benefit plans recognised in the balance sheet	10,519	10,726
Net obligation recognised in the balance sheet	**112,659**	**189,522**
Development in present value of defined benefit obligation:		
Obligation at 1 January	697,975	576,985
Foreign exchange adjustments	44,701	39,851
Calculated interest on obligation	25,796	26,972
Gains/losses as a result of changes in economic assumptions	(71,853)	87,355
Gains/losses as a result of changes in demographic assumptions	(14,648)	(9,024)
Empirical changes	2,147	(987)
Pension paid	(26,579)	(23,177)
Obligation at 31 December	**657,539**	**697,975**
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	647,020	687,249
Present value of unfunded defined benefit obligations	10,519	10,726
Obligation at 31 December	**657,539**	**697,975**

Notes – Balance sheet

19 PENSION OBLIGATIONS – CONTINUED

(DKK '000)	Group 2015	Group 2014
Development in fair value of plan assets:		
Plan assets at 1 January	508,454	420,073
Foreign exchange adjustments	31,812	29,515
Calculated interest income	19,201	20,052
Return on plan assets over and above the calculated interest	(10,930)	41,293
The Group's contributions to plan assets	22,363	20,154
Pensions paid	(26,020)	(22,633)
Plan assets at 31 December	**544,880**	**508,454**
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	10,942	8,672
Total pension costs	**10,942**	**8,672**
Financial costs relating to the defined benefit plans for the current year:		
Calculated interest on obligation	(25,796)	(26,972)
Calculated interest on plan assets	19,201	20,052
Net interest on defined benefit plans	**(6,595)**	**(6,920)**
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	71,853	(87,355)
Gains/losses as a result of change in demographic assumptions	14,648	9,024
Return on plan assets over and above the calculated interest	(10,930)	41,293
Changes due to empirical changes	(2,147)	984
Total	**73,424**	**(36,054)**

The cost has been recognised in the income statement under staff costs; see note 3. Costs recognised under production costs amount to DKK 6,214 thousand (2014: DKK 4,996 thousand), costs recognised under sales and distribution costs amount to DKK 2,525 thousand (2014: DKK 1,975 thousand) and costs recognised under administrative costs amount to DKK 2,202 thousand (2014: DKK 1,701 thousand).

Plan assets can be broken down as follows:		
Shares	215,227	194,738
Bonds	328,018	312,699
Cash	1,635	1,017
Total	**544,880**	**508,454**

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	8,271	61,345
Calculated interest on plan assets	19,201	20,052
Actuarial gain (loss) on plan assets	**(10,930)**	**41,293**

The average assumptions for the actuarial calculations at the balance sheet date can be stated as follows:		
Discount rate (avg.)	3.9%	3.5%
Expected inflation rate	3.1%	3.0%
Members' life expectancy from retirement age (years)	22.1	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:

	Group	
(DKK '000)	**2015**	**2014**
Sensitivity relative to discount rate:		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	11,123	12,902
Sensitivity relative to inflation: If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	7,685	7,555
Sensitivity relative to life expectancy from retirement age:		
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	20,224	24,682

The Group expects to pay DKK 22 million into the defined benefit pension plan in 2016 (2015: DKK 21 million).

The pension obligation is expected to fall due as follows:		
0-1 year	26,104	23,744
1-5 years	104,416	94,975
Over 5 years	567,455	579,256
Total	**697,975**	**697,975**

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

	Group	
(DKK '000)	**2015**	**2014**
Provisions at 1 January	2,553	4,000
Foreign exchange adjustments	24	(701)
Provisions for the year	1,509	2,546
Utilised during the year	0	(750)
Reversals during the year	(96)	(1,851)
Transferred to liabilities relating to assets held for sale	0	(691)
Provisions at 31 December	**3,990**	**2,553**
Breakdown of the provisions at 31 December:		
Warranty obligations	1,135	1,093
Obligations relating to restoration of sites	1,814	991
Other provisions	1,041	469
Total	**3,990**	**2,553**

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 2015, warranty obligations relate predominantly to Germany.

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

A provision of DKK 28 million is recognised in the parent company relating to the bank debt in H+H Finland Oy and Stone Kivitalot Oy, since H+H International A/S has an obligation to pay the debt if the subsidiaries can not service their debt.

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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Bank loans	498,889	592,510	338,138	326,674
Amortised borrowing costs	(2,260)	(2,994)	(2,260)	(2,994)
Total	**496,629**	**589,516**	**335,878**	**323,680**

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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Operating leases	**Lease payments**	**Lease payments**	**Lease payments**	**Lease payments**
0-1 year	10,801	9,770	211	191
1-5 years	15,354	14,054	372	149
Over 5 years	61	0	0	0
Total	**26,216**	**23,824**	**583**	**340**

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.

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Rental obligations	**Lease payments**	**Lease payments**	**Lease payments**	**Lease payments**
0-1 year	3,294	2,867	560	672
1-5 years	6,152	5,397	0	560
Over 5 years	61,729	59,494	0	0
Total	**71,175**	**67,758**	**560**	**1,232**

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

An amount of DKK 15,651 thousand (2014: DKK 12,047 thousand) has been recognised in the consolidated income statement for 2015 in respect of operating leases and rental obligations.

Notes – Supplementary information

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 2015 amounts to DKK 160,752 thousand (2014: DKK 265,836 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

	Group		Parent company	
(DKK '000)	**2015**	**2014**	**2015**	**2014**
Total fees for the parent company's auditors elected at the annual general meeting:				
Deloitte	2,544	2,638	703	693
Total	**2,544**	**2,638**	**703**	**693**
The total fee can be broken down as follows:				
Statutory audit	1,934	1,813	453	539
Tax and VAT assistance	328	175	0	0
Other services	282	650	250	154
Total	**2,544**	**2,638**	**703**	**693**

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 28 million and result in an expected accounting gain before tax of around DKK 4 million. The transactions are expected to be completed within 12 months. During 2015 a plot of land in Poland classified as held for sale was sold for DKK 13 million. 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, and the subsidiary was subsequently renamed Stone Kivitalot Oy. Stone Kivitalot Oy has therefore been classified as a discontinued operation. All projects have been delivered to customers, and the operating loss from the activities of Stone Kivitalot Oy relates only to the resolution of uncertainties arising from and directly connected to claims handling on completed projects.

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. The factory in Ikaalinen was sold for DKK 3 million in December 2015 and we expect to liquidate the company in 2016. In 2015 the remaining inventory, presented as revenue, and assets were sold, and a potential claim has been provided for.

Notes – Supplementary information

24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE – CONTINUED

	Group	
(DKK '000)	**2015**	**2014**
Discontinued operations have impacted the income statement as follows:		
Operating loss for the period until transfer of control	(13,628)	(16,256)
Tax on loss for the period	0	0
Loss on sale of non-current assets held for sale	(5,518)	0
Total	**(19,146)**	**(16,256)**
Operating loss for the period until transfer of control can be specified as follows:		
Revenue	4,191	16,620
Expenses	(17,819)	(32,876)
Loss for the year before tax	(13,628)	(16,256)
Tax on loss for the year	0	0
Loss for the year after tax	(13,628)	(16,256)
Loss for the year from discontinued operations	**(13,628)**	**(16,256)**
Earnings per share from discontinued operations (EPS) (DKK)	(1.81)	(1.66)
Diluted earnings per share from discontinued operations (EPS-D) (DKK)	(1.81)	(1.66)
Cash flow from operating activities	(20,807)	(17,464)
Cash flow from investing activities	5,163	(161)
Cash flow from financing activities	3,539	3,319
Total cash flow	**(12,105)**	**(14,306)**
Assets held for sale and liabilities relating to assets held for sale:		
Intangible assets	0	963
Property, plant and equipment	23,335	28,752
Inventories	0	2,969
Receivables	1,054	5,062
Cash and cash equivalents	0	0
Assets held for sale, total	**24,389**	**37,746**
Credit institutions	0	0
Trade payables	0	6,233
Other payables	0	17,667
Other provisions	0	0
Liabilities relating to assets held for sale, total	**0**	**23,900**

Notes – Supplementary information

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 – Supplementary information

25 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND ACTIVITIES

Acquisition of subsidiaries
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) (enterprise value). The purchase price will be paid in accordance with a detailed deferred payment plan.

Grupa Prefabet is one of the largest 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 led to considerable excess capacity and a lack of profitability among manufacturers. H+H anticipates that the acquisition of Grupa Prefabet 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 fair value of the acquired assets, liabilities and contingent liabilities exceeded the purchase price. The difference, termed negative goodwill, has been calculated at DKK 56.3 million. In accordance with IFRS 3, the negative goodwill has been recognised as income under other operating income.

Due to the tough market situation in Poland, the purchase price of Grupa Prefabet was significantly lower than the fair value of the assets. The seller’s intention of pulling out of the Polish aircrete market in the immediate future also impacted the agreed purchase price.

The table below provides a summary of the purchase price for Grupa Prefabet and the calculation of the fair value of acquired assets and liabilities on the acquisition date.

	Group
(DKK '000)	**5 February 2015**
Other intangible assets	0
Property, plant and equipment	127,493
Receivables	10,798
Inventories	20,506
Assets held for sale	16,414
Other current assets	2,103
Acquired assets	**177,314**
Non-current liabilities	2,804
Payables	18,288
Other current liabilities	4,409
Deferred tax	4,722
Assumed liabilities	**30,223**
Total identifiable acquired net assets	147,091
Negative goodwill in connection with the acquisition	(56,271)
Purchase price	**90,820**
Movements in cash flow in connection with the acquisition:	
Purchase price	90,820
Deferred payment	(60,404)
Net cash flow in connection with the acquisition of Grupa Prefabet S.A.	**30,416**

Notes – Supplementary information

25 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND ACTIVITIES - CONTINUED

The receivables acquired, principally comprising trade receivables, had a fair value of DKK 10.8 million and a gross contractual value of DKK 1.4 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected is DKK 0.6 million.

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. for the deferred payments.

Profit of DKK 0.4 million attributable to Grupa Prefabet excluding restructuring costs is included in profit for the year. Revenue includes DKK 88.8 million in respect of Grupa Prefabet.

Had the acquisition been effective 1 January 2015, H+H's revenue from continuing operations would have been DKK 1,630 million, and the profit for the year from continuing operations would have been DKK 59.6 million. The Executive Board considers these pro forma numbers to represent an approximate measure of the performance of the Group as a whole on an annualised basis and to provide a reference point for comparison in future periods. Restructuring costs for Grupa Prefabet are excluded from the figures above.

Acquisition-related costs of DKK 3.4 million (2014: DKK 2.7 million) have been recognised under other operating costs in the Group's income statement for 2015.

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

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 gain 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.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

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 2015 or 2014.

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.

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 each time (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.

The loan agreement may be cancelled without notice by the lender if the company's shares are delisted from Nasdaq 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)
- Debt service cover ratio (cash flow to debt service)
- Capital expenditure

The H+H Group fulfilled all the financial covenants in 2015, and the budget for 2016 supports fulfilment of the covenants in each quarter.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

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.

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

				Group			
(DKK '000)				**2015**			
	EUR	**GBP**	**PLN**	**DKK**	**RUB**	**Other**	**Total**
Trade receivables	1,116	21,206	3,816	14,606	6,237	2,923	49,904
Cash and cash equivalents	1,498	42,392	4,364	385	1,354	1,555	51,548
Trade payables	(23,527)	(112,922)	(31,372)	(8,536)	(3,336)	(5,838)	(185,531)
Credit institutions	(24,345)	(66,033)	(61,998)	(338,017)	0	(6,236)	(496,629)
Gross exposure	(45,258)	(115,357)	(85,190)	(331,562)	4,255	(7,596)	(580,708)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	**(45,258)**	**(115,357)**	**(85,190)**	**(331,562)**	**4,255**	**(7,596)**	**(580,708)**

				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
Net exposure	**(40,685)**	**(226,410)**	**(44,462)**	**(326,147)**	**2,358**	**(7,032)**	**(642,378)**

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

Parent company's monetary items and sensitivity

(DKK '000)	2015				2014			
	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	321,269	1%	3,213	2,410	296,509	1%	2,965	2,224
GBP/DKK	(35,331)	5%	(1,767)	(1,325)	(44,183)	5%	(2,209)	(1,657)
PLN/DKK	0	0%	0	0	(6,124)	5%	306	230
			1,446	**1,085**			**1,062**	**797**

* 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.

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

	Group			
(DKK '000)	2015		2014	
	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	4,992	16,426	2,871	(6,212)
5% increase in PLN/DKK	1,490	12,153	(1,995)	10,458
5% increase in RUB/DKK	(314)	7,408	460	8,448
	6,168	**35,987**	**1,336**	**12,694**

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.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

Interest rate exposure

Group								
(DKK '000)	**2015**				**2014**			
	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	337,633	0	337,633	0	328,471	0	328,471	0
EUR	22,847	0	22,847	0	19,488	0	19,488	0
PLN	57,635	0	57,635	0	26,747	0	26,747	0
CZK	(144)	0	(144)	0	(146)	0	(146)	0
RUB	(1,354)	0	(1,354)	0	(1,015)	0	(1,015)	0
GBP	23,641	0	23,641	0	139,563	0	139,563	0
Other	4,824	0	4,824	0	4,240	0	4,240	0
Total	**445,082**	**0**	**445,082**	**0**	**517,348**	**0**	**517,348**	**0**

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2015, 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 2015 would reduce profit/loss before tax by DKK 5.3 million (2014: DKK 5.3 million).

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

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

Group				
(DKK '000)	**2015**			
Non-derivative financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Credit institutions and banks	496,629	0	496,629	0
Trade payables	185,531	185,531	0	0
Total	**682,160**	**185,531**	**496,629**	**0**

(DKK '000)	**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
Total	**754,529**	**165,013**	**589,516**	**0**

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 other comprehensive income until the hedged items are recognised in the income statement. No such financial instruments were used in 2015 or 2014.

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 2015 or 31 December 2014.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

Categories of financial instruments

	Group			
(DKK '000)	**2015**		**2014**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	49,904	49,904	39,983	39,983
Other receivables	32,490	32,490	14,775	14,775
Cash and cash equivalents	51,547	51,547	72,168	72,168
Total receivables	**133,941**	**133,941**	**126,926**	**126,926**
Credit institutions and banks	496,629	496,369	589,516	586,522
Trade payables and other payables	263,268	263,268	242,750	242,750
Total financial liabilities measured at amortised cost	**759,897**	**759,637**	**832,266**	**829,272**

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 2014.

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 28,025 thousand (2014: DKK 25,761 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

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

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 2015.

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 2015 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 2015.

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, 17 March 2016

EXECUTIVE BOARD

Michael Troensegaard Andersen
CEO

BOARD OF DIRECTORS

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 2015, 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 2015, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2015 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, 17 March 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33 96 35 56

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State Authorised
Public Accountant

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