H+H International A/S
Interim financial report
Q1 2015

Company Announcement No. 325, 2015

H+H International A/S
Dampfærgevej 3, 3rd Floor
2100 Copenhagen Ø
Denmark

Tel. +45 35 27 02 00

info@HplusH.com
www.HplusH.com

Date:
20 May 2015

Highlights for the period 1 January to 31 March 2015

- First-quarter revenue was DKK 343 million (2014: DKK 289 million). Organic revenue growth in the first quarter was 8.7% (adjusted for acquisitions and measured in local currency).
- EBITDA was DKK 19 million before special items and DKK 50 million after special items (2014: DKK 8.6 million before special items and DKK 8.0 million after special items). Special items consist mainly of badwill and restructuring costs from the acquisition of Grupa Prefabet S.A.
- EBIT for the first quarter was DKK 27.3 million (2014: loss of DKK 14.2 million).
- The quarter brought a net profit of DKK 11 million (2014: loss of DKK 30 million).
- Investments totalled DKK 16 million (2014: DKK 13 million).
- The acquisition of Grupa Prefabet was concluded for a total consideration of PLN 60 million (DKK 108 million) (enterprise value). The integration plan is running to schedule.
- Conditional sale of assets in Poland with net proceeds of DKK 22 million.
- A new issue of shares increased equity by DKK 42 million net.
- Net interest-bearing debt at 31 March 2015 was DKK 643 million (31 March 2014: DKK 629 million).
- H+H reiterates its outlook for 2015: Organic revenue growth is expected to be 6-8%. EBITDA before special items is expected to be DKK 150-170 million. EBIT margin of 3-4%. Investments excluding acquisitions and divestments are expected to be DKK 60 million, including DKK 20 million to support the restructuring in Poland. Badwill and restructuring costs in Poland will be recognised under special items.

Quote:
"The first quarter of 2015 brought a strong performance with organic growth of more than 8%," says Michael T Andersen, CEO. *"Our market in Russia has started to show weakness earlier than anticipated due to the macroeconomic situation, but our business in Western Europe is able to compensate for this."*

For further information please contact:
Michael T Andersen, CEO, or Bjarne Pedersen, Vice President, Business Development & IR, on telephone +45 35 27 02 00.

Key figures – H+H Group

Amounts in DKK million	Q1 2015	Q1 2014	Full-year 2014
Income statement			
Revenue	342.9	289.3	1,379.9
Gross profit	71.5	54.8	340.5
Operating profit before depreciation, amortisation and financial items (EBITDA)	50.0	8.1	137.4
Operating profit before depreciation, amortisation and financial items before special items (EBITDA before special items)	19.1	8.6	140.1
Operating profit (EBIT)	27.3	(14.2)	45.0
Net financials	(9.6)	(10.9)	(44.3)
Profit before tax from continuing operations	17.7	(25.1)	0.7
Profit from continuing operations	11.7	(27.3)	(6.8)
Profit from discontinued operations	(0.4)	(2.4)	(16.3)
Profit for the period	11.3	(29.7)	(23.1)
Balance sheet			
Non-current assets	1,001.2	959.7	864.7
Current assets	405.1	324.4	352.0
Share capital	107.9	490.5	98.1
Equity	215.5	245.9	151.7
Non-current liabilities	940.6	803.0	789.8
Current liabilities	250.2	235.2	275.2
Total equity and liabilities	1,406.3	1,284.1	1,216.7
Investments in property, plant and equipment	15.7	12.6	42.6
Acquisition	30.4	0.0	0.0
Interest-bearing debt (net)	642.6	628.8	517.3
Cash flow			
Cash flow from operating activities	(108.8)	(71.3)	92.9
Cash flow from investing activities	(46.3)	(3.3)	(32.6)
Free cash flow	(155.1)	(74.6)	60.3
Cash flow from discontinued operations	(8.1)	(0.7)	(14.3)
Financial ratios			
Gross margin	20.9%	18.9%	24.7%
Operating margin (EBIT margin)	8.0%	(4.9%)	3.3%
Return on invested capital (ROIC)	10.6%	2.2%	6.7%
Return on equity	7.8%	(16.2%)	(10.4%)
Solvency ratio	15.3%	19.1%	12.5%
Net interest-bearing debt/EBITDA	3.6	5.9	3.8
Share data			
Share price, end of period (DKK)	56.0	47.5	35.3
Book value per share, end of period (DKK)	22.0	25.1	15.5
Earnings per share (adjusted)	1.1	(3.0)	(2.4)
Diluted earnings per share (adjusted)	1.1	(3.0)	(2.4)

MANAGEMENT'S REVIEW

Revenue

Revenue for the first quarter was DKK 343 million, against DKK 289 million in 2014, an increase of DKK 54 million or 18.7%. Organic growth was 8.7% (adjusted for acquisitions and measured in local currency). The increase in sales compared to the same period last year was due primarily to very high sales growth in the Western European segment.

Average selling prices were higher than in the same period last year, particularly in the UK.. Furthermore, additional revenue from the acquired Grupa Prefabet increased revenue. The RUB exchange rate had a negative effect on revenue of DKK 8.9 million, while the GBP exchange rate had a positive effect of DKK 17.4 million. Other currencies were virtually unchanged from last year.

Gross profit

The overall gross margin in the first quarter was 20.9%, against 18.9% in 2014. Average selling prices were higher than last year. Direct production costs were at the same level as last year, but indirect production costs were higher than last year.

Special items

The first-quarter results include negative special items of DKK 24.7 million, consisting mainly of costs in relation to the acquisition of Grupa Prefabet, and a gain of DKK 55.6 million from the recognition of badwill from the acquisition.

EBITDA

EBITDA was DKK 19 million before special items and DKK 50 million after special items (2014: DKK 8.6 million before special items and DKK 8.0 million after special items).

The increase in EBITDA was mainly due to the recognition of special items and a higher gross profit. Other external expenses in the quarter were higher than last year.

Operating profit (EBIT)

Operating profit for the first quarter was DKK 27.3 million in 2015, against a loss of DKK 14.2 million in 2014, an improvement of DKK 41.5 million.

Profit before tax from continuing operations

First-quarter profit before tax was DKK 17.7 million, against a loss of DKK 25.1 million in 2014, an improvement of DKK 42.8 million.

Profit before tax from continuing operations

	Q1	
Amounts in DKK million	2015	2014
Western Europe	12.0	(2.3)
Eastern Europe	19.1	(14.8)
Eliminations and unallocated items	(13.4)	(8.0)
Total	17.7	(25.1)

Taxation

Tax for the first quarter of 2015 was DKK 6.0 million, against DKK 2.2 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 0.4 million in the first quarter of 2015, against a loss of DKK 2.4 million in the same period last year.

Cash flow

First-quarter free cash flow was a negative DKK 155.1 million, against a negative DKK 74.6 million in the same period of 2014.

Cash flow from operating activities in the first quarter was a negative DKK 108.8 million, due primarily to higher net working capital as a result of higher inventories. Furthermore, there was a negative net impact on working capital of DKK 11 million from the acquisition of Grupa Prefabet.

Investments

Investments of DKK 15.7 million were made during the first quarter. In the first quarter of 2014 investments totalled DKK 12.6 million.

The acquisition of 100% of the shares in the Polish aircrete company Grupa Prefabet S.A. 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 net was paid during the quarter and the remaining amount will be paid in two instalments by mid-2016 (DKK 32 million) and mid-2017 (DKK 36 million).

Investments		
	Q1	
Amounts in DKK million	2015	2014
Western Europe	13.1	9.7
Eastern Europe	2.6	2.9
Unallocated items	0.0	0.0
Total	15.7	12.6

Financing
Net interest-bearing debt totalled DKK 643 million on 31 March 2015, up DKK 125 million since the beginning of the year and up DKK 14 million on 31 March 2014.

Net working capital to sales increased from 9.6% on 31 March 2014 to 10.3% on 31 March 2015 as expected, mainly driven by higher inventories and the impact of the working capital from Grupa Prefabet.

First-quarter net financials totalled DKK 9.6 million in 2015, against DKK 10.9 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.

Equity
H+H's equity increased by DKK 64 million in the first quarter of 2015. The profit for the period increased equity by DKK 11.3 million, and foreign exchange adjustments of investments in subsidiaries increased equity by DKK 10.3 million. Furthermore, a new issue of shares with a nominal value of DKK 9.8 million increased equity by DKK 42.0 million net.

Equity		
	Q1	Q1
Amounts in DKK million	2015	2014
1 January	151.7	293.9
Profit for the period	11.3	(29.7)
Foreign exchange adjustments	10.3	(18.8)
Capital increase - net	42.0	0.0
Other adjustments	0.2	0.5
31 March	215.5	245.9

Eliminations and unallocated items
Unallocated net expenses amounted to DKK 13.4 million in the first quarter of 2015, up DKK 5.4 million on the same period in 2014, mainly due to transaction costs for the acquisition of Grupa Prefabet.

SEGMENTS

Revenue		
	Q1	
Amounts in DKK million	2015	2014
Western Europe	265.4	228.8
Eastern Europe	77.5	60.5
Total	342.9	289.3

Western Europe
First-quarter revenue in Western Europe was DKK 265.4 million, an increase of DKK 36.6 million or 16.0% on 2014. Expressed in local currency, revenue was up 8.7% on 2014.

Revenue growth in the first quarter in Western Europe was driven primarily by higher revenue in the UK, where prices increased.

Revenue in the first quarter also increased in the Nordic countries and Germany but was lower in the Benelux countries.

First-quarter EBITDA was DKK 30.1 million, against DKK 17.0 million in 2014. The increase was due to higher sales prices and better utilisation of the factories. A more favourable GBP exchange rate improved EBITDA by DKK 4.6 million.

First-quarter profit before tax was DKK 12.0 million, against a negative DKK 2.3 million in 2014, an improvement of DKK 14.3 million.

Eastern Europe
First-quarter revenue in Eastern Europe was DKK 77.5 million, an increase of DKK 17.0 million or 28.1% on 2014, mainly due to the acquisition of Grupa Prefabet. Expressed in local currency and adjusted for the acquisition of Grupa Prefabet, revenue was up 8.8% on last year.

In Russia, the first quarter saw growth in both sales volumes and revenue, expressed in local currency, but average prices were lower than last year, due to higher sales at lower prices to customers further away from the factory. Market conditions seem to be stressed and there is no indication of improvement in the short term.

In Poland, sales volumes and revenue in the first quarter excluding the acquisition were higher than last year. The growth was partly due to inventory build-up at certain customers. This will impact negatively on sales volumes in the second quarter. Prices were still at an unsatisfactory level.

The integration of Grupa Prefabet is running to schedule. Three factories were closed during the quarter, and 136 employees were made redundant.

The asset sale programme initiated as part of the restructuring plan resulted in the conditional sale of a plot of land with net proceeds of DKK 25 million.

First-quarter EBITDA was a positive DKK 31.8 million, against a negative DKK 2.6 million in 2014, an improvement of DKK 34.4 million. Badwill and restructuring costs had a net positive effect of DKK 36 million, whereas the weaker RUB made a negative contribution of DKK 1.2 million.

The first quarter brought a profit before tax of DKK 19.1 million, against a loss of DKK 14.8 million in 2014, an improvement of DKK 33.9 million.

OUTLOOK FOR 2015

H+H reiterates its outlook:

- Organic revenue growth is expected to be 6-8%.
- EBITDA before special items is expected to be DKK 150-170 million.
- EBIT margin of 3-4%.
- Investments excluding acquisitions and divestments are expected to be DKK 60 million, including DKK 20 million to support the restructuring in Poland.
- Badwill and restructuring costs in Poland will be recognised under special items.

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

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

ABOUT THE OUTLOOK FOR 2015

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

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

- Sales volumes and product mix
- Price competition
- 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.

FINANCIAL CALENDAR FOR 2015

Interim financial report H1 2015 ....19 Aug. 2015
Interim financial report Q1-Q3 2015 ....18 Nov. 2015

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first three months of 2015.

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

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 31 March 2015 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2015.

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

Copenhagen, 20 May 2015

EXECUTIVE BOARD

Michael T Andersen
CEO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Stewart A Baseley

Pierre-Yves Jullien

Henriette Schütze

Søren Østergaard Sørensen

CONDENSED INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2015	2014	2014
Revenue	342.9	289.3	1,379.9
Production costs	(271.4)	(234.5)	(1,039.4)
Gross profit	**71.5**	**54.8**	**340.5**
Other external expenses	(51.2)	(48.1)	(198.2)
Other operating income and expenses	29.7	1.4	(4.9)
Profit/loss before depreciation, amortisation and financial items (EBITDA)	**50.0**	**8.1**	**137.4**
Depreciation	(22.7)	(21.0)	(85.1)
Impairment losses	0.0	(1.3)	(7.3)
Operating profit/loss (EBIT)	**27.3**	**(14.2)**	**45.0**
Net financials	(9.6)	(10.9)	(44.3)
Profit before tax from continuing operations	**17.7**	**(25.1)**	**0.7**
Tax on profit from continuing operations	(6.0)	(2.2)	(7.5)
Profit from continuing operations	**11.7**	**(27.3)**	**(6.8)**
Profit from discontinued operations	(0.4)	(2.4)	(16.3)
Profit for the period	**11.3**	**(29.7)**	**(23.1)**
Earnings per share (EPS-Basic)	1.1	(3.0)	(2.4)
Diluted earnings per share (EPS-D)	1.1	(3.0)	(2.4)

STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2015	2014	2014
Profit for the period	11.3	(29.7)	(23.1)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign companies	10.3	(18.8)	(105.6)
Tax on foreign exchange adjustments, foreign companies	0.0	0.0	14.1
	10.3	**(18.8)**	**(91.5)**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses and gains	0.0	0.0	(36.1)
Tax on actuarial losses and gains	0.0	0.0	7.5
	0.0	**0.0**	**(28.6)**
Other comprehensive income after tax	**10.3**	**(18.8)**	**(120.1)**
Total comprehensive income	**21.6**	**(48.5)**	**(143.2)**

BALANCE SHEET

	Group			
Amounts in DKK million	31 March 2015	31 Dec. 2014	31 March 2014	31 Dec. 2013
ASSETS				
Non-current assets				
Intangible assets	58.4	55.4	65.2	63.2
Property, plant and equipment	904.2	769.1	863.2	882.9
Other non-current assets	38.6	40.2	31.3	16.3
Total non-current assets	**1,001.2**	**864.7**	**959.7**	**962.4**
Current assets				
Inventories	218.2	180.6	173.7	166.2
Receivables	98.4	61.5	101.5	59.7
Cash and cash equivalents	10.6	72.2	7.7	40.1
	327.2	**314.3**	**282.9**	**266.0**
Assets held for sale	77.9	37.7	41.5	64.5
Total current assets	**405.1**	**352.0**	**324.4**	**330.5**
TOTAL ASSETS	**1,406.3**	**1,216.7**	**1,284.1**	**1,292.9**
EQUITY AND LIABILITIES				
Equity				
Share capital	107.9	98.1	490.5	490.5
Retained earnings/losses	303.6	259.9	(111.0)	(81.8)
Other reserves	(196.0)	(206.3)	(133.6)	(114.8)
Total equity	**215.5**	**151.7**	**245.9**	**293.9**
Liabilities				
Total non-current liabilities	**940.6**	**789.8**	**803.0**	**750.1**
Current liabilities				
Trade payables	135.8	165.0	119.6	119.5
Other current liabilities	101.0	86.3	72.1	79.7
Liabilities relating to assets held for sale	13.4	23.9	43.5	49.7
Total current liabilities	**250.2**	**275.2**	**235.2**	**248.9**
Total liabilities	**1,190.8**	**1,065.0**	**1,038.2**	**999.0**
TOTAL EQUITY AND LIABILITIES	**1,406.3**	**1,216.7**	**1,284.1**	**1,292.9**
Net interest-bearing debt	642.6	517.3	628.8	531.6

CASH FLOW STATEMENT

Amounts in DKK million	Q1 2015	Q1 2014
Operating activities	(108.8)	(71.3)
Investing activities	(46.3)	(3.3)
Financing activities	101.6	43.0
Cash flow from discontinued operations	(8.1)	(0.7)
Total cash flow	**(61.6)**	**(32.3)**
Cash and cash equivalents, opening	72.2	40.1
Foreign exchange adjustments of cash and cash equivalents	0.0	0.0
Cash and cash equivalents at 31 March	**10.6**	**7.8**

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2015	**98.1**	**(206.3)**	**0.0**	**259.9**	**0.0**	**151.7**
Total changes in equity in 2015						
Profit for the period	0.0	0.0	0.0	11.3	0.0	11.3
Other comprehensive income	0.0	10.3	0.0	0.0	0.0	10.3
Total comprehensive income	**0.0**	**10.3**	**0.0**	**11.3**	**0.0**	**21.6**
Issue of ordinary shares (980,190 shares)	9.8	0.0	0.0	35.3	0.0	45.1
Expenses in connection with share issue	0.0	0.0	0.0	(3.1)	0.0	(3.1)
Share-based payment	0.0	0.0	0.0	0.2	0.0	0.2
Total changes in equity in 2015	**9.8**	**10.3**	**0.0**	**43.7**	**0.0**	**63.8**
Equity at 31 March 2015	**107.9**	**(196.0)**	**0.0**	**303.6**	**0.0**	**215.5**
Equity at 1 January 2014	**490.5**	**(114.8)**	**0.0**	**(81.8)**	**0.0**	**293.9**
Total changes in equity 2014						
Profit for the period	0.0	0.0	0.0	(29.7)	0.0	(29.7)
Other comprehensive income	0.0	(18.8)	0.0	0.0	0.0	(18.8)
Total comprehensive income	**0.0**	**(18.8)**	**0.0**	**(29.7)**	**0.0**	**(48.5)**
Share-based payment	0.0	0.0	0.0	0.5	0.0	0.5
Total changes in equity in 2014	**0.0**	**(18.8)**	**0.0**	**(29.2)**	**0.0**	**(48.0)**
Equity at 31 March 2014	**490.5**	**(133.6)**	**0.0**	**(111.0)**	**0.0**	**245.9**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2015 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, but that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. This interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2014 annual report, which includes a full description of the accounting policies applied.

2. Segment information

Amounts in DKK million	Q1 2015						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	218.2	47.2	265.4	77.3	0.2	77.5	342.9
Revenue, internal	19.8	0.0	19.8	6.4	0.0	6.4	26.2
EBITDA	27.9	2.2	30.1	31.9	(0.1)	31.8	61.9
Depreciation	(13.4)	(0.2)	(13.6)	(8.7)	0.0	(8.7)	(22.3)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	14.5	2.0	16.5	23.2	(0.1)	23.1	39.6
Net financials	(4.5)	0.0	(4.5)	(3.8)	(0.2)	(4.0)	(8.5)
Profit before tax	10.0	2.0	12.0	19.4	(0.3)	19.1	31.1
Non-current assets	491.0	3.8	494.8	516.5	11.3	527.8	1,022.6
Investments in non-current assets	12.9	0.2	13.1	2.6	0.0	2.6	15.7
Investments in subsidiaries	0.0	0.0	0.0	30.4	0.0	30.4	30.4
Assets	681.2	354.6	1,035.8	752.7	11.4	764.1	1,799.9
Equity	455.3	(31.3)	424.0	311.6	(45.8)	265.8	689.8
Liabilities	225.9	385.9	611.8	441.1	57.2	498.3	1,110.1

Amounts in DKK million	Q1 2014						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	189.1	39.7	228.8	60.1	0.4	60.5	289.3
Revenue, internal	17.0	0.0	17.0	0.0	0.0	0.0	17.0
EBITDA	17.6	0.1	17.7	(2.3)	(0.3)	(2.6)	15.1
Depreciation	(12.8)	(0.2)	(13.0)	(7.5)	(0.2)	(7.7)	(20.7)
Impairment losses	(1.3)	0.0	(1.3)	0.0	0.0	0.0	(1.3)
Operating profit (EBIT)	3.5	(0.1)	3.4	(9.8)	(0.5)	(10.3)	(6.9)
Net financials	(5.3)	(0.4)	(5.7)	(4.1)	(0.4)	(4.5)	(10.2)
Profit before tax	(1.8)	(0.5)	(2.3)	(13.9)	(0.9)	(14.8)	(17.1)
Non-current assets	476.4	3.1	479.5	450.8	0.8	451.6	931.1
Investments in non-current assets	9.6	0.1	9.7	2.9	0.0	2.9	12.6
Investments in subsidiaries	0.0	0.0	0.0	30.4	0.0	30.4	30.4
Assets	641.8	306.1	947.9	547.6	12.9	560.5	1,508.4
Equity	389.7	(18.5)	371.2	170.0	(41.4)	128.6	499.8
Liabilities	252.1	324.6	576.7	377.6	54.3	431.9	1,008.6

Reconciliation of reportable segments' earnings before tax

	Q1	Q1
Amounts in DKK million	2015	2014
Segment profit before tax for reportable segments	31.1	(17.1)
Unallocated group costs, corporate functions	(13.4)	(8.0)
Impairment losses, non-reportable segment	0.0	0.0
Total	17.7	(25.1)

3. Significant accounting estimates and judgements

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

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

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

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2014 annual report.

4. Seasonal and cyclical fluctuations

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

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

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

5. Pension obligations

H+H has defined-benefit pension plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded. H+H's pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation as at 31 December 2014 shows a shortfall of DKK 178.8 million net (the present value of the obligations exceeds the fair value of the plan assets). The whole of this shortfall has been recognised in the balance sheet.

6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 643 million on 31 March 2015, up DKK 125 million since the beginning of the year and up DKK 14 million on 31 March 2014.

H+H has a committed loan agreement with Danske Bank A/S corresponding to around DKK 712 million, 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 also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors (defined in the agreement as Danish, Swedish, Norwegian and Finnish financial institutions operating in financial markets and subject to public supervision) individually or through coordinated collaboration gain control of more than one-third of the shares or more than one-third of the total number of voting rights carried by the shares in H+H International A/S.

7. Discontinued operations and assets held for sale

H+H aims to sell some of its non-strategic assets and assets from the acquisition of Grupa Prefabet. Various plots of land, perpetual usufruct rights and unused production equipment have therefore been readied for sale and classified as assets held for sale. If all of these assets are sold at their expected value, the sale proceeds will be around DKK 80 million and result in an expected accounting gain before tax of around DKK 8 million.

The Finnish subsidiary Stone Kivitalot Oy is classified as discontinued operation and has a few projects still to be completed in 2015. H+H Finland is also classified as discontinued operation.

Key figures for discontinued operations

Amounts in DKK million	Q1 2015	Q1 2014
Revenue	1.5	3.8
Expenses	(1.9)	(6.2)
Profit before tax	**(0.4)**	**(2.4)**
Tax	0.0	0.0
Profit for the period	**(0.4)**	**(2.4)**
Profit from discontinued operations	**(0.4)**	**(2.4)**
Cash flow from operating activities	(9.6)	(0.7)
Cash flow from investing activities	1.5	0.0
Cash flow from financing activities	0.0	0.0
Total cash flow	**(8.1)**	**(0.7)**

Assets held for sale	
Intangible assets	44.8
Property, plant and equipment	27.2
Inventories	1.9
Receivables	4.0
Assets held for sale, total	**77.9**

Liabilities relating to assets held for sale	
Trade payables	1.6
Other liabilities	11.8
Liabilities relating to assets held for sale	**13.4**

8. Share-based payment

The H+H Group introduced a share option plan for the Executive Board and other senior executives in 2007. Matching share programmes for the Executive Board and other key employees were also implemented in 2011, 2012, 2013 and 2014. These schemes are presented in the consolidated financial statements and annual report for 2014. An amount of DKK 0.2 million was recognised under staff costs in the first quarter of 2015 in respect of the three schemes for 2012-2014, against DKK 0.5 million in the same period in 2014.

A fifth matching share programme for the Executive Board and other key employees will be implemented in the second quarter of 2015. It will be largely identical to the previous programmes.

9. Acquisition

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 brought 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 badwill, has been calculated at DKK 56.3 million. In accordance with IFRS 3, the badwill 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, as utilisation of the acquired assets in combination with the existing H+H assets gives significant synergies that could not have been achieved on a stand-alone basis.

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

Amounts in DKK million	Group 5 February 2015
Other intangible assets	1.6
Property, plant and equipment	111.8
Receivables	10.8
Inventories	20.5
Assets held for sale	30.5
Other current assets	2.1
Acquired assets	**177.3**
Non-current liabilities	2.8
Payables	18.3
Other current liabilities	4.4
Deferred tax	4.7
Assumed liabilities	**30.2**
Total identifiable acquired net assets	147.1
Negative goodwill in connection with the acquisition	(56.3)
Purchase price	**90.8**
Movements in cash flow in connection with the acquisition:	
Purchase price	90.8
Deferred payment	(60.4)
Net cash flow in connection with the acquisition of Grupa Prefabet S.A.	**30.4**

The receivables acquired (which principally comprised trade receivables) with a fair value of DKK 10.8 million had gross contractual amounts of DKK 11.4 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected is DKK 0.6 million.

The purchase 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.

Included in the profit for the interim period is a loss of DKK 1.5 million attributable to Grupa Prefabet excluding restructuring costs. Revenue includes DKK 18.6 million in respect of Grupa Prefabet.

Had the acquisition of Grupa Prefabet been effective 1 January 2015, H+H's revenue from continuing operations for the three months to 31 March 2015 would have been DKK 348 million, and the profit from continuing operations would have been DKK 10.5 million. The Executive Board considers these pro-forma numbers to represent an approximate measure of the performance of the combined Group on a three-month basis and to provide a reference point for comparison in future periods. Restructuring costs at Grupa Prefabet are excluded in the figures above.

Acquisition-related costs of DKK 3.4 million have been recognised under other operating costs in the Group's income statement for the first quarter of 2015. In 2014, acquisition-related costs of DKK 2.7 million were recognised under other operating costs.

For 2015, the Group's EBITDA is expected to be increased by DKK 10 million before restructuring costs and recognition of badwill as included in the outlook.

10. Capital increase

As stated in Company Announcement Nos. 316 of 18 March 2015 and 317 of 20 March 2015, new shares with a nominal value of DKK 9.8 million were issued during the quarter with gross proceeds of DKK 45.1 million and net proceeds after costs of DKK 42.0 million.

11. Events after the balance sheet date

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