**H+H International A/S**
**Interim financial report**
**Q1 2016**

**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

**Company Announcement No. 339, 2016**

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**Highlights for the period 1 January to 31 March 2016**

- First-quarter revenue was DKK 368 million (2015: DKK 343 million). Organic revenue growth in the first quarter was 12.2%.
- EBITDA was DKK 36.6 million before special items (2015: DKK 19.1 million) and DKK 35.3 million after special items (2015: DKK 50.0 million).
- EBIT was DKK 15.9 million before special items (2015: loss of DKK 3.6 million) and DKK 14.6 million after special items (2015: DKK 27.3 million).
- The quarter brought a net profit before special items of DKK 10.4 million (2015: loss of DKK 13.2 million) and DKK 9.1 million after special items (2015: DKK 17.7 million).
- Investments totalled DKK 11 million (2015: DKK 16 million).
- Net interest-bearing debt at 31 March 2016 was DKK 490 million (31 March 2015: DKK 643 million).
- H+H reiterates its 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.

*Quote:*
*"The first quarter had fine weather conditions for house building, and we saw some degree of forward buying due to product allocation in the UK and announced price increases in mainland Europe,"* says Michael T Andersen, CEO. *"Input costs are expected to increase for the rest of the year due to the general shortage of certain raw materials such as pulverised fuel ash (PFA)."*

*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 2016 | Q1 2015 | Full-year 2015 |
|---|---|---|---|
| **Income statement** | | | |
| Revenue | 367.9 | 342.9 | 1,621.0 |
| Gross profit | 86.9 | 71.5 | 410.2 |
| Operating profit before depreciation, amortisation and financial items before special items (EBITDA before special items) | 36.6 | 19.1 | 182.3 |
| Operating profit before depreciation, amortisation and financial items (EBITDA) | 35.3 | 50.0 | 232.4 |
| Operating profit before special items (EBIT before special items) | 15.9 | (3.6) | 80.3 |
| Operating profit (EBIT) | 14.6 | 27.3 | 130.4 |
| Net financing costs | (5.5) | (9.6) | (36.9) |
| Profit before tax from continuing operations | 9.1 | 17.7 | 93.5 |
| Profit from continuing operations | 1.8 | 11.7 | 58.4 |
| Profit/loss from discontinued operations | (0.7) | (0.4) | (19.1) |
| Profit for the period | 1.1 | 11.3 | 39.3 |
| **Balance sheet** | | | |
| Non-current assets | 895.0 | 1,001.2 | 908.0 |
| Current assets | 286.6 | 405.1 | 337.9 |
| Share capital | 107.9 | 107.9 | 107.9 |
| Equity | 259.3 | 215.5 | 255.0 |
| Non-current liabilities | 644.1 | 940.6 | 651.2 |
| Current liabilities | 278.2 | 250.2 | 339.7 |
| Total equity and liabilities | 1,181.6 | 1,406.3 | 1,245.9 |
| Investments in property, plant and equipment | 10.6 | 15.7 | 60.7 |
| Acquisition | 0.0 | 30.4 | 0.0 |
| Interest-bearing debt (net) | 489.7 | 642.6 | 445.1 |
| **Cash flow** | | | |
| Cash flow from operating activities | (35.2) | (108.8) | 112.1 |
| Cash flow from investing activities | (6.1) | (46.3) | (53.9) |
| Free cash flow | (41.3) | (155.1) | 58.2 |
| Cash flow from discontinued operations | (2.4) | (8.1) | (12.1) |
| **Financial ratios** | | | |
| Gross margin | 23.6% | 20.9% | 25.3% |
| Operating margin (EBIT margin) | 4.0% | 8.0% | 8.0% |
| Return on invested capital (ROIC) | 13.1% | 10.6% | 16.7% |
| Return on equity | 12.3% | 7.8% | 19.3% |
| Solvency ratio | 21.9% | 15.3% | 20.5% |
| Net interest-bearing debt/EBITDA | 2.2 | 3.6 | 1.9 |
| **Share data** | | | |
| Share price, end of period (DKK) | 76.5 | 56.0 | 86.5 |
| Book value per share, end of period (DKK) | 24.0 | 22.0 | 24.1 |
| Earnings per share (adjusted) | 0.1 | 1.1 | 3.7 |
| Diluted earnings per share (adjusted) | 0.1 | 1.1 | 3.7 |

## MANAGEMENT'S REVIEW

**Revenue**

Revenue for the first quarter was DKK 368 million, against DKK 343 million in 2015, an increase of DKK 25 million or 7,3%. Organic growth was 12.2% (adjusted for acquisitions and measured in local currency). The increase in sales compared to the same period last year was driven by volume growth, which was impacted by forward buying due to the shortage of aircrete in the UK and announced price increases in some of the markets, especially in Poland.

Despite price increases in the Western European segment, overall average selling prices were lower than last year due to an adverse country mix and the development in exchange rates.

**Gross profit**

The overall gross margin in the first quarter was 23.6%, against 20.9% in 2015. Additional volume and lower unit production costs have driven the increase in gross profit.

**Special items**

The first-quarter results include negative special items of DKK 1.3 million. Last year, special items mainly consisted of negative goodwill, and restructuring costs from the acquisition of Grupa Prefabet were recognised.

**EBITDA**

EBITDA was DKK 36.6 million before special items and DKK 35.3 million after special items (2015: DKK 19.1 million before special items and DKK 50.0 million after special items).

The increase in EBITDA was mainly due to the continued improvement in the Western European segment. Other external expenses during the quarter were slightly higher than last year.

**Operating profit (EBIT)**

Operating profit for the first quarter was DKK 14.6 million in 2016, against a profit of DKK 27.3 million in 2015, a reduction of DKK 12.7 million.

Operating profit before special items for the first quarter was DKK 15.9 million in 2016, against a loss of DKK 3.6 million in 2015, an improvement of DKK 19.5 million.

**Profit before tax from continuing operations**

First-quarter profit before tax was DKK 9.1 million, against a profit of DKK 17.7 million in 2015, a reduction of DKK 8.6 million.

Profit before tax from continuing operations

| | Q1 | |
|---|---|---|
| Amounts in DKK million | 2016 | 2015 |
| Western Europe | 26.0 | 12.0 |
| Eastern Europe | (14.3) | 19.1 |
| Eliminations and unallocated items | (2.6) | (13.4) |
| Total | 9.1 | 17.7 |

First-quarter profit in 2015 included negative goodwill and restructuring costs from the acquisition of Grupa Prefabet of DKK 36 million in the Eastern Europe segment.

**Taxation**

Tax for the first quarter of 2016 was DKK 7.3 million, against DKK 6.0 million in 2015. The higher tax expenses are due to higher income in the UK.

**Discontinued operations**

Discontinued operations generated a loss of DKK 0.7 million in the first quarter of 2016, against a loss of DKK 0.4 million in the same period last year.

**Cash flow**

First-quarter free cash flow was a negative DKK 41.3 million, against a negative DKK 155.1 million in the same period of 2015.

Cash flow from operating activities in the first quarter was a negative DKK 35.2 million, due primarily to higher net working capital as a result of lower trade creditors.

The asset sales programme contributed DKK 4.4 million, totalling DKK 41.6 million since the programme was launched in 2015.

**Investments**

Investments of DKK 10.6 million were made during the first quarter. In the first quarter of 2015, investments totalled DKK 15.7 million.

| Investments | | |
|---|---|---|
| | Q1 | |
| Amounts in DKK million | 2016 | 2015 |
| Western Europe | 6.5 | 13.1 |
| Eastern Europe | 4.1 | 2.6 |
| Unallocated items | 0.0 | 0.0 |
| Total | 10.6 | 15.7 |

The investment programme is running to schedule and consists mainly of the Borough Green upgrade programme in the UK.

**Financing**
Net interest-bearing debt totalled DKK 490 million at 31 March 2016, up DKK 45 million since the beginning of the year and down DKK 153 million on 31 March 2015.

Net working capital to sales decreased from 10.3% at 31 March 2015 to 5.5% at 31 March 2016 as expected, mainly driven by lower inventories and higher sales.

First-quarter net financials totalled DKK 5.5 million in 2016, against DKK 9.6 million in 2015. 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 4.3 million in the first quarter of 2016. The profit for the period increased equity by DKK 1.1 million, and foreign exchange adjustments of investments in subsidiaries increased equity by DKK 3.9 million.

| Equity | | |
|---|---|---|
| | Q1 | Q1 |
| Amounts in DKK million | 2016 | 2015 |
| 1 January | 255,0 | 151,7 |
| Profit for the period | 1,1 | 11,3 |
| Foreign exchange adjustments | 3,9 | 10,3 |
| Capital increase - net | 0,0 | 42,0 |
| Other adjustments | (0,7) | 0,2 |
| 31 March | 259,3 | 215,5 |

**Eliminations and unallocated items**
Unallocated net expenses amounted to DKK 2.6 million in the first quarter of 2016, down DKK 10.8 million on the same period in 2015, mainly due to transaction costs for the acquisition of Grupa Prefabet in 2015 and the sale of assets.

## SEGMENTS

| Revenue | | |
|---|---|---|
| | Q1 | |
| Amounts in DKK million | 2016 | 2015 |
| Western Europe | 292,5 | 265,4 |
| Eastern Europe | 75,4 | 77,5 |
| Total | 367,9 | 342,9 |

**Western Europe**
First-quarter revenue in Western Europe was DKK 292.5 million, an increase of DKK 27.1 million or 10.2% on 2015. Expressed in local currency, revenue was up 14.5% on 2015.

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

Revenue in the first quarter also increased in the Nordic region, Germany and the Benelux countries.

First-quarter EBITDA was DKK 40.1 million, against DKK 30.1 million in 2015. The increase was due to higher sales prices and volumes, partly offset by a less favourable GBP exchange rate.

Lack of supply of raw materials (PFA) has led to increased costs. PFA is a by-product of the combustion of coal in coal-fired power plants. Due to more stringent environmental regulations, the availability is declining and expected to continue to decline. PFA can be replaced by sand.

First-quarter profit before tax was DKK 26.0 million, against a positive DKK 12.0 million in 2015, an improvement of DKK 14.0 million.

**Eastern Europe**
First-quarter revenue in Eastern Europe was DKK 75.4 million, a decrease of DKK 2.1 million or 2.7% on 2015. Expressed in local currency, revenue was up 4.3% on last year.

In Russia, the market conditions remain poor, and there is no indication of improvement in the short term.

In Poland, sales volumes and revenue in the first quarter were higher than last year. The growth was partly due to forward buying. Prices were still at an unsatisfactory level, although the price increases implemented in the latter part of the quarter were accepted by the market.

First-quarter EBITDA was a negative DKK 1.7 million, against a positive DKK 31.8 million in 2015, a decrease of DKK 33.5 million. Negative goodwill and restructuring costs had a net positive effect of DKK 36 million in the first quarter of 2015.

The first quarter brought a loss before tax of DKK 14.3 million, against a profit of DKK 19.1 million in 2015, a decrease of DKK 33.4 million.

## OUTLOOK FOR 2016

H+H reiterates its outlook:

- 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-May 2016 levels.
- Energy and raw material prices rise higher than inflation from their mid-May 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 also based on a number of general assumptions.

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

- Sales volumes and product mix
- Price competition in many of H+H's 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.

## FINANCIAL CALENDAR FOR 2016

Interim financial report H1 2016 ................18 Aug. 2016
Interim financial report Q1-Q3 2016 ..........18 Nov. 2016

### DISCLAIMER

This interim financial 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 this report.

## 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 2016.

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 2016 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2016.

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

Copenhagen, 19 May 2016

## 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 | 2016 | 2015 | 2015 |
| Revenue | 367.9 | 342.9 | 1,621.0 |
| Production costs | (281.0) | (271.4) | (1,210.8) |
| **Gross profit** | **86.9** | **71.5** | **410.2** |
| Other external expenses | (52.2) | (51.2) | (231.9) |
| Other operating income and expenses | 0.6 | 29.7 | 54.1 |
| **Profit/loss before depreciation, amortisation and financial items (EBITDA)** | **35.3** | **50.0** | **232.4** |
| Depreciation | (20.7) | (22.7) | (93.3) |
| Impairment losses | 0.0 | 0.0 | (8.7) |
| **Operating profit/loss (EBIT)** | **14.6** | **27.3** | **130.4** |
| Net financials | (5.5) | (9.6) | (36.9) |
| **Profit before tax from continuing operations** | **9.1** | **17.7** | **93.5** |
| Tax on profit from continuing operations | (7.3) | (6.0) | (35.1) |
| **Profit from continuing operations** | **1.8** | **11.7** | **58.4** |
| Profit from discontinued operations | (0.7) | (0.4) | (19.1) |
| **Profit for the period** | **1.1** | **11.3** | **39.3** |
| Earnings per share (EPS-Basic) | 0.1 | 1.1 | 3.7 |
| Diluted earnings per share (EPS-D) | 0.1 | 1.1 | 3.7 |

## STATEMENT OF COMPREHENSIVE INCOME

| | Group | | |
|---|---|---|---|
| | Q1 | Q1 | Full-year |
| Amounts in DKK million | 2016 | 2015 | 2015 |
| Profit for the period | 1.1 | 11.3 | 39.3 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Foreign exchange adjustments, foreign companies | (17.5) | 10.3 | (45.9) |
| Tax on foreign exchange adjustments, foreign companies | 0.0 | 0.0 | 8.1 |
| | **(17.5)** | **10.3** | **(37.8)** |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Actuarial losses and gains | 0.0 | 0.0 | 73.4 |
| Tax on actuarial losses and gains | 0.0 | 0.0 | (13.2) |
| | **0.0** | **0.0** | **60.2** |
| **Other comprehensive income after tax** | **(17.5)** | **10.3** | **22.4** |
| **Total comprehensive income** | **(16.4)** | **21.6** | **61.7** |

## BALANCE SHEET

| | Group | | | |
|---|---|---|---|---|
| Amounts in DKK million | 31 March 2016 | 31 Dec. 2015 | 31 March 2015 | 31 Dec. 2014 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 53.8 | 54.6 | 58.4 | 55.4 |
| Property, plant and equipment | 824.1 | 842.0 | 904.2 | 769.1 |
| Other non-current assets | 17.1 | 11.4 | 38.6 | 40.2 |
| **Total non-current assets** | **895.0** | **908.0** | **1,001.2** | **864.7** |
| **Current assets** | | | | |
| Inventories | 154.7 | 172.9 | 218.2 | 180.6 |
| Receivables | 101.9 | 89.1 | 98.4 | 61.5 |
| Cash and cash equivalents | 6.3 | 51.5 | 10.6 | 72.2 |
| | **262.9** | **313.5** | **327.2** | **314.3** |
| Assets held for sale | 23.7 | 24.4 | 77.9 | 37.7 |
| **Total current assets** | **286.6** | **337.9** | **405.1** | **352.0** |
| **TOTAL ASSETS** | **1,181.6** | **1,245.9** | **1,406.3** | **1,216.7** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 107.9 | 107.9 | 107.9 | 98.1 |
| Retained earnings/losses | 391.6 | 391.2 | 303.6 | 259.9 |
| Other reserves | (240.2) | (244.1) | (196.0) | (206.3) |
| **Total equity** | **259.3** | **255.0** | **215.5** | **151.7** |
| **Liabilities** | | | | |
| **Total non-current liabilities** | **644.1** | **651.2** | **940.6** | **789.8** |
| **Current liabilities** | | | | |
| Trade payables | 122.9 | 187.2 | 135.8 | 165.0 |
| Other current liabilities | 154.0 | 152.5 | 101.0 | 86.3 |
| Liabilities relating to assets held for sale | 1.3 | 0.0 | 13.4 | 23.9 |
| **Total current liabilities** | **278.2** | **339.7** | **250.2** | **275.2** |
| **Total liabilities** | **922.3** | **990.9** | **1,190.8** | **1,065.0** |
| **TOTAL EQUITY AND LIABILITIES** | **1,181.6** | **1,245.9** | **1,406.3** | **1,216.7** |
| Net interest-bearing debt | 489.7 | 445.1 | 642.6 | 517.3 |

## CASH FLOW STATEMENT

| Amounts in DKK million | Q1 2016 | Q1 2015 |
|---|---|---|
| Operating activities | (35.2) | (108.8) |
| Investing activities | (6.1) | (46.3) |
| Financing activities | (1.5) | 101.6 |
| Cash flow from discontinued operations | (2.4) | (8.1) |
| **Total cash flow** | **(45.2)** | **(61.6)** |
| Cash and cash equivalents, opening | 51.5 | 72.2 |
| Foreign exchange adjustments of cash and cash equivalents | 0.0 | 0.0 |
| **Cash and cash equivalents at 31 March** | **6.3** | **10.6** |

## STATEMENT OF CHANGES IN EQUITY

| Amounts in DKK million | Share capital | Translation reserve | Hedging reserve | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Equity at 1 January 2016** | **107.9** | **(244.1)** | **0.0** | **391.2** | **0.0** | **255.0** |
| **Total changes in equity in 2016** | | | | | | |
| Profit for the period | 0.0 | 0.0 | 0.0 | 1.1 | 0.0 | 1.1 |
| Other comprehensive income | 0.0 | 3.9 | 0.0 | 0.0 | 0.0 | 3.9 |
| **Total comprehensive income** | **0.0** | **3.9** | **0.0** | **1.1** | **0.0** | **5.0** |
| Share-based payment | 0.0 | 0.0 | 0.0 | (0.7) | 0.0 | (0.7) |
| **Total changes in equity in 2016** | **0.0** | **3.9** | **0.0** | **0.4** | **0.0** | **4.3** |
| **Equity at 31 March 2016** | **107.9** | **(240.2)** | **0.0** | **391.6** | **0.0** | **259.3** |
| **Equity at 1 January 2015** | **98.1** | **(206.3)** | **0.0** | **259.9** | **0.0** | **151.7** |
| **Total changes in equity 2015** | | | | | | |
| Profit for the period | 0.0 | 0.0 | 0.0 | (15.0) | 0.0 | (15.0) |
| Other comprehensive income | 0.0 | 10.3 | 0.0 | 0.0 | 0.0 | 10.3 |
| **Total comprehensive income** | **0.0** | **10.3** | **0.0** | **(15.0)** | **0.0** | **(4.7)** |
| Issue of ordinary shares (980,019 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** | **17.4** | **0.0** | **37.5** |
| **Equity at 31 March 2015** | **107.9** | **(196.0)** | **0.0** | **277.3** | **0.0** | **189.2** |

# NOTES

## 1. Accounting policies

The interim financial report for the period 1 January to 31 March 2016 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 2015 annual report, which includes a full description of the accounting policies applied.

## 2. Segment information

| Amounts in DKK million | Q1 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Western Europe | | | Eastern Europe | | | |
| | Production companies | Sales companies | Western Europe, total | Production companies | Sales companies | Eastern Europe, total | Reportable segments, total |
| Revenue, external | 244.0 | 48.5 | 292.5 | 75.2 | 0.2 | 75.4 | 367.9 |
| Revenue, internal | 20.8 | 0.0 | 20.8 | 1.6 | 0.0 | 1.6 | 22.4 |
| EBITDA | 37.6 | 2.5 | 40.1 | (1.6) | (0.1) | (1.7) | 38.4 |
| Depreciation | (11.7) | (0.2) | (11.9) | (8.4) | 0.0 | (8.4) | (20.3) |
| Impairment losses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating profit (EBIT) | 25.9 | 2.3 | 28.2 | (10.0) | (0.1) | (10.1) | 18.1 |
| Net financials | (2.2) | 0.0 | (2.2) | (3.8) | (0.4) | (4.2) | (6.4) |
| Profit before tax | 23.7 | 2.3 | 26.0 | (13.8) | (0.5) | (14.3) | 11.7 |
| Non-current assets | 437.4 | 4.2 | 441.6 | 456.6 | 7.8 | 464.4 | 906.0 |
| Investments in non-current assets | 6.4 | 0.1 | 6.5 | 4.1 | 0.0 | 4.1 | 10.6 |
| Investments in subsidiaries | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assets | 681.2 | 354.6 | 1,035.8 | 752.7 | 11.4 | 764.1 | 1,799.9 |
| Equity | 451.3 | (31.3) | 420.0 | 311.6 | (45.8) | 265.8 | 685.8 |
| Liabilities | 229.9 | 385.9 | 615.8 | 441.1 | 57.2 | 498.3 | 1,114.1 |

| 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 |

### Reconciliation of reportable segments' earnings before tax

| Amounts in DKK million | Q1 2016 | Q1 2015 |
|---|---|---|
| Segment profit before tax for reportable segments | 11.7 | 31.1 |
| Unallocated group costs, corporate functions | (2.6) | (13.4) |
| Impairment losses, non-reportable segment | 0.0 | 0.0 |
| Total | 9.1 | 17.7 |

## 3. Significant accounting estimates and judgements

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

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

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

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2015 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 2015 shows a shortfall of DKK 102.1 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 490 million at 31 March 2016, up DKK 45 million since the beginning of the year and down DKK 153 million on 31 March 2015.

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. The commitment will be reduced by DKK 25 million on 30 June 2016, 31 December 2016, 30 June 2017 and 31 December 2017 respectively.

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 27 million and result in an expected accounting gain before tax of around DKK 0 million.

The Finnish subsidiary Stone Kivitalot Oy is 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 the uncertainties arising from and directly connected to claims handling on completed projects. H+H Finland is also classified as a discontinued operation.

**Key figures for discontinued operations**

| Amounts in DKK million | Q1 2016 | Q1 2015 |
|---|---|---|
| Revenue | 0.0 | 1.5 |
| Expenses | (0.7) | (1.9) |
| **Profit before tax** | **(0.7)** | **(0.4)** |
| Tax | 0.0 | 0.0 |
| **Profit for the period** | **(0.7)** | **(0.4)** |
| **Profit from discontinued operations** | **(0.7)** | **(0.4)** |
| | | |
| Cash flow from operating activities | (2.4) | (9.6) |
| Cash flow from investing activities | 0.0 | 1.5 |
| Cash flow from financing activities | 0.0 | 0.0 |
| **Total cash flow** | **(2.4)** | **(8.1)** |
| | | |
| **Assets held for sale** | | |
| Intangible assets | 1.0 | |
| Property, plant and equipment | 25.7 | |
| Inventories | 0.0 | |
| Receivables | 0.4 | |
| **Assets held for sale, total** | **27.1** | |
| | | |
| **Liabilities relating to assets held for sale** | | |
| Trade payables | 0.4 | |
| Other liabilities | 0.9 | |
| **Liabilities relating to assets held for sale** | **1.3** | |

## 8. Share-based payment

Matching share programmes for the Executive Board and other key employees were implemented in 2012, 2013, 2014 and 2015. These schemes are presented in the consolidated financial statements and annual report for 2015. An amount of DKK 0.4 million was recognised under staff costs in the first quarter of 2016 in respect of the three schemes for 2012-2014, against DKK 0.2 million in the same period in 2015.

A new matching share programme for the Executive Board and other key employees will be implemented in the second quarter of 2016. It will be largely identical to the previous programmes.

## 9. Events after the balance sheet date

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