H+H International A/S
Interim financial report
Q1 2017

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Highlights for the period 1 January to 31 March 2017

- Revenue for the first quarter of 2017 increased by 6% in local currencies (organic growth) and increased by 2% in DKK to DKK 376.5 million (2016: DKK 367.9 million).
- EBITDA before special items for the first quarter of 2017 was DKK 36.9 million (2016: DKK 36.6 million).
- EBIT before special items for the first quarter of 2017 was DKK 17.9 million (2016: DKK 15.9 million). EBIT margin before special items for the first quarter of 2017 was 4.8% (2016: 4.3%).
- Net profit for the first quarter of 2017 was DKK 1.7 million (2016: DKK 1.1 million).
- Investments for the first quarter of 2017 was DKK 23.0 million (2016: DKK 10.6 million).
- Free cash flow for the first quarter of 2017 was DKK (94.6) million (2016: (41.3) million).
- Net interest-bearing debt at 31 March 2017 was DKK 483.3 million (31 March 2016: DKK 489.7 million). A new loan agreement with Danske Bank was concluded, running until April 2020.
- H+H reiterates its outlook for 2017: Revenue growth is expected to be 5-7% (measured in local currencies), and EBITDA before special items is expected to be DKK 220-240 million. Special items of approximately DKK 25 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from Poland. The increased transportation cost will be expensed at the point of sale and treated as a special item. Investments excluding acquisitions and divestments are expected to be in the region of DKK 120 million.

Quote:
"We are very pleased to see continuous improvements in the market, and despite adverse impact from currency development, we are able to deliver a result in line with last year" says CEO Michael T. Andersen. "Organic growth enables us to deliver a Q1 result on par with last year. We are now in a situation where we are getting closer to capacity constraints in all markets except Russia."

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 2017	Q1 2016	Full-year 2016
Income statement			
Revenue	376.5	367.9	1,610.6
Gross profit	85.1	86.9	404.8
EBITDA before special items	36.9	36.6	210.6
EBITDA	31.3	35.3	213.6
EBIT before special items	17.9	15.9	122.3
EBIT	12.3	14.6	125.4
Net financing costs	(5.1)	(5.5)	(21.5)
Profit before tax from continuing operations	7.2	9.1	103.9
Profit from continuing operations	2.1	1.8	95.9
Profit/loss from discontinued operations	(0.4)	(0.7)	(6.7)
Profit for the period	1.7	1.1	89.2
Balance sheet			
Non-current assets	914.5	895.0	901.3
Current assets	370.7	323.4	309.3
Share capital	107.9	107.9	107.9
Equity	321.5	259.3	277.5
Non-current liabilities	651.8	662.9	590.2
Current liabilities	311.9	296.2	342.9
Total equity and liabilities	1,285.2	1,218.4	1,210.6
Investments in property, plant and equipment	23.0	10.6	83.3
Net Interest-bearing debt (NIBD)	483.3	489.7	386.6
Cash flow			
Cash flow from operating activities	(71.7)	(35.2)	143.1
Cash flow from investing activities	(22.9)	(6.1)	(75.0)
Free cash flow	(94.6)	(41.3)	68.1
Cash flow from discontinued operations	(2.5)	(2.4)	(4.6)
Financial ratios			
Gross margin	22.6%	23.6%	25.1%
EBIT margin before special items	4.8%	4.3%	7.6%
EBIT margin	3.3%	4.0%	7.8%
Return on invested capital before special items (ROIC BSI)	14.5%	11.1%	15.1%
Return on invested capital (ROIC)	14.4%	13.1%	15.5%
Return on equity	32.3%	12.3%	33.5%
Solvency ratio	25.0%	21.3%	22.9%
Net interest-bearing debt/EBITDA	2.3	2.2	1.8
Share data			
Share price, end of period (DKK)	96.0	76.5	75.5
Book value per share, end of period (DKK)	29.9	24.0	25.8
Earnings per share (adjusted)	0.2	0.1	8.3
Diluted earnings per share (adjusted)	0.2	0.1	8.3

*The solvency ratio for Q1 2016 and full-year 2016 is adjusted reflecting a reclassification in the balance sheet of payable customer rebates and bonusses.

MANAGEMENT'S REVIEW

Revenue

Revenue for the first quarter of 2017 increased by 6% in local currencies (organic growth) and by 2% in DKK to DKK 376.5 million. The increase in sales compared to the same period last year was driven by higher prices.

Gross margin

The gross margin in the first quarter of 2017 was 22.6%, against 23.6% in 2016. The higher sales prices were partly offset by higher unit costs, partly because of additional transport costs incurred in the UK due to import of products from Poland. Adjusted for the special items, gross margin would have been 24.1%.

Special items

The first-quarter results include negative special items of DKK 5.6 million arising from the sale of imported Polish products in the UK to support stock building in relation to the Borough Green factory upgrade.

EBITDA

EBITDA before special items was DKK 36.9 million and DKK 31.3 million after special items (2016: EBITDA before special items was DKK 36.6 million and DKK 35.3 million after special items).

The organic growth compensates for the adverse impact from currency development, which is approx. DKK (4.6) million.

Operating profit (EBIT)

Operating profit before special items for the first quarter of 2017 was DKK 17.9 million, against DKK 15.9 million in 2016, a change of DKK 2.0 million.

Operating profit for the first quarter of 2017 was DKK 12.3 million in 2017, against DKK 14.6 million in 2016, a change of DKK (2.3) million.

Profit before tax from continuing operations

First-quarter profit before tax from continuing operations was DKK 7.2 million, against a profit of DKK 9.1 million in 2016, a change of DKK (1.9) million.

Profit before tax from continuing operations

	Q1	
Amounts in DKK million	2017	2016
Western Europe	21.1	26.0
Eastern Europe	(3.6)	(14.3)
Eliminations and unallocated items	(10.3)	(2.6)
Total	7.2	9.1

Eliminations and unallocated items

Unallocated items amounted to DKK (10.3) million in the first quarter of 2017, a change of DKK (7.7) million against 2016, mainly due to gain on sale of assets in 2016.

Comprehensive income

Due to material changes in assumptions used to assess the value of the UK pension plan, an adjustment of DKK 24.1 million has been made to total comprehensive income for the first quarter of 2017.

The total comprehensive income for the first quarter of 2017 of DKK 43.6 million comprises the profit for the period of DKK 1.7 million, foreign exchange adjustments of DKK 17.8 million and actuarial losses less deferred tax of DKK 24.1 million.

Please refer to note 6 ”Pension obligations” for further comments on the adjustment of the UK pension obligation.

Taxation

Tax for the first quarter of 2017 was DKK (5.1) million, against DKK (7.3) million in 2016. The lower tax expenses are due to the decline in the GBP exchange rate.

Discontinued operations and assets held for sale

Discontinued operations generated a loss of DKK (0.4) million in the first quarter of 2017, against a loss of DKK (0.7) million in the same period last year.

Please refer to note 8 “Discontinued operations and assets held for sale” for further comments.

Cash flow

Cash flow from operating activities in the first quarter of 2017 was DKK (71.7) million, against DKK (35.1) million in the same period last year. This is mainly due to higher debtor value. Further, there is an adverse impact from stock building in the UK as a result of the Borough Green factory upgrade. This is expected to continue throughout the year.

First-quarter free cash flow was DKK (94.6) million, against DKK (41.3) million in the same period last year.

Investments

Investments of DKK 23.0 million were made during the first quarter of 2017. In the first quarter of 2016, investments totalled DKK 10.6 million; adjusted for asset sale the net investment was DKK 6.1 million.

Investments		
	Q1	
Amounts in DKK million	2017	2016
Western Europe	19.2	6.5
Eastern Europe	3.8	4.1
Unallocated items	0.0	0.0
Total	23.0	10.6

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

Financing
Net interest-bearing debt totalled DKK 483.3 million at 31 March 2017, up DKK 96.7 million since the beginning of the year and down DKK 6.4 million on 31 March 2016.

First-quarter net financials totalled DKK 5.1 million in 2017, against DKK 5.5 million in 2016. Besides interest expenses and foreign exchange adjustments, the figure includes amortisation of borrowing costs, payments for an unused committed credit facility, realised and unrealised gain/losses on foreign exchange hedges and expenses for the pension scheme in the UK.

Equity
H+H's equity increased by DKK 44.0 million in the first quarter of 2017 of which profit for the period contributed DKK 1.7 million, foreign exchange adjustments of investments in subsidiaries DKK 17.8 million, value adjustment of UK pension DKK 24.1 million less deferred tax and other adjustments of DKK 0.4 million.

Equity		
	Q1	Q1
Amounts in DKK million	2017	2016
1 January	277.5	255.0
Profit for the period	1.7	1.1
Actuarial gains/losses on pension plans	24.1	0.0
Foreign exchange adjustments	17.8	3.9
Other adjustments	0.4	(0.7)
31 March	321.5	259.3

SEGMENTS

Revenue		
	Q1	
Amounts in DKK million	2017	2016
Western Europe	287.6	292.5
Eastern Europe	88.9	75.4
Total	376.5	367.9

Western Europe
First-quarter revenue in Western Europe increased by 4.4% in local currencies (organic growth) and decreased by (1.7%) in DKK to DKK 287.6 million.

Decrease in revenue in the first quarter of 2017 in Western Europe was primarily driven by lower revenue in the UK due to the decrease in GBP exchange rate.

Revenue in the first quarter of 2017 increased in the Nordic region and the Benelux countries, while Germany remained on the same level as in the first quarter of 2016.

First-quarter EBITDA was DKK 34.8 million, against DKK 40.1 million in 2016, a decrease of DKK (5.3) million. The underlying profit is favourable but has been adversely impacted by exchange rates; DKK (4.5) million and special items DKK (5.6) million.

First-quarter profit before tax was DKK 21.1 million, against DKK 26.0 million in 2016, a change of DKK (4.9) million.

Eastern Europe
First-quarter revenue in Eastern Europe increased by 13.1% in local currencies (organic growth) and by 17.9% in DKK to DKK 88.9 million.

In Poland, sales volumes and prices in the first quarter of 2017 were higher than in the same period last year.

In Russia, the market conditions remain fragile and visibility is low. We have increased prices over the first quarter last year and, as a consequence, lost market share.

First-quarter EBITDA was a DKK 6.1 million, against DKK (1.7) million in 2016, an increase of DKK 7.8 million.

The first quarter of 2017 brought a loss before tax of DKK (3.6) million, against a loss of DKK (14.3) million in 2016, an increase of DKK 10.7 million.

OUTLOOK FOR 2017

H+H reiterates its outlook:

- Revenue growth in local currencies (organic growth) is expected to be 5-7%.
- EBITDA before special items is expected to be DKK 220-240 million.
- Special items of approximately DKK 25 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from Poland. The increased transportation cost will be expensed at the point of sale and treated as a special item.
- Investments excluding mergers, acquisitions and divestments are expected to be in the region of DKK 120 million.

The expectations for H+H's financial performance in 2017 are based partly on the following *specific* assumptions:

- Economic growth of around 1-3% 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 2017 levels.
- Energy and raw material prices rise only in line with inflation from their mid-May 2017 levels.
- The geopolitical situation does not result in changed market conditions.

ABOUT THE OUTLOOK FOR 2017

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 legislation and relevant rules, including the Market Abuse Regulation and Rules for Issuers on Nasdaq Copenhagen A/S.

FINANCIAL CALENDAR FOR 2017

Interim financial report H1 2017 ....17 Aug. 2017
Interim financial report Q1-Q3 2017 ....15 Nov. 2017

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 2017.

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 2017 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2017.

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, 18 May 2017

EXECUTIVE BOARD

Michael Troensegaard Andersen
CEO

Ian Lea Perkins
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Stewart Antony Baseley

Volker Christmann

Pierre-Yves Jullien

Henriette Schütze

Søren Østergaard Sørensen

CONDENSED INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2017	2016	2016
Revenue	376.5	367.9	1,610.6
Production costs	(291.4)	(281.0)	(1,205.8)
Gross profit	**85.1**	**86.9**	**404.8**
Sales and distribution costs	(25.6)	(24.5)	(104.2)
Administrative costs	(28.1)	(27.7)	(100.6)
Other operating income and expenses	(0.1)	0.6	13.6
Profit/loss before depreciation, amortisation and financial items (EBITDA)	**31.3**	**35.3**	**213.6**
Depreciation	(19.0)	(20.7)	(82.6)
Impairment losses	0.0	0.0	(5.6)
Operating profit/loss (EBIT)	**12.3**	**14.6**	**125.4**
Financial income	1.0	0.0	2.6
Financial expenses	(6.1)	(5.5)	(24.1)
Profit before tax from continuing operations	**7.2**	**9.1**	**103.9**
Tax on profit from continuing operations	(5.1)	(7.3)	(8.0)
Profit from continuing operations	**2.1**	**1.8**	**95.9**
Loss from discontinued operations	(0.4)	(0.7)	(6.7)
Profit for the period	**1.7**	**1.1**	**89.2**
Earnings per share (EPS-Basic)	0.2	0.1	8.3
Diluted earnings per share (EPS-D)	0.2	0.1	8.3

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2017	2016	2016
Profit for the period	1.7	1.1	89.2
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign companies	19.8	3.9	25.4
Tax on foreign exchange adjustments, foreign companies	(2.0)	0.0	(8.5)
	17.8	**3.9**	**16.9**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses and gains	29.8	0.0	(93.3)
Tax on actuarial losses and gains	(5.7)	0.0	15.6
	24.1	**0.0**	**(77.7)**
Other comprehensive income after tax	**41.9**	**3.9**	**(60.8)**
Total comprehensive income	**43.6**	**5.0**	**28.4**

CONDENSED BALANCE SHEET

	Group			
	31 March	31 Dec.	31 March	31 Dec.
Amounts in DKK million	2017	2016	2016	2015
ASSETS				
Non-current assets				
Intangible assets	57.2	55.0	53.8	54.6
Property, plant and equipment	837.5	819.4	824.1	842.0
Deferred tax assets	19.8	26.9	17.1	11.4
Total non-current assets	**914.5**	**901.3**	**895.0**	**908.0**
Current assets				
Inventories	203.9	182.4	154.7	172.9
Receivables	155.2	118.6	138.7	108.4
Cash and cash equivalents	11.6	8.3	6.3	51.5
	370.7	**309.3**	**299.7**	**332.8**
Assets held for sale	0.0	0.0	23.7	24.4
Total current assets	**370.7**	**309.3**	**323.4**	**357.2**
TOTAL ASSETS	**1,285.2**	**1,210.6**	**1,218.4**	**1,265.2**
EQUITY AND LIABILITIES				
Equity				
Share capital	107.9	107.9	107.9	107.9
Retained earnings/losses	423.0	396.8	391.6	391.2
Other reserves	(209.4)	(227.2)	(240.2)	(244.1)
Total equity	**321.5**	**277.5**	**259.3**	**255.0**
Liabilities				
Pension obligations	138.3	171.3	102.2	112.7
Provisions	18.6	24.0	20.7	24.8
Deferred tax liability	0.0	0.0	11.7	5.4
Deferred payment, acquisition of subsidiary	0.0	0.0	32.3	32.5
Credit institutions	494.9	394.9	496.0	496.6
Total non-current liabilities	**651.8**	**590.2**	**662.9**	**672.0**
Current liabilities				
Trade payables	178.6	210.3	159.6	206.5
Income tax	10.6	9.3	13.2	11.2
Deferred payment, acquisition of subsidiary	35.0	33.5	27.8	27.9
Provisions	10.9	10.0	15.4	16.0
Other current liabilities	76.8	79.8	78.9	76.6
Liabilities relating to assets held for sale	0.0	0.0	1.3	0.0
Total current liabilities	**311.9**	**342.9**	**296.2**	**338.2**
Total liabilities	**963.7**	**933.1**	**959.1**	**1,010.2**
TOTAL EQUITY AND LIABILITIES	**1,285.2**	**1,210.6**	**1,218.4**	**1,265.2**
Net interest-bearing debt	483.3	386.6	489.7	445.1

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q1 2017	Q1 2016
Operating profit/loss (EBIT)	12.3	14.6
Financial income received	0.0	0.0
Financial expenses paid	(5.1)	(5.5)
Depreciation, amortisation and impairment losses	19.0	20.7
Change in working capital	(91.2)	(56.6)
Change in provisions	(2.3)	(3.2)
Income tax paid	(4.4)	(5.2)
Operating activities	**(71.7)**	**(35.2)**
Sale of property, plant and equipment	0.1	4.5
Acquisition of subsidiaries	0.0	0.0
Acquisition of property, plant and equipment and intangible assets	(23.0)	(10.6)
Investing activities	**(22.9)**	**(6.1)**
Proceeds from / repayment of long-term debt	100.0	(1.5)
Other financial activities	0.4	0.0
Financing activities	**100.4**	**(1.5)**
Cash flow from discontinued operations	(2.5)	(2.4)
Total cash flow	**3.3**	**(45.2)**
Cash and cash equivalents, opening	8.3	51.5
Foreign exchange adjustments of cash and cash equivalents	0.0	0.0
Cash and cash equivalents at 31 March	**11.6**	**6.3**

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Other reserves	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	**107.9**	**(227.2)**	**0.0**	**396.8**	**0.0**	**277.5**
Total changes in equity in 2017						
Profit for the period	0.0	0.0	0.0	1.7	0.0	1.7
Other comprehensive income	0.0	17.8	0.0	24.1	0.0	41.9
Total comprehensive income	**0.0**	**17.8**	**0.0**	**25.8**	**0.0**	**43.6**
Share-based payment	0.0	0.0	0.0	0.4	0.0	0.4
Acquisition of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0
Total changes in equity in 2017	**0.0**	**17.8**	**0.0**	**26.2**	**0.0**	**44.0**
Equity at 31 March 2017	**107.9**	**(209.4)**	**0.0**	**423.0**	**0.0**	**321.5**
Equity at 1 January 2016	**107.9**	**(244.1)**	**0.0**	**391.2**	**0.0**	**255.0**
Total changes in equity 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**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2017 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 2016 annual report, which includes a full description of the accounting policies applied.

2. New IFRSs which have been issued but not yet become effective

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 becomes effective for annual periods beginning on or after 1 January 2019.

The view on the expected impact on H+H International A/S is unchanged compared to what has been stated in the 2016 annual report.

3. Segment information

Amounts in DKK million	Q1 2017						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	228.0	59.6	287.6	88.9	0.0	88.9	376.5
Revenue, internal	29.0	0.0	29.0	7.8	0.0	7.8	36.8
EBITDA	30.4	4.4	34.8	6.2	(0.1)	6.1	40.9
Depreciation	(11.5)	(0.2)	(11.7)	(7.3)	0.0	(7.3)	(19.0)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	18.9	4.3	23.2	(1.1)	(0.1)	(1.2)	22.0
Net financials	1.3	(3.4)	(2.1)	(2.1)	(0.3)	(2.4)	(4.5)
Profit before tax	20.2	0.9	21.1	(3.2)	(0.4)	(3.6)	17.5
Non-current assets	435.2	2.4	437.6	456.6	0.4	457.0	894.6
Investments in non-current assets	19.2	0.0	19.2	3.8	0.0	3.8	23.0
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	642.0	55.5	697.5	558.0	0.5	558.5	1,256.0
Equity	480.2	(23.0)	457.2	192.7	(54.8)	137.9	595.1
Liabilities	161.8	78.5	240.3	365.3	55.3	420.6	660.9

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	433.2	7.8	441.0	882.6
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	578.3	326.2	904.5	554.2	7.8	562.0	1,466.5
Equity	574.6	(43.9)	530.7	170.9	(51.4)	119.5	650.2
Liabilities	3.7	370.1	373.8	383.3	59.2	442.5	816.3

Reconciliation of reportable segments' earnings before tax

	Q1	Q1
Amounts in DKK million	2017	2016
Segment profit before tax for reportable segments	17.5	11.7
Unallocated group costs, corporate functions	(10.3)	(2.6)
Impairment losses, non-reportable segment	0.0	0.0
Total	7.2	9.1

4. 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 and liabilities, including impairment testing of goodwill and non-current assets and net defined-benefit obligations. With reference to note 6, significant accounting estimates and judgements have been made in connection to the adjustment of the net defined-benefit pension obligation in the UK.

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 2016 annual report.

5. 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.

6. 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 interim periods, the H+H's defined-benefit pension obligations are based on valuations from external actuaries carried out at the end of prior financial year taking into account any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. For interim periods, actuarial calculations are updated or extrapolated internally, this to the extent of significant changes in applied assumptions.

Due to changes in the key assumptions corporate bond yield rate and inflation rate, leading to a material lower valuation of liabilities, a value adjustment has been made affecting total comprehensive income for the first quarter of 2017. An internal extrapolation of the actuarial calculations carried out in connection to the annual report shows a reduction in underfunding of DKK 29.8 million net (the present value of the obligations exceeds the fair value of the plan assets) which less deferred tax amounts to DKK 24.1 million. The total pension obligation as at 31 March 2017 amounts to DKK 138.3 million, compared to DKK 188.2 million as at 31 December 2016. This has been recognised in the balance sheet.

7. Financial resources and cash flow

Net interest-bearing debt totalled DKK 483.3 million at 31 March 2017, up DKK 96.7 million since the beginning of the year and down DKK 6.4 million on 31 March 2016.

A new committed credit facility of DKK 600 million has been agreed with Danske Bank A/S subject to H+H's fulfilment of certain formal requirements concerning the execution of the loan agreement by all relevant H+H Group entities and renewal of certain security. The new agreement is running until April 2020 and has been secured on attractive market terms. The loan agreement contains financial covenants.

The company and those of its subsidiaries that are participating in the loan agreements provide cross-guarantees for one another's obligations under the loan agreement.

8. Discontinued operations and assets held for sale

A number of assets are for sale, including land and buildings. Some land is located close to residential areas or on areas that could be further developed. The company regularly review whether land or other assets is to be sold or maintained. No assets are classified as assets held for sale because it is unlikely they will be sold within the next 12 months.

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 Oy is also classified as a discontinued operation and preparations for a voluntary liquidation process was started in autumn 2016.

Key figures for discontinued operations		
	Q1	Q1
Amounts in DKK million	2017	2016
Revenue	0.0	0.0
Expenses	(0.4)	(0.7)
Profit before tax	**(0.4)**	**(0.7)**
Tax	0.0	0.0
Profit for the period	**(0.4)**	**(0.7)**
Profit from discontinued operations	**(0.4)**	**(0.7)**
Cash flow from operating activities	(2.5)	(2.4)
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	0.0	0.0
Total cash flow	**(2.5)**	**(2.4)**
Assets held for sale		
Intangible assets	0.0	
Property, plant and equipment	0.0	
Inventories	0.0	
Receivables	0.0	
Assets held for sale, total	**0.0**	
Liabilities relating to assets held for sale		
Trade payables	0.0	
Other liabilities	0.0	
Liabilities relating to assets held for sale	**0.0**	

9. Share-based payment

Matching share programmes for the Executive Board and other key employees were implemented in 2012-2016, where the schemes 2014-2016 are active. The schemes are presented in the consolidated financial statements and annual report for 2016. An amount of DKK 0.4 million was recognised under staff costs in the first quarter of 2017 in respect of the three schemes for 2014-2016, against DKK 0.4 million in the same period in 2016.

A new matching share programme for the Executive Board and other key employees will be implemented in the second quarter of 2017. It will be largely identical to the previous programmes.

10. Financial risks and derivative financial instruments

H+H’s overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rate, are unchanged compared with the disclosures in note 26 in the consolidated financial statement in the Annual Report 2016.

Derivative financial instruments are measured at fair value and in accordance with level 2 in the air value hierarchy (IFRS 7). The fair value of the contracts amounts to DKK 0.5 million at 31 March 2017. The contracts concern future purchases of EUR and PLN paid in GBP for the period April 2017 - June 2018.

11. Related parties

Related parties of H+H with significant influence include the Board of Directors or the Executive Board of this company and their close family members. Related parties also include companies in which the aforementioned persons have control or significant interests.

Transactions with related parties
H+H did not enter into any significant transactions with members of the Board of Directors or the Executive Board, except for compensation and benefits received as a result of their membership of the Board of Directors, employment with H+H or shareholdings in H+H.

12. 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.