H+H International A/S
Interim financial report
Q1-Q3 2017

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Company announcement No. 352

Highlights for the period 1 January to 30 September 2017

- Revenue for the third quarter remained stable in local currencies and decreased by 2% in DKK to DKK 430 million (2016: DKK 439 million). Revenue for the first three quarters increased by 2% in local currencies and decreased by 1% in DKK to DKK 1,252 million (2016: DKK 1,264 million).

- EBITDA before special items for the third quarter was DKK 70.6 million (2016: DKK 63.7 million) and DKK 181.4 million (2016: DKK 166.1 million) for the first three quarters.

- EBIT before special items for the third quarter was DKK 51.2 million (2016: DKK 44.9 million) and DKK 123.9 million (2016: DKK 104.8 million) for the first three quarters. EBIT margin before special items for the third quarter was 11.9% (2016: 10.2%) and 9.9% (2016: 8.3%) for the first three quarters.

- Special items for the third quarter was DKK 4.8 million (2016: DKK 0.5 million), of which DKK 3.8 million is related to import of products sold to the UK supplied by Poland. Special items for the first three quarters was DKK 19.1 million (2016: DKK 3.1 million), of which DKK 14.1 million is related to import of products sold to the UK supplied by Poland.

- Net profit for the third quarter was DKK 37.8 million (2016: DKK 31.6 million) and DKK 76.0 million (2016: DKK 61.7 million) for the first three quarters.

- Investments for the third quarter was DKK 8.0 million (2016: DKK 23.3 million) and DKK 38.1 million for the first three quarters (2016: DKK 39.8 million).

- Free cash flow for the third quarter was DKK 44.6 million (2016: 51.0 million) and DKK (43.4) million for the first three quarters (2016: DKK 75.5 million). The free cash flow has been negatively affected by the planned building of stocks in the UK and increasing net investments.

- Net interest-bearing debt at 30 September 2017 was DKK 434.4 million (30 September 2016: DKK 385.0 million).

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

- H+H updates its outlook for 2017:
    - Revenue growth is expected to be around 4% (measured in local currencies) against the previously announced 5-7%.
    - EBITDA before special items is expected to be DKK 230-240 million against the previously announced DKK 220-240 million.
    - Special items of approximately DKK 25 million (as previously announced) 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 costs are expensed in production costs 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 as previously announced.

Quote:
"The improved profitability is due to a favourable price/volume development and results from our excellence programmes" says CEO Michael T. Andersen. "The market outlook remains positive for all markets except Russia, and we are well-positioned to take advantage of the Borough Green factory upgrade and harvest the benefits from the announced acquisition (which is awaiting customary approval by the Polish authorities) of Grupa Silikaty in Poland."

H+H's core activity is the manufacture and sale of aircrete, with a revenue in 2016 of DKK 1.6 billion. The main product is blocks used for building new houses, mainly in the low-rise segment. H+H has 13 aircrete factories in Northern and Central Europe and Northwest Russia with a total output of more than 3 million cubic metres of aircrete a year and has a leading position in most of its markets. H+H has around 1,000 employees and is listed on Nasdaq Copenhagen.

Key figures – H+H Group

Amounts in DKK million	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full-year 2016
Income statement					
Revenue	430.4	438.7	1,252.0	1,264.1	1,610.6
Gross profit	114.4	115.6	324.5	320.7	404.8
EBITDA before special items	70.6	63.7	181.4	166.1	210.6
EBITDA	65.8	63.2	162.3	163.0	213.6
EBIT before special items	51.2	44.9	123.9	104.8	122.3
EBIT	46.4	44.5	104.8	101.7	125.4
Net financials	(5.1)	(4.6)	(13.4)	(15.3)	(21.5)
Profit before tax from continuing operations	41.3	39.8	91.4	86.3	103.9
Profit from continuing operations	39.2	32.3	79.0	63.7	95.9
Profit/loss from discontinued operations	(1.4)	(0.7)	(3.0)	(2.1)	(6.7)
Profit for the period	37.8	31.6	76.0	61.7	89.2
Balance sheet					
Non-current assets	874.3	883.8	874.3	883.8	901.3
Current assets	411.7	326.1	411.7	326.1	309.3
Share capital	107.9	107.9	107.9	107.9	107.9
Equity	355.1	232.5	355.1	232.5	277.5
Non-current liabilities	620.6	613.5	620.6	613.5	590.2
Current liabilities	310.3	363.9	310.3	363.9	342.9
Total equity and liabilities	1,286.0	1,209.9	1,286.0	1,209.9	1,210.6
Investments in property, plant and equipment	8.0	23.3	38.1	39.8	83.3
Net Interest-bearing debt (NIBD)	434.4	385.0	434.4	385.0	386.6
Cash flow					
Cash flow from operating activities	52.5	72.9	29.2	124.4	143.1
Cash flow from investing activities	(7.9)	(21.9)	(72.6)	(48.9)	(75.0)
Free cash flow	44.6	51.0	(43.4)	75.5	68.1
Cash flow from discontinued operations	(2.7)	(1.9)	(5.7)	(8.5)	(4.6)
Financial ratios					
Gross margin	26.6%	26.4%	25.9%	25.4%	25.1%
EBIT margin before special items	11.9%	10.2%	9.9%	8.3%	7.6%
EBIT margin	10.8%	10.1%	8.4%	8.0%	7.8%
Return on invested capital before special items	17.8%	16.0%	17.8%	16.0%	15.1%
Return on invested capital (ROIC)	16.2%	18.6%	16.2%	18.6%	15.5%
Return on equity	35.2%	32.2%	35.2%	32.2%	33.5%
Solvency ratio (*)	27.6%	19.2%	27.6%	19.2%	22.9%
Net interest-bearing debt/EBITDA	2.0	1.7	2.0	1.7	1.8
Share data					
Share price, end of period (DKK)	114.0	73.5	114.0	73.5	75.5
Book value per share, end of period (DKK)	33.1	21.6	33.1	21.6	25.8
Earnings per share (adjusted)	3.5	2.9	7.0	5.7	8.3
Diluted earnings per share (adjusted)	3.5	2.9	7.0	5.7	8.3

*The solvency ratio for Q1-Q3 2016 is adjusted reflecting a reclassification in the balance sheet of payable customer rebates and bonuses.

MANAGEMENT'S REVIEW

Revenue
Revenue for the third quarter of 2017 remained stable in local currencies (organic growth) and decreased by 2% in DKK to DKK 430.4 million. Revenue for the first three quarters increased by 2% in local currencies (organic growth) and decreased to DKK 1,252.0 million. We have seen higher prices in all core markets which have more than offset the adverse volume development.

Gross margin
The gross margin in the third quarter was 26.6%, against 26.4% in 2016. We see positive impact from the price/volume development and our excellence programmes offset inflation. Adjusted for the additional transport costs incurred in the UK due to the import of products from Poland, the gross margin would have been 27.5%.

Special items
Special items for the third quarter was DKK 4.8 million (2016: DKK 0.5 million), of which DKK 3.8 million is related to import of products to the UK from Poland and DKK 1.0 million is restructuring costs related to Poland. Special items for the first three quarters was DKK 19.1 million, (2016: DKK 3.1 million) of which DKK 14.1 million is related to import of products to the UK supplied by H+H Poland.

EBITDA
EBITDA before special items for the third quarter was DKK 70.6 million and DKK 65.8 million after special items (2016: DKK 63.7 million and DKK 63.2 million).

Higher sales prices were partly offset by volume decline and DKK (2.3) million impact from currency development.

Operating profit (EBIT)
Operating profit before special items for the third quarter was DKK 51.2 million, (2016: DKK 44.9 million), a change of DKK 6.3 million.

Operating profit before special items for the first three quarters was DKK 123.8 million (2016: DKK 104.8 million) a change of DKK 19.0 million.

EBIT margin before special items for the third quarter was 11.9% and 9.9% for the first three quarters (2016: 10.2% and 8.3%).

Profit before tax from continuing operations
Third-quarter profit before tax from continuing operations was DKK 41.3 million (2016: DKK 39.8 million), a change of DKK 1.5 million.

Profit before tax from continuing operations

	Q3		Q1-Q3	
Amounts in DKK million	2017	2016	2017	2016
Western Europe	40.9	40.8	111.1	118.2
Eastern Europe	9.7	8.8	10.3	(9.1)
Eliminations and unallocated items	(9.3)	(9.8)	(30.0)	(22.8)
Total	41.3	39.8	91.4	86.3

Eliminations and unallocated items
Unallocated items in the third quarter amounted to DKK (9.2) million, on par with 2016. Unallocated items for first three quarters amounted to DKK (30.0) million, a change of DKK (7.2) million against 2016, mainly due to gain on sale of assets in 2016.

Comprehensive income
The total comprehensive income for the third quarter of DKK 11.4 million comprises the profit for the period of DKK 37.8 million, foreign exchange adjustments of DKK (4.4) million and actuarial losses less deferred tax of DKK (22.0) million.

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

Taxation
Tax for the third quarter was DKK (2.1) million (2016: DKK (7.6) million), a change of DKK 5.5 million. The tax expense is slightly offset by a positive deferred tax adjustment.

Discontinued operations and assets held for sale
Discontinued operations generated a loss of DKK (1.4) million in the third quarter (2016: DKK (0.7) million).

Please refer to note 11 "Discontinued operations and assets held for sale" for further comments.

Cash flow
Cash flow from operating activities in the third quarter was DKK 52.5 million (2016: DKK 72.9 million), a change of DKK (20.4) million. This is mainly due to an adverse impact from planned stock building in the UK as a result of the Borough Green factory upgrade. This is expected to continue throughout the year.

Third-quarter free cash flow was DKK 44.6 million (2016: DKK 51.0 million).

Investments
Investments of DKK 8.0 million were made during the third quarter (2016: DKK 23.3 million). Adjusted for asset sale the net investment during the third quarter was DKK 7.9 million, against a net asset sale of DKK 21.9 in 2016.

Investments

	Q3		Q1-Q3	
Amounts in DKK million	2017	2016	2017	2016
Western Europe	5.3	20.1	28.1	29.9
Eastern Europe	2.7	3.0	9.7	8.4
Unallocated items	0.0	0.2	0.3	1.5
Total	8.0	23.3	38.1	39.8

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

The hardware is being configured at the vendor's facilities and will be delivered to the factory during the fourth quarter of 2017. The factory will be offline during the first quarter of 2018 and ramp-up will take place during the second quarter of 2018.

Financing
Net interest-bearing debt totalled DKK 434.4 million at 30 September 2017, up DKK 47.8 million since the beginning of the year and up DKK 49.4 million since 30 September 2016.

Third-quarter net financials totalled DKK (5.1) million in 2017 (2016: DKK (4.6) million). Besides interest expenses and foreign exchange adjustments, the figure includes amortisation of borrowing costs, payments for the 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 77.6 million in the first three quarters of which profit for the period contributed DKK 76.0 million, foreign exchange adjustments of investments in subsidiaries DKK 1.1 million, value adjustment of UK pension DKK (0.8) million less deferred tax and other adjustments of DKK 1.4 million.

Equity

	Q1-Q3	Q1-Q3
Amounts in DKK million	2017	2016
1 January	277.5	255.0
Profit for the period	76.0	61.7
Actuarial gains/losses on pension plans	(0.8)	(95.2)
Foreign exchange adjustments	1.1	18.1
Other adjustments	1.4	(7.1)
30 Sep.	355.1	232.5

SEGMENTS

Revenue

	Q3		Q1-Q3	
Amounts in DKK million	2017	2016	2017	2016
Western Europe	319.5	325.5	943.1	979.8
Eastern Europe	111.0	113.2	308.8	284.3
Total	430.4	438.7	1,252.0	1,264.1

Western Europe
Third-quarter revenue in Western Europe increased by 1.8% in local currencies (organic growth) but decreased by (1.9%) in DKK to DKK 319.5 million.

The growth in local currencies are due to higher prices which have more than offset a volume decline in the third quarter, primarily driven by the UK due to destocking in the sales channels, longer than anticipated penetration time for foundation blocks, and the forthcoming Borough Green factory upgrade, which has led to limitations in sales volumes. The GBP impact also had a negative impact. The market outlook in the UK remains positive.

In Germany, the contracting low-rise market has also resulted in lower sales volume, which could not fully be compensated by higher sales prices.

Third-quarter EBITDA was DKK 56.3 million (2016: DKK 53.5 million), a change of DKK 2.8 million. Third-quarter EBITDA was adversely impacted by exchange rates; DKK (3.0) million and special items DKK (3.8) million.

Third-quarter profit before tax was DKK 40.9 million (2016: DKK 40.8 million), a change of DKK 0.1 million.

Eastern Europe
Third-quarter revenue in Eastern Europe decreased by (4.3%) in local currencies (organic growth) and by (2.0%) in DKK to DKK 111.0 million.

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

In Russia, the market conditions did not meet expectations. We have increased prices and, consequently, lost volume. Further, competitors from other regions have intensified their sales in some of the regions around St. Petersburg due to general overcapacity. There are no indications of a market recovery in the short term and we have adjusted costs accordingly.

Further, to optimise the overall capacity utilisation, it has been decided to redirect part of the UK imports for stock build from Poland to Russia.

Third-quarter EBITDA was DKK 19.9 million (2016: DKK 19.3 million), a change of DKK 0.6 million.

The third quarter brought a profit before tax of DKK 9.7 million, against a profit before tax of DKK 8.8 million in 2016, a change of DKK 0.9 million.

Most material risks and uncertainties and subsequent events
Please refer to note 4 “Significant accounting estimates and judgements”.

On 7 July 2017 H+H Polska signed an agreement to acquire 99.19% of the shares in Grupa Silikaty Sp. z o.o. for a total consideration of PLN 36 million (DKK 64 million). Closing of the transaction is subject to customary approvals by the Polish authorities and expected to take place no later than Q1 2018.

Please also refer to note 12 “Events after the balance sheet date” for further comments.

OUTLOOK FOR 2017

- H+H updates its outlook for 2017:
    - Revenue growth is expected to be around 4% (measured in local currencies) against the previously announced 5-7%
    - EBITDA before special items is expected to be DKK 230-240 million against the previously announced 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 costs are expensed in production costs at the point of sale and treated as a special item as previously announced.
    - Investments excluding acquisitions and divestments are expected to be in the region of DKK 120 million as previously announced.

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-November 2017 levels.
- Energy and raw material prices rise only in line with inflation from their mid-November 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.

FINANCIAL CALENDAR FOR 2018

2017 Annual Report .... 14 Mar. 2018

Annual general meeting including adoption of the annual report for 2017............................... 19 Apr. 2018

Interim financial report Q1 2018 ....17 May 2018
Interim financial report H1 2018 ....16 Aug. 2018
Interim financial report Q1-Q3 2018 ....15 Nov. 2018

* Items for the agenda must be submitted at least six weeks before the meeting (i.e. before 8 March 2018).

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 quarters 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 30 September 2017 and of the results of H+H's operations and its cash flows for the period 1 January to 30 September 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, 15 November 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				
	Q3	Q3	Q1-Q3	Q1-Q3	Full-year
Amounts in DKK million	2017	2016	2017	2016	2016
Revenue	430.4	438.7	1,252.0	1,264.1	1,610.6
Production costs	(316.0)	(323.1)	(927.5)	(943.3)	(1,205.8)
Gross profit	**114.4**	**115.6**	**324.5**	**320.7**	**404.8**
Sales and distribution costs	(24.5)	(24.9)	(76.3)	(73.5)	(104.2)
Administrative costs	(24.1)	(26.0)	(81.9)	(83.1)	(100.6)
Other operating income and expenses	0.0	(1.4)	(4.0)	(1.1)	13.6
Profit/loss before depreciation, amortisation and financial items (EBITDA)	**65.8**	**63.2**	**162.3**	**163.0**	**213.6**
Depreciation	(19.4)	(18.8)	(57.5)	(61.4)	(82.6)
Impairment losses	0.0	0.0	0.0	0.0	(5.6)
Operating profit/loss (EBIT)	**46.4**	**44.5**	**104.8**	**101.7**	**125.4**
Financial income	0.3	0.0	1.0	0.0	2.6
Financial expenses	(5.4)	(4.6)	(14.4)	(15.3)	(24.1)
Profit before tax from continuing operations	**41.3**	**39.8**	**91.4**	**86.3**	**103.9**
Tax on profit from continuing operations	(2.1)	(7.6)	(12.4)	(22.6)	(8.0)
Profit from continuing operations	**39.2**	**32.3**	**79.0**	**63.7**	**95.9**
Loss from discontinued operations	(1.4)	(0.7)	(3.0)	(2.1)	(6.7)
Profit for the period	**37.8**	**31.6**	**76.0**	**61.7**	**89.2**
Earnings per share (EPS-Basic)	3.5	2.9	7.0	5.7	8.3
Diluted earnings per share (EPS-D)	3.5	2.9	7.0	5.7	8.3

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q3	Q3	Q1-Q3	Q1-Q3	Full-year
Amounts in DKK million	2017	2016	2017	2016	2016
Profit for the period	37.8	31.6	76.0	61.7	89.2
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign companies	(3.9)	14.7	3.6	18.1	25.4
Tax on foreign exchange adjustments, foreign companies	(0.5)	0.0	(2.5)	0.0	(8.5)
	(4.4)	**14.7**	**1.1**	**18.1**	**16.9**
Items that will not be reclassified subsequently to profit or loss:					
Actuarial losses and gains	(25.8)	(36.1)	1.3	(119.0)	(93.3)
Tax on actuarial losses and gains	3.8	7.2	(2.1)	23.8	15.6
	(22.0)	**(28.9)**	**(0.8)**	**(95.2)**	**(77.7)**
Other comprehensive income after tax	**(26.4)**	**(14.2)**	**0.3**	**(77.1)**	**(60.8)**
Total comprehensive income	**11.4**	**17.4**	**76.3**	**(15.4)**	**28.4**

CONDENSED BALANCE SHEET

	Group			
	30 Sep.	31 Dec.	30 Sep.	31 Dec.
Amounts in DKK million	2017	2016	2016	2015
ASSETS				
Non-current assets				
Intangible assets	56.6	55.0	53.3	54.6
Property, plant and equipment	787.0	819.4	799.9	842.0
Deferred tax assets	30.7	26.9	30.5	11.4
Total non-current assets	**874.3**	**901.3**	**883.8**	**908.0**
Current assets				
Inventories	231.2	182.4	139.9	172.9
Receivables	164.5	118.6	169.0	108.4
Cash and cash equivalents	16.0	8.3	6.2	51.5
	411.7	**309.3**	**315.0**	**332.8**
Assets held for sale	0.0	0.0	11.0	24.4
Total current assets	**411.7**	**309.3**	**326.1**	**357.2**
TOTAL ASSETS	**1,286.0**	**1,210.6**	**1,209.9**	**1,265.2**
EQUITY AND LIABILITIES				
Equity				
Share capital	107.9	107.9	107.9	107.9
Retained earnings/losses	473.3	396.8	350.6	391.2
Other reserves	(226.1)	(227.2)	(226.0)	(244.1)
Total equity	**355.1**	**277.5**	**232.5**	**255.0**
Liabilities				
Pension obligations	154.3	171.3	197.1	112.7
Provisions	15.9	24.0	19.4	24.8
Deferred tax liability	0.0	0.0	5.8	5.4
Deferred payment, acquisition of subsidiary	0.0	0.0	0.0	32.5
Credit institutions	450.4	394.9	391.2	496.6
Total non-current liabilities	**620.6**	**590.2**	**613.5**	**672.0**
Current liabilities				
Trade payables	204.3	210.3	218.9	206.5
Income tax	11.1	9.3	14.8	11.2
Deferred payment, acquisition of subsidiary	0.0	33.5	34.5	27.9
Provisions	7.4	10.0	19.3	16.0
Other current liabilities	87.5	79.8	76.4	76.6
Liabilities relating to assets held for sale	0.0	0.0	0.0	0.0
Total current liabilities	**310.3**	**342.9**	**363.9**	**338.2**
Total liabilities	**930.9**	**933.1**	**977.4**	**1,010.2**
TOTAL EQUITY AND LIABILITIES	**1,286.0**	**1,210.6**	**1,209.9**	**1,265.2**
Net interest-bearing debt	434.4	386.6	385.0	445.1

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016
Operating profit/loss (EBIT)	46.4	44.5	104.8	101.7
Financial income received	0.0	0.0	0.0	0.0
Financial expenses paid	(3.4)	(4.6)	(12.9)	(15.3)
Depreciation, amortisation and impairment losses	19.4	18.8	57.5	61.4
Change in working capital	(4.1)	17.6	(97.7)	(1.1)
Change in provisions	(2.6)	1.7	(8.5)	(6.4)
Income tax paid	(3.2)	(5.1)	(14.0)	(15.9)
Operating activities	**52.5**	**72.9**	**29.2**	**124.4**
Sale of property, plant and equipment	0.1	1.4	0.5	22.5
Acquisition of subsidiaries	0.0	0.0	(35.0)	(31.6)
Investments in property, plant and equipment and intangible assets	(8.0)	(23.3)	(38.1)	(39.8)
Investing activities	**(7.9)**	**(21.9)**	**(72.6)**	**(48.9)**
Proceeds from / repayment of long-term debt	(38.5)	(53.0)	55.4	(106.7)
Other financial activities	0.6	1.2	1.4	(5.6)
Financing activities	**(37.9)**	**(51.8)**	**56.8**	**(112.3)**
Cash flow from discontinued operations	(2.7)	(1.9)	(5.7)	(8.5)
Total cash flow	**4.0**	**(2.7)**	**7.7**	**(45.3)**
Cash and cash equivalents, opening	12.0	8.9	8.3	51.5
Foreign exchange adjustments of cash and cash equivalents	0.0	0.0	0.0	0.0
Cash and cash equivalents at 30 Sep.	**16.0**	**6.2**	**16.0**	**6.2**

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	76.0	0.0	76.0
Other comprehensive income	0.0	1.1	0.0	(0.8)	0.0	0.3
Total comprehensive income	**0.0**	**1.1**	**0.0**	**75.2**	**0.0**	**76.3**
Share-based payment	0.0	0.0	0.0	1.4	0.0	1.4
Acquisition of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0
Total changes in equity in 2017	**0.0**	**1.1**	**0.0**	**76.5**	**0.0**	**77.6**
Equity at 30 Sep. 2017	**107.9**	**(226.1)**	**0.0**	**473.3**	**0.0**	**355.1**
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	61.7	0.0	61.7
Other comprehensive income	0.0	18.1	0.0	(95.2)	0.0	(77.1)
Total comprehensive income	**0.0**	**18.1**	**0.0**	**(33.5)**	**0.0**	**(15.4)**
Share-based payment	0.0	0.0	0.0	(1.6)	0.0	(1.6)
Acquisition of treasury shares	0.0	0.0	0.0	(5.5)	0.0	(5.5)
Total changes in equity in 2016	**0.0**	**18.1**	**0.0**	**(40.6)**	**0.0**	**(22.5)**
Equity at 30 Sep. 2016	**107.9**	**(226.0)**	**0.0**	**350.6**	**0.0**	**232.5**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 September 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. IFRS 9 Financial instruments and IFRS 15 Revenue will become effective 1 January 2018 whilst IFRS 16 Leases is expected to become effective 1 January 2019. 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 the consolidated financial statements for H+H International A/S.

IFRS 16 Leases though is expected to have an impact on H+H International A/S as a lessee, as leases have to be recognized in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated over the lease term in a similar way to other assets such as property, plant and equipment, and interest on the lease liability is calculated in a similar way to finance leases under IAS 17 Leases. Consequently, the change will also impact the presentation of the income statement and some key ratios like ROIC and solvency. Leases for the H+H Group primarily comprise forklift trucks, cars and rental of premises.

3. Segment information

Amounts in DKK million	Q1-Q3 2017						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	748.3	194.8	943.1	308.8	0.0	308.8	1,252.0
Revenue, internal	95.0	0.0	95.0	28.5	0.0	28.5	123.5
EBITDA	133.8	18.5	152.3	40.4	(0.1)	40.3	192.6
Depreciation and amortisation	(34.7)	(0.6)	(35.3)	(22.2)	0.0	(22.2)	(57.5)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	99.2	17.9	117.0	18.2	(0.1)	18.1	135.1
Net financials	4.6	(10.5)	(5.9)	(6.8)	(0.9)	(7.8)	(13.7)
Profit (loss) before tax	103.6	7.4	111.1	11.3	(1.0)	10.3	121.4
Non-current assets	415.2	2.9	418.1	424.6	0.4	425.0	843.1
Investments in non-current assets	27.1	1.0	28.1	9.7	0.0	9.7	37.8
Investments in subsidiaries	0.0	0.0	0.0	35.0	0.0	35.0	35.0
Assets	664.5	69.1	733.6	516.6	0.4	517.0	1,250.6
Equity	543.2	(26.6)	516.6	193.3	(49.1)	144.2	660.8
Liabilities	121.3	95.7	217.0	323.3	49.5	372.8	589.8

Amounts in DKK million	Q1-Q3 2016						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	807.7	172.1	979.8	284.0	0.3	284.3	1,264.1
Revenue, internal	71.2	0.0	71.2	13.7	0.0	13.7	84.9
EBITDA	144.8	14.2	159.0	27.8	(0.8)	27.0	186.0
Depreciation and amortisation	(34.6)	(0.6)	(35.2)	(24.6)	(0.3)	(24.9)	(60.1)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	110.2	13.7	123.9	3.2	(1.1)	2.1	126.0
Net financials	5.0	(10.6)	(5.6)	(9.6)	(1.5)	(11.1)	(16.7)
Profit (loss) before tax	115.2	3.0	118.2	(6.5)	(2.6)	(9.1)	109.1
Non-current assets	414.8	2.7	417.5	445.7	0.4	446.1	863.6
Investments in non-current assets	29.3	0.6	29.9	8.4	0.0	8.4	38.3
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	609.7	57.3	667.0	520.8	0.5	521.3	1,188.3
Equity	473.2	24.2	497.4	173.2	(54.1)	119.1	616.5
Liabilities	136.5	33.1	169.6	347.6	54.6	402.2	571.8

Reconciliation of reportable segments' earnings before tax

	Q1-Q3	Q1-Q3
Amounts in DKK million	2017	2016
Segment profit (loss) before tax for reportable segments	121.4	109.1
Unallocated group costs, corporate functions	(30.0)	(22.8)
Impairment losses, non-reportable segment	0.0	0.0
Total	91.4	86.3

Amounts in DKK million	Q3 2017						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	253.4	66.1	319.5	111.0	0.0	111.0	430.4
Revenue, internal	31.3	0.0	31.3	10.8	0.0	10.8	42.1
EBITDA	49.7	6.6	56.3	19.8	0.1	19.9	76.2
Depreciation	(11.7)	(0.2)	(11.9)	(7.5)	0.0	(7.5)	(19.4)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	38.0	6.4	44.4	12.3	0.1	12.4	56.8
Net financials	0.3	(3.8)	(3.5)	(2.4)	(0.3)	(2.7)	(6.2)
Profit before tax	38.3	2.6	40.9	9.9	(0.2)	9.7	50.6
Non-current assets	415.2	2.9	418.1	424.6	0.4	425.0	843.1
Investments in non-current assets	4.3	1.0	5.3	2.7	0.0	2.7	8.0
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	664.5	69.1	733.6	516.6	0.4	517.0	1,250.6
Equity	543.2	(26.6)	516.6	193.3	(49.1)	144.2	660.8
Liabilities	121.3	95.7	217.0	323.3	49.5	372.8	589.8

Amounts in DKK million	Q3 2016						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	263.6	61.9	325.5	113.2	0.0	113.2	438.7
Revenue, internal	26.1	0.0	26.1	7.7	0.0	7.7	33.8
EBITDA	47.2	6.3	53.5	19.4	(0.1)	19.3	72.8
Depreciation	(11.0)	(0.2)	(11.2)	(7.2)	0.0	(7.2)	(18.4)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	36.2	6.1	42.3	12.3	(0.1)	12.2	54.5
Net financials	1.8	(3.4)	(1.6)	(2.9)	(0.5)	(3.4)	(5.0)
Profit before tax	38.1	2.7	40.8	9.4	(0.6)	8.8	49.6
Non-current assets	437.4	4.2	441.6	443.2	7.8	451.0	892.6
Investments in non-current assets	19.8	0.3	20.1	3.0	0.0	3.0	23.1
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	609.7	57.3	667.0	516.6	0.4	517.0	1,184.0
Equity	473.2	24.2	497.4	193.3	(49.1)	144.2	641.6
Liabilities	136.5	33.1	169.6	323.3	49.5	372.8	542.4

Reconciliation of reportable segments' earnings before tax

	Q3	Q3
Amounts in DKK million	2017	2016
Segment profit before tax for reportable segments	50.6	49.6
Unallocated group costs, corporate functions	(9.2)	(9.8)
Impairment losses, non-reportable segment	0.0	0.0
Total	41.3	39.8

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. Actuarial calculations are updated or extrapolated quarterly.

Compared to December 2016, a value adjustment has been made, affecting total comprehensive income for the first three quarters of 2017. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows a reduction in underfunding of DKK 1.3 million net (the present value of the obligations exceeds the fair value of the plan assets), which less deferred tax amounts to DKK (0.8) million. The total pension obligation as at 30 September 2017 amounts to DKK 154.3 million, compared to DKK 171.3 million as at 31

December 2016. The development in the pension obligations from 31 December 2016 till 30 September 2017 is due to payments, interest, value adjustment and currency adjustment.

7. Financial resources and cash flow

Net interest-bearing debt totalled DKK 434.4 million at 30 September 2017, up DKK 47.8 million since the beginning of the year and up DKK 49.4 million on 30 September 2016.

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. Share-based payment

Matching share programmes for the Executive Board and other key employees were implemented in 2012-2017, where the schemes 2015-2017 are active. The schemes are presented in the consolidated financial statements and annual report for 2016. An amount of DKK 0.5 million was recognised under staff costs in the third quarter of 2017 in respect of the three schemes for 2015-2017, against DKK 0.4 million in the same period in 2016.

9. 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 fair value hierarchy (IFRS 7). The fair value of the contracts amounts to DKK 0.0 million at 30 September 2017. The contracts concern future purchases of EUR and PLN paid in GBP for the period October 2017 - August 2018.

10. 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.

11. 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.

The Ukrainian subsidiaries H+H Ukraina TOV and H+H UA TOV, which are without activity, are expected to be sold or liquidated within six months, whereas they have been classified as discontinued operations.

Key figures for discontinued operations	Q3	Q3	Q1-Q3	Q1-Q3
Amounts in DKK million	2017	2016	2017	2016
Revenue	0.0	0.0	0.0	0.0
Expenses	(1.4)	(0.7)	(3.0)	(2.1)
Profit before tax	**(1.4)**	**(0.7)**	(3.0)	(2.1)
Tax	0.0	0.0	0.0	0.0
Profit for the period	**(1.4)**	**(0.7)**	(3.0)	(2.1)
Profit from discontinued operations	**(1.4)**	**(0.7)**	**(3.0)**	**(2.1)**
Cash flow from operating activities	(2.7)	(1.9)	(5.7)	(8.5)
Cash flow from investing activities	0.0	0.0	0.0	0.0
Cash flow from financing activities	0.0	0.0	0.0	0.0
Total cash flow	**(2.7)**	**(1.9)**	**(5.7)**	**(8.5)**

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**

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.