Company announcement No. 360, 2018
Interim financial report Q1 2018

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Date:
17 May 2018

"Poland performed exceptionally well in a quarter that overall was impacted by the planned stand-still of the factory in Borough Green and extreme weather conditions in March", says CEO Michael T. Andersen. *"The result is in line with our expectations and with the acquisitions into calcium silicate products we are ready to take advantage of our improved market position."*

Financial highlights

- Revenue including the acquired business for the first quarter increased by 15% in DKK to DKK 434 million (2017: DKK 377 million). Revenue, excluding the acquired business, increased by 5% in local currencies (organic growth) (2017: 6%).

- EBITDA before special items for the first quarter was DKK 40 million (2017: DKK 37 million).

- EBIT before special items for the first quarter was DKK 13 million (2017: DKK 17 million). EBIT margin before special items for the first quarter was 3% (2017: 5%). EBIT before special items for the first quarter has been negatively affected by the planned stand still of the factory in Borough Green and amortisation of order book and trademark identified in the purchase price allocation of HDKS. Adjusted for these items, EBIT-margin would have been higher than last year. The impact of the items will predominately affect first half of 2018.

- Special items for the first quarter was DKK 16 million (2017: DKK 5 million), of which DKK 7 million is related to sale in the UK of imported products and DKK 9 million related to transaction and integration costs of HDKS and Grupa Silikaty.

- Free cash flow excluding acquisitions and divestments for the first quarter was DKK (99) million (2017: (94) million). The development is mainly due to normal seasonal increases in working capital.

- Net interest-bearing debt at 31 March 2018 was DKK 1,352 million (31 March 2017: DKK 483 million). The increase in net-interest bearing debt is primarily related to the acquisition of HDKS.

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

Other highlights

- Closing of the acquisition of HeidelbergCement's German and Swiss calcium silicate unit business (HDKS) 28 February 2018 (i.e. one month included in the consolidated financials for Q1 2018).

- Closing of the acquisition of Grupa Ożarów s calcium silicate unit business (Grupa Silikaty) in Poland 4 April 2018 (i.e. not included in the consolidated financials for Q1 2018).

- Authorization from the annual general assembly 19 April 2018 to the board of directors to increase the company's share capital with net proceeds of around DKK 500 million by issuing new shares with pre-emptive subscription rights for existing shareholders. Assuming unchanged market conditions, the share issue will be executed in near future.

- Integration of the acquired business and the upgrade of the Borough Green factory are running to schedule.

Outlook for 2018

H+H reiterates its outlook for 2018:

- Growth before acquisitions and measured in local currencies is expected to be around 5%.

- EBITDA before special items is expected to be DKK 350-390 million.

- Approximately DKK 25-30 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from sister companies. The increased transportation costs will be expensed at the point of sale and treated as a special item.

- Approximately DKK 35 million for transaction and integration costs for HDKS will be expensed as special items.

- Approximately DKK 5 million for transaction and integration costs for Grupa Silikaty will be expensed as special items.

- Investments excluding mergers, acquisitions and divestments are expected to be in the region of DKK 150 million of which approximately DKK 35 million relates to an investment required at one of the HDKS plants damaged by fire during the acquisition process. A similar amount was covered by a reduction in the purchase price.

Investor teleconference

H+H International A/S will host an investor teleconference on 17 May 2018 at 10.30 a.m. CET.
To attend the conference call dial +45 35 27 02 29 and meeting ID is 428905.

Kent Arentoft	Michael T Andersen
Chairman of the Board of Directors	CEO

H+H's core activity is the manufacture and sale of wall building materials, with a revenue in 2017 of DKK 1.6 billion before acquisition of the calcium silicate product line. The main product lines are aircrete blocks and since 2018 calcium silicate units used for the residential new building segment. H+H has 28 factories in Northern and Central Europe and Northwest Russia with a total output of more than 4 million cubic metres of products annually and has a leading position in most of its markets. H+H has around 1,600 employees and is listed on Nasdaq Copenhagen.

Key figures – H+H Group

Amounts in DKK million	Q1 2018	Q1 2017*	Full-year 2017
Income statement			
Revenue	434	377	1,622
Gross profit	96	86	434
EBITDA before special items	40	37	242
EBITDA	24	32	212
EBIT before special items	13	17	165
EBIT	(3)	12	134
Net financing costs	(7)	(5)	(18)
Profit/loss before tax from continuing operations	(10)	8	116
Profit/loss from continuing operations	(14)	3	95
Profit/loss from discontinued operations	0	0	(5)
Profit/loss for the period	(14)	3	90
Balance sheet			
Non-current assets	1,878	915	929
Current assets	577	371	397
Share capital	108	108	108
Equity	370	323	377
Non-current liabilities	871	652	636
Current liabilities	1,214	311	313
Total equity and liabilities	2,455	1,286	1,326
Investments in property, plant and equipment	133	23	110
Investments in enterprises	720	0	0
Net Interest-bearing debt (NIBD)	1,352	483	458
Cash flow			
Cash flow from operating activities	(70)	(71)	83
Cash flow from investing activities	(853)	(23)	(144)
Cash flow from financing activities	918	100	66
Free cash flow	(923)	(94)	(61)
Financial ratios			
Gross margin	22%	23%	27%
EBIT margin before special items	3%	5%	10%
EBIT margin	-1%	3%	8%
Return on invested capital (ROIC) **	12%	14%	16%
Return on equity	23%	31%	27%
Solvency ratio	15%	25%	28%
Net interest-bearing debt/EBITDA	6.6	2.3	2.2
Share data			
Share price, end of period (DKK)	131	77	145
Book value per share, end of period (DKK)	34	24	35
Earnings per share	(1)	0	8
Diluted earnings per share	(1)	0	8

* The comparative figures for 01.01.2017-31.03.2017, have not been reviewed or audited by the company's auditors.
** Due to the acquisition of HDKS the method for calculating "Return on invested capital (ROIC)" has changed to better reflect a true and fair view. ROIC for Q1 2018 has been calculated as "Operating profit (EBIT)" held against the average invested capital, both measured on a twelve months basis.

MANAGEMENT'S REVIEW

Revenue

Revenue, excluding the acquired business, increased by 5% in local currencies (organic growth). Revenue including the acquired business increased by 15% to DKK 434 million.

The organic growth stems from a very strong performance in the Eastern European segment driven by Poland. The Western European segment suffered from the unusually cold weather in March affecting volume which was partly offset by higher prices.

Gross margin

The gross margin in the first quarter was 22%, against 23% in 2017. Adjusted for the additional transport costs incurred in the UK due the sale of imported products from sister companies and the planned stand still of the factory in Borough Green during the first quarter, the gross margin would have been around 26%.

Special items

Special items for the first quarter was DKK 16 million (2017: DKK 6 million), of which DKK 7 million is related to the additional transportation costs on the sale of import of products to the UK from sister companies as a result of the Borough Green factory upgrade. These costs are expensed as "productions costs" in the Income Statement. A further DKK 9 million related to transaction and integration costs of HDKS and Grupa Silikaty.

EBITDA

EBITDA before special items was DKK 40 million (2017: DKK 37 million). EBITDA after special items was DKK 24 million (2017: DKK 32 million).

The increase in EBITDA before special items comes from the Eastern European segment and the acquired business.

Operating profit (EBIT)

Operating profit before special items for the first quarter was DKK 13 million (2017: 17 million) and DKK (3) million after special items (2017: DKK 12 million).

EBIT margin before special items for the first quarter was 3% (2017: 5%) and (1%) after special items (2017: 3%).

Profit before tax

First-quarter profit before tax was DKK (10) million (2017: DKK 8 million), a change of DKK (18) million.

Profit before tax from continuing operations

Amounts in DKK million	Q1 2018	Q1 2017
Western Europe	(4)	21
Eastern Europe	11	(3)
Eliminations and unallocated items	(17)	(10)
Total	(10)	8

Eliminations and unallocated items

Unallocated items for the first quarter amounted to DKK (17) million, a change of DKK (7) million against 2017, mainly due to transaction costs.

Purchase price allocation

The preliminary purchase price allocation has been made and is reflected in the interim financial report for Q1 2018. The main impact on the income statement is that the order book from the date of purchase will be amortised over a period of 4 months, March to June 2018, where an amortisation expense of DKK 14 million will be recognised.

In addition, the identified trademarks, which will be amortised over a period of 12 months, will affect the amortisation expense for 2018 by DKK 6 million.

For further details on the purchase price allocation please refer to note 12 "Business Combinations".

Comprehensive income

The total comprehensive income for the first quarter amounted to DKK (6) million which comprises of the loss for the period of DKK (14) million, foreign exchange adjustments of DKK (4) million and actuarial gains less deferred tax of DKK 12 million.

Please refer to note 7 "Pension obligations" for further comments on the adjustment of the UK pension obligation.

Taxation

Tax for the first quarter was DKK 4 million (2017: DKK 5 million).

Cash flow

Cash flow from operating activities in the first quarter was DKK (70) million (2017: DKK (71) million), a change of DKK 1 million.

The negative cash flow from operations is mainly due normal seasonal increases in working capital.

Cash flow from investing activities in the first quarter was DKK (853) million (2017: DKK (23) million). The investing activities comprise of the purchase of “HDKS” DKK (824) million as well as investments in existing property plant and equipment of DKK (29) million (2017: DKK (23) million).

Investments		
	Q1	Q1
Amounts in DKK million	2018	2017
Western Europe	28	19
Eastern Europe	1	4
Acquisition of enterprises	720	0
Acquisition of land and property related to the acquired enterprises	104	0
Total	853	23

First-quarter free cash flow was DKK (923) million (2017: DKK (94) million).

Cash flow from financing activities in the first quarter was DKK 918 million (2017: DKK 100 million) primarily relates to the acquisition of HDKS.

The factory upgrade at our Borough Green site is running to schedule.

Financing
Net interest-bearing debt totalled DKK 1,352 million at 31 March 2018, up DKK 894 million since the beginning of the year and up DKK 869 million since 31 March 2017.

As announced in our annual report and approved by the annual general assembly the company is seeking to issue new shares with net proceeds of around DKK 500 million.

First-quarter net financials totalled DKK (7) million (2017: DKK (5) 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 decreased by DKK (7) million in the first quarter of which profit/loss for the period contributed DKK (14) million, foreign exchange adjustments of investments in subsidiaries DKK (4) million, value adjustment of UK pension DKK 12 million less deferred tax and other adjustments of DKK (1) million.

Equity		
	Q1	Q1
Amounts in DKK million	2018	2017
1 January	377	278
Profit/loss for the period	(14)	3
Actuarial gains/losses on pension plans	12	24
Foreign exchange adjustments	(4)	18
Other adjustments	(1)	0
31 March	370	323

SEGMENTS

Revenue		
	Q1	Q1
Amounts in DKK million	2018	2017
Western Europe	307	288
Eastern Europe	127	89
Total	434	377

EBITDA before special items		
	Q1	Q1
Amounts in DKK million	2018	2017
Western Europe	34	40
Eastern Europe	22	6
Total	56	46

Western Europe
Revenue in Western Europe, excluding the acquired companies, decreased by 6% in local currencies (organic growth). Revenue including the acquired business increased by DKK 19 million to DKK 307 million, an increase of 7%.

The negative organic growth was mainly driven by the lower sales volume caused by the cold weather.

EBITDA before special items was DKK 34 million (2017: DKK 44 million), a change of DKK (6) million. The reduction in EBITDA was primarily driven by lower sales volumes and the reduction in production recovery at our Borough Green factory which has been stopped for the whole period, offset in part by higher selling prices and the addition of the acquired companies. The Borough Green factory is expected to be fully operational by the end of first half 2018.

First-quarter EBITDA was adversely impacted by special items of DKK 16 million (2017: 6 million).

First-quarter profit before tax was DKK (4) million (2017: DKK 21 million), a change of DKK (25) million.

Eastern Europe
Revenue in Eastern Europe increased by 41% in local currencies (organic growth) and by 43% in DKK to DKK 127 million.

The organic growth was driven by Poland where both sales volumes and prices are favourable compared to the same period last year. On the contrary, prices were adverse in Russia on sales volumes slightly higher than last year.

First-quarter EBITDA before special item was DKK 22 million (2017: DKK 6 million), a change of DKK 16 million.

The increase has derived from Poland where the positive revenue development combined with higher production volumes and good unit cost of production have led to a significant increase in profitability.

The first quarter brought a profit before tax of DKK 11 million, against a loss before tax of DKK (3) million in 2017, a change of DKK 14 million.

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

H+H International A/S and H+H Deutschland GmbH have on the 28th February 2018 closed the acquisition of “HDKS” for a purchase price of DKK 824 million including a preliminary closing payment.

Please also refer to note 12 “Business combinations” for further comments.

H+H Polska Sp. z o.o. have on the 4th April 2018 closed the acquisition of 99.19% of the shares in Grupa Silikaty Sp. z o.o. for a total consideration of PLN 36 million (DKK 64 million).

Please also refer to note 14 “Events after the balance sheet date” for further comments.

OUTLOOK FOR 2018

- H+H reiterates its outlook for 2018:
    - Growth before acquisitions and measured in local currencies is expected to be around 5%.
    - EBITDA before special items is expected to be DKK 350-390.
    - Approximately DKK 25-30 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from sister companies. The increased transportation costs 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 as previously announced.
    - Approximately DKK 35 million for transaction and integration costs for HDKS will be expensed as special items.
    - Approximately DKK 5 million for transaction and integration costs for Grupa Silikaty will be expensed as special items.
    - Investments excluding mergers, acquisitions and divestments are expected to be in the region of DKK 150 million of which approximately DKK 35 million relates to an investment required at one of the HDKS plants damaged by fire during the acquisition process. A similar amount was covered by a reduction in the purchase price.

The expectations for H+H's financial performance in 2018 are based partly on the following *specific* assumptions:

- Economic growth 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 2018 levels.
- Energy and raw material prices rise only in line with inflation from their mid-May 2018 levels.
- The geopolitical situation does not result in changed market conditions.
- Acquisition and integration of the calcium silicate business and upgrade of the Borough Green factory according to schedule.

ABOUT THE OUTLOOK FOR 2018

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

Interim financial report H1 2018 ....16 Aug. 2018
Interim financial report Q1-Q3 2018 ....15 Nov. 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 quarter of 2018.

The interim financial report 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 2018 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2018.

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, 17 May 2018

EXECUTIVE BOARD

Michael Troensegaard Andersen
CEO

Ian Lea Perkins
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Stewart Antony Baseley

Volker Christmann

Pierre-Yves Jullien

Miguel Kohlmann

Henriette Schütze

THE INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of H+H International A/S
We have reviewed the consolidated interim financial statements of H+H International A/S ("the Group") for the period 01.01.2018 - 31.03.2018, pp. 10-21 which comprise the condensed income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including a summary of the accounting policies.

Management's responsibility for the consolidated interim financial statements
Management is responsible for the preparation of consolidated interim financial statements that give a true and fair view 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 and for such internal control as Management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on the consolidated interim financial statements. We conducted our review in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not give a true and fair view of the Group's assets, liabilities and financial position at 31.03.2018 and of its financial performance for the period 01.01.2018 - 31.03.2018 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.

Other Matter
Our review has not included comparative figures for the period 01.01 - 31.03.2017.

Copenhagen, 17.05.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Anders Oldau Gjelstrup
State-Authorised Public Accountant
Identification No (MNE) mne10777

Casper Hjerresen Christensen
State-Authorised Public Accountant
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CONDENSED INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2018	2017*	2017
Revenue	434	377	1,622
Production costs	(338)	(291)	(1,188)
Gross profit	**96**	**86**	**434**
Sales and distribution costs	(31)	(26)	(102)
Administrative costs	(31)	(28)	(109)
Other operating income and expenses	(10)	0	(11)
Profit/loss before depreciation, amortisation and financial items (EBITDA)	**24**	**32**	**212**
Depreciation and amortization	(27)	(19)	(78)
Impairment losses	0	0	0
Operating profit/loss (EBIT)	**(3)**	**13**	**134**
Financial income	0	1	2
Financial expenses	(7)	(6)	(20)
Profit/loss before tax from continuing operations	**(10)**	**8**	**116**
Tax on profit/loss from continuing operations	(4)	(5)	(21)
Profit/loss from continuing operations	**(14)**	**3**	**95**
Loss from discontinued operations	0	0	(5)
Profit/loss for the period	**(14)**	**3**	**90**
Earnings per share (EPS-Basic)	(1)	0	8
Diluted earnings per share (EPS-D)	(1)	0	8

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2018	2017*	2017
Profit/loss for the period	(14)	3	90
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign companies	(5)	20	1
Tax on foreign exchange adjustments, foreign companies	1	(2)	0
	(4)	**18**	**1**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	15	30	11
Tax on actuarial gains and losses	(3)	(6)	(3)
	12	**24**	**8**
Other comprehensive income after tax	**8**	**42**	**9**
Total comprehensive income	**(6)**	**45**	**99**

*The comparative figures for 01.01.2017-31.03.2017, have not been reviewed or audited by the company's auditors

CONDENSED BALANCE SHEET

	Group			
	31 March	31 Dec.	31 March	31 Dec.
Amounts in DKK million	2018	2017	2017*	2016
ASSETS				
Non-current assets				
Intangible assets	451	57	57	55
Property, plant and equipment	1,400	844	838	820
Deferred tax assets	26	28	20	27
Financial assets	1	0	0	0
Total non-current assets	**1,878**	**929**	**915**	**902**
Current assets				
Inventories	325	268	204	182
Receivables	216	116	155	97
Cash and cash equivalents	36	13	12	8
Total current assets	**577**	**397**	**371**	**287**
TOTAL ASSETS	**2,455**	**1,326**	**1,286**	**1,189**
EQUITY AND LIABILITIES				
Equity				
Share capital	108	108	108	108
Retained earnings/losses	486	489	424	397
Other reserves	(224)	(220)	(209)	(227)
Total equity	**370**	**377**	**323**	**278**
Liabilities				
Pension obligations	150	150	138	171
Provisions	19	15	19	24
Deferred tax liability	164	0	0	0
Interest bearing debt	538	471	495	395
Total non-current liabilities	**871**	**636**	**652**	**590**
Current liabilities				
Interest bearing debt, short-term	850	0	0	0
Trade payables	226	217	178	188
Income tax	6	7	11	9
Deferred payment, acquisition of subsidiary	0	0	36	34
Provisions	3	3	11	10
Other current liabilities	129	86	75	80
Total current liabilities	**1,214**	**313**	**311**	**321**
Total liabilities	**2,085**	**949**	**963**	**911**
TOTAL EQUITY AND LIABILITIES	**2,455**	**1,326**	**1,286**	**1,189**
Net interest-bearing debt	1,352	458	483	387

*The comparative figures as of 31.03.2017, have not been reviewed or audited by the company's auditors

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q1 2018	Q1 2017*
Operating profit/loss (EBIT)	(3)	13
Financial income received	0	0
Financial expenses paid	(7)	(6)
Depreciation, amortisation and impairment losses	27	19
Change in working capital	(80)	(91)
Change in provisions	(3)	(2)
Income tax paid	(4)	(4)
Operating activities	**(70)**	**(71)**
Sale of property, plant and equipment	0	0
Acquisition of enterprises	(720)	0
Acquisition of land and property related to the acquired enterprises	(104)	0
Acquisition of property, plant and equipment and intangible assets	(29)	(23)
Investing activities	**(853)**	**(23)**
Proceeds from long-term debt	919	100
Other financial activities	(1)	0
Financing activities	**918**	**100**
Cash flow from discontinued operations	0	(2)
Total cash flow	**(5)**	**4**
Cash and cash equivalents, opening	13	8
Cash related to the acquired enterprises	28	0
Foreign exchange adjustments of cash and cash equivalents	0	0
Cash and cash equivalents at 31 March	**36**	**12**

*The comparative figures for 01.01.2017-31.03.2017, have not been reviewed or audited by the company's auditors

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 2018	**108**	**(220)**	**0**	**489**	**0**	**377**
Total changes in equity in 2018						
Profit/loss for the period	0	0	0	(14)	0	(14)
Other comprehensive income	0	(4)	0	12	0	8
Total comprehensive income	**0**	**(4)**	**0**	**(2)**	**0**	**(6)**
Share-based payment	0	0	0	(1)	0	(1)
Total changes in equity in 2018	**0**	**(4)**	**0**	**(3)**	**0**	**(7)**
Equity at 31 March 2018	**108**	**(224)**	**0**	**486**	**0**	**370**
Equity at 1 January 2017	**108**	**(227)**	**0**	**397**	**0**	**278**
Total changes in equity 2017						
Profit/loss for the period	0	0	0	3	0	3
Other comprehensive income	0	18	0	24	0	42
Total comprehensive income	**0**	**18**	**0**	**27**	**0**	**45**
Share-based payment	0	0	0	0	0	0
Total changes in equity in 2017	**0**	**18**	**0**	**27**	**0**	**45**
Equity at 31 March 2017*	**108**	**(209)**	**0**	**424**	**0**	**323**

*The comparative figures for 01.01.2017-31.03.2017, have not been reviewed or audited by the company's auditors

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2018 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. The interim financial report has been reviewed by the company's auditors, however, the comparative figures for 1 January to 31 March 2017, have not been reviewed or audited by the company's auditors.

H+H has implemented IFRS 9 affecting the accounting policy for write-down of bad and doubtful debts. IFRS 9 requires H+H to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. H+H has applied the simplified approach and record lifetime expected losses on all trade receivables.

Other than above are accounting policies consistent with those applied in the 2017 annual report, which includes a full description of the accounting policies applied.

2. Adoption of new and revised IFRSs

H+H International A/S has adopted all new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2018. Based on an analysis carried out by H+H International A/S, the application of IFRS 9 and IFRS 15 has not had a material impact on the interim financial report for Q1 2018, and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

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

IASB has issued a number of new or amended standards (IFRSs) and interpretations (IFRIC), which have been endorsed by the EU but not yet come into effect. 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.

IFRS 16 Leases will replace IAS 17 Leases currently in force and is effective for annual periods beginning on or after 1 January 2019. The new standard is expected to have an impact on H+H International A/S as a lessee, as all leases (except for short-term leases and leases of low-value assets) have to be recognized in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated over the lease term in a similar way to other assets such as property, plant and equipment, and interest on the lease liability is calculated in a similar way to finance leases under IAS 17 Leases. Consequently, the change will also impact the presentation of the income statement and key performance indicators EBITDA and EBIT as well as balance sheet related ratios ROIC, NIBD and solvency. Leases for the H+H Group primarily comprise of forklift trucks, cars and rental of premises.

An updated preliminary assessment including the acquired business "HDKS" shows a positive impact of approximately DKK 19 million on EBITDA for the period 1 January - 31 December 2019 and an expected increase of the balance sheet by approximately DKK 56 million as at 1 January 2019. Due to the higher invested capital recognised ROIC and Solvency will be affected negatively by approximately 1 percentage point. The updated preliminary analysis does not include effects from Grupa Silikaty which is acquired after the balance sheet date. Refer to note 14 for further information on "Events after the balance sheet date".

4. Segment information

Amounts in DKK million	Q1 2018						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	248	59	307	127	0	127	434
Revenue, internal	29	0	29	4	0	4	33
EBITDA	17	2	19	21	0	21	40
Depreciation and amortization	(19)	0	(19)	(8)	0	(8)	(27)
Impairment losses	0	0	0	0	0	0	0
Operating profit/loss (EBIT)	(2)	2	0	13	0	13	13
Net financials	(1)	(3)	(4)	(2)	0	(2)	(6)
Profit/loss before tax	(3)	(1)	(4)	11	0	11	7
Non-current assets	1,054	2	1,056	424	0	424	1,480
Investments in non-current assets	133	0	133	1	0	1	134
Investments in subsidiaries	433	0	433	0	0	0	433
Assets	1,580	59	1,639	532	0	532	2,171
Equity	881	(37)	844	210	(51)	159	1,003
Liabilities	699	96	795	322	51	373	1,168

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	60	288	89	0	89	377
Revenue, internal	29	0	29	8	0	8	37
EBITDA	30	4	34	6	0	6	40
Depreciation and amortization	(12)	(0)	(12)	(7)	0	(7)	(19)
Impairment losses	0	0	0	0	0	0	0
Operating profit/loss (EBIT)	19	4	23	(1)	0	(1)	22
Net financials	1	(3)	(2)	(2)	0	(2)	(4)
Profit/loss before tax	20	1	21	(3)	0	(3)	18
Non-current assets	435	2	437	457	0	457	894
Investments in non-current assets	19	0	19	4	0	4	23
Investments in subsidiaries	0	0	0	0	0	0	0
Assets	642	56	698	558	1	559	1,257
Equity	480	(23)	457	193	(55)	138	595
Liabilities	162	79	241	365	56	421	662

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q1 2018	Q1 2017*
Segment profit before tax for reportable segments	7	18
Unallocated group costs, corporate functions	(17)	(10)
Impairment losses, non-reportable segment	0	0
Total	(10)	8

*The comparative figures for 01.01.2017-31.03.2017, have not been reviewed or audited by the company's auditors

5. 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, net defined-benefit obligations and the preliminary purchase price allocation of HDKS.

With reference to note 7 “Pension obligations”, significant accounting estimates and judgements have been made in connection to the adjustment of the net defined-benefit pension obligation in the UK.

With reference to note 12 “Business combinations”, significant accounting estimates and judgement have been made in connection to assessing the preliminary fair value estimates for acquired net assets related to HDKS.

The estimates and judgements made are based on assumptions that management assess 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 2017 annual report.

6. 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.

7. Pension obligations

H+H has defined-benefit pension plans in the UK, Switzerland and Germany. The UK and Swish pension plans are managed by a pension fund to which payments are made, whereas the German pension plan 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 2017, a value adjustment has been made relating to the UK pension plan, affecting total comprehensive income for the first quarter of 2018. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows a decrease in underfunding of DKK 15 million net (the present value of the obligations exceeds the fair value of the plan assets), which less deferred tax amounts to DKK 12 million.

The total pension obligation as at 31 March 2018 amounts to DKK 150 million, compared to DKK 150 million as at 31 December 2017. The development in the pension obligations from 31 December 2017 till 31 March 2018 is due to payments, interest, value adjustment, currency adjustment and pension obligations from the HDKS acquisition.

8. Financial resources and cash flow

Net interest-bearing debt totalled DKK 1,352 million at 31 March 2018, up DKK 894 million since the beginning of the year and up DKK 869 million on 31 March 2017. The development is primary due to the acquisition of HDKS where a cash consideration of DKK 824 million including a preliminary closing payment was made on 28th February 2018. The acquisition has been financed by utilizing the term loan facility of DKK 850 million which is available until 31 January 2019. As announced in our Annual report for 2017 we are seeking to issue new shares and in so doing raise net proceeds of around DKK 500 million. It is management's assessment that the H+H Group will be able to obtain sufficient excess financing after the expected capital increase, hence the H+H Group will continue to be dependent on debt financing.

The company's financing is subject to certain conditions e.g. the following financial covenants which has been fulfilled in the first quarter of 2018 and which shall be fulfilled for the remaining three quarters of 2018:

- Leverage ratio (net debt to EBITDA)
- Solvency ratio (equity to total assets)
- Interest cover ratio (EBITDA to financial net payables)

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.

Refer to note 25 in the annual report for 2017 where the conditions are listed in full. Conditions is unchanged compared to the annual report for 2017.

9. Share-based payment

Matching share programmes for the Executive Board and other key employees were implemented in 2012-2017, where the schemes 2016-2017 are active. The schemes are presented in the consolidated financial statements and annual report for 2017. An amount of DKK 0.5 million was recognised under staff costs in the first quarter of 2018 in respect of the two for 2016 and 2017, against DKK 0.4 million in the same period in 2017.

10. Financial risks and derivative financial instruments

Following the acquisitions of HDKS and Grupa Silikaty the risk profile has changed. The acquisitions have created a more balanced geographical footprint, i.e. less dependency on one market. Further, there is an increased exposure to the residential high-rise market segment. A successful integration of the acquired companies is a condition for harvesting the synergies.

Besides the above-mentioned factors, 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 25 in the consolidated financial statement in the Annual Report 2017.

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 million at 31 March 2018. The contracts concern future purchases of EUR paid in GBP for the period April - August 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. Business combinations

H+H International A/S and its subsidiary H+H Deutschland GmbH have on the 28 February 2018 closed the acquisition of HeidelbergCement's German and Swiss calcium silicate unit business ("HDKS"), cf. company announcement No. 353, of 14 December 2017.

HDKS primarily consists of 100% ownership of the legal entities Heidelberger Kalksandstein GmbH and HKS Hunziker Kalksandstein AG together with certain properties owned by subsidiaries of HeidelbergCement AG.

The acquisition is in line with the announced strategy of adding complementary products to the product portfolio to strengthen H+H's position in the residential high-rise segment. H+H holds a strong position within aircrete in the Northern European region, especially in the UK and Polish markets. With the acquisition of HDKS, H+H will accomplish several important strategic targets:

- Create a more balanced geographical footprint
- Expand its product offering, mainly within residential high-rise buildings, becoming the second largest European player within CSU
- Create scale and critical mass in the German operations, including expansion possibilities within both aircrete and CSU operations
- Benefit from best practice sharing with the Polish operation of Grupa Silikaty
- Harvest synergies from the integration in Germany, estimated DKK 10 million when full integration is reached during the next three years

The purchase price of HDKS including a preliminary closing payment amounts to DKK 824 million and has been paid in cash. Estimated 2017 sales is DKK 500 million with an EBITDA of DKK 100 million. The business employs approximately 200 full-time employees.

With reference to the condensed income statement for Q1 2018 transaction costs of DKK 10 million has been recognised as "Other operating costs" of which DKK 8 million relates to the HDKS acquisition. Transaction costs related to the acquisition of HDKS of DKK 8 million was occurred in 2017. In 2018, further transaction related costs are expected, comprising of special transfer tax on real estate and integration costs. In total DKK 25 million are expected to be recognised as costs in the income statement in the period April - December 2018.

The preliminary purchase price allocation shows acquired net assets at a fair value of DKK 691 million. The preliminary purchase price allocation may be subject to changes until 28 February 2019.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill relating to the acquisition has been determined at DKK 133 million. Goodwill represents the value of the existing staff, access to new markets as well as the expected synergies from the acquisition. The recognised goodwill is not tax deductible. The table below provides a summary of the purchase price for HDKS and the preliminary allocation of the fair value of acquired assets and liabilities on the acquisition date.

The fair value of the acquired technical plant is estimated on the basis of the depreciated replacement value.

The fair value of the acquired finished goods is determined on the basis of expected selling prices to be obtained in the course of normal business operations less expected completion costs and costs incurred to execute the sale, and with deduction of a reasonable profit on the sales effort and a reasonable profit on the completion.

The fair value of the acquired raw materials and goods for sale is determined at replacement cost.

	Group
	28 February
Amounts in DKK million	**2018**
Customer relations	246
Order book	14
Trademarks	8
Property, plant and equipment	551
Financial assets	0
Receivables	29
Inventories	66
Cash	28
Acquired assets	**942**
Pension obligations	17
Provisions	5
Payables	41
Other current liabilities	24
Deferred tax	164
Assumed liabilities	**251**
Total identifiable acquired net assets	691
Goodwill in connection with the acquisition	133
Purchase price	**824**
Movements in cash flow in connection with the acquisition:	
Purchase price	824
Of which is cash acquired	(28)
Net cash flow in connection with the acquisition of "HDKS"	**796**

An estimate is made of the value of the acquired trademarks as well as the expected useful life of these. The fair value of the acquired trademarks is calculated by discounting the royalty payments that will be saved through owning the right of use of the trademark (the relief-from-royalty method). An after-tax discount rate of 12.0% has been applied.

The fair value of customer relations and order book is determined through use of the Multi-Period Excess Earnings method (MEEM). Customer relations and order book are calculated as the present value of the net cash flow generated by sales to customers after deduction of a reasonable return on all other assets which contribute to generating the cash flows in question. The fair value of the identified intangible assets is based on the discounted cash flows that are expected to be generated by the continued use or sale of the assets. An after-tax discount rate of 12.0% has been applied.

Receivables are valued at the present value of the amounts that are expected to be received less expected costs for collection. The Group's loan interest rate before tax is used in the case of discounting. However, discounting is not used when the effect is immaterial.

Liabilities are valued at the present value of the amounts that are required for settling the liabilities. The Group's loan interest rate before tax is used in the case of discounting. However, discounting is not used when the effect is immaterial.

Revenue and profit of the acquired business HDKS since 28 February 2018 included in the statement of comprehensive income for the reporting period amounts to DKK 41 million and DKK 3 million respectively.

Revenue and profit of H+H including the acquired business HDKS for the current reporting period as though the acquisition date was 1 January 2018 amounts to DKK 500 million and DKK (12) million respectively.

13. Discontinued operations and assets held for sale

H+H own some land which is located close to residential areas or on areas that could be further developed. For 'Borough Green Gardens', no events have occurred in Q1 2018 affecting the assessment given in the annual report for 2017 re. page 12.

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.

No companies are classified as discontinued operations for 2018. For 2017, the Finnish subsidiary Stone Kivitalot Oy and the Ukrainian subsidiaries H+H Ukraina TOV and H+H UA TOV were classified as discontinued operations.

14. Events after the balance sheet date

Grupa Silikaty
H+H International A/S' subsidiary H+H Polska Sp. z o.o. have on the 4th April 2018 closed the acquisition of 99.19% of the shares in Grupa Silikaty Sp. z o.o. in Poland ("Grupa Silikaty"), cf. company announcement No. 357, of 4 April 2018.

The acquisition of the Polish calcium silicate business is in line with the announced strategy of transforming H+H into a leading wall-building materials group and strengthening H+H's position in the residential high-rise segment. As announced in company announcement no. 349 of 7 July 2017, the purchase price is approximately DKK 64 million (enterprise value). The purchase price will be paid according to an agreed payment schedule where approximately DKK 24 million, including working capital and acquisition of cash DKK 11 million, was paid at closing and the remaining amount will be payable in two instalments each of approximately DKK 25 million by the end of January 2019 and 2020, respectively. Annual synergies of more than DKK 10 million are expected from the transaction when fully implemented in 2020. Transaction and restructuring costs are expected to be in the region of DKK 5 million due in 2018. The amount will be presented as a special item.

The acquisition of Grupa Silikaty was closed on 4th April 2018 and the initial accounting for the business combination is incomplete. Information on the fair value of each major class of assets acquired and liabilities assumed acquired in the business combination, the gross contractual amounts of receivable acquired (and the contractual cash flows not expected to be collected) and description of factors making up goodwill has therefore not been disclosed.

Changes in Articles of Association
At the company's annual general meeting 19 April 2018, it was decided in addition to a number other minor changes to adopt a new article 2A.1 of the Articles of Association.

This enables the Board of Directors in the period until 19 April 2023 at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 71,933,460 by issuing new shares at market price or at a discount to market price by way of cash contribution, contribution in kind or by conversion of debt. The capital increase shall be with pre-emptive subscription rights for the company's existing shareholders. The new shares shall be paid up in full. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall:

- be negotiable instruments,
- be issued in the names of the holders
- rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this new article 2A.1.

Other than above, no events have occurred after the balance sheet date that will have a material effect on the parent company’s or the H+H Group’s financial position.