Company announcement No. 375, 2019
Interim financial report Q1 2019

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"We have more than doubled EBITDA due to favorable market conditions, the impact from last years' acquisitions and the upgrade of the Borough Green factory", says CEO Michael T. Andersen. "We are running at full capacity in many of our markets and have reduced stocks in the first quarter of 2019."

Highlights for the period 1 January to 31 March 2019

DKK million	Q1 2019	Q1 2018
Revenue	666	434
Organic growth	22%	5%
EBITDA before special items	97	40
EBIT margin before special items	8%	3%
NIBD/EBITDA before special items	1.4	5.5
Special items	0	16
Free cash flow excluding acquisitions and divestments	(23)	(99)

Outlook for 2019
H+H updates its outlook for 2019:

- Growth before acquisitions and measured in local currencies is expected to be around 7% (unchanged).
- EBITDA before special items is expected to be DKK 460-510 million (previously DKK 445-495 million).
- EBIT before special items is expected to be DKK 280-330 million (previously DKK 270-320 million).
- Investments excluding acquisitions and divestments are expected to be in the region of DKK 160 million including investments for establishing a CSU production line near Gdansk, Poland and IFRS 16 effect (unchanged).

Investor teleconference
H+H International A/S will host an investor teleconference on 14 May 2019 at 10.30 a.m. CEST.
To attend the conference call dial +45 35 27 02 29 and meeting ID is 538122.

H+H's core activity is the manufacture and sale of wall building materials, with a revenue in 2018 of DKK 2.5 billion. The main product lines are aircrete blocks and calcium silicate units used for the residential new building segment. H+H has 29 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 more than 1,600 employees and is listed on Nasdaq Copenhagen.

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 2019	Q1 2018	Full-year 2018
Income statement			
Revenue	666	434	2,523
Gross profit	182	96	653
EBITDA before special items	97	40	410
EBITDA	97	24	345
EBIT before special items	55	13	228
EBIT	55	(3)	163
Profit/loss before tax	49	(10)	125
Profit/loss after tax for the period	39	(14)	125
Balance sheet			
Assets	2,582	2,455	2,421
Average invested capital (measured on a twelve months basis)	1,767	959	1,582
Investments in property, plant and equipment	11	29	138
Investments in enterprises	24	824	839
Net working capital	33	158	(82)
Equity	1,046	370	1,000
Net Interest-bearing debt (NIBD)*	659	1,352	525
Cash flow			
Cash flow from operating activities	(12)	(70)	370
Cash flow from investing activities	(35)	(853)	(973)
Cash flow from financing activities	42	918	679
Free cash flow	(47)	(923)	(603)
Financial ratios			
Organic growth	22%	5%	18%
Gross margin	27%	22%	26%
EBITDA margin before special items	15%	9%	16%
EBITDA margin	15%	6%	14%
EBIT margin before special items	8%	3%	9%
EBIT margin	8%	-1%	6%
Return on invested capital (ROIC)	13%	12%	10%
Solvency ratio	41%	15%	41%
NIBD/EBITDA ratio	1.6	6.6	1.5
NIBD/EBITDA before special items	1.4	5.5	1.3
Share data			
Share price, end of period (DKK)	98	131	95
Book value per share, end of period (DKK)	58	34	56
Earnings per share	2.2	(1.0)	8.7
Diluted earnings per share	2.2	(1.0)	8.7

*Net interest-bearing debt (NIBD) comprise of interest-bearing debt and lease liabilities offset by cash and cash equivalents.

MANAGEMENT'S REVIEW

Revenue
Revenue in local currencies, excluding the acquired businesses (organic growth), increased by 22% in the first quarter. Revenue, including the acquired businesses, increased by 53% to DKK 666 million in the first quarter.

The organic growth is predominantly volume driven. The main drivers behind the volume growth is the UK following the commissioning of the Borough Green factory and favourable weather conditions compared to 2018. All regions had organic growth and higher prices than last year.

Gross margin
The gross margin in the first quarter was 27%, against 22% in 2018. Adjusted for the additional transport costs incurred in the UK and the planned stand still of the factory in Borough Green, the gross margin would have been 26% in 2018.

EBITDA
EBITDA for the first quarter was DKK 97 million (2018: EBITDA before special items was DKK 40 million and DKK 24 million after special items).

The increase in EBITDA is from both the aircrete and the acquired CSU business.

Operating profit (EBIT)
Operating profit for the first quarter was DKK 55 million (2018: EBIT before special items was DKK 13 million and DKK (3) million after special items).

EBIT margin for the first quarter was 8% (2018: 3% before special items and (1)% after special items).

Profit before tax
First-quarter profit before tax was DKK 49 million (2018: DKK (10) million), a change of DKK 59 million.

Comprehensive income
The total comprehensive income for the first quarter amounted to DKK 45 million which comprises of profit for the period of DKK 39 million, foreign exchange adjustments of DKK 11 million and actuarial loss less deferred tax of DKK (5) 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 was DKK 10 million (2018: DKK 4 million), a change of DKK 6 million.

Cash flow
Cash flow from operating activities in the first quarter was DKK (12) million (2018: DKK (70) million), a change of DKK 58 million.

The positive development in cash flow from operations is due to improved business performance.

Cash flow from investing activities in the first quarter was DKK (35) million (2018: DKK (853) million).

First-quarter free cash flow was DKK (47) million (2018: DKK (923) million).

Cash flow from financing activities in the first quarter was DKK 42 million (2018: DKK 918 million).

The comparative cash flow was impacted by the purchase of “HDKS”.

Financing
Net interest-bearing debt totalled DKK 659 million at 31 March 2019, a change of DKK 134 million since the beginning of the year and a change of DKK (693) million since 31 March 2018.

Implementation of IFRS 16 has impacted the net interest-bearing debt by DKK 90 million. Please refer to note 2 for further information of the impact of IFRS 16.

In first quarter, the Danske Bank Term Loan of DKK 350 million was repaid, this by obtaining a DKK 400 million Term Loan at Nordea Bank.

First-quarter net financials totaled DKK (6) million (2018: DKK (7) million).

Equity

H+H's equity increased by DKK 46 million in the first quarter of which profit for the period contributed DKK 39 million, foreign exchange adjustments DKK 11 million, actuarial loss on the UK pension plan of DKK (5) million and other adjustments of DKK 1 million.

Equity		
	Q1	Q1
Amounts in DKK million	2019	2018
1 January	1,000	377
Profit/loss for the period	39	(14)
Actuarial gains/losses on pension plans	(5)	12
Foreign exchange adjustments	11	(4)
Capital increase	0	0
Other adjustments	1	(1)
31 March	1,046	370

Most material risks and uncertainties

For most material risk and uncertainties, please refer to note 4 "Significant accounting estimates and judgements".

SEGMENTS

Revenue		
	Q1	
Amounts in DKK million	2019	2018
Western Europe	464	307
Eastern Europe	202	127
Total	666	434

EBITDA before special items		
	Q1	
Amounts in DKK million	2019	2018*
Western Europe	66	28
Eastern Europe	49	22
Eliminations and unallocated items	(18)	(10)
Total	97	40

*The comparative figures for EBITDA and EBIT have been adjusted between "Western Europe" and "Elimination and unallocated items"

Operating profit (EBIT)		
	Q1	
Amounts in DKK million	2019	2018
Western Europe	34	0
Eastern Europe	40	13
Eliminations and unallocated items	(19)	(16)
Total	55	(3)

Western Europe

First-quarter revenue in Western Europe, excluding the acquired companies, increased by 27% in local currencies (organic growth). Revenue including the acquired business increased by DKK 157 million to DKK 464 million, an increase of 51%.

First-quarter organic growth was driven by higher sales volume as well as price increases.

The two main markets, the UK and Germany, are impacted by governmental stimuli programs. In the UK 'Help to buy' has been extended to 2023 but with more strict entry requirements from 2021. In Germany, programs are in place, but due to bottleneck issues on labour and transport these are expected to have less of an impact.

Our key UK customers continue to report strong order books despite uncertainties around Brexit.

The German one-two family segment is expected to be flat for 2019 whereas the multi-family segment is expected to show growth. The trading in the first quarter is in line with this.

First-quarter EBITDA before special items was DKK 66 million (2018: DKK 28 million), an increase of DKK 38 million.

Inflationary pressure on some of the main raw materials such as cement, lime and energy are expected to materialize during the year.

First-quarter operating profit (EBIT) was DKK 34 million (2018: DKK (0) million), an increase of DKK 34 million.

H+H International A/S and its subsidiary H+H Deutschland GmbH have on the 29 April 2019 closed the acquisition with Heidelberger KS Beteiligungen Deutschland GmbH & Co. KG to acquire 51% of the shares in Baustoffwerke Dresden GmbH & Co. KG.

Eastern Europe

First-quarter revenue in Eastern Europe, excluding the acquired companies, increased by 12% in local currencies (organic growth). Revenue including the acquired business increased by DKK 75 million to DKK 202 million, an increase of 59%.

Sales volumes and prices are favourable compared to the same period last year.

Poland is constrained on capacity and volumes are only slightly higher than last year. The market outlook continues to be positive for Poland. Russia also had a strong start to the year with higher volume and higher prices.

First-quarter EBITDA before special item was DKK 49 million (2018: DKK 22 million), a change of DKK 27 million.

The increase is predominantly driven by Poland where the positive revenue development has improved profitability in addition to the impact from the acquired business.

First-quarter operating profit (EBIT) was DKK 40 million, (2018: DKK 13 million), a change of DKK 27 million.

H+H are in talks and negotiations concerning potential divestment of its activities in Russia, cf. company announcement No. 374 of 25 April 2019.

OUTLOOK FOR 2019

- H+H updates its outlook for 2019:
  - Growth before local acquisitions and measured in local currencies is expected to be around 7% (unchanged).
  - EBITDA before special items is expected to be DKK 460-510 million (previously DKK 445-495 million).
  - EBIT before special items is expected to be DKK 280-330 million (previously DKK 270-320 million).
  - Investments excluding acquisitions and divestments are expected to be in the region of DKK 160 million including investments for establishing a CSU production line near Gdansk, Poland and IFRS 16 effect (unchanged)

The expectations for H+H's financial performance in 2019 are based on the following specific assumptions:

- Brexit will not lead to a significant decrease in demand.
- Continuous economic growth in our geographical footprint.
- The excellence programs continue to deliver improvements.
- Exchange rates, primarily for GBP, EUR and PLN, hold at their mid-May 2019 levels.
- Positive impact from IFRS 16 on EBITDA is in the region of DKK 22 million.
- Positive impact from IFRS 16 on EBIT is in the region of DKK 4 million
- Energy and raw material costs expected to rise at levels exceeding inflation.

ABOUT THE OUTLOOK FOR 2019

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

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

- Sales volumes and product mix
- Price competition
- Developments in the market for building materials
- Distribution factors
- Weather conditions
- Macroeconomic and geopolitical developments
- The factories run without significant breakdowns

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 2019

Interim financial report H1 2019 ....14 Aug. 2019
Interim financial report Q1-Q3 2019 ....13 Nov. 2019

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 2019.

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 2019 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2019.

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, 13 May 2019

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

Helen MacPhee

CONDENSED INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2019	2018	2018
Revenue	666	434	2,523
Production costs	(484)	(338)	(1,870)
Gross profit	**182**	**96**	**653**
Sales and distribution costs	(41)	(31)	(147)
Administrative costs	(43)	(31)	(150)
Other operating income and expenses	(1)	(10)	(11)
Profit/loss before depreciation, amortisation and financial items (EBITDA)	**97**	**24**	**345**
Depreciation and amortization	(42)	(27)	(162)
Impairment losses	0	0	(20)
Operating profit/loss (EBIT)	**55**	**(3)**	**163**
Financial income	0	0	1
Financial expenses	(6)	(7)	(39)
Profit/loss before tax from continuing operations	**49**	**(10)**	**125**
Tax on profit/loss from continuing operations	(10)	(4)	0
Profit/loss for the period	**39**	**(14)**	**125**
Earnings per share (EPS-Basic)	2.2	(1.0)	8.7
Diluted earnings per share (EPS-D)	2.2	(1.0)	8.7

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2019	2018	2018
Profit/loss for the period	39	(14)	125
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign companies	11	(5)	(22)
Tax on foreign exchange adjustments, foreign companies	0	1	0
	11	**(4)**	**(22)**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	(5)	15	26
Tax on actuarial gains and losses	0	(3)	(4)
	(5)	**12**	**22**
Other comprehensive income after tax	**6**	**8**	**0**
Total comprehensive income	**45**	**(6)**	**125**

CONDENSED BALANCE SHEET

	Group		
	31 March	31 Dec.	31 March
Amounts in DKK million	2019	2018	2018
ASSETS			
Non-current assets			
Goodwill	175	175	186
Intangible assets	231	239	265
Property, plant and equipment	1,499	1,424	1,400
Deferred tax assets	13	13	26
Financial assets	1	1	1
Total non-current assets	**1,919**	**1,852**	**1,878**
Current assets			
Inventories	264	265	325
Receivables	271	171	216
Cash and cash equivalents	128	133	36
Total current assets	**663**	**569**	**577**
TOTAL ASSETS	**2,582**	**2,421**	**2,455**
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	108
Retained earnings/losses	1,098	1,063	486
Other reserves	(232)	(243)	(224)
Total equity	**1,046**	**1,000**	**370**
Liabilities			
Pension obligations	132	127	150
Provisions	19	17	19
Deferred tax liability	115	118	164
Deferred payment, acquisition og subsidiary	0	24	0
Lease liability	72	4	0
Interest-bearing debt	697	303	538
Total non-current liabilities	**1,035**	**593**	**871**
Current liabilities			
Interest-bearing debt, short-term	0	350	850
Trade payables	257	291	226
Lease liability	18	1	0
Income tax	16	12	6
Deferred payment, acquisition of subsidiary	24	24	0
Provisions	9	16	3
Other current liabilities	177	134	129
Total current liabilities	**501**	**828**	**1,214**
Total liabilities	**1,536**	**1,421**	**2,085**
TOTAL EQUITY AND LIABILITIES	**2,582**	**2,421**	**2,455**
Net interest-bearing debt	659	525	1,352

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q1 2019	Q1 2018
Operating profit/loss (EBIT)	55	(3)
Financial income received	0	0
Financial expenses paid	(6)	(7)
Depreciation, amortisation and impairment losses	42	27
Change in working capital	(90)	(80)
Change in provisions	(5)	(3)
Income tax paid	(8)	(4)
Operating activities	**(12)**	**(70)**
Sale of property, plant and equipment	0	0
Acquisition of enterprises and related deferred payments	(24)	(720)
Acquisition of land and property related to the acquired enterprises	0	(104)
Acquisition of property, plant and equipment and intangible assets*	(11)	(29)
Investing activities	**(35)**	**(853)**
Proceeds from / repayment of short and long-term debt	45	919
Change in lease liabilities	(4)	0
Other financial activities	1	(1)
Financing activities	**42**	**918**
Cash flow from discontinued operations	0	0
Total cash flow	**(5)**	**(5)**
Cash and cash equivalents, opening	133	13
Cash related to the acquired enterprises	0	28
Foreign exchange adjustments of cash and cash equivalents	0	0
Cash and cash equivalents at 31 March	**128**	**36**

*Acquisitions of property, plant and equipment and intangible assets is offset by financial leases (IFRS 16) of DKK 9 million

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 2019	**180**	**(243)**	**0**	**1,063**	**0**	**1,000**
Total changes in equity in 2019						
Profit/loss for the period	0	0	0	39	0	39
Other comprehensive income	0	11	0	(5)	0	6
Total comprehensive income	**0**	**11**	**0**	**34**	**0**	**45**
Share-based payment	0	0	0	1	0	1
Total changes in equity in 2019	**0**	**11**	**0**	**35**	**0**	**46**
Equity at 31 March 2019	**180**	**(232)**	**0**	**1,098**	**0**	**1,046**
Equity at 1 January 2018	**108**	**(220)**	**0**	**489**	**0**	**377**
Total changes in equity 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**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2019 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 not been reviewed by the company's auditors.

H+H has implemented IFRS 16 affecting the accounting policy for recognition of leases. IFRS 16 requires that 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.

Other than above are accounting policies consistent with those applied in the 2018 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 2019. For the first quarter, the implementation of IFRS 16 has impacted the EBITDA by DKK 5 million, EBIT by DKK 1 million and operating cash flow by DKK 4 million. Non-current assets as of 31 March 2019 is increased by DKK 88 million and net interest-bearing debt by DKK 90 million. The impact is in line with expectations disclosed in the Annual Report for 2018.

3. Segment information

Amounts in DKK million	Q1 2019			Q1 2018		
	Western Europe	Eastern Europe	Reporting segments	Western Europe	Eastern Europe	Reporting segments
Revenue, external	464	202	666	307	127	434
Revenue, internal	45	0	45	29	4	33
EBITDA before special items	66	49	115	28	22	50
Operating profit (EBIT)	34	40	74	0	13	13
Invested capital	1,327	444	1,771	1,265	420	1,685
Other segment information						
Special items	0	0	0	10	1	11
Depreciation, amortisation and impairment losses	32	9	41	19	8	27
Non-current assets	1,411	488	1,899	1,056	424	1,480
Segment assets	1,896	675	2,571	1,639	532	2,171

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q1 2019	Q1 2018
Operating profit (EBIT) for reportable segments	74	13
Unallocated group costs, corporate functions	(19)	(16)
Financial income	0	0
Financial expenses	(6)	(7)
Total	49	(10)

H+H have identified several operating segments which have been aggregated into one reporting segment. H+H has chosen to disclose more segment information than required by IFRS 8, this to accommodate the investors of H+H. Refer to Accounting policies in the consolidated financial statement in the Annual Report 2018 re. page 3.

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, net defined-benefit obligations and the preliminary purchase price allocation of Grupa Silikaty.

With reference to note 6 "Pension obligations", significant accounting estimates and judgements have been made in connection to adjustment of the net defined-benefit pension obligation in the UK.

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 2018 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, and to a lesser extent high-rise housing, making H+H particularly vulnerable to fluctuations in the level of activity in these building segments. 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, Switzerland and Germany. The UK and Swiss 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 2018, a value adjustment has been made relating to the UK pension plan, affecting total comprehensive income for the first quarter of 2019. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows an increase in underfunding of DKK 5 million (the present value of the obligations exceeds the fair value of the plan assets).

The total pension obligation as at 31 March 2019 amounts to DKK 132 million, compared to DKK 127 million as at 31 December 2018. The development in the pension obligations from 31 December 2018 till 31 March 2019 is due to payments, interest, value adjustment and currency adjustment.

7. Financial resources and cash flow

Net interest-bearing debt excluding financial leases totalled DKK 659 million at 31 March 2019, up DKK 134 million since the beginning of the year. The development is primary due to normal seasonal increases in working capital and implementation of IFRS 16 as of 1 January 2019 whereas a lease obligation of DKK 90 million are recognised in the balance sheet as of 31 March 2019.

On 1 March 2019, a new committed credit facility was agreed with Nordea Danmark, branch of Nordea Abp, Finland, 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 agreement has a duration of 3 years and has been secured on attractive market terms. The agreement will replace the existing agreement with Dansk Bank A/S.

The company's financing is subject to certain conditions e.g. the following financial covenants which has been fulfilled in the first quarter of 2019 and which are required - and with the current Outlook 2019 expected - to be fulfilled for the remaining three quarters of 2019:

- Interest cover ratio (EBITDA to financial net payables)
- Leverage ratio (net debt to EBITDA)

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

The matching share schemes for 2017 and 2018 are active and presented in consolidated financial statements in the Annual Report 2018. An amount of DKK 0.8 million was recognised under staff costs in the first quarter of 2019, against DKK 0.5 million in the same period in 2018.

9. Tax

Tax for the first quarter shows an expense of DKK (10) million. The tax comprises of current tax expense for the period of DKK (13) million offset by adjustment of deferred tax DKK 3 million.

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 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

The preliminary purchase price allocation for Grupa Silikaty is unchanged compared to what is disclosed in note 25 in the annual report for 2018.

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 first quarter 2019 materially affecting the assessment given in the consolidated financial statement in the Annual Report 2018 re. page 14.

The company regularly review whether land or other assets is to be sold or maintained. No assets are classified as assets held for sale, although note 14 contains information on a potential divestment.

14. Events after the balance sheet date

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.