



Annual Report

H+H International A/S
2019





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H+H is a wall building materials provider. The core activity is production and sale of autoclaved aerated concrete (AAC or aircrete) and calcium silicate units (CSU or sand lime bricks). The products are building blocks used for wall building primarily in the residential new building segment.

The product range also includes more advanced products such as high-insulating blocks, larger elements and a range of traded goods used for wall building.

H+H has 29 factories in Northern and Central Europe with a total annual output of approximately four million cubic metres of wall building materials and a leading position in most of its markets. The Group has more than 1,600 employees.

The business is cyclical and H+H is always pursuing organic growth and margin improvements. In addition, restructuring of the markets in Central Europe is on the strategic agenda.

The parent company H+H International A/S has its headquarter in Copenhagen, Denmark and the Company is listed on Nasdaq Copenhagen.

This document 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 document. In no event shall H+H International A/S be liable for any direct, indirect or consequential damages or any other damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other action, arising out of or in connection with the use of information in this document

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Financial statements

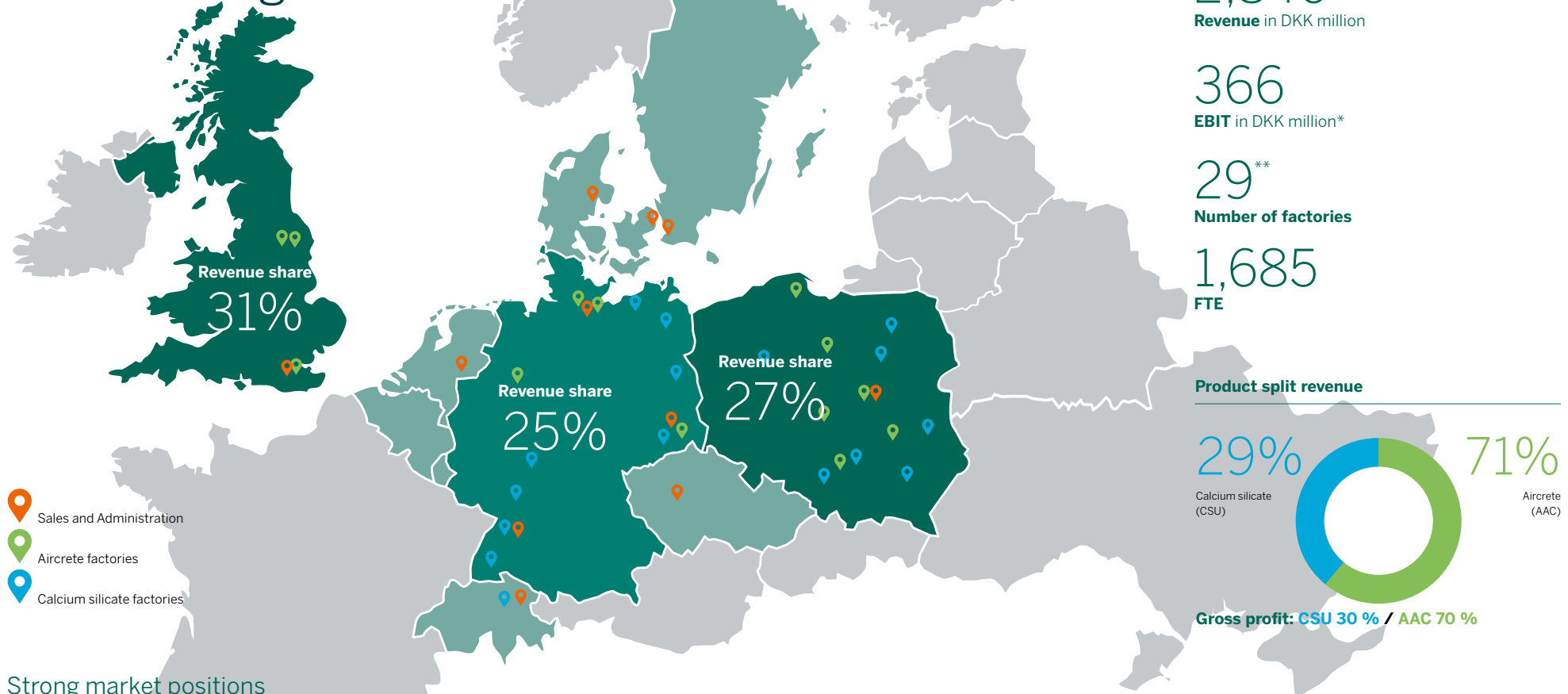
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H+H – at a glance



2,840
Revenue in DKK million

366
EBIT in DKK million*

29**
Number of factories

1,685
FTE

Product split revenue

29% Calcium silicate (CSU) | 71% Aircrete (AAC)

Gross profit: CSU 30% / AAC 70%

Strong market positions

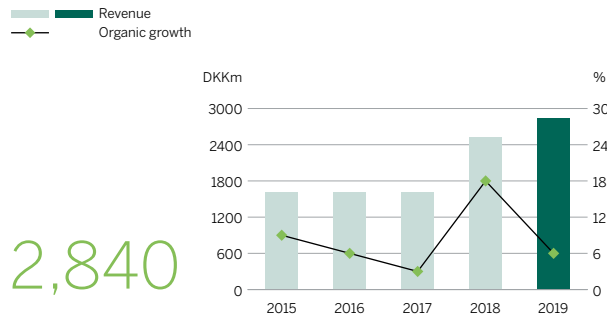
United Kingdom (31%)	Germany (25%)	Poland (27%)	Other markets (17%)
#1	#2	#2	#1 or #2
Marketshare >40%	Marketshare AAC >15%** Marketshare CSU ~12%	Marketshare AAC 20–25% Marketshare CSU 20–25%	Marketshare 15–50%

**Incl acquired AAC factory in Dresden on 14 January 2020

Performance Highlights

Revenue and Profit

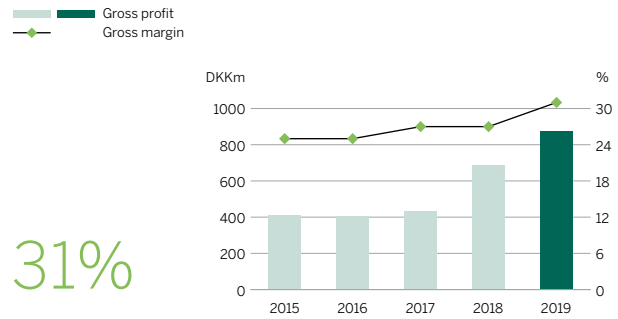
Revenue



Revenue in DKKm

2,840

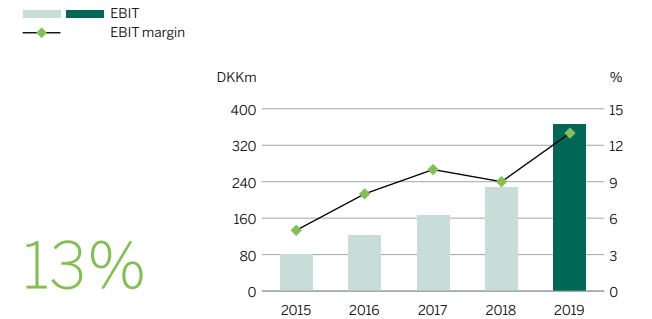
Gross profit and gross margin



Gross margin before special items

31%

EBIT and EBIT margin



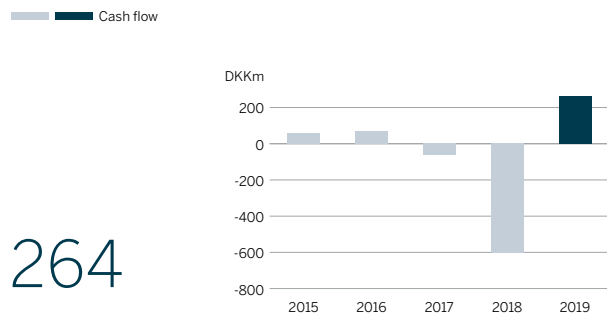
EBIT margin before special items

EBIT in 2018 was affected by a one-off effect related to the acquisition of the German CSU plants

13%

Cash flow and balance sheet

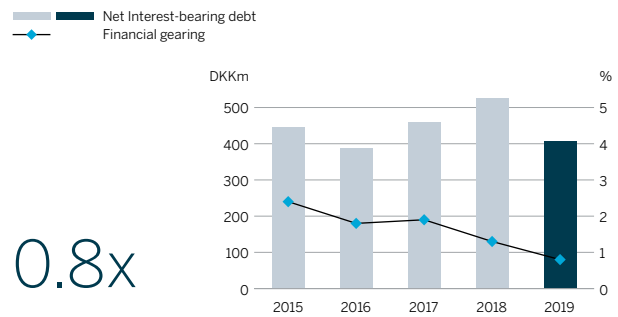
Free cash flow



Free cash flow in DKKm

264

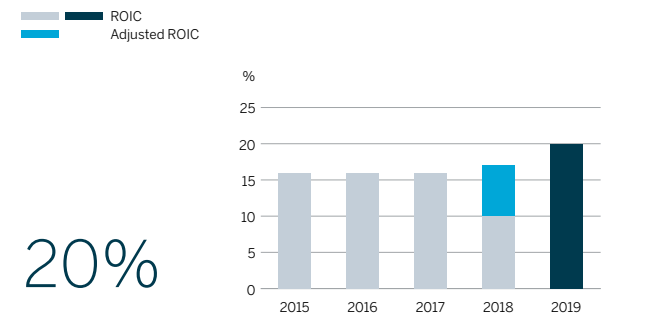
Financial gearing



NIBD/EBITDA (before special items) ratio. NIBD for 2019 incl. impact from IFRS 16

0.8x

Return on invested capital (ROIC)



ROIC in 2018 was negatively impacted by a one-off related to the acquisition and integration of the German and Polish businesses and impairment of fixed assets in Russia. Adjusted for this, ROIC would have been 17 %.

20%

Key figures

	Group				
(DKK million)	2019	2018	2017	2016	2015
Income statement					
Revenue	2,840	2,523	1,622	1,611	1,621
Gross profit before special items	877	690	434	405	410
EBITDA before special items	539	410	242	211	182
EBITDA	531	345	212	214	232
EBIT before special items	366	228	165	122	80
EBIT	358	163	134	125	130
Profit/loss before tax	205	125	116	104	94
Profit/loss after tax for the year	150	125	90	89	39
Balance sheet					
Assets	2,716	2,421	1,327	1,188	1,246
Invested capital	1,805	1,582	907	760	730
Investments in property, plant and equipment*	126	138	110	83	61
Net working capital	48	8	58	(66)	(114)
Equity	1,371	1,000	377	278	255
Net interest-bearing debt (NIBD)	407	525	460	387	445
Cash flow					
Cash flow from operating activities	369	370	83	143	112
Cash flow from investing activities	(105)	(973)	(144)	(75)	(54)
Cash flow from financing activities	(131)	679	66	(110)	(71)
Free cash flow	264	(603)	(61)	68	58

	Group				
(DKK million)	2019	2018	2017	2016	2015
Financial ratios					
Organic growth	6%	18%	3%	6%	9%
Gross margin before special items	31%	27%	27%	25%	25%
EBITDA margin before special items	19%	16%	15%	13%	11%
EBITDA margin	19%	14%	13%	13%	14%
EBIT margin before special items	13%	9%	10%	8%	5%
EBIT margin	13%	6%	8%	8%	8%
Return on invested capital (ROIC) (excl. Goodwill)**	20%	10%	16%	16%	16%
Solvency ratio	50%	41%	28%	23%	20%
NIBD/EBITDA before special items ratio	0.8	1.3	1.9	1.8	2.4
ESG measures					
Average FTE's	1,685	1,651	1,062	1,041	1,034
FTE's end of period (excluding divestments)	1,625	1,616	1,022	986	-
Frequency of accidents (FRA)	6	9	11	16	-
Sickness absence (days per FTE)	13	11	10	9	-
Total Energy per m ³ (MJ)	565	593	551	551	-
Water consumption per m ³ (litre)	382	387	394	407	-

Financial ratios and ESG measures have been calculated in accordance with recommendations from the Danish Society of Financial Analysts.

* Investment in property, plant and equipment excludes effects from implementation of IFRS 16

** Due to the acquisitions the method for calculating "Return on invested capital (ROIC)" was changed in 2018 to better reflect a true and fair view. ROIC for 2018 and 2019 has been calculated as "Operating profit (EBIT)" held against the average invested capital (excluding goodwill), both measured on a twelve months basis.

Outlook

Outlook for 2020

- Revenue growth before acquisitions and measured in local currencies is expected to be in the range -2% to 2%.
- EBIT before special items is expected to be DKK 300-360 million.
- Investments, excluding acquisitions, divestments and IFRS 16 effect, are expected to be DKK 140-180 million including investments for establishing a CSU production line near Gdansk, Poland.

Assumptions for the outlook for 2020

Specific assumptions

The expectations for H+H's financial performance in 2020 are based on the following specific assumptions:

- The outbreak of the Coronavirus (COVID-19) will not have severe impact on construction activity levels or supply chains
- Brexit will not lead to a significant decrease in demand.
- Continuous stable economic growth in H+H's geographical footprint.

- The excellence programs continue to deliver improvements.
- Exchange rates, primarily for GBP, EUR and PLN, hold at their mid-March 2020 levels.
- Energy and raw material costs expected to rise at levels exceeding inflation.

General assumptions

The expectations for H+H's financial performance are 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 continues growth journey

2019 was a satisfying year for H+H. Revenue grew by 13 % and EBIT margin by 4 percentage points to 13 %. The improvement was mainly based on acquisitions, and the growth journey continues.

As part of our activities to further consolidate the German market we made two acquisitions in 2019, of which the second one was completed in mid-January 2020.

In October, H+H divested the Russian activities due to the strategic focus on the core markets – the UK, Germany and Poland.

Balanced foundation

Today, H+H has a balanced footprint with three core markets and two product lines. In all our markets, we are either market leader or a strong market challenger.

The H+H strategy entails having market-leading positions in current markets and solely pursuing markets where H+H can obtain a leading market position within a reasonable timeframe.

With a well-balanced foundation as a cross border heavy-side building material producer, future growth remains a strategic cornerstone for H+H.

We believe pursuing further market volume is vital for H+H in order to utilise the business potential through market penetration, purchasing power and process efficiencies.

Equally important, our key focus is to have a solid footprint in our core markets so as to maintain a scalable business model.

Strengthening the organisation

H+H has grown significantly in recent years, and it becomes increasingly important that we have a platform from which to continue expanding and being able to handle the added complexity, including the integration of the acquired businesses. Management has strengthened the group functions in several areas, and in June the Board also welcomed our new CFO, Peter Klovgaard-Jørgensen. With our executive management now in place, we believe that H+H is geared to pursue the ambitious growth targets going forward.

Setting sail for next growth journey

For the coming period, H+H will continue to work for consolidation of the German market in order to increase market share and utilise strategic M&A opportunities in a fragmented market.

In parallel, H+H will continue to seek other strategic growth opportunities. Several adjacent markets are of strategic interest. Also, the changed market positioning of H+H from being a

Long-term financial targets

EBIT-margin before special items

11

13% in 2019

Return on invested capital

12%

20% in 2019

Financial gearing

Net interest-bearing debt to EBITDA before special items

1-2

0.8x in 2019

In the Annual report 2017 we laid out the current long-term targets. While exceeding the targets in high profitable years, the targets also reflect the ambition to keep average minimum levels through a full business cycle.



single-product company to becoming a partner in wall building has been welcomed by our customers and the added product portfolio opens for a broader value proposition for customers.

Sustaining economic cycles

With the current strong financial position and liquidity, we are pursuing our ambitious growth strategy while maintaining a healthy business through the full business cycle.

As a company in a cyclical market it is our key priority to maintain sturdiness in case of an economic downturn, and we are continuously optimising the resilience of our business.

Safety and sustainability

Sustainability is increasingly on the agenda for us and our key stakeholders. In order to ensure transparency in our commitments within this area we have set measurable targets going forward.

This includes setting responsible environmental targets for production as well as keeping our historical focus on safety.

Market trends and shareholder value

The current market demand is still supported by fundamental trends such as structural undersupply of housing, governmental stimuli as well as demographic growth and urbanisation.

We have a generally positive outlook for 2020, but market predictions for our core markets include several uncertainties compared to the past year.

For the time being, we intend to create shareholder value by using the free cash flow to develop the existing business and execute on the pipeline of strategic growth initiatives, while maintaining a strong financial position.

On behalf of the Board of Directors, I thank you – our shareholders – for your continued support.

Kent Arendt
Chairman



Delivering on growth ambitions

Following a total revenue of DKK 2,840 million and an EBITDA* of DKK 539 million, I'm very pleased with the strong performance for 2019.

At the beginning of the year we expected good performance for 2019 but the results still outperformed initial earnings guidance. Backed by strong price developments, we increased our earnings despite a slightly lower organic volume growth than initially expected.

H+H reached the highest EBITDA level in the history of the Group, and the EBITDA* margin improved 3%-points year on year to 19%.

The performance reflects the accelerated growth trajectory we have seen in recent years. Since 2015, we have almost doubled our revenue and more than quadrupled EBIT* .

High capacity utilization and strong performance

2019 was characterized by strong demand and high capacity utilization in our markets.

H+H's Polish AAC business operated at full capacity delivering high output and solid price increases, and the CSU business showed strong volume and price developments.

The German AAC business operated at near-full capacity but with restrained output. Both AAC and CSU experienced a strong price development, but we also saw the first signs of a more challenging market environment as the German high-rise market softened in the fourth quarter. The market stabilised again at year end, but overall organic growth was impacted.

The Nordics were challenged by increased competition and limited supply from Germany. Across all markets, we saw strong operational performance driven by low interest rates, governmental support and structural undersupply of housing in the core markets, but also supported by synergies from acquired companies and operational excellence.

Best performing year in UK despite Brexit

Uncertainty surrounding Brexit throughout most of the year impacted the UK market. The RMI (repairs, maintenance and improvement) demand declined in the second half of 2019, but newbuild demand remained high, helped by the state funded UK Help to Buy programme.

H+H has in the recent years reduced its relative exposure to the UK market by expanding the European footprint in Germany, Switzerland and Poland, and as a result the UK exposure has decreased from 43 % in 2017 to 31 % in 2019.

In absolute terms our business size in the UK has not declined and despite Brexit uncertainty we have had a very satisfactory performing year.

* before special items

Investments

The Borough Green factory upgrade in the UK, which was carried out in the first half of 2018, was up and running at full speed in all of 2019. H+H is now able to produce more with our current three factories than with the four factories we owned in 2007.

In Poland, a major investment is planned for 2020 in Reda, where H+H is building a CSU factory next to an existing AAC factory. This is a DKK 30 million investment, which is significantly less than the cost of a greenfield project. The investment constitutes a significant market opportunity as there are no other CSU factories in the area.

Focus on ESG

H+H's products are due to its excellent product properties among the most sustainable products to build with.

To increase transparency around the activities, we have introduced measurable ESG targets. Furthermore, sustainable investments will be prioritised through an ESG-dedicated investment allocation totalling DKK 50 million over the coming three years.

Delivering on the strategy

On the backdrop of a busy year of acquisitions, we grew revenue in 2019 by DKK 317 million, while also focusing on the integration activities in Germany. In addition, we made two bolt-on acquisitions in Germany.

In line with the strategic plan, we also divested the Russian business in October in order to stay focused on our European activities.

H+H will continue to seek market consolidation in Germany, as there are still interesting strategic growth opportunities available in this fragmented market.

Adapting to a more complex organisation

Skilled, engaged, and motivated employees are the foundation of our ability to grow and develop and that calls for further focus on HR and IT in particular.

In 2019, we therefore strengthened the Group by appointing a CHRO at management level while also staffing up in the IT area.

Despite the increased complexity and addition of resources, H+H is still characterized by an agile and flat organisational structure.

Thanking the employees

Lastly, I would like to thank our employees for their commitment and contribution to our strong results in 2019.

Michael Troensegaard Andersen

CEO



Business model – We focus on adding value to our customers throughout the entire wall building process

Quality Manufacturing

Quality products of nature's own material

Value-added Sales

Trusted partners in wall building

Diversified Market

Innovative product solutions for high-rise and low-rise



Key raw materials

- Nature's own sand, water and lime
- Cement and aluminium added for AAC

Quality products

- Autoclaved aerated concrete (Aircrete or AAC)
- Calcium silicate units (CSU)
- Quality products with sustainable features
- Eco friendly
- Improved energy savings

Partnerships

Partnerships with the customers
Solution selling

- Early involvement
- Supports customers in early planning stage
- Optimising building process
- Cooperation with planners, architects, distributors and builders

Delivery

Building site (75-80%)
Builders' merchant

- Premium brand
- Availability
- One-point of contact
- One-stop shop for wall building
- Transparency
- Reliable and timely delivery

Foundation Inner & Exterior walls

High-rise
(primarily CSU)

Residential
low-rise
(primarily AAC)

Non residential
(primarily AAC)

- Sustainable building products
- High quality solutions
- On-site support
- Improved workflows and processes
- Technical support and material expertise
- Mixed product sales

Equity story



1. European market leading position in AAC and CSU products

- Top 2 positions in all key markets
- Geographic balanced market position
- Balanced product portfolio for low-rise and high-rise buildings



2. Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and urbanisation (megatrend)
- High entry investment barriers



3. M&A – Proven track record of strategy execution

- Fragmented markets with room for market share gains and consolidation through acquisitions
- Efficient integration process and agile organisation
- Scale - realisation of synergies



4. Sustainable solutions

- Long-lasting eco friendly products
- Energy saving products
- Excellent indoor climate
- Fire resistance
- Acoustic comfort



5. Unique market approach

- Value added customer relationship and assistance through entire building process
- Supplying sophisticated solutions
- Focusing on pull sale – knowing the customer
- High customer retention rate
- High degree of market adaptation



6. Strong financial performance and capital structure

- Earnings more than quadrupled since 2015 (EBIT from DKK 80 m to DKK 366 m in 2019 before special items)
- NIBD/EBITDA before special items ratio of 0.8x
- ROIC of 20%
- Strong cash flow generation

Strategy

Today, H+H has a balanced footprint totalling 29 factories in three core geographic markets split into two product lines. Building on this foundation, the Group will pursue further growth in the European market, including adjacent economies to the already existing markets and/or addition of new products under the value proposition - Partners in wall building.

H+H will solely pursue markets where a market-leading position as number one or two, is obtainable within a foreseeable future. In the present core markets H+H is either the market leader or a strong number two. The current foundation and balanced footprint has reduced country specific risk, as revenue is more evenly spread across the overall footprint. With the establishment of three core markets, UK revenue exposure has decreased from 43% in 2017 to 31% in 2019.

The strategic rationale

H+H has a strong track record as a market consolidator. Since 2014 the strategy has been focused on consolidating the European market with the primary focus on Germany and Poland. The ambitious restructuring began with the added volume of five factories in the AAC market in Poland in 2015. H+H entered the CSU business

when making two large acquisitions in Germany, Switzerland and Poland in 2018. H+H now has critical mass in all of its markets. Scale effects and synergies therefore continue to have a positive effect on earnings.

The restructuring activity has been high over the past five years and the ambition is to continue on this growth journey. Having obtained critical mass in the core markets, the Group would still benefit from growth.

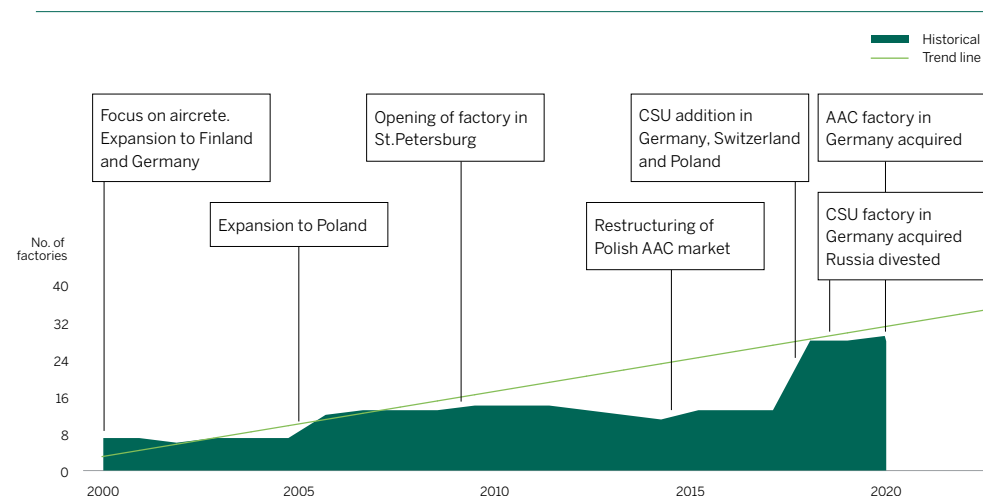
One of the key elements in H+H's strategy is to be a driving force in the restructuring of the Central European markets for wall building materials. Following the pre-emptive share issue completed in June 2018, and a new bank agreement in 2019, H+H is in a strong financial position from which to pursue further growth.

Realising synergies

There are additional synergies to be gained from duo product selling of AAC and CSU products and economies of scale. While the integration processes have differed, both Germany incl. Switzerland and Poland are generating significant higher earnings after the strategic acquisitions, year on year EBITDA increased by 4%-point and 6%-point, respectively.

Focus on increased pricing power is necessary to counter the growing inflationary pressure from cement, lime, distribution and energy, primarily from increasing costs of emission allowances. H+H has focus on defending margins and maintaining attractive returns.

No. of factories



2019 – acquisitions and divestment

2019 was mainly a year of consolidation for H+H, and yet two bolt-on acquisitions and one divestment were executed during the year.

In April 2019, an acquisition of a CSU factory situated near Dresden (Baustofwerke Dresden GmbH & Co. KG) was closed. The agreement was for a 51% of the ownership interest, at a price of DKK 67 million (€V) paid in cash at closing.

In December 2019, H+H signed an agreement to acquire an AAC factory situated in the same area (Porenbetonwerk Laussnitz GmbH & Co. KG). This agreement was also for 51% ownership at a price of DKK 53 million (€V) paid in cash, and it closed

in January 2020. Both factories complement H+H's network of factories in the Eastern part of Germany and provide better access for our products to the Berlin market as well as to the Czech Republic.

In Russia, H+H's position around St. Petersburg was based on a single factory supplying the local market. As previously announced a divestment of the business was investigated, and in October 2019, H+H divested the Russian business for an enterprise value of DKK 96 million with net proceeds of DKK 117 million paid in cash. In connection with the transaction a translation reserve in the equity of DKK 121 million was recycled through P&L leading to a one-off non-

cash financial expense with no impact on equity. The divestment was in line with strategic plans of focusing on our core markets, the UK, Continental Western Europe and Poland.

Next strategic steps

Germany

In the short term, the key strategic focus is to complete the restructuring of the German market.

H+H has identified several potential attractive acquisition targets and has an ongoing dialogue with these targets.

H+H is still in a unique situation as German legislation present favourable acquisition conditions for smaller and mid-size companies. H+H has both the necessary financial strength and a proven track record in integration and restructuring from recent years' acquisitions.

New markets and product lines

In parallel with the German focus, the Group will pursue further growth in the European market. Entering new markets can include economies adjacent to the already existing markets and the addition of new products under the value proposition - Partners in wall building.

Investing in existing markets

H+H is currently developing its existing site in Reda near Gdansk, to support its network of CSU factories in Poland. An AAC factory is already located at the site, which will also host the CSU production line.

There are no local CSU producers in this area and by using the existing land and a number of facilities shared with the existing AAC factory, H+H will be able to get the CSU production line ready for production in second half of 2020 at an investment of around DKK 30 million, which is significantly less than the cost of building a greenfield factory.

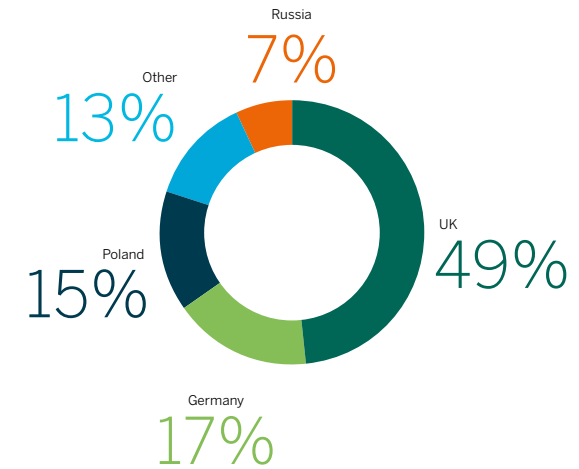
For some years, following the financial crisis, investments in production equipment have been kept at a minimum, resulting in some under investments. This combined with the state of the recently acquired production equipment in Poland means that some investments are to be made in existing production in the coming years.

Branding – Partners in wall building

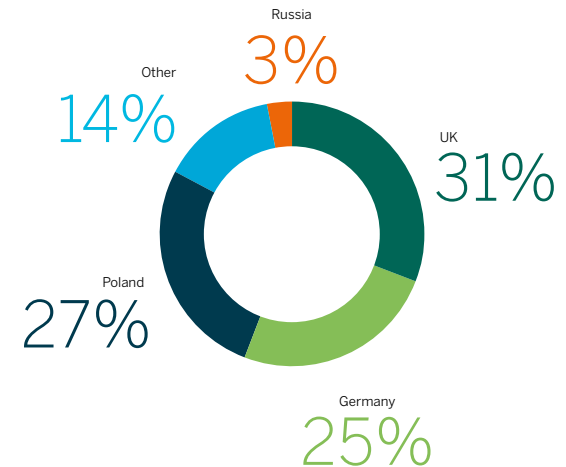
In a world where everyone is under pressure to work faster, smarter and more efficiently, H+H's key focus is to accommodate customer demands by engaging in partnership with the customers. In light of this, combined with the addition of CSU product line, H+H updated its value proposition in early 2019 to Partners in wall building.

H+H believes that collaboration creates lasting value. By understanding its customers, their local needs and industry trends, H+H can help them overcome challenges and manage complexities throughout the process. H+H aims to be the ideal partner and a one-stop shop for every wall building project, while also assisting in optimising the building process.

2015 revenue split



2019 revenue split



Logistics

In addition to customer orientation, tangible processes such as logistics are key, especially in times of increased pressure on reducing construction time and supply shortages. By combining the right set of skills, the right IT solutions and the right partners, the logistics solution can become a differentiator in the marketplace. As H+H has grown, the network of logistics partners has increased as well. H+H aims to deliver top-of-class solutions at the right place and time, and H+H can due to its size benefit from a more efficient setup.

Continous improvements

H+H continues to follow the lean manufacturing approach to improve manufacturing efficiency and effectiveness. Identifying waste and eliminating it from the production process enabled us to increase output from our factories and thereby offset inflation in many areas. This has been complemented by targeted capital investments to improve reliability, throughput and quality across the manufacturing network.

Procurement

Following a strengthening of the procurement function in recent years, H+H has benefitted from the impact of consolidated buying positions in Poland and Germany and improved procurement processes in all regions. The company wide Category Management approach has led to beneficial Group contracts enabling the Group to leverage its increased size across the entire footprint in terms of equipment, utilities, transport and raw materials. This approach will continue to be a focus of attention in the future.

Innovative solutions

Wall-building materials are to a large extent limited by physics. The industry has seen no real breakthroughs on the product side for years.

H+H has been able to excel in application methodologies and services around the core product. We will continue to pursue local innovations with potential cross-border launch.

As part of our 'Continuous improvement programme' vacuuming of the autoclaves during operations has shown good results. It reduces the cycle time, ensures a more consistent quality and requires less energy consumption during the process.

We are following other initiatives seen in the industry, such as robot technologies for installation and 3D printing. So far, these technologies have not reached a maturity level to indicate that our business model needs adjustments.

Safety and sustainability

ESG is a key strategic priority and doing business in a sustainable manner is an integral part of all H+H's activities.

This includes an environmental focus on production and on taking into account of the environmental impact of the use of H+H's products over its lifetime.

In order to ensure progress in our ESG agenda, an investment of DKK 50m over the coming three years have been allocated to ESG initiatives.

Employment and working conditions must be fair and non-discriminatory and comply with

internationally recognised human rights and labour rights, and the working environment must be safe and healthy and support the talent and career ambitions of employees.

To help strengthen the diversity of H+H's workforce, H+H implemented a diversity policy for the Group in 2019.

With a strong focus on safety for our employees, H+H are pleased to report yet another year with no fatalities, and we continue to focus strongly on reducing the frequency of accidents, having the lowest rate in 2019 since reporting began.

IT

Customers are focusing on digitalisation and new technologies are constantly emerging. With its greater complexity, H+H will ensure offering simple solutions to our customers to be used throughout the value chain and across product lines where possible.

During 2019, H+H stepped up its focus and competencies within IT in order to strengthen the business processes, support the strategic growth initiatives and address potential new customer needs. The IT focus also entails a further strengthening of the IT foundation allowing for faster integrations while defending the company assets and business from IT-related threats.



Acquisitions and divestments since 2014

Date (signed)	Acquisitions and divestments (closing)
9 October 2014	Five AAC plants in Poland (5 February 2015)
7 July 2017	Seven CSU plants in Poland (4 April 2018)
14 December 2017	Seven German CSU plants and One Swiss CSU (28 February 2018)
28 December 2018	One CSU plant in Dresden, Germany (51 % ownership) (29 April 2019)
31 October 2019	Divestment of one AAC Russian plant
18 December 2019	One AAC plant in Laussnitz, Germany, near Dresden (51% ownership) (14 January 2020)

Integration Poland

H+H has been present in the Polish market since 2005, where the Group owned five factories. The first restructuring began in 2014, when H+H signed an agreement to acquire additional five AAC factories at a price of DKK 108 million (EV).

During 2015, the combined capacity of ten factories was consolidated into the final set-up of six factories within a few weeks after the takeover, taking capacity out of the market.

Integration was achieved as planned, and the synergies in terms of price, costs and productivity exceeded the initial expectations. H+H achieved a competitive and leading position in the aircrete market in Poland and returned the business to profitability.

In 2017, it was agreed to acquire the CSU manufacturer Grupa Silikaty at a price of DKK 64 million (EV). The acquired business consisted of seven factories with good geographical overlap to the existing AAC business.

The successful integration framework applied in 2015 was reused and adapted to the new integration.

The focus was again a fast integration into the existing H+H setup. The risk was limited due to low earnings of the acquired business, and synergies were tangible from both the market and the operations side. The acquired business was smoothly integrated into the H+H structure.

A joint sales force for AAC and CSU was established within the first three months. The joint product offering provided an advantage thanks to strong market demand and the proximity of AAC and CSU factories. The brand transformation had to be aligned with the group-wide H+H branding project initiated following the acquisitions of the CSU product line in Poland, Germany and Switzerland and was completed by early 2019.

It became apparent that several minor improvements would increase the production capacity of the acquired CSU factories and sharing of know-how between plant managers showed considerable improvements. In addition, a roadmap on how to improve the CSU geographical footprint to be better aligned with the existing AAC footprint was drawn up. This included investing in a new CSU factory adjacent to the existing AAC factory in Reda close to Gdansk to be opened in second half of 2020. The new CSU factory will enhance the overall earnings potential and production is expected to accommodate a demand in an area not yet exploited.

Since 2014, H+H Poland earnings (EBITDA) have increased significantly and were more than DKK 200 million higher in 2019 than before restructuring the market.



The takeover of the "Grupa SILIKATY" by H+H Poland closed the long-awaited process of selling the Group by the previous owner.

The information of the new ownership (H+H) caused some concerns. Nonetheless, the integration itself and further cooperation went smoothly. The merger contributed to a strong synergy effect that in turn led to a significant role for H+H Group in the Polish industry of construction wall materials. A new management model has been introduced and the sales system has become uniform. Moreover, the introduction of regular meetings for the managerial staff resulted in mutual exchange of knowledge and experience. All the activities enabled "Silikaty" to reach new maximum production levels that previously haven't been recorded.

Maciej Wilhelm, plant manager – CSU Przysieczyn, Poland



The prospect of our workplace being taken over by another larger company caused a great deal of concern among the employees of "Grupa SILIKATY".

Today, we can safely say that the reality went beyond our wildest dreams. The integration process, which involved introduction of a uniform sales structure, harmonised product quality standards and shared purchasing operations and administration – it all went according to the plan. We were assured that the fulfilment of objectives and achievement of financial targets would lead to modernisation of our plants. That's exactly what happened. A great deal of attention was given to increasing safety and improving working conditions. I have no doubt that we have become an important, integral part of H+H Group.

Wiesława Robak, Head of trade unions "Solidarity" in H+H Silikaty Sp. z o.o., CSU Ludynia plant, Poland

Industry and markets

The European housing market is expected to continue growing, but at a slower pace than seen in recent years.

H+H's organic growth trajectory relies on sound macroeconomic developments. This, in combination with megatrends around urbanisation and sustainability, are key drivers for the industry to grow. In addition, various national governmental stimuli have helped the industry.



The UK

The UK market for residential housebuilding continues to increase. In terms of net additional dwellings, the market grew around 9% in 2019 with a total of 241 thousand dwellings including conversions. Flat to modest growth is expected in 2020.

The market for wall building materials is fairly consolidated in all parts of the value chain.

The state funded 'Help to buy' program that was initially introduced in 2013 was extended in 2018 from 2021 to 2023.

The extended period has more strict entry terms, as it is solely offered to first-time buyers and includes price caps on a regional level. It is expected that the extended program will continue to support the growth in housebuilding.

Uncertainty surrounding Brexit has been a market condition throughout the year. Following the December election, positive signs have been seen in the market, yet the long-term effect still awaits to be seen.

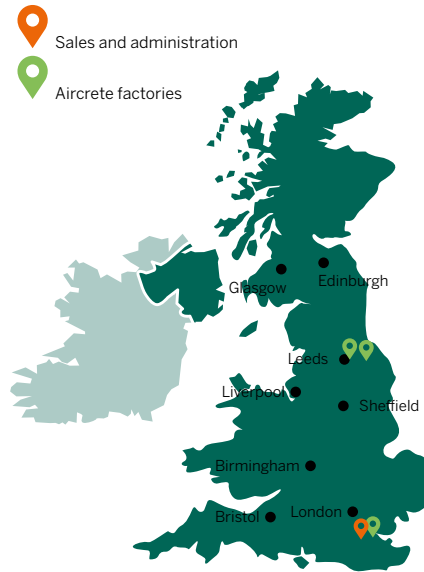
Hence the impact of Brexit post-election on domestic demand is still difficult to predict for 2020, but for H+H there are several positive factors besides "Help to Buy" in case the housebuilding industry should decline.

Around 5% of the AAC market in the UK is currently imported by H+H competitors. In case of tariffs and deterioration of GBP, importers are expected to suffer. Furthermore, there is a backlog of initiated projects that are expected to be completed.

More than 95% of H+H production costs in the UK are domestically sourced labour, energy and raw materials, meaning the negative effects on production costs of the exit from the EU are expected to be limited and will not negatively affect H+H UK's competitiveness.

During the past two years, H+H UK has increased the sales volume per dwelling at the expense of dense blocks, wood frame solutions and stud walls. The extra demand for H+H products from this growth and general market growth has been met by the capacity increase following the upgrade of the Borough Green factory as well as additional capacity from other domestic manufacturers.

The UK market in brief



Strong market position

#1

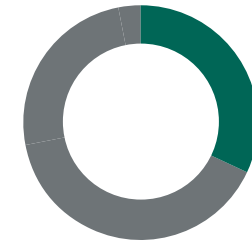
Market share >40%

Main competitors

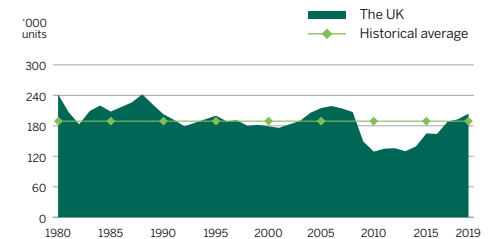
Tarmac and Forterra

Share of Group revenue

31%



New dwellings completed



Estimated market size

3 mill. m³

Germany

The German construction market generally performed as expected in 2019. Modest growth rates were mainly driven by price, but impacted by a slowdown in the high-rise market in fourth quarter. This was stabilised at year-end. The overall macroeconomic outlook remains positive in Germany.

The low-rise housing segment is impacted mainly by lack of available building plots and skilled labour. No resolution on any of these are in sight, hence a flat market for 2020 is expected.

Housebuilding remains on the political agenda in Germany. Various programmes give some incentives for homeowners.

The duration of the programmes is limited and probably not enough to convince builders to invest in overcoming the labour challenges. This, in combination with a lack of productivity improvements means that expectations are low as to the outcome of the political incentives.

The challenges from structural undersupply continues, driven by urbanisation and demographics. Growth in permissions for new buildings has decreased since 2017 but still remains higher than in 2014. Order backlog for construction companies continued to grow in 2020, which seems more related to the above-mentioned bottleneck issues.

There is a need to increase productivity in the building industry through product innovation, process improvements and digitalisation.

The AAC production for H+H Germany, was near to full capacity during the year, but output was limited. H+H Germany kept a firm price policy focusing on high margin customers. Overall capacity utilization in the building materials industry is good, but some capacity is still available in the CSU production, which is also the case for H+H.

There have been minor AAC capacity expansions in the Eastern part of Germany, which have had limited effect but could affect local pricing going forward.

Furthermore, a competitor has a newly-constructed CSU factory online in the Western part of Germany, but not in the vicinity of H+H plants.

The above-mentioned factors are preventing price increases from significantly exceeding the expected cost increases due to pressure from the cost of emission allowances. Further market restructuring is expected and needed. H+H increased its market size by adding two factories, where the latter acquisition was closed in January 2020. H+H strives to increase its pricing power, in particular for AAC.

The German market in brief



Strong market positions

#2

Market share AAC >15%*

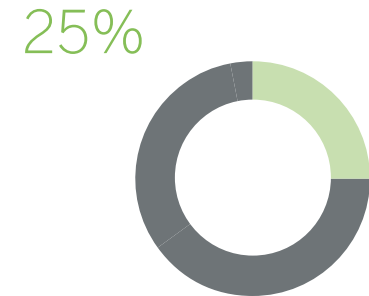
Market share CSU ~12%

Main competitor

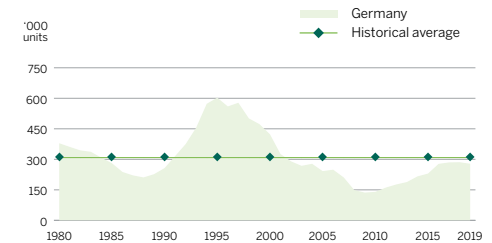
Xella

*Incl acquired AAC factory in Dresden at 14 January 2020

Share of Group revenue



New dwellings completed



Estimated market size

7.5 mill. m³

Poland

The Polish macroeconomy has been strong in recent years, and the Polish market for housebuilding continued to increase in 2019. In terms of additional dwellings, the market grew by 12%. In a somewhat cloudier outlook, growth is still expected in 2020. Growth in the non-residential segment may further support the block market.

The high building activity level is reflected in all segments. All H+H factories are running at or close to full capacity utilization. Following recent market restructuring – led by H+H – the supplier base of wall building materials is now more consolidated than it was in the past.

The distribution channels are still characterized by a high degree of fragmentation and the market has a high share of spot sales. Hence, in times with significant changes in supply and demand there is an instant impact on pricing. Housebuilding is as such not subsidised in Poland although recent governments have given various incentives that indirectly have supported housebuilding.

The key driver of growth in recent years has been the general economic developments, the old housing stock and immigration mainly from Ukraine. Following years with capacity reductions,




most wall building material producers now enjoy high capacity utilization. With the increased market demand there have been projects initiated to increase capacity. In the AAC business, a new factory was brought online by a competitor in the north-west during 2018 and imports of products from Belarus are growing.

In the CSU business, two competitors have brought additional capacity online during 2019 as well as H+H's announced CSU line near Gdansk, which is expected to supply the market in second half of 2020. During the last ten years, penetration by the CSU business has risen from approx. 7% to 14% primarily due to urbanisation and this trend seems to continue.

With the current high level of construction activity and increased penetration, the added capacity should be absorbed, although some short-term limitation on CSU pricing is expected.

There are limited opportunities for further market restructuring among the manufacturers of AAC and CSU products and focus has to be on innovation and service to gain market share. In the distribution channels, there are no signs of consolidation, hence the spot-based pricing mechanism is expected to continue in the foreseeable future. H+H continues the efforts to increase the share of pull sales through a value-added sales process.

The Poland market in brief

-  Sales and administration
-  Aircrete factories
-  Calcium silicate factories



Strong market positions

#2

Market share **AAC 20-25%**

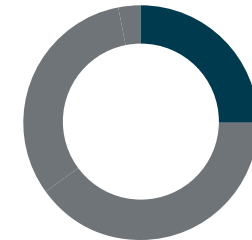
Market share **CSU 20-25%**

Main competitors

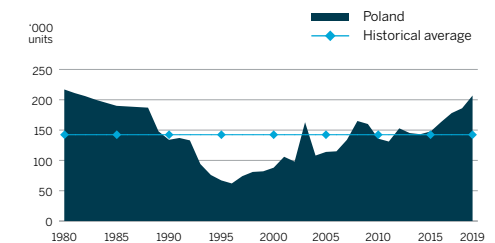
Xella and Solbet

Share of Group revenue

27%



New dwellings completed



Estimated market size

7 mill. m³

Other markets

The Danish market remains strong although growth is at a slower pace than in previous years.

More imported wall building materials are seen in the Danish marketplace, which reflects the market attractiveness and the unrest in the distribution channels, which are struggling with overcapacity. As a result, there are now examples of sales being made directly to housebuilders and not through merchants. H+H will monitor developments but is determined to seek partnerships with builder's merchants as in our other markets. H+H has initiated a new long-term partnership with Bygma from 2020.

In Sweden, the market is at a slower pace than seen in previous years.

In the Benelux countries, AAC house building activity continues to increase. H+H has maintained its market share and expects continuous growth in the Benelux market for 2020.

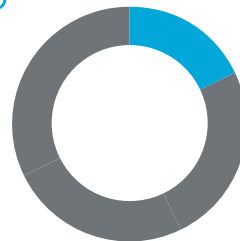
The Swiss market is developing in line with expectations. The market situation is characterized by a few local players. Outlook for 2020 is flat at a sustainable level and capturing cost inflation to maintain profitability ratios is the primary aim in the current market situation.

As previously announced, H+H has made the strategic decision not to pursue continued presence in the Russian market. In line with this strategic scope, H+H divested the Russian business in October 2019.

Share of Group revenue

14%

excl. Russia





Key aspects – A word from the new CFO

Since joining H+H in June 2019, it has been a pleasure to experience the H+H culture from within. Focus towards customer service, entrepreneurship and quality is apparent together with ambition. H+H is characterized by being a focused organisation with high execution power and a strong strategic mindset despite a lean head office.

The organisation is also characterized by constantly evolving. The Group has been through a great journey in recent years and continues to strengthen. This was underpinned by the H+H shares becoming a component of the Mid-cap index at the beginning of 2019, a new financing agreement in March 2019, integration of acquisitions made in 2018 and two additional acquisitions made in 2019, of which the latter closed in January 2020.

And the Group continues to mature. In 2019, the organisation strengthened further through the addition of HR, IT and investor relations resources. These will support the strategic execution by improving the operational foundation and enabling a strengthening of our

processes, effective integration and improved communication. In addition, the internal control framework as well as the Enterprise Risk Management approach was reviewed and will be strengthened taking full effect in 2020.

Building resilience

As complexity in the business increases and economic cycles potentially tighten, the need for efficient pricing processes, cost focus, operational excellence and working capital optimisation increases. Therefore, such processes will remain in focus and be tightened where possible. Maintaining a high gross margin level will be a focus area together with delivering the EBIT ratio as set out in the long-term financial ambitions, while maintaining a healthy capital structure.

Financial strength

It is imperative for H+H to maintain a strong financial position in order to pursue strategic growth opportunities while sustaining economic cycles. The share issue in 2018 combined with the new finance agreement in 2019 have been important drivers of our current strong financial position. The new finance agreement entered into in 2019, which fully supports strategic growth was originally due to mature in 2023. In early 2020, the Group utilized the extension option to extend maturity of the facilities to 2024. At 31 December 2019, the Group net debt position was DKK 407m equivalent to 0.8x EBITDA, which is lower than the long-term target of 1-2x.



Financial performance

Financial performance in 2019 was satisfactory.

Revenue grew 13% in local currencies including acquisitions as demand and production output was generally strong across all markets and the full-year impact of acquisitions made in 2018 was recognised. Organic revenue growth reached 6% in line with the recent guidance.

The high production output combined with operational excellence initiatives and increased earnings in Germany resulted in a strong gross profit margin of 31% (27% in 2018) and the highest EBITDA before special items ever of DKK 539 million in line with the recent outlook of DKK 525-545 million.

EBIT before special items of DKK 366 million was in the high end of the guidance of DKK 345-365 million, supported by lower depreciation charges. The EBIT-margin was 13% compared to the long-term target of 11%.

Financial expenses were negatively impacted by a one-off effect related to recycling of cumulative translation difference regarding divestment of the Russian subsidiary, which had no cash nor equity effect. This has previously been recognised in Other comprehensive income but now recycled through financial expenses in accordance with accounting principles.

Performance on working capital was satisfactory as particular stock levels were lowered and accounts receivables were well under control. Capital expenditure of DKK 159 million (DKK 126 million excluding IFRS 16) was slightly above the outlook of DKK 140 million due to the effect from IFRS 16. Overall free cash flow was DKK 264 million for the year, which is very satisfactory.

The balance sheet is strong with a solvency ratio of 50 % and combined with a net debt to EBITDA* of 0.8x this makes the Group well positioned to pursue its strategic growth ambitions.

Lastly, the satisfactory results for 2019 are underpinned by the ROIC of 20%, demonstrating a solid return on invested capital and above the long-term target of 12%.

* before special items

Key figures

Group

(DKK million)	Q4 2019	Q4 2018	2019	2018
Income statement				
Revenue	625	660	2,840	2,523
Gross profit before special items	191	188	877	690
EBITDA before special items	104	110	539	410
EBITDA	96	84	531	345
EBIT before special items	60	43	366	228
EBIT	52	17	358	163
Profit/loss before tax	(80)	4	205	125
Profit/loss after tax for the year	(75)	25	150	125
Balance sheet				
Assets	2,716	2,421	2,716	2,421
Invested capital	1,805	1,582	1,805	1,582
Investments in property, plant and equipment*	70	54	126	138
Net working capital	48	8	48	8
Equity	1,371	1,000	1,371	1,000
Net interest-bearing debt (NIBD)	407	525	407	525
Cash flow				
Cash flow from operating activities	56	131	369	370
Cash flow from investing activities	48	(42)	(105)	(973)
Cash flow from financing activities	(150)	(72)	(131)	679
Free cash flow	104	89	264	(603)
Financial ratios				
Organic growth	(7%)	30%	6%	18%
Gross Margin, before special items	31%	28%	31%	27%
EBITDA margin before special items	17%	17%	19%	16%
EBITDA margin	15%	13%	19%	14%
EBIT margin before special items	10%	7%	13%	9%
EBIT margin	8%	3%	13%	6%
Return on invested capital (ROIC) (excl. goodwill)	20%	10%	20%	10%
Solvency ratio	50%	41%	50%	41%
NIBD/EBITDA before special items ratio	0.8	1.3	0.8	1.3

*Investment in property, plant and equipment excludes effects from implementation of IFRS 16

Financial review

Income statement

Revenue

Revenue in local currencies, excluding the acquired and divested businesses (organic growth), increased by 6%. Revenue, including the acquired and divested businesses, increased by 13% to DKK 2,840 million, against DKK 2,523 million in 2018.

The organic growth was primarily driven by prices in Germany, Poland and the UK but also in the other markets. Demand was strong across all geographies, and with the exception of Germany CSU, capacities were nearly fully utilized throughout the year. German AAC high capacity utilization was affected by limited output and strict price policy, but positively impacted by the good demand. The UK also contributed with increased capacity following the Borough Green upgrade in 2018.

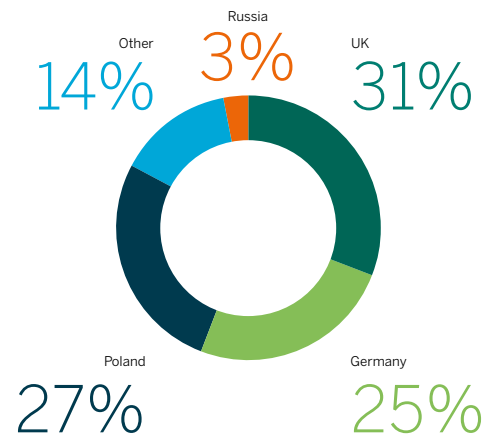
Production costs

Across all markets, we have seen strong operational performance positively impacted by operational excellence incl. purchasing initiatives and synergies from acquired companies.

Gross profit before special items

The gross margin before special items was 31%, against 27% in 2018. The strong performance was mainly driven by average sales prices, favourable capacity utilisation and operational excellence incl. procurement initiatives.

Revenue allocation



EBITDA before special items

EBITDA before special items came to DKK 539 million, against DKK 410 million in 2018, an improvement of DKK 129 million, equalling an increase of 31%.

The increase in EBITDA is mainly driven by revenue growth and positive development in gross margin.

EBIT before special items

EBIT before special items was DKK 366 million (EBIT margin of 13%) against DKK 228 million in 2018 (EBIT margin of 9%); an increase of DKK 138 million.

Depreciations

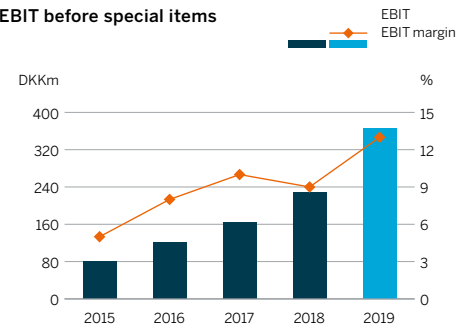
Depreciations were DKK 173 million against DKK 162 million in 2018 equalling an increase of DKK 11 million. Adjusted for depreciations related to purchase price allocations, depreciations were DKK 112 million against DKK 114 million 2018 equalling a decrease of DKK 2 million.

Impact from IFRS 16 amounted to DKK 18 million.

Special items

Special items were negative of DKK 8 million, against negative DKK 65 million in 2018.

EBIT before special items



Profit before tax

Up 64%

Special items comprise transaction costs of DKK 9 million related to acquisitions offset by a net gain after transaction costs of DKK 1 million related to the disposal of our Russian entity. Refer to note 7 for further information.

EBIT

EBIT was DKK 358 million, against DKK 163 million in 2018, an improvement of DKK 195 million.

Net financials

Net financials totalled an expense of DKK 153 million in 2019, against DKK 38 million in 2018. The increase comes from a non-cash, non-equity effect from recycling of cumulative translation differences related to disposed entities of DKK 121 million, which in previous years has been recognised in other comprehensive income and consequently in equity.

Profit before tax

Profit before tax was DKK 205 million, against DKK 125 million in 2018, an improvement of DKK 80 million, equal an increase of 64%.

Taxation

Tax was negative DKK 55 million, against DKK 0 million in 2018. Current tax for 2018 was offset by an adjustment of deferred tax including change in valuation of tax assets related to Germany.

Profit for the period

Profit for the period was DKK 150 million, against DKK 125 million in 2018.

Profit for the period is attributable to H+H International A/S' shareholders by DKK 149

million and to non-controlling interest by DKK 1 million. For 2018, all profit was attributable to H+H International A/S' shareholders.

Other comprehensive income

Other comprehensive income amount to DKK 183 million, against DKK 0 million in 2018. The main influence being movements in foreign exchange less deferred tax of DKK 144 million, hereof DKK 121 million related to recycling of cumulative translation differences related to disposed entities, and a net gain less deferred tax on actuarial gains of DKK 39 million in relation to pension obligations.

Further details can be found in the section "Statement of changes in equity".

Cash flow

Operating activities

Cash flow from operating activities was DKK 369 million, against DKK 370 million in 2018. Cash flow was positively impacted by higher operating profit offset by changes in working capital and taxes.

Investing activities

Net investments of DKK 105 million were made during 2019, against DKK 973 million in 2018. Acquisition and disposal of entities for 2019 were net positive by DKK 20 million against net negative by DKK 839 million in 2018.

Capital expenditures excluding effects from the implementation of IFRS 16 was DKK 126 million against DKK 138 million in 2018.

Free cash flow

Free cash flow was positive of DKK 264 million, against negative DKK 603 million in 2018 mainly driven by changes in investing activities.

Financing activities

Financing activities decreased by DKK 131 million, against an increase of 679 million in 2018. Financing activities was in 2018 affected by a rights issue where net proceeds of DKK 504 million was received. Financing activities is also impacted by a change in borrowings of negative DKK 95 million against positive DKK 183 million in 2018.

Balance sheet

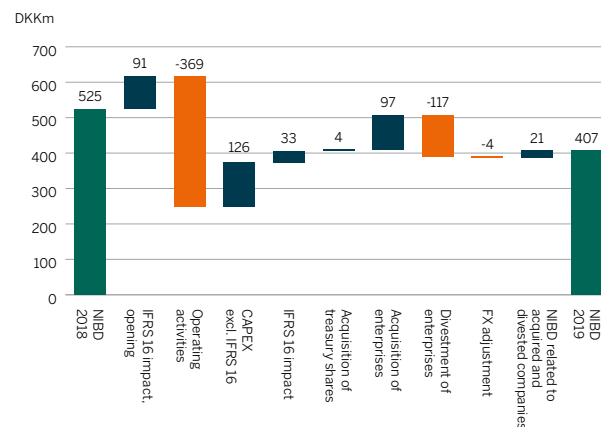
The balance sheet total at 31 December 2019 was DKK 2,716 million, against DKK 2,421 million at 31 December 2018.

Financing

Net interest-bearing debt totalled DKK 407 million on 31 December 2019, down DKK 118 million on 31 December 2018. The net interest-bearing debt to EBITDA ratio was 0.8 compared to 1.3 in 2018.

Equity

H+H's equity increased by DKK 371 million in 2019. The increase comprise profit for the period of DKK 150 million and foreign exchange



adjustments of investments in subsidiaries less deferred tax of DKK 144 million, hereof DKK 121 million related to recycling of cumulative translation differences related to disposed entities.

Adjustments to pension obligations in the UK net deferred tax increased equity by DKK 39 million. Refer to note 21 "Pension obligations" for further analysis and sensitivity of the net pension obligations.

Equity was impacted by DKK 36 million coming from the non-controlling interest' share in Baustoffwerke Dresden GmbH & Co. KG. Refer to note 27 "Business combinations" for further analysis and sensitivity of the net pension obligations.

Other adjustments of positive DKK 2 million come from recognised costs for the matching share program offset by acquisition of treasury shares. Refer to the notes 3 "Staff costs" and 20 "Share capital and treasury shares" for further information.

Equity attributable to H+H International A/S' shareholders was DKK 1,334 million and DKK 37 million to non-controlling shareholders.

Return on invested capital (ROIC) (excl. goodwill)

Return on invested capital was 20%, compared with 10% in 2018. ROIC for 2018 was impacted by "one-off" depreciations from the purchase price allocation, special items resulting from the acquisition and integration of HDKS and Grupa Silikaty and impairment of fixed assets in Russia. The adjusted ROIC for 2018 was 17%.

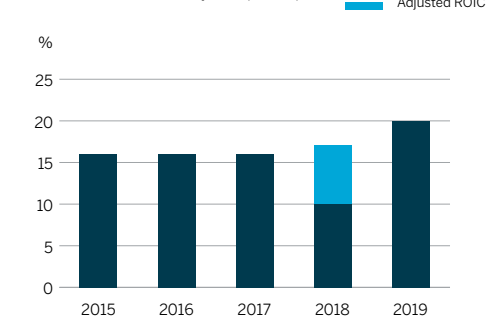
Management review for the parent company

Profit/loss for the year 2019 resulted in a profit of DKK 131 million (2018: loss of DKK 18 million).

Events after the balance sheet date

H+H International A/S' subsidiary H+H Deutschland GmbH have on the 14 January 2020 acquired 51% of the shares in in Porenbetonwerk Laussnitz GmbH & Co. KG. Also the committed credit facility was extended by one year to 2023. Refer to note 30 "Events after the balance sheet date" for further information.

Return on invested capital (ROIC)



ROIC

20 %



Key figures Q4

Comments relating to fourth quarter 2019

Revenue

Revenue in local currencies, excluding the acquired businesses (organic growth), decreased by 7% in the fourth quarter 2019 compared to 30% growth in 2018. Revenue, including the acquired and divested businesses, decreased by 5% totalling to DKK 625 million.

The negative organic growth in fourth quarter 2019 was mainly driven by 2018 being higher than normal due to destocking following the Borough Green upgrade. In addition CSU markets in Poland and Germany contributed to the negative organic growth in fourth quarter.

Gross profit before special items

The gross profit before special items in the fourth quarter was DKK 191 million equalling a margin of 31%, against 28% in 2018.

EBITDA before special items

EBITDA before special items in the fourth quarter was DKK 104 million against DKK 110 million in 2018, a decrease of DKK 6 million.

The decrease in EBITDA before special items was mainly driven by decrease in revenue partly offset by improved gross margin.

EBIT before special items

EBIT before special items for the fourth quarter was DKK 60 million against DKK 43 million in 2018, an increase of DKK 17 million. The fourth quarter 2018 was impacted by an impairment of fixed assets related to Russia of DKK 20 million.

Depreciations

Depreciations was DKK 44 million against DKK 47 million in 2018, a decrease of DKK 3 million. Adjusted for depreciations related to purchase price allocations, depreciations were DKK 30 million against DKK 33 million 2018, a decrease of DKK 3 million.

Special items

Special items were negative of DKK 8 million, against negative DKK 26 million in 2018.

Special items comprise transaction costs of DKK 9 million offset by a net gain after transaction costs of DKK 1 million related to the disposal of our Russian entity.

Net financials

Net financials totaled DKK 132 million in the fourth quarter, against DKK 14 million in 2018. The increase is due to a non-cash nor equity effect from recycling of cumulative translation differences related to disposed entities of DKK 121 million, which in previous years has been recognised in other comprehensive income and consequently in equity.

Profit/loss before tax

Loss before tax was DKK 80 million against a profit of DKK 4 million in 2018, a decrease of DKK 84 million.

Taxation

Tax amounted to DKK 5 million, against DKK 21 million in 2018. Current tax for the fourth quarter 2019 was offset by adjustment of deferred tax.

Profit/loss for the period

Loss for the period was DKK 75 million, against a profit of DKK 25 million in 2018.

Loss for the period is attributable to H+H International A/S' shareholders by DKK 75 million and to non-controlling interest by DKK 0 million. For 2018, all profit was attributable to H+H International A/S' shareholders.

Other comprehensive income

Other comprehensive income amount to DKK 181 million, against DKK 0 million in 2018. The main influence being the foreign exchange adjustment related to foreign entities of DKK 147 million, hereof DKK 121 million related to recycling of cumulative translation differences related to disposed entities and actuarial gains net deferred tax of DKK 34 million in relation to pension obligations.

Further details can be found in the section "Statement of changes in equity".

Cash flow

Operating activities

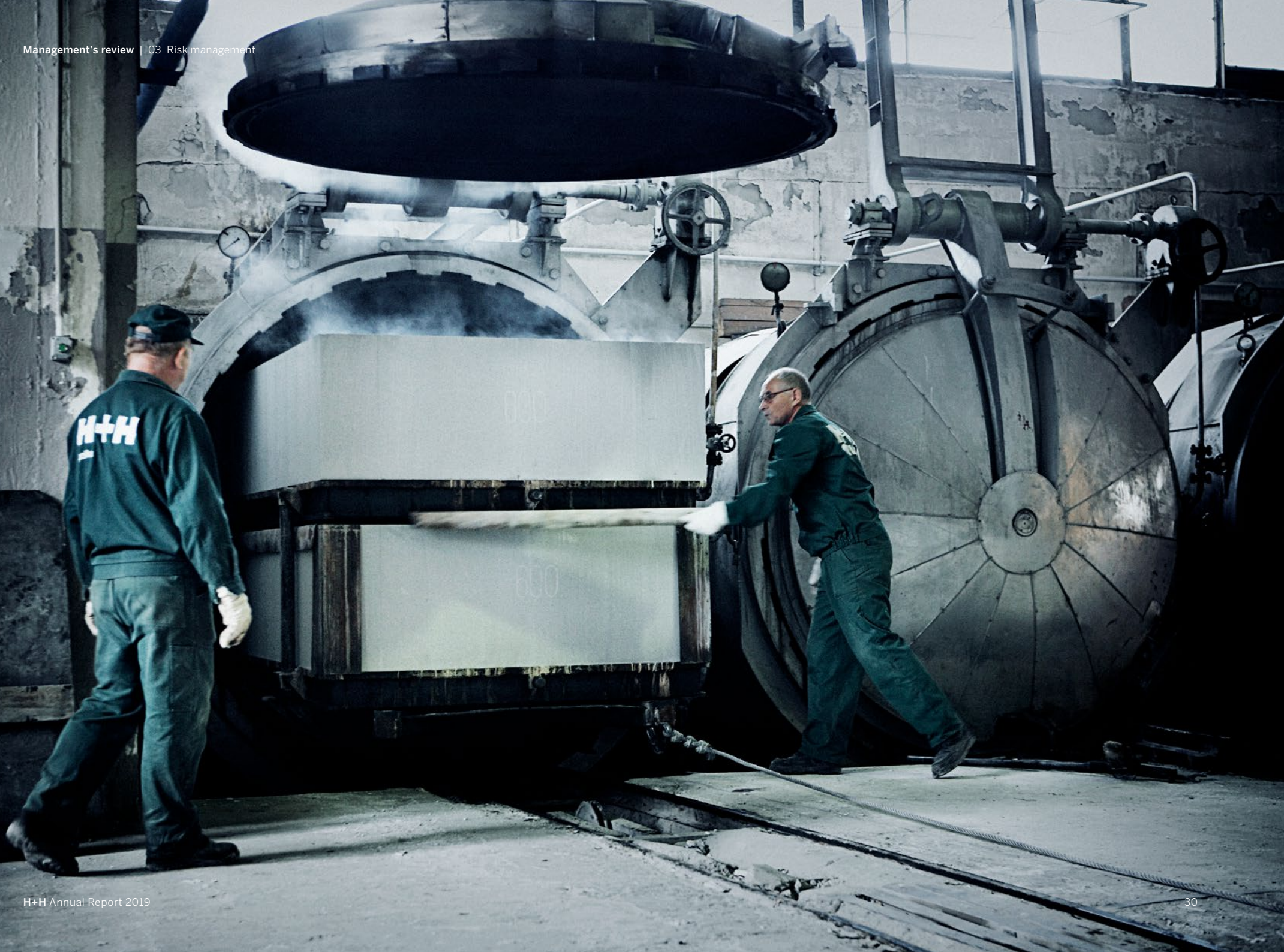
Cash flow from operating activities was DKK 56 million against DKK 131 million in 2018, a decrease of DKK 75 million. The decrease was mainly driven by changes in trade payables and lowering of inventories in fourth quarter 2018, partly offset by increased operating profits as well as strong collection of receivables in fourth quarter 2019.

Investing activities

Net investments for the fourth quarter of positive DKK 48 million was impacted by the divestment of the Russian entity by DKK 117 million. Capital expenditure for the fourth quarter was DKK 70 million against DKK 54 million in the same period of 2018.

Free cash flow

Fourth-quarter free cash flow was DKK 104 million, against DKK 89 million in the same period of 2018 driven by lower cash flow from operating activities offset by net proceeds from divestment of the Russian entity.

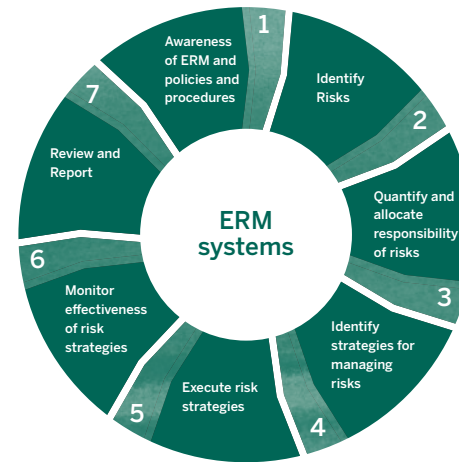


Risk management

The Board of Directors evaluates the Group's risk management processes on a continuous basis to ensure that the risk profile, risk processes and risk awareness are appropriate. Responsibility for ERM effectiveness has been delegated to the Chief Financial Officer.

The governance structure for ERM is a "Three Lines of Defence model" consisting of an ERM community as the first line, an ERM Committee as the second line and the Audit Committee as the third line.

With these ERM systems, the Group identifies and mitigates, though it cannot always eliminate, risks. The objective is to ensure that any residual risks are held at an acceptable level.

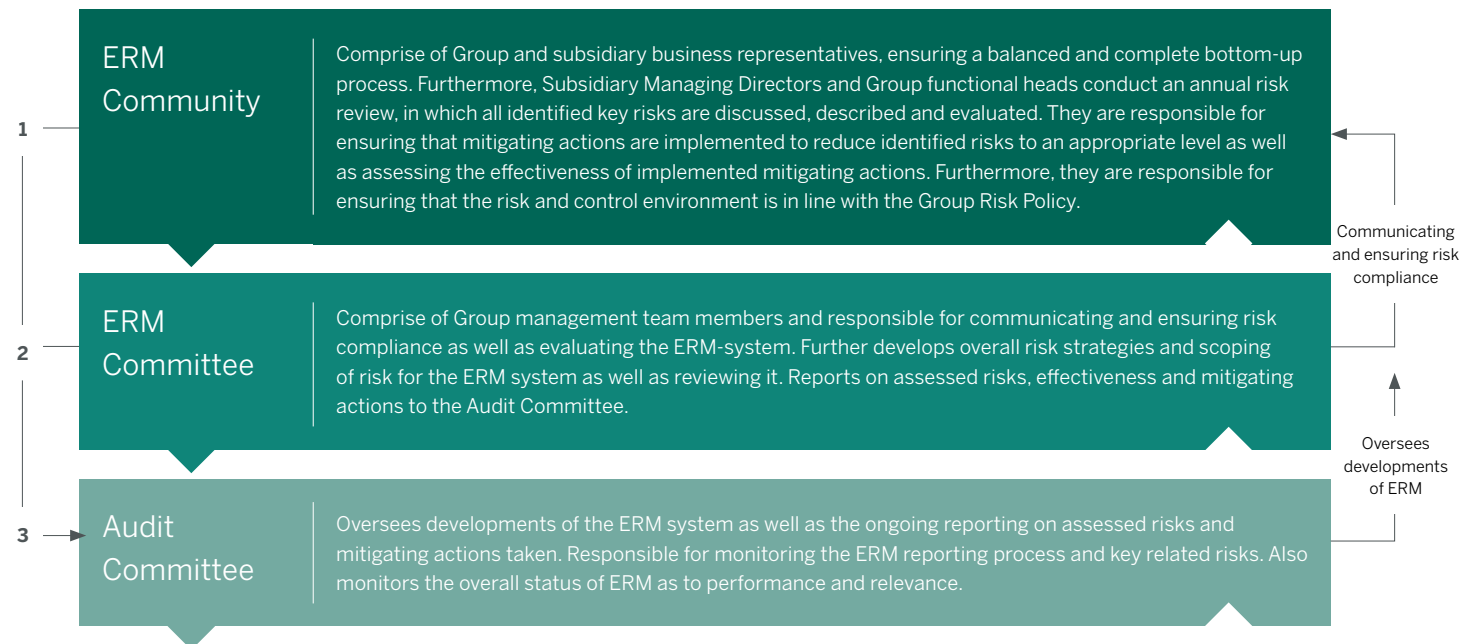


Three Lines of Defence

As the size and complexity of the Company increases, the risk profile matures, and the risk management processes are adjusted accordingly.

As a result, the risk management processes were updated during 2019 and will take full effect in 2020.

H+H's ERM framework ensures a dynamic process, involving the identification of risks and an assessment of their probability as well as their potential impact on earnings, equity and H+H's reputation. The aim is to mitigate identified key risks through appropriate ERM processes, which consist of the following annual wheel:



Top six risks



1. Market

Probability/impact



Risk Description

Risk of a worsened global economy and especially in the sector for new residential and non-residential construction, could have a significant impact on H+H. The markets in which H+H operate tend to be cyclical and with some degree of correlation, which could cause a risk of imbalanced earnings. Risk related to EU or UK regulation is also present. Finally, risk related to competition could occur in case of excess production capacity or changes to our competitors' pricing strategies.

Risk Mitigation

At H+H, we continuously monitor our geographical footprint and have a good understanding of our core markets and demographic developments. A structured process for continuously updating mitigation plans exists, and H+H conducts weekly sales monitoring including key leading indicators for signs of a recession or price changes in order to anticipate potential impact and execute mitigating plans. Furthermore, H+H closely monitors economic, political and competition developments in and outside our footprint and participate in European interest organisations for AAC and CSU to impact the political environment. In addition, we have exited our activities in the Russian market.

Risk assessment

Operating in the construction sector, H+H is exposed to economic developments, but we believe that we have reduced the risk to an acceptable level through mitigating actions. Similarly, as we are market leading in most of our markets, we are able to reduce competition risk to an acceptable level.

2. Production



A major breakdown in a production facility could cause a long-term loss of production. Such a shortfall could impact overhead recovery and potentially sales. Risk also exists in relation to unplanned production stops due to lack of maintenance or availability of spare parts. Finally, production could be vulnerable to shortage of supply and raw materials.

H+H regularly conducts preventive maintenance checks as well as spare parts stock analysis to limit the down time of unplanned production stops. Also, H+H dual sources key raw materials to ensure steady supply. Should an unplanned production stop occur, other plants could mitigate as a short-term option. Finally, H+H is insured for breakdowns and business interruptions, so the isolated financial impact is considered low.

Considering the mitigating plans and factory footprint, we believe the risk is medium but acceptable. However, H+H is continuously focusing on improving mitigating actions to production risk. Our aim is to reduce the risk by further initiatives including an updated approach to Enterprise Risk Management.

3. Financial



Risk of insufficient cash or financing to execute the growth strategy and to comply with financial covenants. Also, volatility in foreign exchange rates could result in a risk of losses when funds are retrieved to the Group.

H+H entered into a committed credit facility with Nordea effective in March 2019, securing funding of daily operations and the growth strategy. The agreement was originally to mature in 2022, but in early 2020 it was extended to 2023. Financial covenants are monitored monthly and reported quarterly. Reports show significant headroom. The translation risk is reduced by FX hedging on a transactional basis.

With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom.



4. Law and compliance

Probability/impact



Risk Description

Risk of a lack of compliance with law and regulation, e.g. competition law, GDPR, transfer pricing etc. could result in loss of reputation and/or fines resulting in financial impact.

Risk Mitigation

H+H continuously monitors new regulations within all our markets. Where relevant, H+H will consult specialists before decisions are executed. Code of Conduct policies are deployed and the Management of H+H communicates the importance of compliance and regulation regularly. Also, whistle-blower policies are deployed and communicated across the organisation. H+H has established an ESG committee consisting of officers representing each related topic and regional compliance officers.

Risk assessment

Risk of a lack of compliance with law and regulations is considered low including mitigating actions taken.

5. People



The main people risks are risk of scarcity of qualified labour as well as incidents and fatalities at our production facilities as they are inherently dangerous workplaces.

Health & Safety are a key management area including KPI monitoring and part of Management remuneration programmes. Internal and external Health & Safety audits are conducted annually in rotation and actions are prioritised and carried out by skilled Health & Safety Managers. Also, HR processes including retaining and recruiting talent are increasingly important to H+H. Therefore, HR resources have been added to the organisation.

The risk of incidents and fatalities does exist, but it is our assessment that considering the mitigating actions taken, the risk is reduced to an acceptable level. Also, improved HR processes contribute to a low people risk.

6. IT



The growing dependence of the business on technology increases the IT risk. Therefore, ensuring an effective IT platform and mitigation of threats from cyber security, data leakage and data security are key focus areas for H+H. An extended period of down-time or lack of integration of acquired entities could result in delays and additional costs.

H+H has defined its new information security framework, which includes updated policies, guidelines and tools which will take H+H to the desired information security level. Over the last year, H+H has taken several initiatives to improve the IT platform and the embedded security framework.

IT related risk is considered low but the likelihood of occurrence will be further reduced once the above mitigating actions are fully implemented.

Sustainability

Doing business in a sustainable way is an integral part of all H+H activities. The products are eco-friendly wall building materials and provide comfortable, safe and healthy buildings with an excellent indoor climate, thermal insulation, fire resistance and acoustics.

The products also have a long durability – estimated to 150 years – so a sustainable way of providing comfortable modern living for people and families.

H+H's products are by nature energy-intensive with lime and cement as their raw materials. As these raw materials are the primary cost drivers in the manufacturing process, there has always been mutual benefits for H+H and its customers in optimising the use of these raw materials in order to make the products more cost effective and thereby even more sustainable.

Framework for ESG

The H+H approach

H+H has a business-oriented approach to CSR and ESG with following overall guiding principles:

- Environmental – business practices in production, marketing, sales, logistics and administration, as well as the use of H+H's products, must take the environmental impact into account
- Social – terms of employment and working conditions must be fair and non-discriminating and comply with international human rights and labour rights in a safe and healthy working environment that supports the career ambitions of each employee
- Governance – business practices must be free from any form of corruption and bribery and comply with all relevant laws

H+H has a Group-wide Code of Conduct policy in place as well as various underlying group policies on competition law, anti-corruption, health, safety & environment etc. In addition, an online whistleblower system enables H+H employees, suppliers and customers to file reports on suspected non-compliance.

To support the increasing demand for ESG-reporting, H+H reports on non-financial KPI's in line with the recommendations of Nasdaq Copenhagen. These metrics are founded on global definitions and a reliable data collection process.

Further, the statutory corporate social responsibility statement cf. section 99a and the statutory corporate governance statement cf. section 107b of the Danish Financial Statements Act are disclosed. The 2019 statement forms part of management's review and can be found on the company's website at www.HplusH.com/esg-statement-2019.

Product benchmarking

In terms of product benchmarking, the previous Environmental Product Declarations (EPD) definition did not bring enough transparency to make reasonable benchmarks.

A new standard is currently being developed and will contain the horizontal rules for business-to-consumer construction EPD benchmark systems.

Also, the new standard is expanded to cover "end of life" and potential reuse and recycling potential. H+H welcomes this development as it serves to better assess the true impact of a building material.

This will help consumers select construction products based on their environmental performance.

The implementation of the revised EPDs must be implemented no later than 2028 as any relevant company must renew their EPD's at least every five years.

The lifetime of H+H's products has been declared by third parties to 150 years as a bearing

construction, which is in line with other masonry products. At the end of this period, products that are clean from contamination can be recycled in the production process. Under the current declaration, aircrete is 90% recyclable, while 10% goes to landfill.

There is also other relevant use of H+H's products end of life. Crushed aircrete is sold as cat litter, a filler for dry levelling compound and has also been used to support infrastructure projects as road fill.

Development in 2019

ESG committee

H+H has established an ESG committee consisting of officers representing each of the related topics along with regional compliance officers.

The purpose of the ESG committee is to ensure a continuous development of ESG initiatives in alignment with internal capabilities and priorities, external development and stakeholder expectations.

ESG figures 2016-2019

Reported ESG data is consolidated with the same method as for financial data and excludes Russia that was divested during 2019.

The ESG data has not been audited.

ESG figures 2016-2019

	Unit	2019	2018	2017	2016
H&S					
Fatalities		0	0	0	0
FRA		6	9	11	16
Environmental data					
CO2e scope 1	Tonnes	142,834	134,791	86,024	82,294
CO2e scope 2	Tonnes	54,689	55,992	46,998	41,186
Energy consumption	GJ	2,420,142	2,350,953	1,583,187	1,495,510
Renewable Energy Share	%	5%	3%	5%	5%
Water Consumption	m3	1,637,094	1,535,768	1,132,733	1,105,119
Social data					
Full-time workforce	FTE	1,625	1,616	1,022	986
Gender diversity	%	15%	14%	14%	14%
Gender diversity, Management	%	20%	0%	0%	0%
Gender Pay Ratio	Times	1.15	1.03		
Employee Turnover Ratio	%	12%	13%	13%	13%
Sickness Absence	Days per FTE	13	11	10	9
Customer Retention Ratio	%	81%	79%	80%	72%
Governance data					
Gender diversity, Board	%	17%	17%	17%	20%
Board Meeting Attendance rate	%	97%	96%	98%	97%
CEO Pay Ratio	Times	39	39		

H+H began reporting ESG figures in the Annual Report 2018 with 2016 figures as first year of reported figures. From 2020 onwards ESG will be reported as a five year overview. All numbers are excluding the divested business in Russia and includes acquired businesses from the time of acquisition.

Following acquisition of 15 factories in the beginning of 2018, the mix impact from different product groups have influenced the results. In 2019, production volumes are up around 8% and this drives the increase in the absolute numbers on environmental data. For other measures the development is fairly stable.

Safety

Most important of all is fatality prevention.

The frequency of accidents (FRA) has improved significantly from 9 to 6. This is an encouraging result and recent years' focus on health and safety is clearly seen.

The improvement stems from an upgrade of hardware, but also not least from efforts to encourage a mindset with all H+H locations to deal with the subject in a responsible manner. Near-miss reporting and root cause analysis are mandatory activities to continuously improve our performance together with external and internal audits.

Environmental

Energy and water consumption are being tracked together with carbon emissions and positive developments are seen:

Measure	2019	2018
CO ₂ e per m ³ (Scope 1)	33	34
CO ₂ e per m ³ (Scope 2)	13	14
Total Energy per m ³ (MJ)	565	593
Water consumption per m ³ (litre)	382	387

The positive development in energy consumption was partly due to minor improvement projects as well as the additional production volume that comes with marginal energy and water consumption, i.e. less cold starts of autoclaves and other machinery.

Minor improvement projects included LED lights, a new boiler for steam generation, heat recovery and effects of vacuuming autoclaves.

Social and governance

On the social and governance measures the most notable development is on the sickness absence.

Sickness absence increases for the third consecutive year to 13 days per FTE. The development is not satisfactory and one of the reasons for a central HR function was established in 2019. Some actions have already been taken as e.g. 'Return to work' interviews in some regions and offering light duties.

The gender pay ratio has also increased. This is mainly due to mix effects as the wage increases predominantly has taken place in production, which is mostly males. Also, additional female employees in production is mainly in Poland, where the salary levels are lower. Finally, the acquired business in Germany is predominantly males.







Targets

To ensure a continued focus on the positive developments, H+H has set targets for the most material ESG areas.

To make targets operational and to delegate responsibilities for the operational teams, targets for energy and water have been set on a 'per m3' basis.

Process





A bottom up process has identified the most relevant ESG areas for H+H. They are:

-  1. Health and safety
-  2. Energy usage and carbon emission in/from production
-  3. Water usage – re-use, reduction of quantity and surface harvesting
-  4. Employee absenteeism
-  5. Energy efficiency in new buildings (that H+H provides the rights products, i.e. with the right properties)
-  6. Efficiency in housebuilding (productivity improvements at building sites to avoid switching technology)

The latter two are not linked to the announced ESG targets.

During the target process, tangible plans have been established and DKK 50 million have been allocated for the coming three years for investment purposes. The allocated amount can be assigned to investment proposals with financial pay-backs exceeding the normal hurdle rates, but where the ESG impact supports the targets.

The targets

-  1. FRA improvement target is a rolling 50% reduction of the accident rate over a five-year period i.e. to be 3 in 2024.
-  2. Reduce energy consumption per m3 by 7% vs. 2019 base line of 565 MJ per m3 by 2024.
-  3. Reduce water consumption per m3 5 % vs. 2019 base line of 382 litre per m3 by 2024
-  4. Reduce Sickness Absence to 9 days by 2024.

Targets are based on already ongoing initiatives that will be continued and reinforced where needed.

In terms of safety, focus will be to reinforce the cultural aspects and collecting learnings from near-miss reporting and root cause analysis.

In terms of energy consumption, focus will be on vacuuming of autoclaves, conversion from coal to gas, where possible, and renewal of older, more energy consuming kits. The energy target relies heavily on the continued supply of PFA in the UK as sand is significantly more energy intensive due to grinding. If the supply of PFA forces H+H to



move to sand-based products the energy target is likely to be revised.

In terms of water, achieving the targets is not as financially demanding. Hence the catalogue of ideas is less mature but based on industrial experience, improvements should be possible.

For absenteeism, HR is working systematically to ensure the ambitions can be met. This includes both the cultural aspect of H+H as an attractive employer, and a matter of ensuring HR has enough resources to carry out the initiatives.

The targets set out are achievable and have been cascaded to relevant levels of the organisation. This will ensure accountability and enable management to monitor developments and ensure progress.

Future developments

H+H is continuously monitoring initiatives and disclosure requirements for ESG.

Currently, the Group is exploring other standards in order to satisfy future stakeholder demands.

Standards like Global reporting initiatives (GRI) and Task force on climate-related Financial Disclosures (TCFD) are being monitored. The Group is also monitoring Level(s), which provides a common EU approach to the assessment of environmental performance in the building sector. The scope of Level(s) is broader than H+H's activities, but it seems to represent a trend from legislators.



Shareholder information

Having moved from the small-cap to the mid-cap index effective from the beginning of 2019, H+H's key focus is to continue to create shareholder value.

H+H a mid-cap stock

On the backdrop of a share issuance in 2018 and due to the Company's increased market capitalisation, H+H International A/S advanced from the small-cap to the mid-cap index effective from 1 January 2019.

During the year, the Company's market cap increased from DKK 1.7 billion to DKK 2.2 billion. This corresponds to an increase in the share price of around 30%. In comparison, the OMXC25 increased 27% and the OMXC mid-cap index increased 28% including dividend yields.

Major shareholders

As at 31 December 2019, H+H International A/S had 4,923 registered shareholders (collectively holding 95% of the share capital), and H+H held 105,099 treasury shares to cover part or all its liabilities under the share-based incentive program.

Four shareholders have notified that the voting rights and nominal value of their shares represent 5% or more of H+H International A/S' share capital.

The major shareholders in H+H are at 31 December 2019:

ATP, Denmark	13.0%
Nordea Fund Management, subsidiary of Nordea Funds OY, Finland	6.9%
Handelsbanken Fonder AB, Sweden	5.9%
Universal-Investment-Gesellschaft mbH, Germany*	5.5%

*As at 14 February 2020 the shareholding was reduced to 4.9%

Capital structure

The Board of Directors and Executive Board regularly evaluate the Company's capital structure.

Maintaining a strong financial position is vital for H+H. An optimal capital structure is intended to ensure enough financial flexibility to pursue strategic M&A objectives, while maintaining a robust financial position to meet economic downturns.

The targeted financial gearing is unchanged at 1-2x EBITDA as previously announced. The ratio may exceed this range in the short term following larger acquisitions within the strategic scope. When the financial gearing is well below target, the Company will consider distributing cash to shareholders with a view balancing capital resources between investments for growth and returning cash to shareholders, through dividends

and/or share buyback, while always considering that H+H operates in a cyclical industry.

Dividends

For the time being, H+H expects to use the free cash flow to develop the existing business and pursue value-adding investments in the form of acquisitions, within the debt gearing indicated in the capital structure.

Insiders and trading windows

Members of H+H International A/S's Board of Directors and Executive Board are included in the Company's register of insiders. These persons

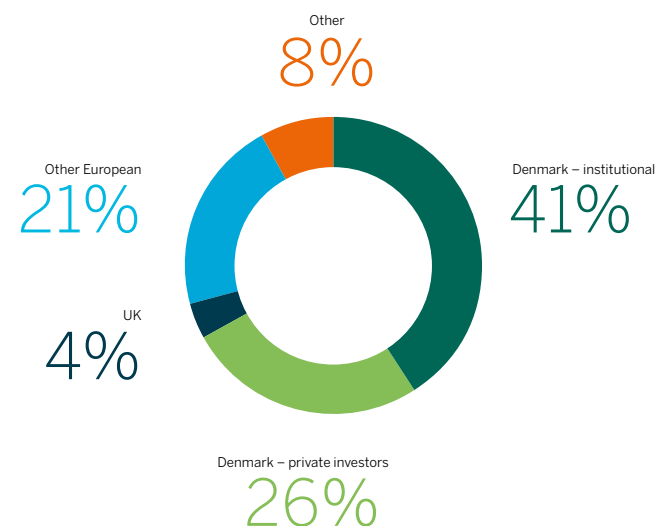
and their related parties are allowed to buy or sell shares in the Company only during the four weeks immediately following the publication of

Share information

AListed on:	Nasdaq Copenhagen
ISIN code:	DK0015202451
Ticker:	HH
No. of shares	17,983,365
Denomination	DKK 10 per share
Share capital	179,833,650
Votes	One vote per share
Index	Nasdaq Copenhagen mid-cap

Share information

Distribution of shareholders



each interim financial report or annual report. If in possession of inside information, such persons are prohibited from trading even during the said four-week period for as long as such information remains inside information. The Company may solely buy or sell its own shares during the four-week period immediately preceding each interim financial report or annual report, and the Company may not trade whilst in possession of inside information.

Annual general meeting

The next annual general meeting will be held on Thursday 2 April 2020 at 10.00 (CET) at Charlottelhaven, Hjørringgade 12C, 2100 Copenhagen. Notice of the annual general meeting will be announced on 11 March 2020. Documents for use at the annual general meeting will be made available on the company's website, www.HplusH.com, no later than three weeks before the meeting. Shareholder proposals for the agenda of the annual general meeting should be submitted no later than six weeks before the meeting (i.e. before 19 February 2020), and no such proposals were submitted.

Unless otherwise stated in the Danish Companies Act or the company's Articles of Association, resolutions on the amendment of the Articles of Association will be valid only if carried by at least two thirds of the votes cast and of the voting share capital represented at the general meeting.





Investor relations

The purpose of H+H International A/S's financial communications and other investor relations activities is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of the H+H share. Relevant investor information is available on the company's website, www.HplusH.com.

The company is covered by three equity research providers, Danske Bank Markets, ABG Sundal Collier and Carnegie. The company is not normally available for dialogue about financial matters in the three-week period leading up to the publication of an interim financial report or the annual report.

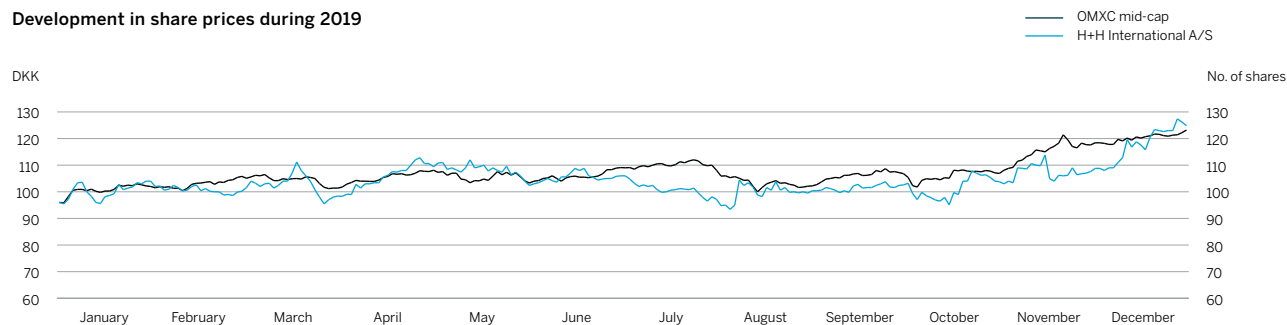
Enquiries concerning investor relations issues should be addressed to Investor Relations Manager Cristina Rønde Hefting at shareholder@HplusH.com or by telephone on +45 35 27 02 05.



Financial calendar 2020

Date	Title
2 April 2020	Annual general meeting including adoption of the annual report for 2019
15 May 2020	Interim financial report Q1 2020
14 August 2020	Interim financial report H1 2020
13 November 2020	Interim financial report Q1-Q3 2020

Development in share prices during 2019



Board of Directors

Pursuant to the Articles of Association of H+H International A/S, the Board of Directors shall consist of four to eight members elected at the general meeting for a term that expires at the next annual general meeting. Currently, the Board of Directors consists of six shareholder-elected board members.

In light of the Group's current growth strategy through acquisitions, the main competences relevant for the Board of Directors are strategy

development and execution and in-depth experience in relation to integration processes for acquired businesses, including special focus on finance, IT and HR issues. Further needed competences are financing, ERM, ESG-driven business development as well as product and product application innovation and finally commercial and operational experience in H+H's main markets Germany, Poland and the UK.

The Board of Directors' annual self-evaluation process this year was for the first time facilitated by an external expert and conducted as one-on-one conversations between the facilitator and each board member. Based on the evaluation, all the main competences and experiences currently required are all well represented by one or more of the present board members. In light of that, as well as the fact that the composition of the Board

of Directors has changed three times over the last three years, the Board of Directors does not see a need for any changes to the Board of Directors at the moment.

Hence, at the annual general meeting being held on 2 April 2020, the Board of Directors will propose re-election of all board members, i.e. Kent Arentoft, Stewart A Baseley, Volker Christmann, Pierre-Yves Jullien, Miguel Kohlmann and Helen MacPhee.

The Board of Directors' remuneration consisted in 2019 of an annual universal fixed fee covering both the work on the Board of Directors and in board committees, but for 2020 the Board of Directors will propose at the annual general meeting to align the fee structure to market practice in Denmark so that there is a fee to each

member related to the Board of Directors and separate fees for work on board committees. The members do not receive any type of incentive pay. The board fees are determined for each financial year at the annual general meeting held that year.

The Board of Directors held six meetings in 2019, while the Audit Committee held four, the Nomination Committee held one and the Remuneration Committee held three meetings.

Attendance at the board meetings and board committee meetings was satisfactory, and board members unable to participate will, except for non-planned sudden hindrances, read the agenda and background material for the meeting and then submit comments and input prior to the meeting to ensure that the views of all members are considered at the meeting.

Board meeting and board committee meeting attendance

	Board	Meetings			Audit committee	Meetings			Remuneration committee	Meetings			Nomination committee	Meetings		
		2019	2018	2017		2019	2018	2017		2019	2018	2017		2019	2018	2017
Kent Arentoft,	Chairman	●●●●●●	8/8	11/11	-	-	-	-	Chairman	●●●	2/2	2/2	Chairman	●	1/1	1/1
Stewart Antony Baseley	Member	●●●●●●	8/8	11/11	-	-	-	-	Member	●	2/2	2/2	Member	●	1/1	-
Volker Christmann	Member	●●●●●○	7/8	7/8	-	-	-	-	Member	●●●	1/1	-	-	-	-	-
Pierre-Yves Jullien	Member	●●●●●●	8/8	11/11	Member	●●●●	3/3	-	Member	●●	1/1	2/2	Member	●	-	-
Miguel Kohlmann	Member	●●●●●●	5/5	-	-	-	-	-	-	-	-	-	-	-	-	-
Helen MacPhee	Member	●●●●●	-	-	Chairman	●●●	-	-	-	-	-	-	-	-	-	-
Former members	Member	●	2/3	11/11	Member	●	5/5	5/5	-	-	-	-	-	-	-	1/1
		-	7/8	11/11		-	2/2	5/5		-	-	-		-	-	-
Attendance rate		97%	93%	98%		100%	100%	100%		100%	100%	100%		100%	100%	100%

The overall attendance rate is measured as:

$$\frac{\text{The total number of meetings attended by each member} \times 100}{\text{(number of meetings} \times \text{number of members)}}$$

Corporate governance

The Corporate Governance recommendations applicable for 2019 are the recommendations as updated in November 2017. H+H International A/S has issued a statutory annual corporate governance statement pursuant to section 107b of the Danish Financial Statements Act. The statement shows that H+H International A/S follows the recommendations in all material respects, and explanations for the two deviations are provided in the statement.

The statement can be found at the company's website at www.HplusH.com/governance-statement.

Gender diversity

Pursuant to section 139c of the Danish Companies Act, H+H International A/S has set a target for the gender distribution of the Board of Directors, whereby the Board shall seek to ensure that each gender is represented

- (i) by at least one shareholder-elected member when the Board of Directors has four shareholder-elected members;
- (ii) by at least two shareholder-elected members when the Board of Directors has five to seven shareholder-elected members; and
- (iii) by at least three shareholder-elected members when the Board of Directors has eight shareholder-elected members.

The aim is to achieve the target no later than by the annual general meeting to be held in 2023. At the end of 2019, the Board of Directors consisted of six shareholder-elected members, one of which is female and five are male.

The target was not achieved in 2019 even though a female candidate was newly elected to the board of Directors in April 2019, since she replaced the only female board member until then, hence the number of female board members remained at one out of six members. Since changes were made to the Board of Directors for the last three annual general meetings, and since the current board composition represents all competences deemed necessary, it is believed to be best not to change the board composition yet.

As for gender diversity at other management levels in H+H International A/S there are currently two female and five male managers at the C level management and four female and six male managers in the rest of the organisation. With only 17 employees in total in the company there are only limited or no changes in the management level in a given year, which makes it difficult to achieve gender diversity within a short time frame. Due to H+H International A/S's small organisation, and the fact that none of the Danish subsidiaries in the Group are required by law to have a policy of gender balance, the company is likewise not obliged by law to have a gender policy, cf. section 139c(7) of the Danish Companies Act.

When looking not only at gender but diversity in general, H+H International A/S is highly diverse as its Board of Directors, management and other employees represent various competences and experiences, seven different nationalities and ages ranging from the late 20's up to late 60's. Recruitment at all levels takes place with emphasis on skills and experience, and without discrimination on the grounds of age, gender, nationality etc. If a male and female candidate for a position are equally qualified, the candidate representing the under-represented gender will be chosen.

A diversity Policy for the H+H Group was established in 2019, and is available at www.HplusH.com/diversitypolicy.

Board of Directors



Kent Arentoft, Chairman

Male. Born 1962. Danish.

Stewart Antony Baseley

Male. Born 1958. British.

Volker Christmann

Male. Born 1957. German.

Pierre-Yves Jullien

Male. Born 1950. French.

Miguel Kohlmann

Male. Born 1962. German & Brazilian.

Helen MacPhee

Female. Born 1962. British.

Chairman of DSVM Invest A/S and subsidiaries (Denmark).

Executive Chairman, Home Builders Federation (UK).

Managing Director, Senior Vice President Insulation Central Europe. Member of Group Management ROCKWOOL International A/S.

Professional board member.

Professional board member.

Vice President of Finance, AstraZeneca plc (UK).

Joined the Board of Directors in 2013. Chairman since 2013. Member of the Nomination Committee (Chairman) and Remuneration Committee (Chairman).

Joined the Board of Directors in 2010. Member of the Nomination Committee.

Joined the Board of Directors in 2017. Member of the Remuneration Committee.

Joined the Board of Directors in 2010. Member of the Audit Committee.

Joined the Board of Directors in 2018. Member of the Remuneration Committee.

Joined the Board of Directors in 2019. Member of the Audit Committee (Chairman).

Indirectly holds 40,000 H+H shares via a company he controls, with a change of 15,000 shares in the holding in 2019.

Holds 19,000 H+H shares with no change in his holding in 2019.

Holds no H+H shares, with no changes in his holding in 2019.

Holds no H+H shares, with no changes in his holding in 2019.

Holds no H+H shares, with no changes in his holding in 2019.

Holds no H+H shares, with no changes in her holding in 2019.

Independent as defined in the Danish Recommendations on Corporate Governance.

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Independent as defined in the Danish Recommendations on Corporate Governance.

Broad organisation and management experience in international companies in the building materials and contracting sector, in particular within strategy development and M&A transactions.

Experience in the international house-building industry and the developer industry, particularly in the UK, as well as international management experience.

Extensive experience within the building materials production sector of Central Europe, in particular Germany.

Experience in management of a major global production company, including turnarounds and efficiency improvement as well as B-t-B sales.

Extensive management experience in building materials and industry on a global scale. Worked in controlling, sales, production and general management.

Extensive experience within strategic and operational finance as well as international experience in change management, financial oversight and control, governance and risk frameworks and international talent development.

Other management positions and directorships

Chairman of the Board of Directors of Cembrit Group A/S and subsidiaries (Denmark)
Member of the Board of Directors of Solix Group AB (Sweden).

Other management positions and directorships

Chairman of Troy Homes Limited (UK) and Highlander-Partners (Poland).
Member of the Board of Directors of Fuerst Day Lawson Holdings Limited (UK), Sferra Fine Linens UK Limited (UK), and four subsidiaries of Home Builders Federation (UK). Patron of Children's Special Needs Foundation (UK)

Other management positions and directorships

Chairman of the Board of Directors of two companies in the ROCKWOOL Group, managing director of five companies in the ROCKWOOL Group and member of the Board of Directors of ROCKWOOL Foundation.
Chairman of the Board of Directors of the BuVEG (Bundesverband energieeffiziente Gebäudehülle) (Germany).
Member of the Board of Directors of the FIW (Forschungsinstitut für Wärmetechnik) (Germany).

Other management positions and directorships

Member of the Board of Directors of Saudi Arabian Packaging Industry W.L.L. (Saudi Arabia and United Arab Emirates).
Advisor to Al Suhaimi Holding Limited (Saudi Arabia).
Vice President of the Danish Chamber of Commerce (France) and member of the Danish Tunisian Chamber of Commerce (Denmark).

Other management positions and directorships

Chairman of the Board of Directors of Ewelix AB (Sweden), Pfeleiderer GmbH (Germany) and Logstor A/S (Denmark).
Member of the Board of Directors of Archroma Holdings SARL (Luxembourg) and Paul Bauder GmbH (Germany).
Advisory Director of Investcorp Securities Limited (UK).

Other management positions and directorships

Trustee with the Primary Teachers Trust (UK based charity).

Executive Board

Remuneration

The Executive Board's remuneration consists of a combination of:

- A fixed salary,
- Performance-based one-year cash incentive scheme where the cash bonus earned depends on fulfillment of the set KPIs and
- Performance-based three-year share incentive scheme - currently a matching share program where the participant may invest privately held H+H shares (i.e. investment shares) in the program at a value of max. 15% of the participants annual fixed salary, and the participant can then be granted up to a maximum of three H+H shares by the company (i.e. matching shares) for each investment share – the extent of matching shares earned depends on fulfillment of the set financial KPIs.

In addition, the Executive Board also receive work-related benefits in kind in accordance with normal market practices, including a company car, free telephone, broadband at home, news subscriptions, certain insurances etc.

The Board of Directors will propose a new remuneration policy at the annual general meeting on 2 April 2020, and if the policy is approved, subsequent changes to the Executive Board's remuneration may be implemented within the framework of such new remuneration policy.



Michael Troensegaard Andersen

Male. Born 1961. Danish.

CEO since 2011

Holds 41,000 H+H shares, with a change of net 7,058 shares in his holding in 2019.

Background

2008-2011: President of global business unit in Trelleborg Group with 10 subsidiaries in Europe, USA and Asia

2004-2008: Managing Director of Trelleborg Sealing Solutions Helsingør A/S

1997-2004: Alto International A/S (now part of Nilfisk Group). Executive positions within sales, marketing and general management.

Education

M.sc. (Engineering) and a B.Comm. (Accounting)



Peter Klovgaard-Jørgensen

Male. Born 1978. Danish.

CFO since 2019

Holds 2,839 H+H shares, with a change of 2,839 shares in his holding in 2019.

Background

2016-2019: CFO in ISS Denmark A/S

2014-2016: Head of Finance in ISS Denmark A/S

2010-2014: Treasury Vice President in ISS Group

Prior: Various financial positions in ISS Group and Auditor in EY

Education

M.sc. (Business Economics and Auditing)



Financial statements

Income statement

Note	(DKK million)	Group		Parent company	
		2019	2018	2019	2018
2	Revenue	2,840	2,523	0	0
3, 18	Cost of goods sold	(1,963)	(1,833)	0	0
	Gross profit before special items	877	690	0	0
3	Sales costs	(159)	(147)	0	0
3	Administrative costs	(180)	(132)	(65)	(44)
4	Other operating income and costs, net	1	(1)	56	36
	EBITDA before special items	539	410	(9)	(8)
5	Depreciation and amortisation	(173)	(162)	(1)	0
6	Impairment losses	0	(20)	0	0
	EBIT before special items	366	228	(10)	(8)
7	Special items, net	(8)	(65)	(3)	(2)
	EBIT	358	163	(13)	(10)
8	Financial income	1	1	171	73
9	Financial expenses	(154)	(39)	(31)	(83)
	Profit/loss before tax	205	125	127	(20)
10	Tax on profit/loss	(55)	0	4	2
	Profit/loss for the period	150	125	131	(18)
	Profit/loss for the period attributable to:				
	H+H International A/S' shareholders	149	125	131	(18)
	Non-controlling interest	1	0	0	0
	Profit/loss for the period	150	125	131	(18)
12	Earnings per share (EPS-Basic) (DKK)	8.4	8.7		
12	Diluted earnings per share (EPS-D) (DKK)	8.4	8.7		

Statement of comprehensive income

Note	(DKK million)	Group		Parent company	
		2019	2018	2019	2018
	Profit/loss for the year	150	125	131	(18)
	Other comprehensive income:				
	Items that will not be reclassified subsequently to the income statement:				
21	Actuarial losses and gains	47	26	0	0
	Tax on actuarial losses and gains	(8)	(4)	0	0
		39	22	0	0
	Items that may be reclassified subsequently to the income statement:				
13	Foreign exchange adjustments, foreign entities	144	(22)	0	0
	Tax on foreign exchange adjustments, foreign entities	0	0	0	0
		144	(22)	0	0
	Other comprehensive income after tax	183	0	0	0
	Total comprehensive income for the year	333	125	131	(18)

Balance sheet at 31 December

Assets

Note	(DKK million)	Group		Parent company	
		2019	2018	2019	2018
	Goodwill	196	175	0	0
	Customer relations	231	229	0	0
	Other intangible assets	12	10	0	0
14	Intangible assets	439	414	0	0
	Land and buildings	714	660	0	0
	Plant and machinery	671	688	0	0
	Other equipment, fixtures and fittings	74	32	8	0
	Assets under construction	99	44	0	0
15	Property, plant and equipment	1,558	1,424	8	0
16	Deferred tax assets	12	13	10	10
17	Equity investments in subsidiaries	0	0	1,252	1,247
	Investments in associated companies	1	1	0	0
	Other receivables	7	0	0	0
	Receivables from subsidiaries	0	0	752	738
	Other non-current assets	20	14	2,014	1,995
	Total non-current assets	2,017	1,852	2,022	1,995
18	Inventories	303	265	0	0
19	Trade receivables	101	134	0	0
	Tax receivable	0	4	0	0
	Group debtors	0	0	64	10
19	Other receivables	28	25	1	1
	Prepayments	5	8	0	1
	Cash	262	133	186	1
	Current assets	699	569	251	13
	Total assets	2,716	2,421	2,273	2,008

Equity and liabilities

Note	(DKK million)	Group		Parent company	
		2019	2018	2019	2018
20	Share capital	180	180	180	180
	Translation reserve	(99)	(243)	0	0
	Retained earnings	1,253	1,063	1,192	1,059
	Equity attributable to H+H International A/S's shareholders	1,334	1,000	1,372	1,239
	Equity attributable to non-controlling interests	37	0	0	0
	Equity	1,371	1,000	1,372	1,239
21	Pension obligations	64	127	0	0
22	Provisions	33	17	0	20
16	Deferred tax liabilities	137	118	0	0
	Deferred payment, acquisition of subsidiary	0	24	0	0
	Lease liabilities	96	4	1	0
23	Credit institutions	558	303	545	260
	Non-current liabilities	888	593	546	280
23	Credit institutions	0	350	0	350
	Trade payables	207	291	6	5
	Lease liabilities	15	1	6	0
	Income tax	18	12	0	0
	Payables to subsidiaries	0	0	327	121
	Deferred payment, acquisition of subsidiary	24	24	0	0
22	Provisions	11	16	0	0
	Other payables	182	134	16	13
	Current liabilities	457	828	355	489
	Total liabilities	1,345	1,421	901	769
	Total equity and liabilities	2,716	2,421	2,273	2,008

Cash flow statement

Note	(DKK million)	Group		Parent company	
		2019	2018	2019	2018
	EBIT	358	163	(13)	(10)
8	Financial income, received	1	1	22	22
9	Financial expenses, paid	(26)	(37)	(22)	(19)
5, 6	Depreciation, amortisation and impairment losses	173	182	1	0
	Gain on disposal of property, plant and equipment	(1)	(1)	0	0
	Loss on disposal of property, plant and equipment	0	1	0	1
	Other non-cash adjustment of items included in EBIT	2	(14)	0	1
	Change in inventories	(33)	76	0	0
	Change in receivables	45	(1)	(53)	3
	Change in trade payables and other payables	(52)	50	4	10
	Change in provisions and pension contribution	(33)	(18)	0	0
	Income tax paid	(65)	(32)	0	(1)
	Operating activities	369	370	(61)	7
	Sale of property, plant and equipment	1	4	0	0
	Change in borrowings to subsidiaries	0	0	191	(529)
	Dividend from subsidiaries	0	0	125	48
27	Acquisition of enterprises and related deferred payments	(97)	(735)	0	(277)
26	Divestment of enterprises	117	0	0	0
14,15	Acquisition of land and property related to the acquired enterprises	0	(104)	0	0
14,15	Acquisition of property, plant and equipment and intangible assets*	(126)	(138)	(1)	0
	Investing activities	(105)	(973)	315	(758)
	Free cash flow	264	(603)	254	(751)

Note	(DKK million)	Group		Parent company	
		2019	2018	2019	2018
	Net proceeds from capital increase	0	504	0	504
23	Change in borrowings	(95)	183	(65)	255
	Debt from acquisitions	(13)	0	0	0
23	Repayment of lease liabilities	(19)	0	(1)	0
	Acquisition of treasury shares	(4)	(8)	(4)	(8)
	Financing activities	(131)	679	(70)	751
	Cash flow for the year	133	76	184	0
	Cash and cash equivalents at 1 January	133	13	1	1
26,27	Cash related to the acquired and divested enterprises	(8)	45	0	0
	Foreign exchange adjustments of cash and cash equivalents	4	(1)	1	0
	Cash and cash equivalents at 31 December	262	133	186	1

* Cash flow from acquisitions of property, plant and equipment and intangible assets is offset by financial leases (IFRS 16) of DKK 33 million in 2019.

Statement of changes in equity

(DKK million)	Group					Total
	Share capital	Translation reserve	Retained earnings	H+H share-holders share	Non-controlling interests' share	
Equity at 1 January 2018	108	(221)	490	377	0	377
Profit/loss for the year	0	0	125	125	0	125
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	0	(22)	0	(22)	0	(22)
Actuarial gains/losses on pension plans	0	0	26	26	0	26
Tax on other comprehensive income	0	0	(4)	(4)	0	(4)
Net gains recognised directly in equity	0	(22)	22	0	0	0
Total comprehensive income	0	(22)	147	125	0	125
Issue of ordinary shares (7,193,346 shares)	72	0	453	525	0	525
Expenses in connection with share issue	0	0	(21)	(21)	0	(21)
Acquisition of treasury shares	0	0	(8)	(8)	0	(8)
Share-based payment	0	0	2	2	0	2
Total changes in equity	72	(22)	573	623	0	623
Equity at 31 December 2018	180	(243)	1,063	1,000	0	1,000
Profit/loss for the year	0	0	149	149	1	150
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	0	144	0	144	0	144
Actuarial gains/losses on pension plans	0	0	47	47	0	47
Tax on other comprehensive income	0	0	(8)	(8)	0	(8)
Net gains recognised directly in equity	0	144	39	183	0	183
Total comprehensive income	0	144	188	332	1	333
Acquisition of treasury shares	0	0	(4)	(4)	0	(4)
Share-based payment	0	0	6	6	0	6
Non-controlling interests arising from acquisition	0	0	0	0	36	36
Total changes in equity	0	144	190	334	37	371
Equity at 31 December 2019	180	(99)	1,253	1,334	37	1,371

(DKK million)	Parent company			
	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	108	651	0	759
Profit/loss for the year	0	(18)	0	(18)
Other comprehensive income	0	0	0	0
Total comprehensive income	0	(18)	0	(18)
Issue of ordinary shares (7,193,346 shares)	72	453	0	525
Expenses in connection with share issue	0	(21)	0	(21)
Acquisition of treasury shares	0	(8)	0	(8)
Share-based payment	0	2	0	2
Total changes in equity	72	408	0	480
Equity at 31 December 2018	180	1,059	0	1,239
Profit/loss for the year	0	131	0	131
Other comprehensive income	0	0	0	0
Total comprehensive income	0	131	0	131
Acquisition of treasury shares	0	(4)	0	(4)
Share-based payment	0	6	0	6
Total changes in equity	0	133	0	133
Equity at 31 December 2019	180	1,192	0	1,372

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Notes – Financial statements

1 General accounting policies

The annual report for the period 1 January - 31 December 2019 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

H+H International A/S is a public limited company registered in Denmark. The annual report of H+H International A/S for 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2019 on 11 March 2020. The annual report for 2019 will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 2 April 2020.

Basis of preparation

The annual report is presented in DKK, which is the parent company's local currency, rounded to the nearest DKK 1 million. The annual report has been prepared using the historical cost principle. However, derivatives are measured at fair value, and noncurrent assets and disposal classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less selling costs.

From the annual report 2019 special items has been presented separately in the income statement. Refer to note 7 for a description of the accounting policy implemented for special items and the impact on presentation in the income statement. Comparative figures for the income statement have consequently been restated. The implementation has not impacted profit for the period or equity for 2018 or 2019.

Except for above implemented accounting policy regarding separate presentation of special items in the income statement and implementation of new or revised and amended accounting standards, as described below, are the accounting policies consistent with those applied last year. The accounting policies have been applied consistently throughout the financial year and the comparative figures, if not mentioned otherwise.

The accounting policies applied to the consolidated financial statements as a whole are described below, while the remaining accounting policies are described in connection with the notes to which they relate. The aim is to give a better understanding of the individual items. The descriptions of accounting policies in the notes form part of the overall description of accounting policies.

Adoption of new and revised IFRSs

H+H International A/S has adopted all relevant 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. Most importantly are:

- IFRS 16 'Leases'
- IFRIC interpretation 23 'Uncertainty over Income Tax Treatments'

IFRS 16 'Leases

H+H have adopted IFRS 16 on 1 January 2019 applying the simplified transition approach without restating comparative amounts for the year prior to first adoption. IFRS 16 have impacted H+H International A/S as a lessee, as all leases (except for leases of low-value assets) have been recognised in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. Leases for the H+H Group primarily consist of forklift trucks, cars and rental of premises and land.

Implementation of IFRS 16 have impacted the presentation of the income statement and key performance indicators such as EBITDA and EBIT, as well as balance sheet and cash flow and related ratios such as ROIC, NIBD and solvency. Below shows the impact of IFRS 16 as of 1 January 2019 on the balance sheet and for 2019 for key ratios and profit loss statement.

(DKK million)	Group		
	2019		
	2019 income statement	Impact of IFRS 16	2019 income statement ex. IFRS 16
EBITDA before special items	539	(21)	518
Depreciation and amortisation	(173)	18	(155)
EBIT before special items	366	(3)	363
Special items	(8)	0	(8)
EBIT	358	(3)	355
Financial items, net	(153)	3	(150)
Profit/loss before tax	205	0	205

(DKK million)	Group		
	2019		
	1 January 2019	Impact of IFRS 16	1 January incl. impact of IFRS 16
Assets:			
Land and building	660	42	702
Plant and machinery	688	0	688
Fixtures and fittings, tools and equipment	32	36	68
Other receivables, non-current	0	7	7
Impact on assets	1,380	85	1,465
Equity:			
Retained earnings	1,063	0	1,063
Impact on equity	1,063	0	1,063
Liabilities:			
Provisions	33	(6)	27
Non-current lease liabilities	4	78	82
Current lease liabilities	1	13	14
Impact on liabilities	38	85	123

Notes – Financial statements

1 General accounting policies – continued

(DKK million)	Group		
	2019		
	2019 key figures adjusted for the impact of IFRS 16	Impact of IFRS 16	2019
EBITDA margin	18.0%	0.7%	18.7%
EBIT margin	12.5%	0.1%	12.6%
ROIC	20.6%	-0.8%	19.8%
Solvency	52.6%	-2.2%	50.4%
NIBD (1 January)	525	91	616
Cash flow from operating activities	351	18	369
Cash flow from investing activities	(90)	0	(90)
Cash flow from financing activities	(127)	19	(146)

The following recognition exemptions and practical expedients were applied on transition:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains option to extend or terminate
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term lease

Reconciliation of lease liabilities pursuant to IFRS 16 on transition:

(DKK million)	Group	Parent company
	2019	
Operating lease commitment as disclosed in the Group's 2018 consolidated financial statements	203	0
Other adjustments	(8)	0
Discounting effect using the Group's incremental borrowing rate at 1 January 2019	(104)	0
Lease liability recognised on transition	91	0

On transition to IFRS 16, H+H recognised lease liabilities in relation to leases which had previously been classified as operating leases in accordance with IAS 17. The lease liabilities were measured at the present value of the future discounted lease payments using H+H's incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied on transition to IFRS 16 was 3.7%.

IFRIC interpretation 23 'Uncertainty over Income Tax Treatments

The Group operates in an international tax environment. Complying with tax rules can be complex as tax legislation and case law may not be clear or may change over time. In addition, transfer pricing disputes with tax authorities may occur. Management's judgments are applied to assess the possible effect of exposures and the possible outcome of disputes or uncertainties. The net accrual for uncertain tax positions not yet settled with local authorities amounts to DKK 0 million. Management believes that the accrual is adequate. However, the actual obligation may differ from the accrual made and depends on the outcome of litigations and settlements with the relevant tax authorities.

Other new interpretations effective 1 January 2019

It is assessed that application of other new interpretations effective on 1 January 2019 has not had a material impact on the Consolidated financial statements in 2019.

New and amended IFRS Standards and interpretations not yet adopted by EU

The following new or amended IFRS Standards and Interpretations of relevance to the Group became effective as of 1 January 2020:

- Amendments to IAS 1 and IAS 8 'Definition of material'
- Amendments to IFRS 3 'Business Combinations'
- Amendments to 'Reference to the Conceptual Framework in IFRS Standards'
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

In addition to the above, new or amended standards (IFRSs) and interpretations (IFRIC) have been issued but not yet adopted by EU as at 31 December 2019.

H+H International A/S have assessed the impact of above and it is expected that they do not have a material impact on H+H International A/S.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the parent company H+H International A/S and subsidiaries in which H+H International A/S has control of the subsidiary's financial and operating policies so as to obtain returns or other benefits from the subsidiary's activities. Control exists when H+H International A/S holds or has the ability to exercise, directly or indirectly, more than 50% of the voting rights or otherwise has control of the subsidiary in question.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' financial statements, applying the H+H Group's accounting policies. Intra-group income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains arising from intragroup transactions are eliminated on consolidation.

Equity investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition. Accounting items of subsidiaries are fully recognised in the consolidated financial statements.

Notes – Financial statements

1 General accounting policies – continued

Foreign currency translation

For each entity included in the consolidated financial statements, a functional currency has been determined. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Transactions in currencies other than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date on which the receivable or payable arose or the exchange rate used in the last annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of foreign entities with a functional currency other than DKK, income statements are translated at the exchange rates at the transaction date and balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not give a significantly different view. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date, and on translation of income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date, are recognised as other comprehensive income.

Foreign exchange adjustments of balances considered part of the overall net investment in entities with a functional currency other than DKK are recognised in the consolidated financial statements as other comprehensive income. Correspondingly, foreign exchange gains and losses on that part of loans and derivative financial instruments entered into to hedge the net investment in such entities which effectively hedges against corresponding exchange gains/losses on the net investment in the entity are recognised as other comprehensive income.

On the complete or partial disposal of a foreign operation, or on the repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised.

On the disposal of partially owned foreign subsidiaries, the part of the translation reserve attributable to non-controlling interests is not transferred to the income statement. On the partial disposal of foreign subsidiaries without loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to non-controlling interests' share of equity.

The repayment of balances that are considered part of the net investment is not itself considered to constitute partial disposal of the subsidiary.

Cash flow statement

The cash flow statement shows the cash flows for the year, broken down by operating, investing and financing activities, and the year's change in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately under cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of payment, and cash flows from disposals of entities are recognised up to the date of disposal.

Cash flows in currencies other than the functional currency are translated at average exchange rates, unless these deviate significantly from the rates at the transaction date. Cash flows from operating activities are determined as operating profit adjusted for depreciations, amortization and impairment losses, non-cash operating items, change in working capital, pension contributions, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities; acquisitions and disposals of intangible assets, property, plant and equipment, and other non-current assets; and acquisitions and disposals of securities that are not recognised as cash and cash equivalents. Leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated expenses as well as the raising of loans, repayment of interest-bearing debt, purchase and sale of treasury shares, and payment of dividends as well as dividend received from subsidiaries.

Cash and cash equivalents comprise cash and securities with a maturity of less than three months at the time of acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Notes – Financial statements

1 General accounting policies – continued

Financial ratios

Other financial ratios have been prepared in accordance with the Danish Finance Society's guidelines.

The financial ratios under key figures have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Return on invested capital *	$\frac{\text{EBIT}}{\text{Average invested capital}}$
Earnings per share (EPS) **	$\frac{\text{Profit/loss for the year}}{\text{Average number of shares outstanding}}$
Diluted earnings per share (EPS-D) **	$\frac{\text{Diluted earnings}}{\text{Diluted average number of shares outstanding}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity excl. non-controlling interests}}$
Solvency ratio	$\frac{\text{Equity at year-end (attributable to H+H)} \times 100}{\text{Total equity and liabilities, year end}}$
Book value per share, year-end	$\frac{\text{Equity (in H+H), year-end}}{\text{Number of shares, year-end}}$
Price/book value	$\frac{\text{Share price}}{\text{Book value per share, year-end}}$
Price-earnings ratio (PE)	$\frac{\text{Share price}}{\text{Earnings per share}}$
Frequency of accidents	$\frac{\text{Number of lost time accidents} \times 1 \text{ million}}{\text{Hours worked}}$

Payout ratio	$\frac{\text{Total dividend paid} \times 100}{\text{Profit/loss for the year}}$
Free cash flow	The sum of cash flow from operating and investing activities
NIBD/EBITDA	$\frac{\text{Net interest-bearing debt, year-end}}{\text{EBITDA}}$

* Return on invested capital is measured on a twelve months basis. Invested capital is calculated as net working capital plus tangible assets and intangible assets excluding goodwill deducted by provisions and operating non-current liabilities. Net working capital is defined as inventories, trade receivables, other receivables, prepayments deducted by trade payables and other payables.

** Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.

Glossary

EBITDA	Operating profit/loss before depreciation, amortisation and financial items
EBIT	Operating profit/loss before financial items
Special items	Special items comprise non-recurring income and expenses, reference to note 7
Margins before special items	Consists of defined margins adjusted for special items re above and note 7.
Organic growth	Revenue growth excluding effects from changes in foreign exchange rates and revenue from acquisitions and divestments

Critical accounting estimates and judgements

Determining the carrying amounts of some assets and liabilities requires Management to make judgements, estimates and assumptions concerning future events. The estimates and assumptions made are based on historical experience and other factors that are believed by management to be sound under the circumstances but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the H+H Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates. It may be necessary to change estimates made previously as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events.

Critical accounting estimates made in connection with the financial reporting are set out in the following notes:

- Impairment testing of intangible assets, note 14
- Lease and service contracts, note 15
- Recovery of deferred tax assets, note 16
- Investments in subsidiaries, note 17
- Defined benefit pension plans, note 21
- Disposed entities and assets held for sale, note 26
- Business combinations, note 27

Notes – Income statement

2 Segment information

Key customers

One customer in the United Kingdom represented approx. 18% of the H+H Group's total revenue in 2019 (2018: approx. 19%). The following geographical areas in the Group represent more than 10% of revenue or non-current assets.

(DKK million)	Group			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
UK	877	235	807	207
Continental Western Europe	1,106	1,329	1,001	1,194
Poland	773	435	635	360
Russia	84	0	80	81
Other countries and eliminations	0	18	0	10
	2,840	2,017	2,523	1,852

When presenting information on geographical areas, information on revenue is based countries except for "Continental Western Europe" which comprise Germany, Switzerland, Denmark, Sweden, Holland and Belgium. Revenue for Germany amounts to DKK 716 million (2018: DKK 636 million). All revenue relates to sales of goods and transport services.

Revenue in Denmark was DKK 184 million in 2019 (2018: DKK 174 million).

Non-current assets in Denmark at year-end 2019 amounted to DKK 21 million (2018: DKK 13 million).

Accounting policies

The reporting of operating segments is in accordance with the internal reporting to the Executive Management which constitute H+H's chief operating decision maker. Segment information is prepared in accordance with H+H's accounting policies and the internal financial reporting framework.

H+H have identified several operating segments which have been aggregated into one reporting segment. The operating segments all share similar economic characteristics, are similar in the nature of products, production processes and customer base as well as in distribution methods.

Executive Management is responsible for decisions about overall resource allocation and performance assessment. Business decision on resource allocation and performance evaluation for each of the operating segments are made on basis of EBITDA before special items. Decision of financing and tax are made for H+H as a whole.

Segment income and expenses as well as segment assets are those items that are directly attributable to the individual segment or can be allocated to the segment on a reliable basis. Unallocated items comprise primarily of items relating to H+H's administrative functions, investing activities etc.

3 Staff costs

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Wages and salaries	482	402	30	22
Defined contribution plans, see note 21	10	11	0	0
Share-based payment	6	3	6	3
Remuneration to the Board of Directors	2	2	2	2
Other staff costs	60	71	0	0
	560	489	38	27
Staff costs are recognised as follows:				
Production costs	341	302	0	0
Sales and distribution costs	113	106	0	0
Administrative costs	106	81	38	27
	560	489	38	27
Average full-time equivalent staff	1,685	1,651	13	11
Remuneration to the Executive Board:				
Michael Troensegaard Andersen (CEO):				
Salary	3.8	3.6	3.8	3.6
Bonus	1.5	1.7	1.5	1.7
Share-based payment	1.4	1.0	1.4	1.0
Pension	0.0	0.0	0.0	0.0
	6.7	6.3	6.7	6.3
Peter Klovgaard-Jørgensen (CFO from 1 June 2019):				
Salary	1.3	0.0	1.3	0.0
Bonus	0.5	0.0	0.5	0.0
Share-based payment	0.1	0.0	0.1	0.0
Pension	0.0	0.0	0.0	0.0
	1.9	0.0	1.9	0.0

Notes – Income statement

3 Staff costs – continued

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Ian Lea Perkins (CFO until 1 June 2019):				
Salary	0.9	2.1	0.7	1.6
Bonus	0.4	1.0	0.4	1.0
Share-based payment	1.0	0.6	1.0	0.6
Pension	0.1	0.3	0.0	0.0
Severance payment*	4.4	0.0	3.0	0.0
	6.8	4.0	5.1	3.2
Total	15.4	10.3	13.7	9.5
Remuneration to non-registered members of executive management:				
Salary	4.4	3.1	4.4	3.1
Bonus	1.6	1.4	1.6	1.4
Share-based payment	0.8	0.2	0.8	0.2
Pension	0.0	0.0	0.0	0.0
Total	6.8	4.7	6.8	4.7

* The amount consists of fixed remuneration and benefits from 1 June 2019 and until the end of the notice period ending at 31 May 2020, annual cash bonus, share-based payment (i.e. 2017-program and 2018-program vesting in March 2020 and 2021 respectively) and severance pay payable at the end of the notice period.

Guidelines for remuneration to the Board of Directors and Executive Board

The annual general meeting has adopted the existing "Guidelines for remuneration to the Board of Directors and Executive Board, including general guidelines for incentive scheme for the Executive Board". All remuneration for 2019 has been determined in accordance with these guidelines. At the annual general meeting to be held on 2 April 2020, the Board of Directors will propose a new remuneration policy made to fulfil new legal requirements in the Company Act, and if approved the remuneration policy will replace the said guidelines and a new incentive scheme.

The Board of Directors does not receive any form of incentive payment, and remuneration to the Executive Board consists of a combination of fixed salary and a performance-based element comprising a short-term and a long-term incentive plan. The maximum allowed value of the total incentive remuneration (i.e. short-term and long-term) may not, when valued at the start of the vesting period and in accordance with IFRS, exceed 85% of the executive board member's annual fixed salary at the start of the vesting period.

Board of Directors

The Board of Directors comprises six members. The annual general meeting on 11 April 2019 approved remuneration to the Chairman of the Board for 2019 of DKK 650,000 (2018: DKK 650,000) and remuneration to ordinary board members of DKK 325,000 (2018: DKK 325,000). Remuneration to members of the Board of Directors also covers committee work. The Board's committees currently comprise an Audit Committee, a Nomination Committee and a Remuneration Committee.

Executive Board

Short-term cash-based incentive scheme

In addition to the fixed salary, members of the Executive Board have the opportunity to earn an annual cash bonus based on performance related to the extent of achievement of pre-defined financial key performance indicators (key performance indicators such as EBIT, EBITDA, PBT, EPS, ROIC, increase in share price etc.) and/or defined individual performance criteria, economic or otherwise (execution of strategy, restructuring plans, R&D projects, lean projects etc.). The bonus is therefore not guaranteed. In the case of termination of employment, the member is entitled to a pro rata bonus up to the date of termination, if the performance achieved by year-end means that a cash bonus has been earned.

Long-term share-based incentive scheme

In March 2019, a matching share programme was launched for the Executive Board and certain key employees in the H+H Group. The Executive Board and key employees invested a total of 18,319 H+H shares into the matching share programme, which will trigger a maximum allocation of further 54,957 H+H shares by the end of the 3 year vesting period in March 2022, if all the vesting criteria are fulfilled.

The vesting criteria relate to continuous employment in the H+H Group during the vesting period or dismissal as a "good leaver", the Group's operating profit and/or other financial long-term targets. Similar matching share programmes were launched in previous years. Cost for the matching share programmes are recognised as staff costs until the expiry of the vesting periods. Cost are reversed for participants that voluntarily (i.e. "bad leavers") leave the H+H Group or sell the H+H shares they have invested in a matching share programme before the vesting period has ended.

The fair value of the programmes at inception are determined as the maximum number of shares which can be granted. The share price used in calculating the value of the programme is the average share price on the first 10 days of the trading window when the programme is launched. At vesting, grants can be settled with shares or by cash, based on the company's decision.

The vesting period for the 2016 matching share programme ended in March 2019, where 42,880 shares were granted.

As of 31 December 2019, the Company had the following open matching shares programmes:

	Max. factor of shares to be granted	Expected factor of shares to be granted	Max. value (DKK million)	Exp. value (DKK million)
2017-programme, vesting in March 2020	3.18	3.18	3.9	3.9
2018-programme, vesting in March 2021	3.00	3.00	3.6	3.6
2019-programme, vesting in March 2022	3.00	3.00	5.6	5.6

The programmes pending are hedged in whole or in part by purchase of treasury shares. In 2019, the Company bought 40,000 shares between August and September (2018: 75,000 shares).

Notes – Income statement

3 Staff costs – continued

Management's holding of shares in H+H International A/S

	1 January 2019	Additions or sold/ settled during the year	31 December 2019	Market value*
Board of Directors:				
Kent Arentoft (indirect ownership)	25,000	15,000	40,000	4,992
Stewart Antony Baseley	19,000	0	19,000	2,371
Volker Christmann	0	0	0	0
Pierre-Yves Jullien	0	0	0	0
Miguel Kohlmann	0	0	0	0
Helen MacPhee	0	0	0	0
	44,000	15,000	59,000	7,363
Executive Board:				
Michael Troensegaard Andersen	33,942	7,058	41,000	5,117
Peter Klovgaard-Jørgensen	0	2,839	2,839	354
Total	77,942	24,897	102,839	12,834

* Calculation of the market value is in DKK thousand and is based on the quoted share price of DKK 124.80 at 31 December 2019.

Accounting policies

The H+H Group's incentive schemes comprise a matching share programme for senior executives.

The value of services rendered by employees in return for share grants is measured at the fair value of the shares. For equity settled shares, the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period of the shares. The costs are set off directly against equity.

On initial recognition of shares, the number of shares expected to vest is estimated, cf. the service condition described. The figure initially recognised is subsequently adjusted for changes in the estimate of the number of shares expected to vest, so that the total recognition is based on the actual number of vested shares.

4 Other operating income and costs

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Other operating income:				
Management fee	0	0	56	36
Gain on disposal of property, plant and equipment	1	1	0	0
Rental income	9	1	0	0
Other income	2	4	0	0
	12	6	56	36
Other operating costs:				
Exiting Westbury land lease and other costs related to Westbury	(2)	(3)	0	0
Loss on disposal of property, plant and equipment	(1)	(1)	0	0
Other costs	(8)	(3)	0	0
	(11)	(7)	0	0
Total	1	(1)	56	36

Accounting policies

Other operating income and costs comprise items secondary to the entities' activities such as gain and losses on disposal of property, plant and equipment, management fee, rental income refunds of energy taxes etc.

5 Depreciation and amortisation

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Other intangible assets	33	45	0	0
Land and buildings	30	26	1	0
Plant and machinery	84	83	0	0
Fixtures and fittings, tools and equipment	26	8	0	0
Total	173	162	1	0

Notes – Income statement

6 Impairment losses (DKK million)	Group		Parent company	
	2019	2018	2019	2018
Land and buildings	0	11	0	0
Plant and Machinery	0	9	0	0
Write-down and reversals of equity investments	0	0	0	0
Total	0	20	0	0

No impairment losses is recognised in 2019. An impairment of DKK 20 million related to the factory at Kikerino in Russia was recognised in 2018. Refer to note 14 for further information on assumptions applied in connection to the impairment testing.

7 Special items (DKK million)	Group		Parent company	
	2019	2018	2019	2018
Net gain on divestment of entities	1	0	0	0
Acquisition-and transaction related costs	(9)	(39)	(3)	(1)
Costs related to share capital increase	0	(1)	0	(1)
Additional transportation costs due to factory upgrade	0	(37)	0	0
Negative goodwill related to Grupa Siliikaty	0	12	0	0
Total	(8)	(65)	(3)	(2)

Impact of special items on EBIT	2019	2018	2019	2018
Cost of goods sold	0	(37)	0	0
Administrative costs	0	(18)	0	(1)
Other operating costs	(9)	(22)	(3)	(1)
Other operating income	1	12	0	0
Total	(8)	(65)	(3)	(2)

Accounting policies

Special items include significant income and expenses of a special nature in terms of the Group's revenue-generating activities that cannot be attributed directly to the Group's ordinary operating activities.

Special items also include significant non-recurring items, including gains and losses on the disposal of activities and associates and transaction costs in a business combination. Significant restructuring of processes and structural adjustments are also included in special items.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

8 Financial income (DKK million)	Group		Parent company	
	2019	2018	2019	2018
Interest income	1	0	1	0
Interest income from subsidiaries	0	0	21	22
Exchange rate adjustments	0	0	0	3
Dividends from subsidiaries	0	0	125	48
Gain from disposal of entities	0	0	24	0
Other financial income	0	1	0	0
Total	1	1	171	73

Accounting policies

Financial income comprises interest income, capital gains, transactions denominated in foreign currencies, amortisation of financial assets, gain from disposal of entities and surcharges and allowances under the tax prepayment scheme etc.

Dividends from equity investments in subsidiaries are credited to the parent company's income statement in the financial year in which they are declared.

9 Financial expenses (DKK million)	Group		Parent company	
	2019	2018	2019	2018
Interest expenses	11	20	12	16
Interests expense, leases	3	0	0	0
Interest expenses to subsidiaries	0	0	2	2
Interest on financial instruments	14	20	14	18
Other exchange rate adjustments	3	2	8	0
Financial expenses relating to pension plans; see note 21	3	3	0	0
Past service costs relating to pension plans; see note 21	0	6	0	0
Other financial expenses	13	8	8	3
Write-down of intra-group debt	0	0	1	62
Recycling of cumulative translation differences of entities disposed of (non-cash)	121	0	0	0
Total	154	39	31	83

Accounting policies

Financial expenses comprise interest expenses, past service costs, capital losses, impairment losses relating to securities, recirculation of cumulative translation differences of entities disposed of, payables and transactions in foreign currencies, and amortisation of financial liabilities, including lease liabilities etc.

Notes – Income statement

10 Tax (DKK million)	Group		Parent company	
	2019	2018	2019	2018
Tax on profit from continuing operations	55	0	(4)	(2)
Tax on other comprehensive income	8	4	0	0
Total	63	4	(4)	(2)
Total tax can be broken down as follows:				
Current tax for the year	70	36	(4)	(3)
Adjustment relating to changes in tax rate	(6)	1	0	0
Adjustment of deferred tax	5	(21)	0	0
Change in valuation of tax assets	(4)	(14)	0	0
Prior-year adjustments	(2)	2	0	1
Total	63	4	(4)	(2)
Current joint taxation contribution for the year	0	0	(4)	(3)
Tax on profit from continuing operations can be broken down as follows:				
Calculated 22.0% (2018: 22.0%) tax on income from ordinary activities	45	28	28	(11)
Less tax in foreign Group entities compared with 22.0% rate (2018: 22.0%)	(9)	(10)	0	0
Tax effect of:				
Change in valuation of tax assets	(4)	(37)	0	0
Change in tax rate	(6)	0	0	0
Other adjustments	2	7	0	(1)
Non-deductible expenses/non taxable income	27	12	(27)	0
Non-deductible losses/non taxable gains related to investments in subsidiaries	0	0	(5)	10
Total	55	0	(4)	(2)

Accounting policies

Tax on profit comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that can be attributed to items in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity.

H+H International A/S is taxed jointly with all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income. Subsidiaries that utilise tax losses in other subsidiaries pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses, while subsidiaries with tax losses that are utilised by other subsidiaries receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Where the H+H Group receives a tax deduction in the calculation of taxable income in Denmark or abroad as a result of sharebased payment schemes, the tax effect of these schemes is recognised in tax on profit. If the total deduction exceeds the total remuneration expense, the tax effect of the excess deduction is recognised directly in equity.

The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, all companies that are jointly taxed are thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

Notes – Income statement

11 Income statement classified by function

It is Group policy to prepare the income statement based on an adapted classification of costs by function in order to show EBITDA before special items. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets are therefore classified by function and presented on separate lines.

The table below shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function:

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Revenue	2,840	2,523	0	0
Cost of goods sold	(2,087)	(1,966)	0	0
Gross profit including depreciation and amortisation	753	557	0	0
Sales costs	(197)	(192)	0	0
Administrative costs	(191)	(136)	(66)	(44)
Other operating income	12	6	56	36
Other operating costs	(11)	(7)	0	0
EBIT before special items	366	228	(10)	(8)
Special items	(8)	(65)	(3)	(2)
EBIT	358	163	(13)	(10)
Depreciation, amortisation and impairment comprise:				
Amortisation of intangible assets	33	45	0	0
Impairment of property, plant and equipment	0	20	0	0
Depreciation of property, plant and equipment	140	117	1	0
Total	173	182	1	0
Depreciation, amortisation and impairment are allocated to:				
Production costs	124	133	0	0
Sales and distribution costs	38	45	0	0
Administrative costs	11	4	1	0
Total	173	182	1	0

The Group's revenue streams contain contracts for sale of goods and related transport services. Change of control for contracts for goods are satisfied upon shipment whereby the performance obligation is met instantly. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location whereby the performance obligation is met.

The transaction price is the amount to which H+H expects to be entitled in exchange for the transfer of goods and transport services. The transaction price for delivery of goods and transport services are an integrated part of the contracts and the standalone selling prices are directly observable. Accounting estimates are made for variable considerations which consist of customer rebates and bonuses. These are allocated to the transaction price based on "The most likely amount"-method.

Payment terms mainly comprise of 30 days end of month, hence no significant financing component. Defect products and return pallets can be redelivered and provisions has been recognised accordingly. For further description, please refer to note 22 "Provisions".

Accounting policies

Revenue from contracts for goods recognised in the income statement when the customer obtains control. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location. Revenue is recognised if the income can be measured reliably and is expected to be received. Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

Cost of goods sold comprise costs incurred in generating the revenue for the year. The trading entities recognise cost of sales and the producing entities recognise production costs, relating to revenue for the year. This includes the direct and indirect cost of raw materials and consumables, distribution and wages and salaries.

Sales costs comprise marketing costs etc. which include costs of sales personnel, and advertising and exhibition costs.

Administrative costs include costs incurred during the year for management and administration, including costs for administrative staff, office premises and office expenses. Administrative costs also include impairment of trade receivables.

Notes – Income statement

12 Earnings per share (EPS)

(DKK million)	Group	
	2019	2018
Average number of shares	17,983,365	14,495,085
Average number of treasury shares	(86,655)	(59,415)
Average number of outstanding shares	17,896,710	14,435,670
Dilution from share options	0	0
Average number of outstanding shares, diluted	17,896,710	14,435,670
Profit/loss for the year (DKK million)	150	125
Shareholders in H+H International A/S (DKK million)	150	125
Earnings per share (EPS) (DKK)	8.4	8.7
Diluted earnings per share (EPS-D) (DKK)	8.4	8.7

13 Financial items recognised in other comprehensive income

(DKK million)	Group	
	2019	2018
Foreign exchange adjustment of foreign entities		
Foreign currency translation of foreign entities	23	(22)
Recycling of cumulative translation differences of entities disposed of	121	0
Total foreign exchange adjustments of foreign entities included in other comprehensive income	144	(22)

14 Intangible assets

(DKK million)	Parent	
	2019	2018
	Other intangible assets	Other intangible assets
Total cost at 1 January	6	6
Additions during the year	0	0
Disposals during the year	0	0
Total cost at 31 December	6	6
Total amortisation at 1 January	(6)	(6)
Amortisation of disposals	0	0
Amortisation for the year	0	0
Total amortisation at 31 December	(6)	(6)
Carrying amount at 31 December	0	0

Notes – Balance sheet

14 Intangible assets – continued

(DKK million)	Group			
	2019			
	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January 2019	205	251	62	518
Foreign currency translation adjustments	0	0	0	0
Additions from acquired companies	21	29	4	54
Transfers	0	0	0	0
Additions during the year	0	0	4	4
Disposals during the year	0	0	0	0
Total cost at 31 December 2019	226	280	70	576
Total depreciation and amortisation at 1 January 2019	(30)	(22)	(52)	(104)
Foreign currency translation adjustments	0	0	0	0
Additions from acquired companies	0	0	0	0
Transfers	0	0	0	0
Amortisation for the year	0	(27)	(6)	(33)
Amortisation of disposals	0	0	0	0
Impairment losses for the year	0	0	0	0
Total amortisation and impairment losses at 31 December 2019	(30)	(49)	(58)	(137)
Carrying amount at 31 December 2019	196	231	12	439

(DKK million)	Group			
	2018			
	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January 2018	83	0	32	115
Foreign currency translation adjustments	(1)	0	0	(1)
Additions from acquired companies	123	251	26	400
Transfers	0	0	0	0
Additions during the year	0	0	4	4
Disposals during the year	0	0	0	0
Total cost at 31 December 2018	205	251	62	518
Total depreciation and amortisation at 1 January 2018"	(31)	0	(27)	(58)
Foreign currency translation adjustments	1	(1)	0	0
Additions from acquired companies	0	0	(1)	(1)
Transfers	0	0	0	0
Amortisation for the year	0	(21)	(24)	(45)
Amortisation of disposals	0	0	0	0
Impairment losses for the year	0	0	0	0
Total amortisation and impairment losses at 31 December 2018	(30)	(22)	(52)	(104)
Carrying amount at 31 December 2018	175	229	10	414

Notes – Balance sheet

14 Intangible assets – continued

Impairment testing

Management has tested goodwill for impairment in each of the cash-generating units to which such assets have been allocated.

With the divestment of Russia, Management has identified the following five cash-generating units:

(DKK million)		2019		
Cash-generating units	Product	Year of origin	DKK million	
Poland	AAC	2003	24	
Poland	CSU	2018	0	
Continental Western Europe	AAC	2006	28	
Continental Western Europe	CSU	2018/19	144	
UK	AAC	N/A	0	
Total			196	

In 2019, goodwill of DKK 21 million has been acquired in connection to BWD acquisition adding into the Continental Western Europe CSU cash-generating unit. Refer to note 27 "Business combinations" for further information on the purchase price allocation.

Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in each CGU.

In both 2019 and 2018, the impairment test of goodwill showed no impairment.

Key assumptions

For the purpose of impairment testing the recoverable amount was defined as the value in use. The impairment tests were based on budget for 2020 approved by the Board of Directors and strategy projections for the years 2021-2025 for all CGUs. The assumptions of the forecast period are based on benchmarked external data and historic trends.

	2019		
	Poland AAC	Continental Western Europe AAC	Continental Western Europe CSU
Carrying amount of intangible assets, property, plant and equipment at 31 December 2019 (DKK million)	328	397	931
Goodwill	24	28	144
Estimated average annual growth in revenue 2020-2025 (CAGR)	0.3%	4.3%	4.3%
Estimated average annual growth in gross margin in percentage points 2020-2025	0.5%	0.2%	0.0%
WACC before tax	10.9%	9.4%	9.7%
WACC after tax	8.8%	7.1%	7.1%

	2018			
	Poland AAC	Continental Western Europe AAC	Continental Western Europe CSU	Russia AAC
Carrying amount of intangible assets, property, plant and equipment at 31 December 2018 (DKK million)	289	375	817	81
Goodwill	24	28	123	0
Estimated average annual growth in revenue 2019-2024 (CAGR) (Russia: 2019-2026)	0.3%	4.1%	3.7%	2.7%
Estimated average annual growth in gross margin in percentage points 2019-2024 (Russia: 2019-2026)	0.5%	0.3%	-0.3%	0.4%
WACC before tax	11.7%	9.2%	9.5%	18.3%
WACC after tax	9.5%	7.0%	7.0%	14.6%

Notes – Balance sheet

14 Intangible assets – continued

The weighted average growth rate used for the terminal period for the years after 2025 has been estimated at 1.0% - 2.0% (2018: 1.0% - 3.0%). The weighted average annual growth rate for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual CGUs.

An increasing gross margin has been estimated for the period 2020-2025, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases.

The WACC is based on generally applied principles including the determination of return on equity and cost of debt. Components for the return on equity, the marked risk premium, company specific risk premium and beta-values, is benchmarked to information provided by an external valuation specialist. The risk-free rate for each CGUs has been sourced from trading economics and is equal a 10-years government bond. The cost of debt is estimated based on the actual margin in the bank agreements and the risk-free rate.

Sensitivity on changes in key assumptions

Sensitivity analysis of impairment tests focuses on changes in discount rate (WACC), long-term growth rate, revenue, EBITDA and Compound Average Growth Rate (CAGR). The changes in CAGR for 2020-2025 and beyond are based on the assumption that tax paid follows the decrease in gross margin. All other factors are unchanged in the sensitivity analysis.

Based on sensitivity analyses, it is Management's opinion that no probable change in any key assumptions would cause the carrying amounts of CGUs to exceed the recoverable amount as at 31 December 2019.

Accounting policies

Goodwill is recognised initially in the balance sheet at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity, and translated on initial recognition into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The carrying amount of goodwill is allocated to the H+H Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the H+H Group's organisational and internal reporting structure.

Other intangible assets comprises of customer relations, order-book, trademarks, development projects and patent and licenses. Customer relations, order book and trademarks acquired in connection with business combinations are measured at cost less cumulative amortisation and impairment losses. They are amortised using a straight-line method over the expected useful life.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the entity can be demonstrated, and which the entity intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less cumulative amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the H+H Group's development activities and interest expenses on loans to finance development projects that relate to the production period. On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

Patents and licences are measured at cost less cumulative amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the shorter of the remaining patent or contract period and the useful life.

Software and other intangible assets are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Software 3-6 years
- Other intangible assets 1-10 years

Critical accounting estimates and judgements

Impairment of goodwill and non-current assets

Goodwill is tested for impairment annually, the first time before the end of the year of acquisition. The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the asset or activity (cash-generating unit) to which the goodwill relates.

The carrying amounts of other non-current assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less expected disposal costs and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under depreciation and amortisation. Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment loss have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation/amortisation if no impairment losses had been charged.

The calculation for impairment testing is based on budgets approved by Board of Directors. Cash flows after the budget period are extrapolated using individual growth rates. The discount rate used for the calculation incorporates possible impacts of future risks.

Notes – Balance sheet

15 Property, plant and equipment

(DKK million)	Parent company	
	2019	2018
	Fixtures and fittings, tools and equipment	Fixtures and fittings, tools and equipment
Total cost at 1 January	0	0
Recognition of right-of-use assets	0	0
Restated cost at 1 January 2019	0	0
Additions, including right-of-use assets	9	0
Disposals during the year	0	0
Total cost at 31 December	9	0
Total depreciation at 1 January	0	0
Depreciations of disposals	(1)	0
Depreciations for the year	0	0
Total amortisation at 31 December	(1)	0
Carrying amount at 31 December	8	0
Right-of-use assets included at 31 December		
Depreciation	1	0
Carrying amount at 31 December	7	0

(DKK million)	Group				
	2019				
	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Property, plant and equipment under construction	Total
Total cost at 1 January 2019	1,034	2,223	137	44	3,438
Recognition of right-of-use assets	42	0	36	0	78
Restated cost at 1 January 2019	1,076	2,223	173	44	3,516
Foreign currency translation adjustments	21	47	1	1	70
Additions from acquired companies	254	144	2	0	400
Disposals of divested companies	(93)	(87)	(2)	0	(182)
Transfers	0	48	5	(53)	0
Additions, including right-of-use assets	22	0	26	107	155
Disposals during the year	(1)	(1)	(6)	0	(8)
Total cost at 31 December 2019	1,279	2,374	199	99	3,951
Total depreciation and amortisation at 1 January 2019	(374)	(1,535)	(105)	0	(2,014)
Foreign currency translation adjustments	(10)	(32)	0	0	(42)
Additions from acquired companies	(197)	(105)	0	0	(302)
Disposals of divested companies	44	52	1	0	97
Transfers	0	0	0	0	0
Depreciation for the year	(30)	(84)	(26)	0	(140)
Depreciation of disposals	2	1	5	0	8
Impairment losses for the year	0	0	0	0	0
Total depreciation and impairment losses at 31 December 2019	(565)	(1,703)	(125)	0	(2,393)
Carrying amount at 31 December 2019	714	671	74	99	1,558
Right-of-use assets included at 31 December					
Depreciation	4	0	14	0	18
Carrying amount at 31 December	51	0	44	0	95

Notes – Balance sheet

15 Property, plant and equipment – continued

Group

(DKK million)

2018

	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Property, plant and equipment under construction	Total
Total cost at 1 January 2018	572	1,143	216	110	2,041
Adjustment to opening	89	(5)	(84)	0	0
Foreign currency translation adjustments	(11)	(18)	(6)	0	(35)
Additions from acquired companies	266	1,011	3	0	1,280
Transfers	2	81	0	(83)	0
Additions during the year	117	94	9	18	238
Disposals during the year	(1)	(83)	(1)	(1)	(86)
Total cost at 31 December 2018	1,034	2,223	137	44	3,438
Total depreciation and amortisation at 1 January 2018	(236)	(829)	(132)	0	(1,197)
Adjustment to opening	(26)	(8)	34	0	0
Foreign currency translation adjustments	4	4	2	0	10
Additions from acquired companies	(79)	(691)	0	0	(770)
Transfers	0	0	0	0	0
Depreciation for the year	(26)	(83)	(8)	0	(117)
Depreciation of disposals	0	81	(1)	0	80
Impairment losses for the year	(11)	(9)	0	0	(20)
Total depreciation and impairment losses at 31 December 2018	(374)	(1,535)	(105)	0	(2,014)
Carrying amount at 31 December 2018	660	688	32	44	1,424

Right-of-use-assets

The Group leases land and buildings, offices, cars and forklift trucks. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As of 1 January 2019, the Group implemented IFRS 16 and recognised right-of-use assets at a total value of DKK 78 million. During the year, additions amounted to DKK 33 million and depreciation to DKK 18 million.

Accounting policies

Land and buildings, plant and machinery, fixtures and fittings, and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition up to the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Cost is increased by estimated costs for dismantling and removal of the asset and restoration costs, to the extent that they are recognised as a provision, and interest expenses on loans to finance the production of property, plant and equipment that relates to the production period. The cost of a combined asset is divided into separate components that are depreciated separately if the components have different useful lives.

Subsequent costs, for example in connection with replacement of part of an item of property, plant or equipment, are recognised in the carrying amount of the asset if it is probable that future economic benefits will flow to the H+H Group from the expenses incurred. The replaced part is derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Production buildings 30-50 years
- Office buildings 30-50 years
- Production equipment, autoclaves, mills, cutting machines and moulds 10-30 years
- Plant, machinery and other equipment 5-20 years
- Vehicles, fixtures and IT equipment 3-10 years
- Land is not depreciated

The main part of the Groups non-current assets comprises of production equipment, autoclaves, mills, cutting machines and moulds which are depreciated over a period of 10-30 years.

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount. The effect on depreciation of any changes in depreciation period or residual value is recognised prospectively as a change in accounting estimates.

Notes – Balance sheet

15 Property, plant and equipment – continued

Accounting policies - continued

Leases

At the commencement date, the Group recognises a lease liability and a corresponding right-of-use asset at the same amount, except for short-term leases of 12 months or less and leases of low-value assets. The interest rate implicit in the lease or the H+H Group's incremental borrowing rate is used as the discount rate for calculating the lease liability and a corresponding right-of-use asset.

A right-of-use asset is initially measured at cost, which equals the initial lease liability and initial direct costs less any lease incentives received. The Group has applied the practical expedient option allowed under IFRS by using a portfolio approach for the recognition of lease contracts related to assets of the same nature and with similar lease terms, i.e. cars and trucks.

Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses, and adjusted for remeasurement of the lease liability.

The right-of-use asset is depreciated over the earlier of the lease term or the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment. Right-of-use assets are recognised as property, plant and equipment.

The Group has chosen not to recognise right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Lease payments related to such leases are recognised in the income statement as an expense on a straight-line basis over the lease term.

Critical accounting estimates and judgements

Lease and service contracts

At inception of a contract, Management assesses whether the contract is or contains a lease. Management considers the substance of any service being rendered to classify the arrangement as either a lease or a service contract. Importance is whether fulfilment of the contract depends on the use of specific assets. The assessment involves judgement of whether the Group obtains substantially all the economic benefits from the use of the specified asset and whether it has the right to direct how and for what purpose the asset is used. If these criteria are satisfied at the commencement date, a right-of-use asset and a lease liability are recognised in the statement of financial position.

In determining the lease term, Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension or termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The term is reassessed if a significant change in circumstances occurs. The assessment of purchase options follows the same principles as those applied for extension options.

16 Deferred tax

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Deferred tax at 1 January	(105)	28	10	10
Addition from acquisition	(23)	(167)	0	0
Foreign exchange adjustments	(2)	(1)	0	0
Effect of change in tax rate	6	0	0	0
Change in deferred tax	(5)	21	0	0
Valuation of tax asset	4	14	0	2
Usage in joint taxation	0	0	0	(2)
Deferred tax at 31 December	(125)	(105)	10	10

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Deferred tax relates to:				
Non-current assets	(191)	(195)	1	0
Current assets	(3)	7	0	0
Liabilities	28	26	0	0
Tax loss carry-forwards	41	57	9	10
Total	(125)	(105)	10	10
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	12	13	10	10
Deferred tax liabilities	(137)	(118)	0	0
Total	(125)	(105)	10	10

Notes – Balance sheet

16 Deferred tax – continued

No deferred tax has been recognised on the difference between the cost of equity investments and the carrying amount. This is because the shareholdings in the equity investments are all considered to be "shares in a subsidiary", and any gain/loss is therefore not taxable.

The tax value of loss carry-forwards has been recognised as deferred tax assets in the companies where, based on budget and forecasts, it is considered very likely that this can be utilised in future earnings and a history of profit before tax within the last three to five years has been verified. A tax value of loss carry-forwards of DKK 40 million at 31 December 2019 (2018: DKK 49 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised. The carry-forward losses mainly relate to Finland, Denmark and Sweden.

The parent company has special carried-forward losses related to sale of property and shares with limited possibilities of use with a taxable value of DKK 11 million (2018: DKK 11 million) which is not recognised.

Accounting policies

Income tax and deferred tax: Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amount and tax base of assets and liabilities. However, the following temporary differences are not recognised: Goodwill not deductible for tax purposes and other items – apart from business combinations – where temporary differences have arisen at the date of acquisition that affect neither profit nor taxable income. Where alternative tax rules can be applied to compute the tax base, deferred tax is measured on the basis of Management's planned use of the asset or settlement of the liability respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the H+H Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously. Adjustment of deferred tax is made in respect of elimination of unrealised intra-group profits and losses.

Deferred tax is measured on the basis of the tax rules and at the tax rates that will apply under the legislation enacted at the balance sheet date in the respective countries when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Under the joint taxation rules, H+H International A/S, as the administration company, becomes liable to the tax authorities for the subsidiaries' income taxes as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable and receivable are recognised in the balance sheet under receivables from/payables to subsidiaries.

Critical accounting estimates and judgements

Recovery of deferred tax assets: Deferred tax assets are recognised for all unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The amount recognised for deferred tax assets is based on estimates of the likely date and size of future tax loss carry-forwards.

17 Investments in subsidiaries

Parent company

(DKK million)	2019	2018
Acquisition cost at 1 January	1,417	1,294
Additions	5	283
Disposals	(103)	(160)
Cost at 31 December	1,319	1,417
Impairment losses at 1 January	(170)	(330)
Reversal of previous write-down	0	160
Reversal in connection with disposals	103	0
Impairment losses at 31 December	(67)	(170)
Carrying amount at 31 December	1,252	1,247

Additions in above table comprise of a capital injection for H+H Sverige AB of DKK 5 million. Disposals relate to the sale of OOO H+H. For 2018, additions comprise of the acquisition of Hunziker Kalksandstein AG of DKK 277 million and a capital injection for H+H Sverige AB of DKK 6 million.

The cost of investments in subsidiaries was tested for impairment at the end of 2019. The recoverable amount of the equity investments at 31 December 2019 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2020-2025 and a WACC after tax of 7.1%-8.8% (2018: 7.0-14.6%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2025 has been estimated at 1.0% - 2.0% (2018: 1.0% - 3.0%). It is estimated that the growth rate will not exceed the long-term average growth rate in the respective company's markets; see note 14 for further information on the impairment tests.

Notes – Balance sheet

17 Investments in subsidiaries –continued

		2019	2018
	Registered office	Equity interest, %	Equity interest, %
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH**	Germany	100	100
Hunziker Kalksandstein AG (acquired February 2018)	Switzerland	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
Stone Kivitalot Oy	Finland	100	100
H+H Sverige AB	Sweden	100	100
H+H Polska Sp. z o.o.***	Poland	100	100
H+H ElQ s.r.o. (liquidated in January 2019)	Czech Rep.	0	100
H+H Russia LLC. (divested October 2019)	Russia	0	100
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

* This activity comprises ownership of H+H UK Holding Limited and thus the activities of H+H UK Limited.

** This activity comprises ownership of H+H Kalksandstein GmbH (acquired February 2018) and 51 % ownership of Baustoffwerke Dresden GmbH & Co. KG (acquired April 2019)

*** This activity comprises ownership of Grupa Prefabet S.A. and H+H Silikaty S.A. (acquired April 2018)

The above list does not include indirectly owned companies without any activities.

Impairment of financial assets

Loans to related and other parties, lifetime expected credit losses (ECL) has been provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

In determining the expected credit losses for these assets, we have taken into account the historical default experience, the financial position of the counterparties and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Accounting policies

Equity investments in subsidiaries in the parent company's financial statements: Equity investments in subsidiaries are measured at cost. If there is any indication of impairment or reversal of prior year's impairment, an impairment test is carried out as described in note 14. Cost is written down to the recoverable amount whenever the carrying amount is higher.

18 Inventories/cost of goods sold

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Raw materials and consumables	86	83	0	0
Finished goods and goods for resale	217	183	0	0
Total	303	265	0	0
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	18	19	0	0
Foreign exchange adjustments	0	0	0	0
Acquired	0	3	0	0
Write-downs for the year	7	3	0	0
Realised during the year	(3)	(1)	0	0
Reversals	(1)	(6)	0	0
Total	21	18	0	0
Production costs comprised:				
Direct production costs	1,091	1,039	0	0
Wages and salaries	341	302	0	0
Production overheads	183	187	0	0
Distribution	342	308	0	0
Write-downs for the year	7	3	0	0
Reversals of inventory write-downs	(1)	(6)	0	0
Total	1,963	1,833	0	0

Accounting policies

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value. In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

In the case of finished goods, cost comprises raw materials, consumables, direct labour and production overheads. Production overheads comprise indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process, and the cost of factory administration and management.

The net realisable value of inventories is determined as the selling price less any costs of completion and costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and developments in expected selling price.

Notes – Balance sheet

19 Trade and other receivables

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Trade receivables, gross	136	171	0	0
Rebates, bonuses and write-downs	(35)	(37)	0	0
Group debtors	0	0	64	10
Other receivables	28	25	1	1
Total	129	159	65	11

In the parent company, group debtors is comprised of receivable management fee.

Other receivables include a receivable from sale of land and property in Poland, rent deposits, VAT, other indirect taxes etc. and fall due within one year of the balance sheet date.

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Age analysis of trade receivables (gross):				
Not past due	94	126	0	0
0-30 days	34	37	0	0
31-90 days	5	5	0	0
91-180 days	0	1	0	0
Over 180 days	3	2	0	0
Total trade receivables	136	171	0	0
Write-downs relating to receivables, year-end	3	3	0	0

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Write-downs at 1 January	3	6	0	0
Foreign exchange adjustments	0	0	0	0
Additions from acquired companies	0	1	0	0
Write-downs for the year	1	1	0	0
Realised during the year	0	(2)	0	0
Reversals	(1)	(3)	0	0
Write-downs relating to receivables at 31 December	3	3	0	0

The average credit period on sales of goods is approximately 30 days.

The expected credit losses on trade receivables are estimated using a provision matrix and the Group has recognised a loss allowance of 100% against all receivables over 180 days because historical experience has indicated that these receivables are generally not recoverable.

Receivables that are not past due are predominantly deemed to have a high credit quality and security is normally not required. The Group's customers are typically large well-consolidated builders' merchants and housebuilders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December 2019.

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Maturity period of trade receivables:				
0-30 days	34	37	0	0
31-90 days	5	5	0	0
91-180 days	0	0	0	0
Over 180 days	0	0	0	0
Total	39	42	0	0

Accounting policies

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less a loss allowance equal expected credit loss. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Expected credit losses on receivables are recognised as other external expenses.

The expected credit losses on receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years. Prepayments are measured at amortised cost.

Notes – Balance sheet

20 Share capital and treasury shares

	Number		Nominal value, DKK million	
	2019	2018	2019	2018
Share capital at 1 January	17,983,365	10,790,019	180	108
Capital decrease	0	0	0	0
Issue of ordinary shares	0	7,193,346	0	72
Share capital at 31 December – fully paid	17,983,365	17,983,365	180	180

On 20 March 2015, H+H International A/S increased its share capital by a nominal amount of DKK 9,800,190 from DKK 98,100,000 to DKK 107,900,190. H+H International A/S's total nominal share capital is DKK 107,900,190 divided into 10,790,019 shares of nominal DKK 10 each, corresponding to 10,790,019 votes.

On 22 June 2018, H+H International A/S increased its share capital by a nominal amount of DKK 71,933,460 from DKK 107,900,190 to DKK 179,833,650. H+H International A/S's total nominal share capital is DKK 179,833,650 divided into 17,983,365 shares of nominal DKK 10 each, corresponding to 17,983,365 votes.

There have been no movements in the share capital in the last five years except for the above.

Treasury shares

	Number	Nominal value, DKK million	% of share capital, year-end
Holding at 1 January 2018	53,174	0.53	(0.3)
Purchased during the year	75,000	0.75	(0.4)
Granted due to matching share programme in 2015	(20,195)	(0.20)	0.1
Holding at 31 December 2018	107,979	1.08	(0.6)
Purchased during the year	40,000	0.40	(0.2)
Granted due to matching share programme in 2016	(42,880)	(0.43)	0.2
Holding at 31 December 2019	105,099	1.05	(0.6)

All the treasury shares are owned by H+H International A/S. Treasury shares are acquired in order to hedge liabilities related to the matching share programmes. Refer to note 3 for further information on the matching share programmes.

Accounting policies

Equity: Proposed dividends are recognised as a liability at the date of adoption at the annual general meeting (declaration date).

Treasury shares: Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly in retained earnings under equity. Capital reductions as a result of cancellation of treasury shares reduce the share capital by an amount equivalent to the nominal value of the shares. Proceeds from the sale of treasury shares in H+H International A/S in connection with the exercise of share options are taken directly to equity.

21 Pension obligations

Under defined contribution plans, the employer is obliged to pay a specific contribution (e.g. a fixed amount or a fixed percentage of salary). Under such plans, the Group does not bear the risk associated with future developments in interest rates, inflation, mortality and disability.

Under defined benefit plans, the employer is obliged to pay a specific amount (e.g. a retirement pension as a fixed amount or a fixed percentage of final salary). Under such plans, the Group bears the risk associated with future developments in interest rates, inflation, mortality and disability.

The Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate the obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements, an amount of DKK 64 million (2018: DKK 127 million) has been recognised under liabilities in respect of the Group's obligations to existing and former employees after deduction of the assets associated with the plans.

In the consolidated income statement, an amount of DKK 8 million (2018: DKK 11 million) has been recognised in respect of expenses relating to insured plans (defined contribution plans). For non-insured plans (defined benefit plans), an amount of DKK 3 million (2018: DKK 3 million) has been recognised in the consolidated income statement as financial expenses.

The Group has defined benefit plans in the UK, Germany and Switzerland. The UK and Swiss pension plans are managed by a pension fund – legally separate from the Company - to which payments are made, whereas the German pension plans are unfunded. The board of the UK pension fund is composed of two representatives appointed by the employer, two elected by the pension fund members and two professional independent members.

The board of the UK pension fund is required by law and by articles of association to act in the interest of the pension fund members. The board of the UK pension fund is responsible for the investment policy with regard to the plan assets. Under the pension plan, employees are entitled to post-retirement annual payments amounting to 1/60 of the final pensionable salary for each year of service before the retirement age of 65. In addition, the service period is limited to 40 years, resulting in a maximum yearly entitlement (lifetime annuity) of 2/3 of the final pensionable salary.

The defined benefit pension fund in the UK typically exposes the Group to actuarial risks, such as investment, interest rate, inflation and longevity. H+H Celcon Pension Fund is supervised by an independent corporate trustee, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, the corporate trustee must ensure among other things that a limited actuarial calculation of the pension obligations is carried out each year.

Every 3 years a triennial valuation takes place. This valuation is based on more prudent assumptions than used under IAS 19. As of April 2017 it showed a deficit of DKK 165 million (GBP 20 million) which has led to a slightly increased repayment schedule. The repayment schedule runs March to April where H+H UK Limited will pay DKK 24 million (GBP 2.85 million) in 2019/20, DKK 25 million (GBP 2.94 million) in 2020/21, DKK 26 million (GBP 3.02 million) in 2021/22, DKK 27 million (GBP 3.12 million) in 2022/23, and a final payment of DKK 27 million (GBP 3.21 million) in 2023/2024.

The UK pension fund was closed to new entrants in June 2007 and to the accrual of future service benefits in December 2011. The link to final salary ended at this point.

Notes – Balance sheet

21 Pension obligations – continued

The most recent actuarial valuations (based on IAS 19) of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2019 by Mr. Oscar Brown, Fellow of the UK Institute of Actuaries, in Germany by AON and in Switzerland by Swiss Life. The present value of the defined benefit obligation, and the related service and past service cost, were measured using the projected unit credit method.

The UK pension fund has been replaced by a defined contribution pension scheme where the Company is not subject to any ongoing investment, interest rate or mortality risk.

(DKK million)	Group	
	2019	2018
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	731	674
Fair value of plan assets	678	558
Deficit	53	116
Present value of unfunded defined benefit plans recognised in the balance sheet	11	11
Net obligation recognised in the balance sheet	64	127
Development in present value of defined benefit obligation:		
Obligation at 1 January	685	709
Acquired obligations	0	46
Foreign exchange adjustments	40	(7)
Calculated interest on obligation	18	17
Past service costs	0	6
Service costs	2	2
Gains/losses as a result of changes in economic assumptions	35	(49)
Gains/losses as a result of changes in demographic assumptions	(1)	(5)
Empirical changes	(3)	3
Pension paid by employees	2	2
Pension paid	(36)	(39)
Obligation at 31 December	742	685
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	731	674
Present value of unfunded defined benefit obligations	11	11
Obligation at 31 December	742	685

(DKK million)	Group	
	2019	2018
Development in fair value of plan assets:		
Plan assets at 1 January	558	559
Acquired assets	0	32
Foreign exchange adjustments	35	(6)
Calculated interest income	15	14
Return on plan assets over and above the calculated interest	78	(26)
The Group's contributions to plan assets	26	22
The employee's contributions to plan assets	2	2
Pensions paid	(36)	(39)
Plan assets at 31 December	678	558
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	10	11
Total pension costs	10	11
Financial costs relating to the defined benefit plans for the current year:		
Past service costs	0	(6)
Calculated interest on obligation	(18)	(17)
Calculated interest on plan assets	15	14
Net interest on defined benefit plans	(3)	(9)
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	(35)	50
Gains/losses as a result of change in demographic assumptions	1	5
Return on plan assets over and above the calculated interest	78	(26)
Changes due to empirical changes	3	(3)
Total	47	26

The cost has been recognised in the income statement under staff costs; see note 3. Costs recognised under production costs amount to DKK 6 million (2018: DKK 7 million), costs recognised under sales and distribution costs amount to DKK 2 million (2018: DKK 2 million) and costs recognised under administrative costs amount to DKK 2 million (2018: DKK 2 million).

Notes – Balance sheet

21 Pension obligations – continued

(DKK million)	Group	
	2019	2018
Plan assets can be broken down as follows:		
Shares	0	0
Bonds	0	0
Diversified Growth Fund	343	237
Liability Driven Investment	139	148
Alternatives	195	173
Casth	1	0
Total	678	558

All plan assets in the UK, DKK 654 million, are investments held in LGIM funds, which in turn invest directly in highly rated assets that are traded on a stock exchange. Asset of another DKK 24 million relates to the Swiss pension plan.

(DKK million)	Group	
	2019	2018
Return on plan assets		
Actual return on plan assets	93	(12)
Calculated interest on plan assets	15	14
Actuarial gain (loss) on plan assets	78	(26)
The average assumptions used for the actuarial calculation related to the UK pension at the balance sheet date can be stated as follows:		
Discount rate (avg.)	1.9%	2.8%
Expected inflation rate	2.7%	3.4%
Members' life expectancy from retirement age (years)	23.0	22.9

Sensitivity analysis

The table below shows the sensitivity of the UK pension obligation to changes in the key assumptions for determination of the obligation on the balance sheet date. The H+H Group is also exposed to developments in the market value of the plan assets. The key actuarial assumptions in determination of the pension obligation relate to interest rate level, pay increases and mortality.

The analysis is based on the reasonably likely changes which can be expected on the balance sheet date, provided that the other parameters in the calculations are unchanged and not subject to consequential changes:

(DKK million)	Group	
	2019	2018
Sensitivity relative to discount rate:		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	13	12
Sensitivity relative to inflation:		
If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	10	8
Sensitivity relative to life expectancy from retirement age:		
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	26	33

The Group expects to pay DKK 26 million into the defined benefit pension plan in 2020 (2019: DKK 25 million).

(DKK million)	Group	
	2019	2018
The pension obligation is expected to fall due as follows:		
0-1 year	37	39
1-5 years	150	155
Over 5 years	555	491
Total	742	685

Notes – Balance sheet

21 Pension obligations – continued

Actuarial assumptions

Discount rate

The discount rate is based on high-quality corporate bonds, and an adjustment has been made to reflect the fact that the duration of the bonds does not correspond to the duration of the pension obligation.

Price inflation

Inflation is based on market expectations for inflation over the duration of the pension liabilities and is calculated as a single equivalent rate.

Demographic assumptions are based on the latest available mortality projection model.

Accounting policies

Pension obligations: The H+H Group has entered into pension agreements and similar agreements with some of its employees. Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions concerning future trends in factors such as salary levels, interest rates, inflation and mortality.

The value in use is determined only for the benefits attributable to service already rendered to the H+H Group. The actuarially determined value in use less the fair value of any plan assets is recognised in the balance sheet under pension obligations.

The pension costs for the year is recognised in the income statement based on actuarial estimates and the financial outlook at the start of the year. Past service costs are recognised in the income as a financial item. Differences between the expected development in plan assets and obligations and the realised values determined at year-end are designated as actuarial gains or losses and recognised in other comprehensive income.

Critical accounting estimates and judgements

Defined benefit pension plans: The present value of pension obligations depends on the actuarial assumptions made. These assumptions comprise the discount rate, inflation rate, estimated return on plan assets, future salary increases, mortality and future developments in pension obligations.

All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations.

22 Provisions

(DKK million)

	Group	
	2019	2018
Provisions at 1 January	33	17
Foreign exchange adjustments	1	0
Additions from acquired companies	19	15
Provisions for the year	13	10
Utilised during the year	(12)	(1)
Reversals during the year	(10)	(8)
Provisions at 31 December	44	33
Breakdown of the provisions at 31 December:		
Warranty obligations	3	2
Obligations relating to restoration of sites	25	3
Onerous contracts	7	14
Close down costs related to Finland	1	2
Restructuring	0	4
Other provisions	8	8
Total	44	33

H+H subsidiaries provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each subsidiary based on normal practice in the market in question and historical warranty costs. At 31 December 2019, warranty obligations relate predominantly to Germany and Poland.

The obligation in respect of restoration of sites relates to H+H's sites in Poland. The obligation has been calculated on the basis of external assessments of the restoration costs.

Provision for onerous contracts is comprised of an onerous lime contract in Poland.

Provisions are recognised based on expected maturities whereas for 2019 DKK 33 million (2018: DKK 17 million) is recognised as non-current liabilities and DKK 11 million (2018: DKK 16 million) as current liabilities.

Notes – Balance sheet

22 Provisions – continued

Accounting policies

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the H+H Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

The measurement of provisions is based on Management's best estimate of the amount expected to be required to settle the obligation.

In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation. A pre-tax discount rate is applied that reflects the general interest rate level plus the specific risks attached to the provision. The changes in present values during the financial year are recognised under financial expenses.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

A provision for restructuring is recognised when a detailed formal plan for the restructuring has been made public, no later than the balance sheet date, to those affected by the plan.

A provision for onerous contracts is recognised when the benefits expected to be derived by the H+H Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

If the H+H Group has an obligation to dismantle or remove an asset or restore the site on which the asset has been used, a provision equivalent to the present value of the expected future expenses is recognised.

23 Credit institutions

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Bank loans, non-current	560	304	547	261
Bank loans, current	0	350	0	350
Amortised borrowing costs	(2)	(1)	(2)	(1)
Total	558	653	545	610

Change in borrowings from financing activities

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Borrowings 1 January	653	469	610	355
Change in borrowings	(95)	183	(65)	255
Foreign exchange adjustments	0	1	0	0
Borrowings 31 December	558	653	545	610

Change in lease liabilities

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Lease liabilities 1 January	5	4	0	0
Recognition of lease liabilities	91	0	0	0
Increase in lease liabilities	33	1	8	0
Repayment of lease liabilities	(19)	0	(1)	0
Foreign exchange adjustments	1	0	0	0
Borrowings 31 December	111	5	7	0

Maintenance of the committed credit facilities is conditional upon compliance with usual financial covenants.

Accounting policies

Bank loans etc. are recognised at the date of borrowing at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Leases

The lease liability is measured at the present value of the remaining lease payments at the reporting date, discounted using the incremental borrowing rate for similar assets, taking into account the terms of the leases. A remeasurement of the lease liability, for example a change in the assessment of an option to purchase, results in a corresponding adjustment of the related right-of-use assets.

Extension or termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated. Consequently, all cash outflows that are reasonably certain to impact the future cash balances are recognised as lease liabilities at initial recognition of lease contracts. The Group reassesses the circumstances leading to it not recognising extension or termination options on an ongoing basis.

Notes – Supplementary information

24 Contingent liabilities

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Operating leases	Lease payments	Lease payments	Lease payments	Lease payments
0-1 year	0	9	0	0
1-5 years	0	25	0	0
Over 5 years	0	2	0	0
Total	0	36	0	0

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Rental obligations	Lease payments	Lease payments	Lease payments	Lease payments
0-1 year	0	7	0	1
1-5 years	0	22	0	4
Over 5 years	0	138	0	3
Total	0	167	0	8

An amount of DKK 0 million (2018: DKK 15 million) has been recognised in the consolidated income statement for 2019 in respect of operating leases and rental obligations.

Taxes and duties

The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, the parent company is thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities, and to withhold corporation tax from 1 January 2013. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

Financial guarantee

The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's Global Cash Pool facility. Subsidiaries drawdowns at 31 December 2019 amounts to DKK 15 million (2018: DKK 43 million).

Other

The H+H Group is a party to a few pending legal proceedings. In Management's opinion, the outcome of these proceedings will not have any impact on the Group's financial position apart from the receivables and payables recognised in the balance sheet.

Shares in some subsidiaries as well as some specific land and buildings have been pledged as security for a loan agreement with Nordea Danmark, branch of Nordea Abp, Finland.

25 Auditors remuneration

(DKK million)	Group		Parent company	
	2019	2018	2019	2018
Total fees for the parent company's auditors elected at the annual general meeting:				
Deloitte	6.8	6.2	3.4	3.4
Total	6.8	6.2	3.4	3.4
The total fee can be broken down as follows:				
Statutory audit	1.5	2.7	0.6	0.5
Other assurance engagements	1.4	2.5	0.0	2.5
Tax and VAT services	0.8	0.3	0.0	0.0
Other services	3.1	0.7	2.8	0.4
Total	6.8	6.2	3.4	3.4

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 3.1 million (2018: DKK 2.8 million) and consist of other assurance engagements related to the share issue, tax assistance and advisory, tax advisory services related to transfer pricing and sundry accounting advisory.

Notes – Supplementary information

26 Disposed entities and assets held for sale

Disposed entities

On 24 October 2019, H+H divested its subsidiary H+H Russia LLC. This divestment was completed with "Limited Liability Company LSR. Wall Materials" from Russia as the buyer. The divestment is a solution to the strategic challenge for a market that has not been growing in recent years. H+H will now focus more on the continued development of core markets in Central and Western Europe.

(DKK million)	Group	
	2019	2018
Disposed entities have impacted the income statement as follows:		
Profit before tax for the period until transfer of control	12	0
Tax on profit for the period until transfer of control	(3)	0
Gain on sale of non-current assets related to disposed entities, included as special items	1	0
Recycling of cumulative translation differences of entities disposed of, included as financial expenses (non-cash)	(121)	0
Total	(111)	0
Operating loss for the period until transfer of control can be specified as follows:		
Revenue	84	0
Expenses	(72)	0
Profit for the year before tax	12	0
Tax on profit for the year	(3)	0
Profit for the year after tax	9	0
Profit for the year from disposed entities	9	0
Cash flow from operating activities	13	0
Cash flow from investing activities	0	0
Cash flow from financing activities	0	0
Total cash flow from disposed entities	13	0
Assets and liabilities relating to disposed entities:		
Property, plant and equipment	85	0
Inventories	8	0
Receivables	4	0
Cash	22	0
Assets relating to disposed entities	119	0
Trade payables	5	0
Other payables	2	0
Liabilities relating to disposed entities	7	0

The agreed enterprise value of H+H Russia LLC was DKK 96 million and net proceeds totaled DKK 117 million including cash and working capital. The total consideration was paid in cash. Net booked value of non-current assets, cash and working capital on disposal date amounted to DKK 112 million, resulting in a net gain of DKK 1 million after transaction related costs.

The net proceeds have reduced the net interest-bearing debt and will be used to develop the existing business and pursue value-added investments in the form of acquisitions, within the debt gearing indicated in the long-term financial targets.

H+H Russia LLC was part of the Eastern Europe segment.

Assets held for sale

H+H Group owns some land which is located close to residential areas or on areas that could be further developed. For 'Borough Green Gardens', no materially events have occurred in 2019.

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.

Accounting policies

Assets held for sale: Assets held for sale comprise non-current assets and disposal groups which are intended for sale. A disposal group is a group of assets which will be disposed of together by means of sale or similar in a single transaction. Liabilities relating to assets "held for sale" are liabilities directly associated with these assets, which will be transferred at the time of the transaction. Assets are classified as "held for sale" if their carrying amount will primarily be recovered by means of sale within 12 months in accordance with a formal plan rather than by means of continued use.

Assets or disposal groups held for sale are measured at the lower of the carrying amount at the time of classification as "held for sale" and the fair value less selling costs. No depreciation or amortisation is applied to assets from the time they are classified as "held for sale".

Impairment losses arising in connection with initial classification as "held for sale" and gains or losses on subsequent measurement at the lower of carrying amount and fair value less selling costs are recognised in the income statement under the items to which they relate. Gains and losses are disclosed in the notes.

Assets and associated liabilities are recorded separately in the balance sheet, and the main items are specified in the notes. The comparative figures in the balance sheet are not restated.

Presentation of discontinued operations: Discontinued operations make up a significant part of the business where the activities and cash can be clearly separated from the rest of the business in operational and accounting terms, and the entity has either been disposed of or has been classified as "held for sale" and the sale is expected to be implemented within one year in accordance with a formal plan. Discontinued operations also include entities classified as "held for sale" in connection with an acquisition.

Profit after tax from discontinued operations, value adjustments after tax on associated assets and liabilities, and gains/losses on sale are presented in a separate line in the income statement, and the comparative figures are restated. Revenue, expenses, value adjustments and tax on the discontinued operations are disclosed in the notes. Assets and associated liabilities for discontinued operations are recorded separately in the balance sheet without the comparative figures being restated, cf. "Assets held for sale", and the main items are specified in the notes.

Cash flows from operating, investing and financing activities for the discontinued operations are disclosed in a note.

Notes – Supplementary information

26 Disposed entities and assets held for sale - continued

Critical accounting estimates and judgements

Management have applied judgments in connection to the assessment of discontinued operations. By interpretation, IFRS 5 implies that a discontinued operation needs to represent a separate major line of business, which management does not constitute that the disposed entity did. Measured at various parameters, the disposed entity only represented approx. 4% of the Group. Consequently, management has assessed not to recognise discontinued operations for 2019

27 Business combinations

H+H International A/S' subsidiary H+H Deutschland GmbH have on the 29 April 2019 closed the acquisition of 51% of Baustoffwerke Dresden GmbH & Co. KG ("BWD"), a German calcium silicate unit business previously owned by HeidelbergCement AG.

BWD consists of the legal entity Baustoffwerke Dresden GmbH & Co. KG which own 100% of VAPIS stavebni hmoty s.r.o. (VAPIS), a sales company located in the Czech Republic.

The acquisition is in line with the announced strategy of consolidating the German white stone market to the product portfolio to strengthen H+H's position in the residential high-rise segment. H+H already holds a strong position within aircrete and calcium silicate in the Northern European region. With the acquisition of BWD, H+H position will be even stronger.

The purchase price amount to DKK 73 million which was paid in cash on the acquisition date.

With reference to the income statement for 2019, transaction costs of DKK 1 million related to the acquisition of BWD has been recognised as special items.

The purchase price allocation shows acquired net assets at a fair value of DKK 88 million, including minorities' share of DKK 36 million, and related goodwill were consequently determined at DKK 21 million by applying the "Acquired goodwill method". Goodwill represents the value of the existing staff, access to new markets as well as the expected synergies from the acquisition.

Goodwill was DKK 175 million at the beginning of the year. Due to the acquisition of BWD, additional goodwill of DKK 21 million was recognised, resulting in goodwill as of 31 December 2019 amount to DKK 196 million.

The fair value of the acquired land and buildings is recognised on the basis of external property valuations.

The fair value of the acquired plant and machinery 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.

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% 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% has been applied.

Receivables are valued at the present value of the amounts that are expected to be received less expected costs for collection.

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 of receivables and liabilities. However, discounting is not used when the effect is immaterial.

Revenue and profit after tax of the acquired business BWD since 29 April 2019 included in the statement of comprehensive income for the reporting period amounts to DKK 52 million and DKK 8 million, respectively.

Revenue and profit after tax of H+H including the acquired businesses BWD for the current reporting period as though the acquisition date was 1 January 2019 amounts to DKK 2,857 million and DKK 148 million, respectively.

Notes – Supplementary information

27 Business combinations – continued

The table provides a summary of the purchase price for BWD and the allocation of the fair value of acquired assets and liabilities on the acquisition date.

	BWD	Total
(DKK million)	29 April 2019	
Customer relations	29	29
Order book	3	3
Trademarks	1	1
Land and buildings	57	57
Plant and machinery	39	39
Other equipment, fixtures and fittings	2	2
Receivables	8	8
Inventories	7	7
Cash	14	14
Acquired assets	160	160
Pension obligations	1	1
Provisions	18	18
Financial debt	13	13
Payables	8	8
Other current liabilities	6	6
Deferred tax	26	26
Assumed liabilities	72	72
Total identifiable acquired net assets	88	88
Hereof minority interests' share	(36)	(36)
Goodwill in connection with the acquisition	21	21
Purchase price	73	73
Movements in cash flow in connection with the acquisition:		
Purchase price	73	73
Of which is cash acquired	(14)	(14)
Of which financial debt is acquired	13	13
Net cash flow in connection with the acquisitions	72	72

28 Financial instruments and financial risks

H+H's risk management policy

As a result of its operating, investing and financing activities, H+H is exposed to various financial risks, including market risks (currency, interest rate and commodity risks), credit risks and liquidity risks. It is H+H's policy not to speculate actively in financial risks.

H+H's financial risk management is thus aimed exclusively at managing the financial risks that are a direct consequence of H+H's operating, investing and financing activities. This note relates exclusively to financial risks directly associated with H+H's financial instruments. There have been no material changes in H+H's risk exposure or risk management compared with last year.

Currency risks

H+H's companies are exposed to currency risks. Financial instruments are primarily entered into in the individual consolidated entities' functional currencies as a result of their purchase and sales transactions. However, H+H has a translation risk, as a result of which H+H's profit/loss is exposed to fluctuations in the functional currencies. H+H does not engage in currency speculation.

The individual consolidated entities do not enter into financial instruments denominated in foreign currencies unless commercially warranted, and expected transactions and financial instruments in foreign currencies that exceed a limited level and time horizon require hedging. Derivatives and other financial instruments are used only to a limited extent to hedge currency risks. H+H has for 2019 entered foreign contracts for purchase of EUR paid in GBP and RUB.

The individual subsidiaries do not have any material exposure to currencies other than the functional currency. The table on the following page shows the Group's monetary items by currency.

Interest rate risks

As a result of its investing and financing activities, H+H is exposed to interest rate fluctuations both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR. It is H+H's policy to hedge interest rate risks on H+H's loans if it is assessed that the interest payments can be hedged at a satisfactory level. Hedging is normally effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans.

Liquidity risks

The H+H Group's liquidity risk is defined as the risk that the H+H Group will not, in a worst-case scenario, be able to meet its financial obligations due to insufficient liquidity. It is the H+H Group's policy for capital procurement and placing of surplus funds to be managed centrally by the parent company.

H+H regularly evaluates the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

Notes – Supplementary information

28 Financial instruments and financial risks – continued

Loan agreements

A committed credit facility of DKK 600 million and a committed term loan of DKK 400 million are facilitated by Nordea Danmark, branch of Nordea Abp, Finland. At the balance sheet date, the facilities expires April 2022, with an option of prolonging by another two years. After the balance sheet date the facilities were extended by one year, refer to note 30 for more information.

H+H Group's financing is subject to usual financial covenants, which have been fulfilled in 2019 and which are expected to be fulfilled for 2020.

Credit risks

H+H is exposed to credit risks in the course of its activities. These risks are primarily related to receivables in respect of sales of H+H's products. Other credit risks, which relate to bank deposits and counterparties under financial contracts, are considered to be insignificant.

The maximum credit risk related to financial assets corresponds to the carrying amounts recognised in the balance sheet. The H+H Group does not have any material risks relating to a single customer, business partner or country.

The H+H Group's customers are primarily large well-consolidated builders' merchants. The H+H Group has modest credit exposure to housebuilders and developers in a few markets. In keeping with the H+H Group's credit policy, all major customers are credit rated on a regular basis. Credit limits are determined on the basis of the individual customer's credit rating.

If the credit rating of a customer is considered not to be sufficient, the payment terms will be changed or security or credit insurance will be obtained. The H+H Group regularly monitors its credit exposure to customers as part of its risk management. The customer types in the individual segments are typically very similar, regardless of which segment they come from. The H+H Group has historically suffered relatively small losses as a result of non-payment on the part of customers. These losses have been evenly distributed among the H+H Group's geographical segments. The credit quality of receivables is consequently considered to be identical, regardless of which segment the receivables come from.

Parent company's monetary items and sensitivity

(DKK million)	2019				2018			
	Position	Sensitivity		Position	Sensitivity			
		Hypothetical impact on profit before tax for the year*	Hypo- thetical impact on equity		Hypothetical impact on profit before tax for the year*	Hypo- thetical impact on equity		
	Cash and receiv- ables	Potential volatility of exchange rate		Cash and receiv- ables	Potential volatility of exchange rate			
EUR/DKK	789	1%	8	6	884	1%	9	7
GBP/DKK	(105)	5%	(5)	(4)	(79)	5%	(4)	(3)
			3	2			5	4

* The hypothetical impact on profit/loss and equity is significant to the parent company's financial statements but not necessarily to the consolidated financial statements.

The parent company has significant monetary items in currencies other than the functional currency in the form of loans to subsidiaries. The table above shows the parent company's key monetary positions broken down by currency and derived sensitivity.

Notes – Supplementary information

28 Financial instruments and financial risks – continued

Monetary items in foreign currency

(DKK million)	Group						
	2019						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	12	39	23	9	83	18	101
Other receivables	14	0	16	1	31	(3)	28
Cash and cash equivalents	54	47	144	16	261	0	261
Trade payables	(33)	(112)	(46)	(6)	(197)	(10)	(207)
Other payables	(46)	(34)	(57)	(19)	(156)	(27)	(183)
Deferred payment	0	0	(24)	0	(24)	0	(24)
Credit institutions	(14)	0	0	(11)	(25)	(533)	(558)
Gross exposure	(13)	(60)	56	(10)	(27)	(555)	(582)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(13)	(60)	56	(10)	(27)	(555)	(582)

(DKK million)	Group						
	2018						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	21	44	26	15	106	28	134
Other receivables	4	0	19	1	24	1	25
Cash and cash equivalents	22	29	59	22	132	1	133
Trade payables	(51)	(145)	(72)	(10)	(278)	(13)	(291)
Other payables	(40)	(23)	(30)	(27)	(120)	(14)	(134)
Deferred payment	0	0	(48)	0	(48)	0	(48)
Credit institutions	(133)	0	0	(6)	(139)	(514)	(653)
Gross exposure	(177)	(95)	(46)	(5)	(323)	(511)	(834)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(177)	(95)	(46)	(5)	(323)	(511)	(834)

Sensitivity of profit and equity to market fluctuations

(DKK million)	Group			
	2019		2018	
	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	6	12	4	19
5% increase in PLN/DKK	7	24	4	21
	13	36	8	40

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A decline in the GBP/DKK and PLN/DKK exchange rates would result in a corresponding increase in profit/loss after tax and equity. The sensitivity analysis has been calculated at the balance sheet date on the basis of the exposure to the stated currencies at the balance sheet date. The calculations are based solely on the stated change in the exchange rate and do not take into account any knock-on effects on interest rates, other exchange rates etc.

Interest rate exposure

(DKK million)	Group							
	2019				2018			
	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging
DKK	542	0	542	0	513	0	513	0
EUR	(20)	0	(20)	0	112	0	112	0
PLN	(90)	0	(90)	0	(54)	0	(54)	0
CHF	(16)	0	(16)	0	(17)	0	(17)	0
RUB	0	0	0	0	(6)	0	(6)	0
GBP	(20)	0	(20)	0	(29)	0	(29)	0
Other	11	0	11	0	6	0	6	0
Total	407	0	407	0	525	0	525	0

Notes – Supplementary information

28 Financial instruments and financial risks – continued

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2019, the Group was not involved in any interest rate swaps.

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level relative to the average interest rate level in 2019 would reduce profit/loss before tax by DKK 5 million (2018: DKK 7 million).

The interest rate is variable, changing in accordance with the performance relative to the covenants contained in the loan agreement.

H+H's financial liabilities fall due as follows:

(DKK million)	Group			
	2019			
	Carrying amount	0-1 year	1-5 years	Over 5 years
Non-derivative financial instruments:				
Credit institutions	558	0	583	0
Lease liabilities	111	14	58	38
Trade payables	207	207	0	0
Deferred payment	24	24	0	0
Other payables	182	182	0	0
Total	1,082	427	641	38

(DKK million)	Group			
	2018			
	Carrying amount	0-1 year	1-5 years	Over 5 years
Non-derivative financial instruments:				
Credit institutions and banks	653	352	309	0
Lease liability	5	1	4	0
Trade payables	291	291	0	0
Deferred payment	48	24	24	0
Other payables	134	134	0	0
Total	1,131	802	337	0

Hedge accounting under IFRS 9

The fair value of those financial instruments that qualify for designation as hedge accounting under IFRS 9 is recognised directly in other comprehensive income until the hedged items are recognised in the income statement. No such financial instruments were used in 2019 or 2018.

Other derivatives that do not qualify for hedge accounting under IFRS 9

The fair value of those financial instruments that do not qualify for hedge accounting under IFRS 9 is recognised directly in the income statement. No contracts are entered as at 31 December 2019 (31 December 2018 DKK 0 million).

The fair value of derivative financial instruments to hedge future cash flows is based on observable data (level 2).

Categories of financial instruments

(DKK million)	Group			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	101	101	134	134
Other receivables	28	28	25	25
Cash and cash equivalents	262	262	133	133
Total receivables measured at amortised cost	391	391	292	292
Credit institutions and banks	558	559	653	654
Trade payables and other payables	389	389	425	428
Total financial liabilities measured at amortised cost	947	948	1,078	1,082

Classification and assumptions for the calculation of fair value

Current bank loans at variable interest rates are valued at a rate of 100. The fair value of long-term loans and leases is calculated using models that discount all estimated and fixed cash flows to net present value. The expected cash flows for the individual loan or lease are based on contractual cash flows. Financial instruments relating to sale and purchase of goods etc. with a short credit period are considered to have a fair value equal to the carrying amount. The methods are unchanged from last year.

Notes – Supplementary information

29 Related parties

The Group's related parties are the Executive Board and the Board of Directors.

Apart from contracts of employment, no agreements or transactions have been entered into between the company and the Executive Board. Remuneration to the Board of Directors and the Executive Board is disclosed in note 3.

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries; see note 17.

A management fee totaling DKK 56 million (2018: DKK 36 million) was received by the parent Company from the remainder of the Group.

Transactions between the parent company and subsidiaries also include deposits, loans and interest; these are shown in the parent company balance sheet and notes 8 and 9.

Trading with related parties is at arm's length.

30 Events after the balance sheet date

H+H International A/S' subsidiary H+H Deutschland GmbH have on the 14th of January 2020 acquired 51% of the shares in in Porenbetonwerk Laussnitz GmbH & Co. KG (PBWL), an aircrete business located 25 km North of Dresden, Germany.

The day-to-day operation of the business will continue unchanged, but PBWL customers will benefit from a wider network of factories, a wider product range and H+H's reputation of being the professional and reliable choice.

The acquisition is in line with the announced strategy to expand H+H's activities within wall building materials market in Germany.

The purchase price of PWBL amounts to DKK 49 million and has been paid in cash. Estimated 2019 revenue is DKK 75 million with an EBITDA of DKK 15 million. The business employs approximately 30 full-time employees.

With reference to note 4 "Other operating income and costs" has transaction costs of DKK 8 million been recognised in 2019 related to the PWBL acquisition.

The initial accounting for the business combination for PWBL is not yet finalised. 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.

After the balance sheet date H+H have extended the committed credit facility with Nordea Danmark, branch of Nordea Abp, Finland by one year, hence it consequently expires April 2023.

Other than the 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.

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2019.

In our opinion, the management's review includes a fair review of the development in the parent company's and the Group's operations and financial conditions, the results for the year and the parent company's financial position, and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the more significant risks and uncertainty factors that the parent company and the Group face.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 11 March 2020

Executive Board:

Michael Troensegaard Andersen
CEO

Peter Klovgaard-Jørgensen
CFO

Board of Directors:

Kent Arentoft
Chairman

Stewart Antony Baseley

Volker Christmann

Pierre-Yves Jullien

Miguel Kohlmann

Helen MacPhee

Independent auditors' report

To the shareholders of H+H International A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of H+H International A/S for the financial year 1 January to 31 December 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of H+H International A/S for the first time on 18 April 2012 for the financial year 2012. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 8 years up to and including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test of goodwill in the Continental Western Europe AAC cash generating unit

Refer to Note 1 "General accounting policies" and Note 14 "Intangible assets" where Management's annual impairment test is described in detail.

Goodwill in Continental Western Europe AAC totals DKK 28 million as of 31 December 2019.

Sensitivity to changes in the key assumptions applied in the impairment test for Continental Western Europe AAC and uncertain market conditions in Germany, which makes it more difficult than normal to predict the future performance of the German entity, increases the risk that goodwill in the Continental Western Europe AAC cash generating unit could become subject to impairment losses.

The impairment test prepared by Management involves significant judgement about future annual revenue and the discount rate (the weighted average cost of capital also referred to as "WACC") applied, which we consider to be key assumptions.

How the matter was addressed in our audit

We have assessed whether the method and assumptions applied to calculate the value-in-use for the Continental Western Europe AAC cash generating unit are appropriate. In this context, we have:

- Evaluated relevant internal controls related to the impairment test.
- Evaluated the key assumptions, methods and model applied for the impairment test, including consistency with prior years.
- Obtained supporting documentation of key assumptions applied in the impairment test, with focus on the discount rate and the expected developments in future annual revenue growth. During our audit, we have discussed and challenged Management on these to assess the appropriateness of the assumptions, including evaluated the applied assumptions for determining the discount rate against market data.
- Compared earnings expectations with the latest budget approved by the Board of Directors and earnings realised in the past.
- Tested Management's sensitivity analysis.
- Assessed the adequacy and appropriateness of disclosures in the notes and that they comply with the requirements of IAS 36.
- Consulted with subject matter experts regarding the discount rate applied by Management.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 11 March 2020

Deloitte

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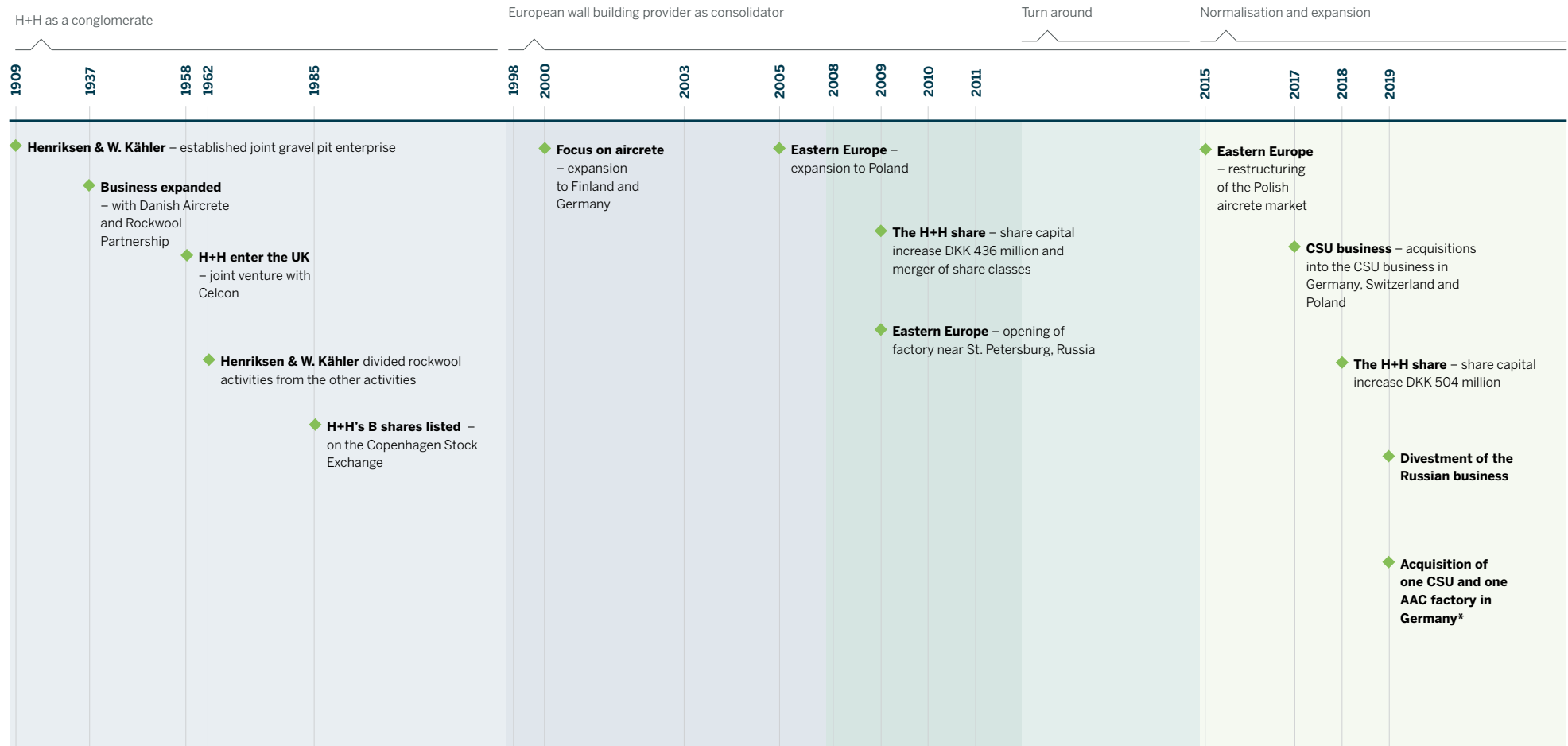
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More than 100 years of experience



Conglomerate (aircrete, sand lime bricks, prestressed concrete, paving stones, reuse of building materials and asphalt, kitchens and furnitures)

* Closed 14 January 2020

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