Company announcement No. 395, 2020
Interim financial report H1 2020

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12 August 2020

"The current market situation has shown the strength of the more diversified geographical footprint H+H has today with three core markets, to better absorb unexpected market developments such as Covid-19", says CEO Michael T. Andersen. "The UK market was severely hit in Q2 from the lockdown end of March, whereas, the other markets contributed with positive organic growth despite covid-19. Our Q2 results are positively supported by strict pricing strategies in Germany and Poland and a strong operating cash flow."

Financial highlights for the period 1 January to 30 June 2020

DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019
Revenue	596	770	1.300	1.436
Organic growth	(22)%	7%	(11)%	13%
Organic growth excluding the UK market	2%	5%	7%	8%
EBITDA before special items	104	156	234	253
EBIT before special items	57	114	142	169
EBIT margin before special items	10%	15%	11%	12%
NIBD/EBITDA ratio before special items ratio	0.8	1.2	0.8	1.2
Special items	0	0	0	0
Free cash flow	108	86	30	39

Trading update

- Following measures taken by the UK Government on 23 March 2020 distribution centres and building sites closed in the UK
- H+H halted UK production beginning of April as stock levels were high and demand limited. Governmental support programs for employees on furlough have been utilized in the period
- At the beginning of May, house builders and builder's merchants in the UK initiated a phased reopening of building sites and distribution centres
- In early June, all Housebuilders' sales centres and merchants opened and in the end of June, H+H started production again to facilitate the increasing demand. In early August all three factories were running
- H+H UK was severely hit in Q2 2020 with very limited actively in April. Coming from a low level, sales volumes increased throughout the quarter and continued the trend in July, showing a recovery of the market. As of July, most building construction sites are being reported as open and productivity levels increased as distancing rules are softening
- The German market performed better than initial expectations and above last year and continued the performance in July despite Covid-19

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- The Polish market performed slightly below an extraordinary high activity level in 2019, driven by increased competition on the CSU market but partly offset by good performance in AAC

Outlook for 2020
Due to the recovery and more clarity of the UK market, H+H reintroduces outlook for 2020. Although volumes are partly returning in the UK market, the level of visibility in relation to volumes for the second half of 2020 remains limited. The Group foresees a softening of the other markets in H2 as initially expected. Any resurgence of covid-19 is not expected to have nationwide impact in our markets. As low visibility persists due to covid-19, the range for expected revenue is wider than under normal circumstances.

- Revenue growth before acquisitions and measured in local currencies is expected to be in the range -16% to -8%
- EBIT before special items is expected to be DKK 250-300 million
- Investments, excluding acquisitions, divestments and IFRS 16 effect, are expected to be DKK 100-130 million

Investor and analyst teleconference
H+H International A/S will host an investor and analyst teleconference on 14 August 2020 at 10:00 CEST.
To attend the conference call, please see details below.

The conference call will be available at: https://hplush.eventcdn.net/2020q2/
Investors and analysts are invited to participate by phone

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H+H's core activity is the manufacture and sale of wall building materials, with a revenue in 2019 of DKK 2.8 billion. The main product lines are aircrete blocks and calcium silicate units used for the residential new building segment. H+H has 29 factories in Northern and Central Europe with a total output of more than 4 million cubic metres of products annually and has a leading position in most of its markets. H+H has more than 1,600 employees and is listed on Nasdaq Copenhagen.

Key figures – H+H Group

Amounts in DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full-year 2019
Income statement					
Revenue	596	770	1,300	1,436	2,840
Gross profit before special items	177	241	399	423	877
EBITDA before special items	104	156	234	253	539
EBITDA	104	156	234	253	531
EBIT before special items	57	114	142	169	366
EBIT	57	114	142	169	358
Profit before tax	53	108	133	157	205
Profit after tax	38	89	102	128	150
Balance sheet					
Assets	2,919	2,833	2,919	2,833	2,716
Invested capital*	1,860	1,693	1,860	1,693	1,809
Investments in property, plant and equipment**	22	16	43	27	126
Acquisition and divestment of enterprises	0	58	74	82	(20)
Net working capital	106	68	106	68	48
Equity	1,479	1,180	1,479	1,180	1,371
Net Interest-bearing debt (NIBD)***	398	602	398	602	407
Cash flow					
Cash flow from operating activities	130	160	147	148	369
Cash flow from investing activities	(22)	(74)	(117)	(109)	(105)
Cash flow from financing activities	(33)	61	103	103	(131)
Free cash flow	108	86	30	39	264
Financial ratios					
Organic growth	(22)%	7%	(11)%	13%	6%
Gross margin before special items	30%	31%	31%	29%	31%
EBITDA margin before special items	17%	20%	18%	18%	19%
EBITDA margin	17%	20%	18%	18%	19%
EBIT margin before special items	10%	15%	11%	12%	13%
EBIT margin	10%	15%	11%	12%	13%
Return on invested capital (ROIC) (excl. Goodwill)	18%	16%	18%	16%	20%
Solvency ratio	48%	40%	48%	40%	49%
NIBD/EBITDA before special items ratio	0.8	1.2	0.8	1.2	0.8
Share data					
Share price, end of period (DKK)	106	105	106	105	125
Book value per share, end of period (DKK)	82	66	82	66	76
Earnings per share	2.1	4.9	5.6	7.1	8.4
Diluted earnings per share	2.1	4.9	5.6	7.1	8.4

Financial ratios have been calculated in accordance with recommendations from the Danish Society of Financial Analysts.
* Invested capital is measured on a rolling 12-months basis
** Investment in property, plant and equipment excludes effects from IFRS 16
*** Net interest-bearing debt (NIBD) comprise of interest-bearing debt and lease liabilities offset by cash and cash equivalents.

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE SECOND QUARTER OF 2020

Revenue
Total revenue, including the acquired and divested businesses, decreased by 23% to DKK 596 million in the second quarter. Adjusted for the divested business in Russia, revenue decreased by 19%. Revenue in local currencies, excluding the acquired business (organic growth), decreased by 22% in the second quarter.

The decrease in organic growth was driven by the UK market, which was severely affected by lockdown end of March, where distribution centres and building sites closed.

Excluding the UK market, organic growth for the Group was 2%.

Revenue in Germany amounted to DKK 237 million against DKK 194 million in Q2 2019. Organic growth was 6%, mainly driven by price increases as volumes were stable.

Revenue in Poland was DKK 183 million against DKK 199 million in Q2 2019. Organic growth was negative 3% compared to an extraordinary high activity level in Q2 2019. The development reflected higher prices in the AAC market offset by lower volumes and flat price development in CSU.

In Poland, competition continued to increase as expected and in addition the CSU market was affected by delay in high-rise permits due to Covid-19.

Revenue in Other markets amounted to DKK 114 million against DKK 142 million in Q2 2019 (DKK 108 million excluding divested business in Russia).

The Nordics, Benelux and Switzerland contributed with positive organic growth of 5% driven by price increases and strong volume increase in the Nordics.

Revenue split for the second quarter was AAC of 62% and CSU of 38%.

Production cost
Production costs was highly affected by the UK due to the close-down of all three production sites in the beginning of Q2 2020. The negative affect was offset by UK government grants given for employees on furlough.

By the end of June, two of three factories in the UK were producing again and all factories were up and running early August.

Gross profit
The gross profit in the second quarter was DKK 177 million against DKK 241 million in 2019, a change of DKK (64) million, equalling a margin of 30% and 31%, respectively.

The decreased gross profit margin was driven by lower volume sold and produced in the UK, offset by efficiency improvements as well as overall price increases in most markets. In addition, Government grants from the UK contributed positively with DKK 10 million equivalent to 2 %-point.

Focus on input costs remains a key priority and increased price pressure on raw materials are partially offset by lower transportation cost.

Gross profit in the AAC business was DKK 105 million and gross profit in the CSU business was DKK 72 million for the second quarter.

EBITDA
EBITDA in the second quarter was DKK 104 million against DKK 156 million in 2019, a change of DKK (52) million, equalling a margin of 17% and 20%, respectively.

Depreciation and amortization
Depreciations and amortization in the second quarter was DKK 47 million against DKK 42 million in 2019, a change of DKK 5 million.

Adjusted for depreciations related to purchase price allocations, depreciations were DKK 32 million in the second quarter against DKK 30 million in 2019.

EBIT
EBIT for the second quarter was DKK 57 million against DKK 114 million in 2019, a change of DKK (57) million, equalling a margin of 10% and 15%, respectively.

The lower margin was driven by the sudden demand drop and production stop in the UK, offset by positive price developments and effects of resilience plans across the group.

Net financials
Net financials for the second quarter totalled an expense of DKK 4 million against DKK 6 million in 2019.

Profit before tax
Profit before tax in the second quarter was DKK 53 million against DKK 108 million in 2019, a change of DKK (55) million.

Tax
Tax for the second quarter was an expense of DKK 15 million against DKK 19 million in 2019, a change of DKK 4 million. Refer to note 11 for more information on tax for the period.

Net profit
Profit in the second quarter was DKK 38 million, against a profit of DKK 89 million in 2019, a change of DKK (51) million. Profit for the period is attributable to H+H International A/S' shareholders by DKK 37 million (2019: DKK 88 million) and to non-controlling interest by DKK 1 million (2019: DKK 1 million).

Comprehensive income
The total comprehensive income for the second quarter was DKK 22 million against DKK 100 million in 2019, a change of DKK (78) million.

The main influences being lower profit for the period by DKK (51) million and a change in actuarial losses net deferred tax of DKK (27) million related to pension obligations.

INCOME STATEMENT FOR FIRST HALF OF 2020

Revenue
Total revenue, including the acquired and divested businesses, decreased by 10% to DKK 1,300 million. Revenue in local currencies, excluding the acquired business (organic growth), decreased by 11% in first half.

The decrease in organic growth was driven by the UK market, partly offset by organic growth in all other markets.

Revenue split for the first half was AAC of 65% and CSU of 35%.

Gross profit
The gross profit in the first half was DKK 399 million against DKK 423 million in 2019, a change of DKK (24) million, equalling a margin of 31% and 29%, respectively.

Gross profit in the AAC business was DKK 264 million and gross profit in the CSU business was DKK 136 million.

EBIT
EBIT for the first half was DKK 142 million against DKK 169 million in 2019, a change of DKK (27) million, equalling a margin of 11% and 12%, respectively.

Net profit
Profit in the first half was DKK 102 million, against a profit of DKK 128 million in 2019, a change of DKK (26) million. Profit for the period is attributable to H+H International A/S' shareholders by DKK 100 million (2019: DKK 127 million) and to non-controlling interest by DKK 1 million (2019: DKK 1 million).

Comprehensive income
The total comprehensive income for the first half was DKK 72 million against DKK 145 million in 2019, a change of DKK (73) million.

CASH FLOW

Operating activities
Cash flow from operating activities in the second quarter was DKK 130 million against DKK 160 million in 2019, a change of DKK (30) million. The development is primarily driven by decreased EBITDA, offset by positive working capital development related to destocking in the UK as production was halted. Working capital remains a key focus area.

Cash flow from operating activities in the first half was DKK 147 million against DKK 148 million in 2019, a change of DKK (1) million.

Investing activities
Cash flow from investing activities in the second quarter was DKK (22) million against DKK (74) million in 2019, a change of DKK 52 million. This was mainly driven by the acquisition of BWD in the second quarter 2019 of DKK (58) million. The level also reflected holding back on capital expenditure including a postponement of the Polish CSU factory in Reda, near Gdansk to 2021.

Cash flow from investing activities in the first half was DKK (117) million against DKK (109) million in 2019, a change of DKK 8 million.

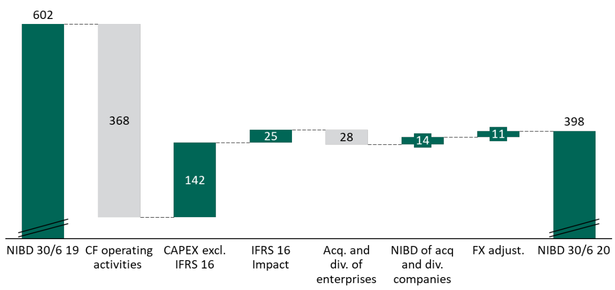
Free cash flow
Free cash flow in the second quarter was DKK 108 million against DKK 86 million in 2019, a change of DKK 22 million.

Financing activities
Cash flow from financing activities in the second quarter was DKK (33) million against DKK 61 million in 2019, a change of DKK (94) million. This was driven by the reduction of interest-bearing debt in 2020 compared to 2019.

BALANCE SHEET

The balance sheet total at 30 June 2020 was DKK 2,919 million, against DKK 2,833 million at 30 June 2019.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 398 million at 30 June 2020, a reduction of DKK 204 million since 30 June 2019 and DKK 9 million since the beginning of the year.



Development since June 2019 is due to positive cash flow from operating activities of DKK 368 million, driven by increased earnings, offset by normal seasonal development in working capital. CAPEX amounts to DKK 142 million and is negatively affected by phasing as first half 2020 CAPEX is higher than 2019.

Acquisitions and divestments comprise the acquired companies Baustoffwerke Dresden GmbH & Co. KG and Porenbetonwerk Laussnitz GmbH & Co. KG. and deferred payments related to Grupa Silikaty offset by proceeds from the divestment of H+H Russia.

At 30 June 2020, the Groups financial leverage was 0.8x NIBD/EBITDA before special items.

In total, H+H has a committed credit facility of DKK 1.1 billion and an additional accordion facility of DKK 0.6 billion not currently utilized. The committed credit facility matures in April 2023.
The Groups net Interest-bearing debt excluding leasing totalled DKK 297 million at 30 June 2020, corresponding to unused committed bank facility of DKK 0.8 billion, an increase of DKK 0.1 billion in the quarter due to the positive cash flow.

Equity
The consolidated equity increased by DKK 299 million compared to 30 June 2019 and 108 million compared to 31 December 2019.

Change to H1 2020 and H1 2019:

Equity

Amounts in DKK million	H1 2020	H1 2019
1 January	1,371	1,000
Profit/loss for the period	102	128
Actuarial gains/losses on pension plans	6	3
Foreign exchange adjustments	(40)	14
Non-controlling interests arising from acquisition	40	34
Other adjustments	0	1
30 June	1,479	1,180

MOST MATERIAL RISKS AND UNCERTAINTIES

For most material risk and uncertainties, please refer to note 6 “Significant accounting estimates and judgements” and note 12 “Risks Management”.

EVENTS IN THE FIRST HALF OF 2020

On 14 January 2020 H+H acquired 51% of Porenbetonwerk Laussnitz GmbH & Co. KG, a German AAC unit business. The financial ownership was registered per 1 January 2020.

On 24 March 2020 H+H suspended outlook following measures taken by the UK Government on 23 March 2020. The political measures caused closure of distribution centres and buildings sites in the UK. This, in combination with further lack of visibility due to the Covid-19 outbreak, lead H+H to suspend the earlier announced financial outlook for 2020.

On 3 April 2020 H+H utilized a part of its accordion loan facility with Nordea Denmark, branch of Nordea Abd, Finland, in total DKK 105 million.

EVENTS AFTER THE BALANCE SHEET DATE

We are closely monitoring the development in the Covid-19 pandemic and the governments' responses which may have an impact on the H+H Group.

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.

Market development and effects from Covid-19

As a result of the UK lockdown commencing 23 March 2020, H+H adjusted production output in the UK. In combination with high stock levels to facilitate the limited demand, the UK factories halted production in April and have been utilising governmental support programs for employees on furlough.

Since beginning of May, house builders and builder's merchants in the UK have been planning and initiated a phased reopening of building sites and distribution centres and increased demand was seen from a low level.

Start June, all Housebuilders' sales centres and Merchants opened and in end of June, H+H started production again to facilitate the increased demand. All factories are currently producing. Government grants are continuing to be utilized as the programmes have been extended and now also support part time furlough until end of October.

H+H UK was severely hit in the second quarter and activity was very limited in April. During May and June, activity increased, and the trend continued in July, showing a recovery of the UK market. Most building construction sites are reported as being open as of July and productivity levels increased as distancing rules are softening.

Our other markets have continued production on normal levels for the season and the German markets trading was better than initial expectations and above last year, despite covid-19. As expected, competition in Poland has increased for the CSU market in particular.

For both the German and the Polish markets the price strategy of increasing or keeping price levels continues as planned.

The UK and German market are still supported by governmental stimuli programs to counter the structural undersupply of housing. The UK 'Help to buy' program has been extended to 2023 but with more strict entry requirements from 2021. As stimuli's, the UK Government have in July introduced "stamp duty holiday", which comprises increase in the threshold for stamp duty. Further, the requirement of housing should be finalised by end of year in order to utilize the Help to Buy programme have been extended to end of February 2021.

In Germany, order backlog from building companies continues to be at a high level, but due to bottleneck issues on labour and transport these are not expected to drive extraordinary activity in short term.

Contingency actions

Since the beginning of the outbreak of Covid-19, the Groups first priority has been to ensure the safety of our employees and visitors, and enhanced safety precautions were implemented across all sites focusing on reducing contamination risk.

The contingency plans entail adjusting production according to demand and reduction of shifts in the UK as well as Poland have been effectuated. In addition, a re-organisation of the Nordics has been initiated and expected to be completed by end of 2020. The re-organisation aims at a continued high customer focus in existing geographies, while strengthening the cross-border synergies in back office functions.

Certain investments, excluding acquisitions, for 2020 are paused and maintenance investments are kept at a lower level. As announced, the establishment of the new CSU factory in Reda, near Gdansk in Poland, is postponed until 2021. The actions taken have reduced investments, excluding acquisitions, for 2020 significantly from initially expected, but can be further adjusted according to market development. Cash preservation and keeping a strong balance sheet remains a key focus.

Strategy

H+H has reached a more balanced footprint with three core markets (UK, Germany and Poland) and two product lines (AAC and CSU) in recent years through acquisitions in Continental Europe and Poland. This combined with a strong financial position, the Group has obtained a more robust structure to absorb unexpected market developments.

We continue to pursue the strategic ambition to further consolidate the German market as a primary focus.

OUTLOOK FOR 2020

Reintroduce outlook

Due to the recovery and more clarity of the UK market, H+H reintroduces outlook for 2020. Although volumes are partly returning in the UK market, the level of visibility in relation to volumes for the second half of 2020 remains limited. The Group foresees a softening of the other markets in H2 as initially expected. Any resurgence of covid-19 is not expected to have nationwide impact on our markets. As low visibility persists due to covid-19, the range for expected revenue is wider than under normal circumstances.

H+H reintroduces outlook for 2020:

- Revenue growth before acquisitions and measured in local currencies is expected to be in the range -16% to -8%
- EBIT before special items is expected to be DKK 250-300 million.
- Investments excluding acquisitions and divestments and IFRS 16 effect, are expected to be DKK 100 - 130 million

DKKm	Current outlook	24 March 2020	Initial outlook
Revenue growth before acquisitions and measured in local currencies	-16% to -8%	Suspended	-2% to 2%
EBIT (before special items)	250-300	Suspended	300-360
Investments, excluding acquisitions, divestments and IFRS 16	100-130	Suspended	140-180

ABOUT THE OUTLOOK FOR 2020

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

- Any resurgence of covid-19 will not have severe impact in our markets
- No severe impact from disruption in supply chains and constructions sites due to the pandemic
- Brexit will not lead to a significant decrease in demand
- Financial liquidity is available in the markets to support housebuilding
- Exchange rates, primarily for GBP, EUR and PLN, hold at their mid-August 2020 levels.
- Energy and raw material costs expected to rise in line with inflation

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

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

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

FINANCIAL CALENDAR FOR 2020

Interim financial report Q1-Q3 2020 13 Nov. 2020

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first half year of 2020.

The interim financial report, which has not been audited or reviewed by the company's auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for the interim financial reports of listed companies.

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 30 June 2020 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2020.

Furthermore, it is our opinion that management's review provides a fair account of developments in H+H's operations and financial conditions, the results for the period and H+H's overall financial position, as well as a description of the most significant risks and uncertainties that H+H faces.

Copenhagen, 12 August 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

CONDENSED INCOME STATEMENT

	Group				
Amounts in DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full-year 2019
Revenue	596	770	1,300	1,436	2,840
Cost of goods sold	(419)	(529)	(901)	(1,013)	(1,963)
Gross profit before special items	**177**	**241**	**399**	**423**	**877**
Sales costs	(34)	(38)	(73)	(79)	(159)
Administrative costs	(36)	(44)	(90)	(87)	(180)
Other operating income and expenses	(3)	(3)	(2)	(4)	1
EBITDA before special items	**104**	**156**	**234**	**253**	**539**
Depreciation and amortization	(47)	(42)	(92)	(84)	(173)
Impairment losses	0	0	0	0	0
EBIT before special items	**57**	**114**	**142**	**169**	**366**
Special items, net	0	0	0	0	(8)
EBIT after special items	**57**	**114**	**142**	**169**	**358**
Financial income	1	0	2	0	1
Financial expenses	(5)	(6)	(11)	(12)	(154)
Profit/loss before tax	**53**	**108**	**133**	**157**	**205**
Tax on profit/loss	(15)	(19)	(31)	(29)	(55)
Profit/loss for the period	**38**	**89**	**102**	**128**	**150**
Profit/loss for the period attributable to:					
H+H International A/S' shareholders	37	88	100	127	149
Non-controlling interests	1	1	2	1	1
Profit/loss for the period	**38**	**89**	**102**	**128**	**150**
Earnings per share (EPS-Basic)	2.1	4.9	5.6	7.1	8.4
Diluted earnings per share (EPS-D)	2.1	4.9	5.6	7.1	8.4

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group				
Amounts in DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full-year 2019
Profit/loss for the period	**38**	**89**	**102**	**128**	**150**
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign companies	3	3	(36)	14	144
Tax on foreign exchange adjustments, foreign companies	0	0	0	0	0
	3	3	(36)	14	144
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains and losses	(23)	11	9	6	47
Tax on actuarial gains and losses	4	(3)	(3)	(3)	(8)
	(19)	8	6	3	39
Other comprehensive income after tax	**(16)**	**11**	**(30)**	**17**	**183**
Total comprehensive income	**22**	**100**	**72**	**145**	**333**

CONDENSED BALANCE SHEET

	Group		
	30 June	31 Dec.	30 June
Amounts in DKK million	2020	2019	2019
ASSETS			
Non-current assets			
Goodwill	202	196	197
Other intangible assets	279	243	266
Property, plant and equipment	1,551	1,558	1,564
Deferred tax assets	11	12	11
Financial assets	8	8	8
Total non-current assets	**2,051**	**2,017**	**2,046**
Current assets			
Inventories	271	303	251
Receivables	207	134	247
Cash and cash equivalents	390	262	289
Total current assets	**868**	**699**	**787**
TOTAL ASSETS	**2,919**	**2,716**	**2,833**
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings/losses	1,359	1,253	1,194
Other reserves	(139)	(99)	(229)
Equity attributable to H+H International A/S' shareholders	1,400	1,334	1,145
Equity attributable to non-controlling interests	79	37	35
Total equity	**1,479**	**1,371**	**1,180**
Non-current liabilities			
Pension obligations	49	64	113
Provisions	31	33	27
Deferred tax liability	163	137	138
Interest-bearing debt	687	558	792
Lease liability	88	96	90
Total non-current liabilities	**1,018**	**888**	**1,160**
Current liabilities			
Lease liability	13	15	9
Trade payables	172	207	278
Income tax	27	18	25
Deferred payment, acquisition of subsidiary	0	24	24
Provisions	10	11	5
Other current liabilities	200	182	152
Total current liabilities	**422**	**457**	**493**
Total liabilities	**1,440**	**1,345**	**1,653**
TOTAL EQUITY AND LIABILITIES	**2,919**	**2,716**	**2,833**
Net interest-bearing debt	398	407	602

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019
EBIT	57	114	142	169
Financial income received	1	0	2	0
Financial expenses paid	(5)	(6)	(11)	(12)
Depreciation and amortisation	47	42	92	84
Gain and losses on sale of assets and other non-cash effects	8	0	8	0
Change in working capital	51	34	(49)	(56)
Pension contributions paid and provisions	(4)	(8)	(11)	(13)
Income tax paid	(25)	(16)	(26)	(24)
Operating activities	**130**	**160**	**147**	**148**
Acquisition of enterprises and related deferred payments	0	(58)	(74)	(82)
Acquisition of property, plant and equipment and intangible assets*	(22)	(16)	(43)	(27)
Investing activities	**(22)**	**(74)**	**(117)**	**(109)**
Development of interest-bearing debt	(28)	66	114	111
Change in lease liabilities	(5)	(6)	(11)	(10)
Other financial activities	0	1	0	2
Financing activities	**(33)**	**61**	**103**	**103**
Total cash flow	**75**	**147**	**133**	**142**
Cash and cash equivalents, opening	315	128	262	133
Cash related to the acquired enterprises	0	14	8	14
Foreign exchange adjustments of cash and cash equivalents	0	0	(13)	0
Cash and cash equivalents at 30 June	**390**	**289**	**390**	**289**

*Acquisitions of property, plant and equipment and intangible assets is for the second quarter 2020 offset by financial leases (IFRS 16) of DKK 1 million (2019: DKK 4 million). For the first half 2020, the offsetting effect of financial leases (IFRS 16) amounts to DKK 5 million (2019: DKK 13 million).

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Retained earnings	H+H shareholders share	Non con-trolling interests' share	Total
Equity at 1 January 2020	**180**	**(99)**	**1,253**	**1,334**	**37**	**1,371**
Total changes in equity in 2020						
Profit/loss for the period	0	0	100	100	2	102
Other comprehensive income	0	(40)	6	(34)	0	(34)
Total comprehensive income	**0**	**(40)**	**106**	**66**	**2**	**68**
Share-based payment	0	0	0	0	0	0
Non-controlling interests arising from acquisition	0	0	0	0	40	40
Total changes in equity in 2020	**0**	**(40)**	**106**	**66**	**42**	**108**
Equity at 30 June 2020	**180**	**(139)**	**1,359**	**1,400**	**79**	**1,479**
Equity at 1 January 2019	**180**	**(243)**	**0**	**1,063**	**0**	**1,000**
Total changes in equity 2019						
Profit/loss for the period	0	0	127	127	1	128
Other comprehensive income	0	14	3	17	0	17
Total comprehensive income	**0**	**14**	**130**	**144**	**1**	**145**
Share-based payment	0	0	1	1	0	1
Non-controlling interests arising from acquisition	0	0	0	0	34	34
Total changes in equity in 2019	**0**	**14**	**131**	**145**	**35**	**180**
Equity at 30 June 2019	**180**	**(229)**	**1,194**	**1,145**	**35**	**1,180**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, but that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. The interim financial report has not been reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2019 annual report, which includes a full description of the accounting policies applied, other than below accounting policy for Government grants.

Government grants is recognised in the income statement as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. A grant received as compensation for costs already incurred or for immediate financial support, with no future related costs, is recognised as income in the period in which it is received. Government grants not received at the balance sheet date are recognised as a receivable.

Government grants is recognised only when there is reasonable assurance that H+H will comply with any conditions attached to the grant, and that the grant will be received.

2. Adoption of new and revised IFRSs

H+H International A/S has adopted all new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2020.

3. Government grants

H+H has in the second quarter participated in two Government grant schemes, in the UK and Germany, respectively.

In the UK, H+H has participated in the UK Government's "Coronavirus Job Retention" scheme. This scheme has benefitted H+H by receiving grants from the Government for employees who are placed on Furlough. Grants received has amounted to 80% of the wages up to GBP 2,500 per employee, totalling DKK 11 million in the second quarter of 2020. The UK scheme will be phased out by the UK Government by the end of October 2020.

In Germany, H+H has participated in the German Government's "Kurzarbeitergeld" scheme. Grants received totalled DKK 1 million in the second quarter of 2020.

In total, grants of DKK 12 million was received in the second quarter of 2020 which has been recognised in the income statement as "Cost of goods sold" by DKK 10 million and "Sales costs" by 2 million. As of 30 June 2020, no grants are recognised as receivables in the balance sheet.

H+H has no unfulfilled conditions related to above schemes for the Government grants received.

4. 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 EBIT 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.

Amounts in DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019
Revenue	596	770	1,300	1,436
Cost of goods sold	(454)	(559)	(966)	(1,074)
Gross profit including depreciation and amortisation	**142**	**211**	**334**	**362**
Sales cost	(43)	(47)	(94)	(97)
Administration cost	(39)	(47)	(96)	(92)
Other operating income and costs	(3)	(3)	(2)	(4)
EBIT before special items	**57**	**114**	**142**	**169**
Special items, net	0	0	0	0
EBIT	**57**	**114**	**142**	**169**
Depreciation, amortisation and impairment comprise:				
Amortisation of intangible assets	9	6	20	18
Impairment of property, plant and equipment	0	0	0	0
Depreciation of property, plant and equipment	38	36	72	66
Total	**47**	**42**	**92**	**84**
Depreciation, amortisation and impairment are allocated to:				
Production costs	35	30	65	61
Sales and distribution costs	9	9	21	18
Administration costs	3	3	6	5
Total	**47**	**42**	**92**	**84**

Above table shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function.

5. Geographical information

Amounts in DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019
		Revenue		
UK	63	236	241	456
Germany	237	194	448	340
Poland	183	199	392	388
Other markets*	114	142	220	252
	596	**770**	**1,300**	**1,435**

*Revenue for Russia in the second quarter and first half 2019 was DKK 34 million and DKK 47 million, respectively.

Other markets comprise Switzerland, Denmark, Sweden, Holland and Belgium. All revenue relates to sales of goods and transport services.

6. Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires Management to make a number of estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

For the H+H Group, significant changes in the estimates and assumptions on which values are based may have a material effect on the measurement of assets and liabilities, including impairment testing of goodwill and non-current assets, net defined-benefit obligations and the preliminary purchase price allocation of PBWL.

With reference to note 8 “Pension obligations”, significant accounting estimates and judgements have been made in connection to adjustment of the net defined-benefit pension obligation in the UK.

The estimates and judgements made are based on assumptions that Management assess to be sound, but, by nature, are uncertain and unpredictable. The assumptions may be incomplete, and unforeseen future events or circumstances may occur. Further details of H+H's key accounting estimates and judgements that may affect H+H are provided in the 2019 annual report.

Compared to what was disclosed in the 2019 annual report the outbreak of Covid-19 encountered during the first half year 2020 which is considered to impose significant uncertainty to the interim financial statements. The financial impacts of Covid-19 require significant judgement and are included in the estimates of the activity of the Group, the valuation of our asset base and the liquidity situation.

As for any other significant uncertainties we will, given the evolving nature of the Covid-19 pandemic and the uncertainties involved, monitor the situation and implication on Group's financial position, activities and cash flows. Depending on the escalation of Covid-19 in the future and thereby the long-term impact for H+H, there is an inherent risk that the estimates and judgements made in second quarter 2020 could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position. As of 30 June 2020, we have included updated estimates to assess the recoverability of our asset base, including expected credit losses. We have made no specific impairments of assets and no additional obligations or liabilities have been recognised as a direct result of Covid-19.

Further information is provided in the Management Review where Management has outlined their view and response to the outbreak of Covid-19 including specific information on contingency planning.

7. Seasonal and cyclical fluctuations

Seasonal fluctuations
The sales pattern for H+H's products is seasonal. Sales in the second and third quarter are traditionally significantly higher than during the rest of the year. As a large part of H+H's cost base is not directly variable with revenue, deviations from projected sales may result in considerable fluctuations in H+H's earnings.

Furthermore, because H+H's sales in some regions are predominantly based on short-term orders, the Group is unable, or only to a limited extent, able to align its cost base to short term changes in actual customer demand. As result, historical revenue and earnings generated by H+H's operations have fluctuated during the financial year.

Cyclical fluctuations
Activity levels in the countries and markets in which H+H's products are sold have a major impact on demand for these products. H+H's sales go predominantly to new dense low-rise housing, and to a lesser extent high-rise housing, making H+H particularly vulnerable to fluctuations in the level of activity in these building segments. H+H's products are mainly sold in geographical markets that are situated relatively close to its factories – the specific geographical market for each factory depends on local transport prices, the state of the infrastructure and the competitive situation, including price levels.

8. Pension obligations

H+H has defined-benefit pension plans in the UK, Switzerland and Germany. The UK and Swiss pension plans are managed by a pension fund to which payments are made, whereas the German pension plan are unfunded. H+H's pension obligations relate predominantly to the plans in the UK.

For interim periods, the H+H's defined-benefit pension obligations are based on valuations from external actuaries carried out at the end of prior financial year considering any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. Actuarial calculations are updated or extrapolated quarterly.

Compared to December 2019, a value adjustment has been made relating to the UK pension plan, affecting total comprehensive income. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows a decreased underfunding of DKK 9 million (the present value of the obligations exceeds the fair value of the plan assets).

The total pension obligation as at 30 June 2020 amounts to DKK 49 million, compared to DKK 64 million as at 31 December 2019. The development in the pension obligations from 31 December 2019 till 30 June 2020 is due to payments, interest, value adjustment and currency adjustment.

9. Financial resources and cash flow

Net interest-bearing debt, including financial leases, totalled DKK 398 million at 30 June 2020, down DKK 9 million since the beginning of the year. The development since the beginning of the year is due to positive cash flow from operating activities driven by earnings for the period offset by normal negative seasonal development in working capital, planned CAPEX and the acquisition of Porenbetonwerk Laussnitz GmbH & Co. KG.

On 3 April 2020, the H+H Group utilized a part of its accordion loan facility with Nordea Danmark, branch of Nordea Abp, Finland, in total DKK 105 million.

H+H Group's financing is a committed credit facility with Nordea Danmark, branch of Nordea Abp, Finland which expires April 2023. It is subject to usual financial covenants, which have been fulfilled in Q2 2020 and which are expected to be fulfilled for the remaining quarters of 2020.

10. Share-based payment

The matching share schemes for 2018 and 2019 are active and presented in consolidated financial statements in the Annual Report 2019.

In April 2020, the Board of Directors of H+H International A/S decided to implement a new long-term incentive program (LTIP) being a performance share unit (PSU) program. PSU grants under the LTIP are made as described in Company announcement no. 393.

In the second quarter 2020, a net income of DKK 0.5 million was recognised under staff costs, against an expense of DKK 0.8 million in the same period in 2019. The net income reflects adjustments of the 2018 and 2019 programs due to Management's best estimate of the financial impact of Covid-19.

11. Tax

Tax for the second quarter shows an expense of DKK 15 million which comprise of current tax DKK 13 million and adjustment of deferred tax DKK 2 million. Tax for the first half shows an expense of DKK 31 million which comprise of current tax DKK 31 million and adjustment of deferred tax DKK 0 million.

12. Risk Management

H+H's overall risk exposure and financial risks are as a result of the outbreak of Covid-19 changed compared with the disclosures in note 28 in the consolidated financial statement in the 2019 annual report.

In the Management Review are outlined Managements view and response to the outbreak of Covid-19 including specific information on contingency planning.

13. Related parties

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

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

14. Business combinations

H+H International A/S' subsidiary H+H Deutschland GmbH have on the 14 January 2020 acquired 51% of Porenbetonwerk Laussnitz GmbH & Co. KG ("PBWL"), a German AAC unit business. The financial ownership was registered per 1 January 2020.

The acquisition is in line with the announced strategy of consolidating the German white stone market and will strengthen H+H's brand and enable to continue participating in modernizing the industry and improving building performance.

The purchase price amount to DKK 49 million which was paid in cash on the acquisition date.

No transaction has been expensed in the first half year of 2020 related to the acquisition of PBWL.

The purchase price allocation shows acquired net assets at a fair value of DKK 81 million, including minorities' share of DKK 40 million, and related goodwill were consequently determined at DKK 8 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 196 million at the beginning of the year. Due to the acquisition of PBWL, additional goodwill of DKK 8 million was recognised, resulting in goodwill as of 30 June 2020 amount to DKK 202 million after foreign exchange adjustment of negative DKK 2 million.

The fair value of the acquired land and buildings is recognised on the basis of internal 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 11% 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 11% 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.

Amounts in DKK million	**PBWL** **1 January** **2020**	**In Total**
Customer relations	62	62
Trademarks	1	1
Property, plant and equipment	14	14
Land and buildings	36	36
Financial assets	1	1
Receivables	6	6
Inventories	7	7
Cash	8	8
Acquired assets	**135**	**135**
Tax payable	5	5
Payables	2	2
Financial debt	15	15
Other current liabilities	7	7
Deferred tax	25	25
Assumed liabilities	**54**	**54**
Total identifiable acquired net assets	81	81
Hereof minority interests' share	(40)	(40)
Goodwill in connection with the acquisition	8	8
Purchase price	**49**	**49**
Movements in cash flow in connection with the acquisition:		
Purchase price	49	49
Of which cash is acquired	(8)	(8)
Of which financial debt is acquired	15	15
Net cash flow outflow in connection with the acquisition	**56**	**56**

Revenue and profit after tax of the acquired business PBWL since 1 January 2020 included in the statement of comprehensive income for the reporting period amounts to DKK 41 million and DKK 4 million, respectively. The table provides a summary of the purchase price for PBWL and the allocation of the fair value of acquired assets and liabilities on the acquisition date.

15. Events after the balance sheet date

We are closely monitoring the development in the Covid-19 pandemic and the governments' responses which may have an impact on the H+H Group.

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.