Company announcement No. 394, 2020
Interim financial report Q1 2020

H+H International A/S
Lautrupsgade 7, 5.
2100 Copenhagen Ø
Denmark

Telephone +45 35 27 02 00
info@HplusH.com
www.HplusH.com

CVR No. 49 61 98 12
LEI: 3800GJODT6FV8QM841

Date:
15 May 2020

"I'm pleased with a very good first quarter for H+H despite operating in uncertain times", says CEO Michael T. Andersen. "Market demand was strong throughout the quarter, where only the UK construction market was affected by a governmental lockdown in the last week of March. Our activities in Continental Europe are currently well performing according to original plan. A gradual reopening of construction sites in the UK has been initiated early May, but visibility remains very low".

Financial highlights for the period 1 January to 31 March 2020

DKK million	Q1 2020	Q1 2019
Revenue	704	666
Organic growth	2%	22%
EBITDA before special items	130	97
EBIT before special items	85	55
EBIT margin before special items	12%	8%
NIBD/EBITDA ratio before special items ratio	0.9	1.4
Special items	0	0
Free cash flow	(78)	(47)

Other highlights

- On 14 January 2020, H+H International A/S' subsidiary H+H Deutschland GmbH has closed the acquisition of 51% of the shares in Porenbetonwerk Laussnitz GmbH & Co. KG (PBWL).

- On 24 March 2020, H+H International A/S suspended its outlook following measures taken by the UK Government on 23 March 2020 that caused closure of distribution centres and buildings sites in the UK and lack of visibility due to the outbreak of Covid-19.

Events after the balance sheet date

- 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 centers. The pace and degree of reopening is still uncertain, and thus gives low visibility on when normal operation will be reached.

Outlook for 2020
As clarity is still limited on the recovery of the UK market and impact on other markets and demand from Covid-19, H+H will maintain the suspension of the financial outlook for 2020.

For further information please contact:
CFO Peter Klovgaard-Jørgensen or IR Manager Cristina Rønde Hefting, on telephone +45 35 27 02 00.

The Group will provide the market with updated financial outlook as soon as an assessment of the full-year results with reasonable confidence is possible.

Investor and analyst teleconference
H+H International A/S will host an investor and analyst teleconference on 15 May 2020 at 11:00 CEST.
To attend the conference call, please see details below.

DK: +4578150110
UK: +443333009264
US: 18335268381

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	Q1 2020	Q1 2019	Full-year 2019
Income statement			
Revenue	704	666	2,840
Gross profit before special items	222	182	877
EBITDA before special items	130	97	539
EBITDA	130	97	531
EBIT before special items	85	55	366
EBIT	85	55	358
Profit before tax	80	49	205
Profit after tax	64	39	150
Balance sheet			
Assets	2,947	2,582	2,716
Invested capital	1,837	1,809	1,805
Investments in property, plant and equipment*	21	11	126
Acquisition and divestment of enterprises	74	24	(20)
Net working capital	148	101	48
Equity	1,461	1,046	1,371
Net Interest-bearing debt (NIBD)**	504	659	407
Cash flow			
Cash flow from operating activities	17	(12)	369
Cash flow from investing activities	(95)	(35)	(105)
Cash flow from financing activities	136	42	(131)
Free cash flow	(78)	(47)	264
Financial ratios			
Organic growth	2%	22%	6%
Gross margin before special items	32%	27%	31%
EBITDA margin before special items	18%	15%	19%
EBITDA margin	18%	15%	19%
EBIT margin before special items	12%	8%	13%
EBIT margin	12%	8%	13%
Return on invested capital (ROIC) (excl. Goodwill)	21%	13%	20%
Solvency ratio	50%	41%	50%
NIBD/EBITDA before special items ratio	0.9	1.4	0.8
Share data			
Share price, end of period (DKK)	78	98	125
Book value per share, end of period (DKK)	81	58	76
Earnings per share	3.5	2.2	8.4
Diluted earnings per share	3.5	2.2	8.4

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

MANAGEMENT'S REVIEW

INCOME STATEMENT

Revenue

Revenue in local currencies, excluding impact from the acquired and divested businesses (organic growth), increased by 2% in the first quarter. Revenue, including the acquired business, increased by 6% to DKK 704 million in the first quarter.

The organic growth was mainly price-driven, where all regions had higher prices than last year.

Favourable weather conditions had a positive impact across all our markets.

The UK market was in the end of first quarter affected by the lockdown caused by the outbreak of Covid-19, which impacted the demand severely as distribution centres and building sites closed. Demand decreased significantly, which impacted volumes end of the period. Until the lockdown end of March, the volume growth in UK market compared to Q1 2019 was affected by destocking of Borough Green in 2019 after the factory upgrade.

Prices in Germany and Poland grew, and volume increased compared to last year despite the lockdowns at the end of March. The lockdown in the respective countries did not close down distribution centres or building sites and therefore demand for our products was sustained. In Poland, competition continued to increase as expected, but with no significant impact on performance.

The Nordics, Benelux and Switzerland contributed to the organic growth in both pricing and volume.

There was no significant impact from currency exchange rates compared to last year.

Revenue from AAC comprised 68% of total revenue and CSU comprised 32%.

Production cost

Across all markets, there was a strong operational performance mainly driven by operational excellence incl. purchasing initiatives and synergies from acquired companies. As expected, these initiatives are partly offset by increased input cost, due to spill-over effect of delayed input cost increases from 2019.

Gross profit

The gross profit in the first quarter was DKK 222 million against DKK 182 million in 2019, a change of DKK 40 million, equalling a margin of 32% and 27%, respectively.

The increased gross profit margin was mainly due to efficiency improvements in all core markets as well as the aforementioned price increases.

Gross profit in the AAC business was DKK 163 million and gross profit in the CSU business was DKK 59 million for the first quarter.

EBITDA

EBITDA in the first quarter was DKK 130 million against DKK 97 million in 2019, a change of DKK 33 million, equalling a margin of 18 % and 15 %, respectively.

Depreciation and amortization

Depreciations and amortization in the first quarter was DKK 45 million against DKK 42 million in 2019, a change of DKK 3 million.

Adjusted for depreciations related to purchase price allocations, depreciations were DKK 21 million in the first quarter against DKK 20 million in 2019.

EBIT

EBIT for the first quarter was DKK 85 million against DKK 55 million in 2019, a change of DKK 30 million, equalling a margin of 12% and 8%, respectively.

The improved margin was predominately driven by strong operational performance supported by positive price developments and additional volume due to weather conditions.

Net financials

Net financials for the first quarter totalled an expense of DKK 5 million against DKK 6 million in 2019.

Profit before tax

Profit before tax in the first quarter was DKK 80 million against DKK 49 million in 2019, a change of DKK 31 million.

Tax

Tax for the first quarter was an expense of DKK 16 million against DKK 10 million in 2019, a change of DKK 6 million.

Net profit
Profit in the first quarter was DKK 64 million, against a profit of DKK 39 million in 2019, a change of DKK 25 million. Profit for the period is attributable to H+H International A/S' shareholders by DKK 63 million and to non-controlling interest by DKK 1 million. For 2019, all profit was attributable to H+H International A/S' shareholders.

Comprehensive income
The total comprehensive income for the first quarter was DKK 50 million against DKK 45 million in 2019, a change of DKK 5 million.

The main influence being higher profit for the period, foreign exchange adjustment related to foreign entities of DKK (39) million and actuarial gains net deferred tax of DKK 25 million in relation to pension obligations.

CASH FLOW

Operating activities
Cash flow from operating activities in the first quarter was DKK 17 million against DKK (12) million in 2019, a change of DKK 29 million. The positive change in mainly driven by higher earnings partly offset by change in working capital caused by seasonally fluctuations in trade receivables.

Investing activities
Cash flow from investing activities in the first quarter was DKK (95) million against DKK (35) million in 2019, a change of DKK (60) million. This was mainly driven by acquisitions and partly by capital expenditure.

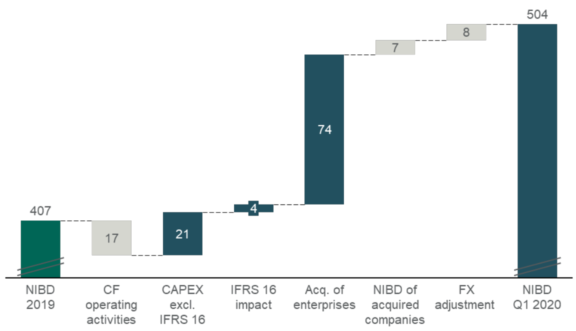
Free cash flow
Free cash flow in the first quarter was DKK (78) million against DKK (47) million in 2019, a change of DKK (31) million.

Financing activities
Cash flow from financing activities in the first quarter was DKK 136 million against DKK 42 million in 2019, a change of DKK 94 million.

BALANCE SHEET

The balance sheet total at 31 March 2020 was DKK 2,947 million, against DKK 2,582 million at 31 March 2019.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 504 million at 31 March 2020, a change of DKK 97 million since the beginning of the year and a decrease of DKK 155 million since 31 March 2019.



The development since the beginning of the year is primary due to earnings for the period offset by normal negative seasonal development in working capital and the acquisition of Porenbetonwerk Laussnitz GmbH & Co. KG.

At 31 March 2020 the Groups financial leverage was 0.9x NIBD/EBITDA before special items.

Equity
The consolidated equity increased by DKK 415 million compared to 31 March 2019.

Equity		
	Q1	Q1
Amounts in DKK million	2020	2019
1 January	1,371	1,000
Profit/loss for the period	64	39
Actuarial gains/losses on pension plans	25	(5)
Foreign exchange adjustments	(39)	11
Non-controlling interests arising from acquisition	40	0
Other adjustments	0	1
31 March	1,461	1,046

MOST MATERIAL RISKS AND UNCERTAINTIES

For most material risk and uncertainties, please refer to note 5 “Significant accounting estimates and judgements” and note 11 “Risks Management”.

EVENTS IN THE FIRST QUARTER 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 International A/S suspended outlook following measures taken by the UK Government on 23 March 2020. The lockdown 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.

EVENTS AFTER THE BALANCE SHEET DATE

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 which was available on 3 April 2020.

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.

Markets and effects from Covid-19
As a result of the UK lockdown commencing 23 March 2020, H+H has adjusted production output in the UK. In combination with high stock levels to facilitate the limited demand, the UK factories have halted production in April and are using governmental support programs for employees on furlough. Our other markets have continued production on normal levels for the season.

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 centers. The pace and degree of reopening is still uncertain, and thus gives low visibility on when normal operation will be reached. Demand has picked up, yet on a lower level than prior to the lockdown. H+H will continue to adjust stock and production according to demand.

Except for the UK, current trading levels are continuing in the remaining part of the Group, and as per today sales and the financial performance have been in line with the initial expectations for the year.

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. 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 planning
Our first priority has been to ensure the safety of our employees and visitors. Therefore, enhanced safety precautions were implemented across all sites focusing on reducing contamination risk. To date there have been no production impact directly linked to contamination of Covid-19.

In addition, development in market demand following the outbreak of Covid-19 is monitored closely, and contingency plans are in place.

The current contingency plans include adjusting production where needed and utilizing the governmental support programmes available where relevant. Also, certain investments, excluding acquisitions, for 2020 are paused and maintenance investments are kept at a minimum level. This include postponement of the new CSU factory in Reda, near Gdansk in Poland, expected to be online with production in second half of 2020. The project is currently postponed until 2021. The actions taken are expected to reduce investments, excluding acquisitions, for 2020 significantly from initially expected. Focus on cash flow is continued and additional DKK 0.1 billion of the available credit facility was utilised.

Further actions have been taken to preserve cash. In terms of cost containment, actions have been taken to reduce and manage the Groups operating cost base, taking decisive actions to eliminate discretionary spend.

The visibility for 2020 and consequences of the outbreak of Covid-19 remain very low.

OUTLOOK FOR 2020

On 24 March 2020, H+H suspended its financial outlook for 2020 due to UK governmental measures taken and lack of visibility due to the outbreak of Covid-19.

As clarity is still limited on the recovery of the UK market and impact on other markets and demand from Covid-19, H+H will maintain the suspension of the financial outlook for 2020.

The Group will provide the market with updated financial outlook as soon as an assessment of the full-year results with reasonable confidence is possible.

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

ABOUT THE OUTLOOK FOR 2020

H+H International A/S will update and adjust the expectations presented when so required by legislation and relevant rules, including the Market Abuse Regulation and Rules for Issuers on Nasdaq Copenhagen.

FINANCIAL CALENDAR FOR 2020

Interim financial report H1 2020............ 14 Aug. 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 quarter 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 31 March 2020 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 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, 15 May 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		
	Q1	Q1	Full-year
Amounts in DKK million	2020	2019	2019
Revenue	704	666	2.840
Production costs	(482)	(484)	(1.963)
Gross profit before special items	**222**	**182**	**877**
Sales costs	(39)	(41)	(159)
Administrative costs	(54)	(43)	(180)
Other operating income and expenses	1	(1)	1
EBITDA before special items	**130**	**97**	**539**
Depreciation and amortization	(45)	(42)	(173)
Impairment losses	0	0	0
EBIT before special items	**85**	**55**	**366**
Special items, net	0	0	(8)
EBIT after special items	**85**	**55**	**358**
Financial income	1	0	1
Financial expenses	(6)	(6)	(154)
Profit/loss before tax	**80**	**49**	**205**
Tax on profit/loss from continuing operations	(16)	(10)	(55)
Profit/loss for the period	**64**	**39**	**150**
Profit/loss for the period attributable to:			
H+H International A/S' shareholders	63	39	149
Non-controlling interests	1	0	1
Profit/loss for the period	**64**	**39**	**150**
Earnings per share (EPS-Basic)	3,5	2,2	8,4
Diluted earnings per share (EPS-D)	3,5	2,2	8,4

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2020	2019	2019
Profit/loss for the period	**64**	**39**	**150**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign companies	(39)	11	144
Tax on foreign exchange adjustments, foreign companies	0	0	0
	(39)	11	144
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	32	(5)	47
Tax on actuarial gains and losses	(7)	0	(8)
	25	(5)	39
Other comprehensive income after tax	**(14)**	**6**	**183**
Total comprehensive income	**50**	**45**	**333**

CONDENSED BALANCE SHEET

	Group		
Amounts in DKK million	31 March 2020	31 Dec. 2019	31 March 2019
ASSETS			
Non-current assets			
Goodwill	202	196	175
Other intangible assets	289	243	231
Property, plant and equipment	1,572	1,558	1,499
Deferred tax assets	11	12	13
Financial assets	8	8	1
Total non-current assets	**2,082**	**2,017**	**1,919**
Current assets			
Inventories	311	303	264
Receivables	239	134	271
Cash and cash equivalents	315	262	128
Total current assets	**865**	**699**	**663**
TOTAL ASSETS	**2,947**	**2,716**	**2,582**
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings/losses	1,341	1,253	1,098
Other reserves	(138)	(99)	(232)
Equity attributable to H+H International A/S' shareholders	1,383	1,334	1,046
Equity attributable to non-controlling interests	78	37	0
Total equity	**1,461**	**1,371**	**1,046**
Non-current liabilities			
Pension obligations	29	64	132
Provisions	31	33	19
Deferred tax liability	165	137	115
Interest-bearing debt	715	558	697
Lease liability	91	96	72
Total non-current liabilities	**1,031**	**888**	**1,035**
Current liabilities			
Lease liability	13	15	18
Trade payables	227	207	257
Income tax	29	18	16
Deferred payment, acquisition of subsidiary	0	24	24
Provisions	11	11	9
Other current liabilities	175	182	177
Total current liabilities	**455**	**457**	**501**
Total liabilities	**1,486**	**1,345**	**1,536**
TOTAL EQUITY AND LIABILITIES	**2,947**	**2,716**	**2,582**
Net interest-bearing debt	504	407	659

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q1 2020	Q1 2019
EBIT	85	55
Financial income received	1	0
Financial expenses paid	(6)	(6)
Depreciation and amortisation	45	42
Change in working capital	(100)	(90)
Pension contributions paid and provisions	(7)	(5)
Income tax paid	(1)	(8)
Operating activities	**17**	**(12)**
Acquisition of enterprises and related deferred payments	(74)	(24)
Acquisition of property, plant and equipment and intangible assets	(21)	(11)
Investing activities	**(95)**	**(35)**
Proceeds from / repayment of short and long-term debt	142	45
Change in lease liabilities	(6)	(4)
Other financial activities	0	1
Financing activities	**136**	**42**
Total cash flow	**58**	**(5)**
Cash and cash equivalents, opening	262	133
Cash related to the acquired enterprises	8	0
Foreign exchange adjustments of cash and cash equivalents	(13)	0
Cash and cash equivalents at 31 March	**315**	**128**

*Acquisitions of property, plant and equipment and intangible assets is offset by financial leases (IFRS 16) of DKK 4 million (2019: DKK 9 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	63	63	1	64
Other comprehensive income	0	(39)	25	(14)	0	(14)
Total comprehensive income	**0**	**(39)**	**88**	**49**	**1**	**50**
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**	**(39)**	**88**	**49**	**41**	**90**
Equity at 31 March 2020	**180**	**(138)**	**1.341**	**1.383**	**78**	**1.461**
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	0	39	0	39
Other comprehensive income	0	11	0	(5)	0	6
Total comprehensive income	**0**	**11**	**0**	**34**	**0**	**45**
Share-based payment	0	0	0	1	0	1
Total changes in equity in 2019	**0**	**11**	**0**	**35**	**0**	**46**
Equity at 31 March 2019	**180**	**(232)**	**0**	**1.098**	**0**	**1.046**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 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 consistent with those applied in the 2019 annual report, which includes a full description of the accounting policies applied.

2. Adoption of new and revised IFRSs

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

3. 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	**Q1 2020**	**Q1 2019**
Revenue	704	666
Cost of goods sold	(512)	(515)
Gross profit including depreciation and amortisation	**192**	**151**
Sales cost	(51)	(50)
Administration cost	(57)	(45)
Other operating income and expenses	1	(1)
EBIT before special items	**85**	**55**
Special items	0	0
EBIT	**85**	**55**
Depreciation, amortisation and impairment comprise:		
Amortisation of intangible assets	11	12
Impairment of property, plant and equipment	0	0
Depreciation of property, plant and equipment	34	30
Total	**45**	**42**
Depreciation, amortisation and impairment are allocated to:		
Production costs	30	31
Sales and distribution costs	12	9
Administration costs	3	2
Total	**45**	**42**

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

4. Geographical information

Amounts in DKK million	Q1 2020	Q1 2019
	Revenue	
UK	178	220
Germany	211	146
Poland	209	189
Other markets*	106	111
	704	**666**

*Revenue for Russia in Q1 2019 was DKK 13 million.

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

5. Significant accounting estimates and judgements

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

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

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

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

Compared to what was disclosed in the Annual Report 2019 the outbreak of Covid-19 encountered during the first quarter 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 Q1 2020 could change. Future changes in estimates and judgement may have an impact on the Group’s result and financial position. As of 31 March 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.

6. 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.

7. 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 that plan assets exceeds the obligations as of 31 March 2020. Consequently, the UK pension plan has been recognised to DKK 0 million in the balance sheet.

The total pension obligation as at 31 March 2020 amounts to DKK 29 million, compared to DKK 64 million as at 31 December 2019. The development in the pension obligations from 31 December 2019 till 31 March 2020 is due to payments, interest, value adjustment and currency adjustment.

8. Financial resources and cash flow

Net interest-bearing debt, including financial leases, totalled DKK 504 million at 31 March 2020, up DKK 97 million since the beginning of the year. The development since the beginning of the year is primary due to earnings for the period offset by normal negative seasonal development in working capital and the acquisition of Porenbetonwerk Laussnitz GmbH & Co. KG.

At 1 March 2020 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.

H+H Group's financing is subject to usual financial covenants, which have been fulfilled in Q1 2020 and which are expected to be fulfilled for the remaining quarters of 2020.

9. Share-based payment

The matching share schemes for 2018 and 2019 are active and presented in consolidated financial statements in the Annual Report 2019. An amount of DKK 0.9 million was recognised under staff costs in the first quarter of 2020, against DKK 0.8 million in the same period in 2019.

10. Tax

Tax for the first quarter shows an expense of DKK 16 million which comprise of current tax DKK 18 million offset by adjustment of deferred tax DKK 2 million.

11. 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 Annual Report 2019.

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

12. 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.

13. 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 quarter 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 31 March 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.

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 18 million and DKK 1 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.

	PBWL	In Total
	1 January	
Amounts in DKK million	**2020**	
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**

14. Events after the balance sheet date

After the balance sheet date, 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 which was available on 3 April 2020.

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.

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