Company announcement No. 398, 2020
Interim financial report Q1-Q3 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:
13 November 2020

"I'm pleased with the upgraded outlook for 2020 announced on 29 October 2020 following a strong rebound of the UK market and an effective cost management. With these effects H+H can report solid margin defence showing an improved gross margin and EBITDA margin year to date in line with last year", says CEO Michael T. Andersen.

Financial highlights for the period 1 January to 30 September 2020

DKK million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Revenue	712	779	2.012	2.215
Gross margin before special items	34%	34%	32%	31%
Organic growth	(7)%	5%	(9)%	10%
Organic growth excluding the UK market	(7)%	7%	2%	8%
EBITDA before special items	162	182	396	435
EBITDA margin before special items	23%	23%	20%	20%
EBIT before special items	116	137	258	306
EBIT margin before special items	16%	18%	13%	14%
NIBD/EBITDA ratio before special items ratio	0.5	0.9	0.5	0.9
Special items	0	0	0	0
Free cash flow	136	136	166	175

Highlights

- Current trading in the majority of our markets perform as expected with overall stable development in Germany and softening of the Polish market.
- During the third quarter of 2020, we have seen recovery in the UK market after the lockdown where distribution centres and building sites closed in the end of March 2020 due to covid-19. The lockdown affected the market throughout the second quarter of 2020 with gradual re-opening in the end of the period.
- The UK recovery is now expected to increase faster than originally anticipated for the remaining part of 2020, supported by Government stimuli.

Financial outlook for 2020

Based on higher than expected demand in the UK market for the remaining part of 2020, H+H upgraded the financial outlook for the full year 2020 on 29 October 2020 as follows:

For further information please contact:
CFO Peter Klovgaard-Jørgensen, on telephone +45 35 27 02 00.

- Revenue growth before acquisitions, divestments and measured in local currencies is expected to be in the range -12% to -8% (previously in the range -16% to -8%)
- EBIT before special items is expected to be DKK 290-320 million (previously DKK 250-300 million)
- Investments, excluding acquisitions, divestments and IFRS 16 effect, are expected to be DKK 120-130 million (previously DKK 100-130 million)

The financial outlook for 2020 is 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
- Financial liquidity is available in the markets to support housebuilding

Investor and analyst teleconference
H+H International A/S will host an investor and analyst teleconference today 13 November 2020 at 10:00 CET. To attend the conference call, please see details below.

The conference call will be available at: https://streams.eventcdn.net/hplush/2020q3
Investors and analysts are invited to participate by phone.

DK: +4582333194
UK: +443333009272
US: +18338230586

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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full-year 2019
Income statement					
Revenue	712	779	2.012	2.215	2.840
Gross profit before special items	241	263	640	686	877
EBITDA before special items	162	182	396	435	539
EBITDA	162	182	396	435	531
EBIT before special items	116	137	258	306	366
EBIT	116	137	258	306	358
Profit before tax	107	128	240	285	205
Profit after tax	83	97	185	225	150
Balance sheet					
Assets	2.979	2.862	2.979	2.862	2.716
Invested capital*	1.871	1.743	1.871	1.743	1.809
Investments in property, plant and equipment**	22	29	65	56	126
Acquisition and divestment of enterprises	0	0	74	82	(20)
Net working capital	79	45	79	45	48
Equity	1.477	1.258	1.477	1.258	1.371
Net Interest-bearing debt (NIBD)***	273	471	273	471	407
Cash flow					
Cash flow from operating activities	158	165	305	313	369
Cash flow from investing activities	(22)	(29)	(139)	(138)	(105)
Cash flow from financing activities	(59)	(99)	44	4	(131)
Free cash flow	136	136	166	175	264
Financial ratios					
Organic growth	(7)%	5%	(9)%	10%	6%
Gross margin before special items	34%	34%	32%	31%	31%
EBITDA margin before special items	23%	23%	20%	20%	19%
EBITDA margin	23%	23%	20%	20%	19%
EBIT margin before special items	16%	18%	13%	14%	13%
EBIT margin	16%	18%	13%	14%	13%
Return on invested capital (ROIC) (excl. Goodwill)	18%	19%	18%	19%	20%
Solvency ratio	47%	43%	47%	43%	49%
NIBD/EBITDA before special items ratio	0,5	0,9	0,5	0,9	0,8
Share data					
Share price, end of period (DKK)	126	103	126	103	125
Book value per share, end of period (DKK)	82	70	82	70	76
Earnings per share	4,4	5,4	10,0	12,5	8,3
Diluted earnings per share	4,4	5,4	10,0	12,5	8,3

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 THIRD QUARTER OF 2020

Revenue

Total revenue, including the acquired and divested businesses, decreased by 9% to DKK 712 million in the third quarter. Revenue in local currencies, excluding the acquired and divested business (organic growth), decreased by 7% in the third quarter.

Revenue, external				
	Q3		Q1-Q3	
Amounts in DKK million	2020	2019	2020	2019
	Revenue			
UK	211	225	452	681
Germany	238	210	686	550
Poland	168	217	560	605
Other markets	94	126	314	379
Total	712	779	2.012	2.215

The decrease in organic growth was mainly driven by the Polish market which contributed by negative 6% for the Group due to an extraordinary high activity level in the third quarter 2019. Also, competition continued to increase and in addition the CSU market was affected by delay in high-rise permits due to Covid-19.

Revenue in the UK amounted to DKK 211 million against DKK 225 million in the third quarter 2019. For the third quarter organic growth was negative 6%, driven by lower volumes in July. For August and September both volumes and prices were higher than 2019.

Revenue in Germany amounted to DKK 238 million against DKK 210 million in the third quarter 2019. The increase comes from the acquired company PBWL. Organic growth was 3%, driven by price as volumes were stable.

Revenue in Poland was DKK 168 million against DKK 217 million in the third quarter 2019. Organic growth was negative 21%. The development is primarily due to an extraordinary third quarter in 2019, with an organic growth of 20%, but also driven by lower volume and to a lower extend price driven for both the AAC and CSU market.

Revenue in Other markets amounted to DKK 94 million against DKK 126 million in the third quarter 2019 (DKK 94 million excluding divested business in Russia).

The Nordics, Benelux and Switzerland contributed with a neutral net organic growth.

Revenue split for the third quarter was AAC of 69% and CSU of 31%.

Production cost

Production costs was affected by lower volumes sold across all markets offset by effects from adjusting production.

In 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 third quarter was DKK 241 million against DKK 263 million in 2019, a change of DKK (22) million, equalling a margin of 34% for both 2020 and 2019.

The gross profit margin was negatively affected by lower volumes and higher input costs, offset by lower transport costs, efficiency improvements as well as overall price increases.

Gross profit in the AAC business was DKK 169 million and gross profit in the CSU business was DKK 72 million for the third quarter equalling a gross margin of 35% and 32% respectively.

EBITDA

EBITDA in the third quarter was DKK 162 million against DKK 182 million in 2019, a change of DKK (20) million, equalling a margin of 23% for both 2020 and 2019.

Due to positive price developments and effects of resilience plans across the group we have been able to defend an EBITDA margin of 23% despite the lower volumes.

Depreciation and amortization

Depreciation and amortization in the third quarter was DKK 46 million against DKK 45 million in 2019, a change of DKK 1 million.

Adjusted for depreciations related to purchase price allocations, depreciations were DKK 31 million in the third quarter against DKK 30 million in 2019.

EBIT

EBIT for the third quarter was DKK 116 million against DKK 137 million in 2019, a change of DKK

(21) million, equalling a margin of 16% and 18%, respectively.

Net financials
Net financials for the third quarter totalled an expense of DKK 9 million, on par with 2019.

Profit before tax
Profit before tax in the third quarter was DKK 107 million against DKK 128 million in 2019, a change of DKK (21) million.

Tax
Tax for the third quarter was an expense of DKK 24 million against DKK 31 million in 2019, a change of DKK 7 million. Refer to note 11 for more information on tax for the period.

Net profit
Profit in the third quarter was DKK 83 million, against a profit of DKK 97 million in 2019, a change of DKK (14) million. Profit for the period is attributable to H+H International A/S' shareholders by DKK 80 million (2019: DKK 97 million) and to non-controlling interests by DKK 3 million (2019: DKK 0 million).

Comprehensive income
The total comprehensive income for the third quarter was DKK (3) million against DKK 82 million in 2019, a change of DKK (85) million.

The main influences being a change in actuarial losses net deferred tax of DKK (71) million related to pension obligations and lower profit for the period by DKK (14) million.

INCOME STATEMENT FOR THE FIRST THREE QUARTERS OF 2020

Revenue
Total revenue, including the acquired and divested businesses, decreased by 9% to DKK 2.012 million. Revenue in local currencies, excluding the acquired and divested businesses (organic growth), decreased by 9% in first three quarters.

The decrease in organic growth was driven by the UK market.

Revenue split for the first three quarters was AAC of 67% and CSU of 33%.

Gross profit
The gross profit in the first three quarters was DKK 640 million against DKK 686 million in 2019, a change of DKK (46) million, equalling a margin of 32% and 31%, respectively.

Gross profit in the AAC business was DKK 430 million and gross profit in the CSU business was DKK 210 million.

EBIT
EBIT for the first three quarters was DKK 258 million against DKK 306 million in 2019, a change of DKK (48) million, equalling a margin of 13% and 14%, respectively.

Net profit
Profit in the first three quarters was DKK 185 million, against a profit of DKK 225 million in 2019, a change of DKK (40) million. Profit for the period is attributable to H+H International A/S' shareholders by DKK 180 million (2019: DKK 224 million) and to non-controlling interest by DKK 5 million (2019: DKK 1 million).

Comprehensive income
The total comprehensive income for the first three quarters was DKK 69 million against DKK 227 million in 2019, a change of DKK (158) million.

The influences being changes in actuarial losses net deferred tax of DKK (68) million related to pension obligations, foreign exchange adjustments of DKK (50) million and lower profit for the period by DKK (40) million.

CASH FLOW

Operating activities
Cash flow from operating activities in the third quarter was DKK 158 million against DKK 165 million in 2019, a change of DKK (7) million.

Cash flow from operating activities in the first three quarters was DKK 305 million against DKK 313 million in 2019, a change of DKK (8) million.

The development is driven by decreased EBITDA, offset by positive working capital development as working capital remains a key focus area.

Investing activities
Cash flow from investing activities in the third quarter was DKK (22) million against DKK (29) million in 2019, a change of DKK (7) million. The level reflected holding back on capital expenditure as part of resilience plans including a postponement of the Polish CSU factory in Reda, near Gdansk to 2021.

Cash flow from investing activities in the first three quarters was DKK (139) million against DKK (138) million in 2019, a change of DKK (1) million.

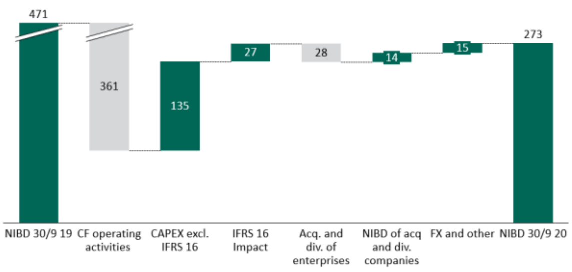
Free cash flow
Free cash flow in the third quarter was DKK 136 million, on par with 2019.

Financing activities
Cash flow from financing activities in the third quarter was DKK (59) million against DKK (99) million in 2019, a change of DKK (40) million. This was driven by the lower reduction of interest-bearing debt in 2020 compared to 2019.

BALANCE SHEET

The balance sheet total at 30 September 2020 was DKK 2,979 million, against DKK 2,862 million at 30 September 2019.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 273 million at 30 September 2020, a reduction of DKK 198 million since 30 September 2019 and DKK 134 million since the beginning of the year.



Operating cash flow amounts DKK 361 million against DKK 444 million for the comparative period, a change of (83) million, largely driven by positive working capital development in the comparative period from the effects of the Borough Green factory upgrade and subsequently destocking.

CAPEX amounts to DKK 135 million against DKK 107 million for the comparative period, a change of 28 million. The change is driven by phasing of CAPEX in the fourth quarter of 2019.

Acquisitions and divestments of net DKK 28 million 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 September 2020, the Groups financial leverage was 0.5x 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 171 million at 30 September 2020, corresponding to unused committed bank facility of DKK 0.9 billion, an increase of DKK 0.1 billion in the quarter due to the positive cash flow.

Equity
The consolidated equity increased by DKK 219 million compared to 30 September 2019 and 106 million compared to 31 December 2019.

Change to Q1-Q3 2020 and Q1-Q3 2019:

Equity

	Q1-Q3	Q1-Q3
Amounts in DKK million	2020	2019
1 January	1.371	1.000
Profit/loss for the period	185	225
Actuarial gains/losses on pension plans	(71)	(3)
Foreign exchange adjustments	(45)	5
Non-controlling interests arising from acquisition	40	33
Other adjustments	(3)	(2)
30 September	1.477	1.258

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 governmental support programs for employees on furlough were utilised.

In the beginning of June, all Housebuilders' sales centres and Merchants opened and in end of June, H+H started production again to facilitate the increased demand. Since early August all factories were producing again. As the demand increased over the summer, only limited Government grants were utilized in the third quarter.

Other markets have continued production on normal levels for the season and have not been severely affected by Covid-19 measures taken. As expected, competition in Poland has increased for the CSU market in particular.

For Germany, price strategy of increasing or keeping price levels continues as planned.

The UK and German markets 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 "Help to Buy" requirement of housing to be finalised by end of year in order to utilize the 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 the 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.

A re-organisation to establish a Central Western Europe region and re-organisation within the Nordics has been effectuated. 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 continues to be 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.

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 THREE QUARTERS 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.

On 12 August 2020 H+H reinstated the financial outlook for 2020, due to the recovery and more clarity of the UK market.

On 29 October 2020 H+H updated the financial outlook for 2020, due to higher than expected demand in the UK market.

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.

OUTLOOK FOR 2020

Updated financial outlook

Based on higher than expected demand in the UK market for the remaining part of 2020, H+H upgrades the financial outlook for the full year 2020.

- Revenue growth before acquisitions, divestments and measured in local currencies is expected to be in the range -12% to -8% (previously in the range -16% to -8%)
- EBIT before special items is expected to be DKK 290 - 320 million (previously DKK 250 - 300 million)
- Investments excluding acquisitions and divestments and IFRS 16 effect, are expected to be DKK 120 - 130 million (previously DKK 100 - 130 million)

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
- Financial liquidity is available in the markets to support housebuilding

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

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 three quarters 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 September 2020 and of the results of H+H's operations and its cash flows for the period 1 January to 30 September 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, 13 November 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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full-year 2019
Revenue	712	779	2.012	2.215	2.840
Cost of goods sold	(471)	(516)	(1.372)	(1.529)	(1.963)
Gross profit before special items	**241**	**263**	**640**	**686**	**877**
Sales costs	(37)	(37)	(110)	(116)	(159)
Administrative costs	(45)	(43)	(135)	(130)	(180)
Other operating income and expenses	3	(1)	1	(5)	1
EBITDA before special items	**162**	**182**	**396**	**435**	**539**
Depreciation and amortization	(46)	(45)	(138)	(129)	(173)
Impairment losses	0	0	0	0	0
EBIT before special items	**116**	**137**	**258**	**306**	**366**
Special items, net	0	0	0	0	(8)
EBIT after special items	**116**	**137**	**258**	**306**	**358**
Financial income	0	1	2	1	1
Financial expenses	(9)	(10)	(20)	(22)	(154)
Profit/loss before tax	**107**	**128**	**240**	**285**	**205**
Tax on profit/loss	(24)	(31)	(55)	(60)	(55)
Profit/loss for the period	**83**	**97**	**185**	**225**	**150**
Profit/loss for the period attributable to:					
H+H International A/S' shareholders	80	97	180	224	149
	3	0	5	1	1
Profit/loss for the period	**83**	**97**	**185**	**225**	**150**
Earnings per share (EPS-Basic)	4,4	5,4	10,0	12,5	8,3
Diluted earnings per share (EPS-D)	4,4	5,4	10,0	12,5	8,3

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group				
Amounts in DKK million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full-year 2019
Profit/loss for the period	**83**	**97**	**185**	**225**	**150**
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign companies	(9)	(9)	(45)	5	144
Tax on foreign exchange adjustments, foreign companies	0	0	0	0	0
	(9)	(9)	(45)	5	144
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains and losses	(92)	(7)	(83)	(1)	47
Tax on actuarial gains and losses	15	1	12	(2)	(8)
	(77)	(6)	(71)	(3)	39
Other comprehensive income after tax	**(86)**	**(15)**	**(116)**	**2**	**183**
Total comprehensive income	**(3)**	**82**	**69**	**227**	**333**

CONDENSED BALANCE SHEET

	Koncern		
Amounts in DKK million	30 September 2020	31. december 2019	30 September 2019
ASSETS			
Non-current assets			
Goodwill	202	196	199
Other intangible assets	278	243	251
Property, plant and equipment	1.522	1.558	1.567
Deferred tax assets	14	12	11
Financial assets	8	8	8
Total non-current assets	**2.024**	**2.017**	**2.036**
Current assets			
Inventories	280	303	269
Receivables	210	134	231
Cash and cash equivalents	465	262	326
Total current assets	**955**	**699**	**826**
TOTAL ASSETS	**2.979**	**2.716**	**2.862**
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings/losses	1.359	1.253	1.282
Other reserves	(144)	(99)	(238)
Equity attributable to H+H International A/S' shareholders	1.395	1.334	1.224
Equity attributable to non-controlling interests	82	37	34
Total equity	**1.477**	**1.371**	**1.258**
Non-current liabilities			
Pension obligations	128	64	116
Provisions	29	33	36
Deferred tax liability	154	137	142
Interest-bearing debt	636	558	699
Lease liability	85	96	88
Total non-current liabilities	**1.032**	**888**	**1.081**
Current liabilities			
Lease liability	17	15	10
Trade payables	192	207	267
Income tax	30	18	29
Deferred payment, acquisition of subsidiary	0	24	24
Provisions	9	11	5
Other current liabilities	222	182	188
Total current liabilities	**470**	**457**	**523**
Total liabilities	**1.502**	**1.345**	**1.604**
TOTAL EQUITY AND LIABILITIES	**2.979**	**2.716**	**2.862**
Net interest-bearing debt	273	407	471

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
EBIT	116	137	258	306
Financial income received	0	1	2	1
Financial expenses paid	(5)	(10)	(16)	(22)
Depreciation and amortisation	46	45	138	129
Gain and losses on sale of assets and other non-cash effects	0	0	8	0
Change in working capital	29	22	(20)	(34)
Pension contributions paid and provisions	(9)	(8)	(20)	(21)
Income tax paid	(19)	(22)	(45)	(46)
Operating activities	**158**	**165**	**305**	**313**
Acquisition of enterprises and related deferred payments	0	0	(74)	(82)
Acquisition of property, plant and equipment and intangible assets*	(22)	(29)	(65)	(56)
Investing activities	**(22)**	**(29)**	**(139)**	**(138)**
Development of interest-bearing debt	(51)	(93)	63	18
Change in lease liabilities	(4)	(3)	(15)	(13)
Other financial activities	(4)	(3)	(4)	(1)
Financing activities	**(59)**	**(99)**	**44**	**4**
Total cash flow	**77**	**37**	**210**	**179**
Cash and cash equivalents, opening	390	289	262	133
Cash related to the acquired enterprises	0	0	8	14
Foreign exchange adjustments of cash and cash equivalents	(2)	0	(15)	0
Cash and cash equivalents at 30 September	**465**	**326**	**465**	**326**

*Acquisitions of property, plant and equipment and intangible assets is for the third quarter 2020 offset by financial leases (IFRS 16) of DKK 6 million (2019: DKK 4 million). For the first three quarters of 2020, the offsetting effect of financial leases (IFRS 16) amounts to DKK 11 million (2019: DKK 17 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	180	180	5	185
Other comprehensive income	0	(45)	(71)	(116)	0	(116)
Total comprehensive income	**0**	**(45)**	**109**	**64**	**5**	**69**
Share-based payment	0	0	(3)	(3)	0	(3)
Non-controlling interests arising from acquisition	0	0	0	0	40	40
Total changes in equity in 2020	**0**	**(45)**	**106**	**61**	**45**	**106**
Equity at 30 September 2020	**180**	**(144)**	**1.359**	**1.395**	**82**	**1.477**
Equity at 1 January 2019	**180**	**(243)**	**1.063**	**1.000**	**0**	**1.000**
Total changes in equity 2019						
Profit/loss for the period	0	0	224	224	1	225
Other comprehensive income	0	5	(3)	2	0	2
Total comprehensive income	**0**	**5**	**221**	**226**	**1**	**227**
Share-based payment	0	0	(2)	(2)	0	(2)
Non-controlling interests arising from acquisition	0	0	0	0	33	33
Total changes in equity in 2019	**0**	**5**	**219**	**224**	**34**	**258**
Equity at 30 September 2019	**180**	**(238)**	**1.282**	**1.224**	**34**	**1.258**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 September 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 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 1 million in the third quarter of 2020 and DKK 12 million year to date. 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. No grants were received in the third quarter of 2020. Grants of DKK 1 million has been received year to date.

For the third quarter 2020, grants of DKK 1 million was received which has been recognised in the income statement as "Cost of goods sold". Year to date, grants of DKK 13 million has been received which has been recognised in the income statement as "Cost of goods sold" by DKK 11 million and "Sales costs" by 2 million.

As of 30 September 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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Revenue	712	779	2.012	2.215
Cost of goods sold	(499)	(544)	(1.465)	(1.618)
Gross profit including depreciation and amortisation	**213**	**235**	**547**	**597**
Sales cost	(51)	(49)	(145)	(146)
Administration cost	(49)	(48)	(145)	(140)
Other operating income and costs	3	(1)	1	(5)
EBIT before special items	**116**	**137**	**258**	**306**
Special items, net	0	0	0	0
EBIT	**116**	**137**	**258**	**306**
Depreciation, amortisation and impairment comprise:				
Amortisation of intangible assets	7	6	27	24
Impairment of property, plant and equipment	0	0	0	0
Depreciation of property, plant and equipment	39	39	111	105
Total	**46**	**45**	**138**	**129**
Depreciation, amortisation and impairment are allocated to:				
Production costs	28	28	93	89
Sales and distribution costs	14	12	35	30
Administration costs	4	5	10	10
Total	**46**	**45**	**138**	**129**

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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
		Revenue		
UK	211	225	452	681
Germany	238	210	686	550
Poland	168	217	560	605
Other markets*	94	126	314	379
	712	**779**	**2.012**	**2.215**

*Revenue for Russia in the third quarter and the first three quarters of 2019 was DKK 32 million and DKK 79 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 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 third 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 September 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 an increased underfunding of DKK 83 million (the present value of the obligations exceeds the fair value of the plan assets). The increased underfunding is driven by a higher valuation of the pension obligations. Compared to year-end 2019, the breakeven RPI inflation has not been adjusted for RPI Reform.

The total pension obligation on 30 September 2020 amounts to DKK 128 million, compared to DKK 64 million on 31 December 2019. The development in the pension obligations from 31 December 2019 till 30 September 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 273 million on 30 September 2020, down DKK 134 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.

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 the third quarter 2020 and which are expected to be fulfilled for the fourth quarter 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 third quarter 2020, an expense of DKK 2.6 million was recognised under staff costs, against DKK 0.8 million in the same period in 2019. The expense 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 third quarter shows an expense of DKK 24 million which comprise of current tax DKK 22 million and adjustment of deferred tax DKK 2 million. Tax for the first three quarters shows an expense of DKK 55 million which comprise of current tax DKK 53 million and adjustment of deferred tax DKK 2 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 cost has been expensed in the first three quarters 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 September 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.

	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**

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 63 million and DKK 7 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 H+H International A/S' or the H+H Group's financial position.