

Company Announcement No. 434, 2021

H1 2021 Interim Financial Report: solid demand across all markets led to strong organic growth and historical high earnings



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11 August 2021

Today, the Board of Directors of H+H International A/S (hereinafter referred to as “H+H” or “the Group”) has adopted the Interim Financial Report for the first half of 2021 (“H1 2021”).

CEO Michael T. Andersen quote

“Our markets have quickly recovered from the slowdown seen early in the year caused by harsh weather conditions, and Q2 2021 has showed solid demand across all markets leading to strong organic growth and historical high earnings for H+H—both for the quarter and for the half-year period. The UK market in particular has showed very strong demand and H+H is producing at near-full capacity to service its customers. Germany continues to provide a strong and stable market for H+H and in Poland, increasing demand appears to have stabilised the competitive situation in the CSU business and price increases have been observed in certain parts of the country. All in all, these solid market fundamentals and the momentum in current trading conditions have driven an upgrade of our financial expectations for the year.”

Performance highlights for Q2 2021

- Demand has picked up significantly following the slow start to the year caused by harsh winter weather in especially Germany and Poland.
- Revenue increased by 40% to DKK 836 million (DKK 596 million in Q2 2020 and DKK 770 in Q2 2019). Revenue in local currencies (organic growth) increased by 39% (negative 22% in Q2 2020 and 7% in Q2 2019).
- Gross profit was DKK 251 million (DKK 177 million in Q2 2020 and DKK 241 in Q2 2019), corresponding to a gross margin of 30% (30% in Q2 2020 and 31% in Q2 2019).
- EBIT¹ was DKK 125 million (DKK 57 million in Q2 2020 and DKK 114 million in Q2 2019), corresponding to an EBIT margin of 15% (10% in Q2 2020 and 15% in Q2 2019).
- Net profit was DKK 93 million (DKK 38 million in Q2 2020 and DKK 89 million in Q2 2019).
- Cash flow from investing activities amounted to DKK 34 million (DKK 22 million in Q2 2020 and DKK 16 million in Q2 2019).
- Free cash flow was DKK 172 million (DKK 108 million in Q2 2020 and DKK 86 million in Q2 2019).
- Financial gearing was 0.3 times EBITDA at the end of the quarter compared to 0.8 times at the end of Q2 2020 and 1.3 times at the end of Q2 2019.

¹ No special items in 2021, 2020 or 2019

Financial highlights for the period 1 January 2021 to 30 June 2021

DKK million	Q2 2021	Q2 2020	Q2 2019	H1 2021	H1 2020	H1 2019
Sales volume (thousand cubic metres)	1,192	907	1,230	2,152	1,980	2,312
Organic growth	39%	(22)%	7%	14%	(11)%	13%
Revenue	836	596	770	1,478	1,300	1,436
Gross margin	30%	30%	31%	30%	31%	29%
EBITDA*	172	104	156	281	234	253
EBIT*	125	57	114	189	142	169
EBIT margin*	15%	10%	15%	13%	11%	12%
Return on Invested Capital (ROIC)	21%	18%	16%	21%	18%	16%
NIBD/EBITDA ratio*	0.3x	0.8x	1.3x	0.3x	0.8x	1.3x
Free cash flow	172	108	86	140	30	39

*no special items in 2021, 2020 or 2019

Outlook for 2021

- Revenue growth before acquisitions and divestments measured in local currencies (organic growth) is expected to be in the range 8% to 11% (previously 2% to 7%).
- EBIT before special items is expected to be in the range of DKK 360 million to DKK 400 million (previously DKK 330 million to DKK 390 million).

The financial outlook for 2021 is based on the following specific assumptions:

- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains.
- Exchange rates, primarily GBP, EUR and PLN remain at mid-August 2021 levels.
- Energy and raw material prices are stable for the remainder of the year.

H1 2021 Interim Financial Report conference call

In connection with the release of the H1 2021 Interim Financial Report, a conference call for investors and analysts is scheduled for Thursday 12 August 2021, at 10:00 a.m. CEST. On the call, CEO Michael T. Andersen and CFO Peter Klovgaard-Jørgensen will present the interim financial report. The presentation will be followed by a Q&A session.

- The conference call can be followed via live webcast [here](#).
- The presentation slides for the conference call will be made available beforehand [here](#).
- A replay of the conference call will be available afterwards on H+H's Investor Relations website [here](#).

H+H's core activity is the manufacture and sale of wall building materials, with a revenue in 2020 of DKK 2.7 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 1,500 employees and is listed on the Nasdaq Copenhagen stock exchange

Key figures – H+H Group

	Q2	Q2	H1	H1	Full-year
Amounts in DKK million	2021	2020	2021	2020	2020
Income statement					
Revenue	836	596	1,478	1,300	2,654
Gross profit	251	177	439	399	836
EBITDA before special items	172	104	281	234	521
EBITDA	172	104	281	234	521
EBIT before special items	125	57	189	142	332
EBIT	125	57	189	142	332
Profit before tax	120	53	179	133	307
Profit after tax	93	38	142	102	251
Balance sheet					
Assets	3,186	2,919	3,186	2,919	2,909
Invested capital*	1,844	1,860	1,844	1,860	1,865
Investments in property, plant and equipment**	34	22	61	43	134
Acquisition and divestment of enterprises	0	0	0	74	72
Net working capital	82	106	82	106	55
Equity	1,644	1,479	1,644	1,479	1,509
Net Interest-bearing debt (NIBD)	149	398	149	398	230
Cash flow					
Cash flow from operating activities	206	130	201	147	425
Cash flow from investing activities	(34)	(22)	(61)	(117)	(206)
Cash flow from financing activities	(16)	(33)	30	103	6
Free cash flow	172	108	140	30	219
Financial ratios					
Organic growth	39%	(22)%	14%	(11)%	(6)%
Gross margin	30%	30%	30%	31%	31%
EBITDA margin before special items	21%	17%	19%	18%	20%
EBITDA margin	21%	17%	19%	18%	20%
EBIT margin before special items	15%	10%	13%	11%	13%
EBIT margin	15%	10%	13%	11%	13%
Return on invested capital (ROIC) (excl. Goodwill)	21%	18%	21%	18%	18%
Solvency ratio	50%	48%	50%	48%	50%
NIBD/EBITDA before special items ratio	0.3	0.8	0.3	0.8	0.4
Share data					
Share price, end of period (DKK)	192	106	192	106	132
Book value per share, end of period (DKK)	92	82	92	82	84
Earnings per share	5.2	2.1	7.9	5.6	13.5
Diluted earnings per share	5.2	2.1	7.9	5.6	13.5

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

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE SECOND QUARTER OF 2021

Revenue

Total revenue increased by 40% to DKK 836 million in Q2 2021 compared to DKK 596 million in Q2 2020. Revenue in local currencies (organic growth) increased by 39% in Q2 2021.

Revenue in the Central Western Europe region increased by 15% to DKK 403 million compared to DKK 351 million in Q2 2020. Organic growth in the region was 13%, driven by both higher sales volumes and prices.

Revenue in the UK amounted to DKK 248 million in Q2 2021 against DKK 63 million in Q2 2020. The increase in revenue in Q2 is driven by higher sales volumes year-on-year due to the national lockdown measures introduced by the UK Government in late-March 2020 as a response to the COVID-19 pandemic.

Revenue in Poland increased by 1% to DKK 185 million in Q2 2021, compared to DKK 183 million in Q2 2020. Organic growth was 3%, driven by higher sales volumes for CSU.

Of the total revenue in Q2 2021 of DKK 836 million, AAC and CSU constituted 72% and 28%, respectively.

Production cost

Production costs were affected by expected increased input prices and increasing transport costs in the UK and Germany due to the high demand pressure, causing shipment of products from sub-optimal locations.

Gross profit

Gross profit was DKK 251 million against DKK 177 million in 2020, corresponding to a gross margin of 30% in Q2 2021, unchanged from Q2 2020.

The gross margin was negatively impacted by increased production costs but offset by price increases as a result of H+H's continued pricing strategy.

Gross profit in the AAC and CSU businesses was DKK 182 million and DKK 69 million in Q2 2021, respectively, both corresponding to a gross margin of 30%.

EBITDA

EBITDA was DKK 172 million compared to DKK 104 million in Q2 2020, equalling an EBITDA margin of 21% and 17%, respectively.

Combined with the higher earnings, the Group's continued cost focus resulted in a relatively lower SG&A ratio of 9%, compared to 12% in Q2 2020.

Depreciation and amortization

Depreciation and amortization in Q2 2021 amounted to DKK 47 million, which is on par with Q2 2020.

EBIT

EBIT was DKK 125 million in Q2 2021, compared to DKK 57 million in Q2 2020, corresponding to an EBIT margin of 15% and 10%, respectively.

Net financials

Net financials totalled an expense of DKK 5 million in Q2 2021, compared to an expense of DKK 4 million in Q2 2020.

Profit before tax

Profit before tax amounted to DKK 120 million in Q2 2021, compared to DKK 53 million in Q2 2020.

Tax

Tax in Q2 2021 was a net expense of DKK 27 million against a net expense of DKK 15 million in Q2 2020. Please refer to note 11 for more information on tax for the period.

Net profit

Net profit in Q2 2021 amounted to DKK 93 million, compared to a net profit of DKK 38 million in Q2 2020. Profit for the period is attributable to H+H International A/S' shareholders by DKK 93 million (Q2 2020: DKK 37 million) and to non-controlling interests by DKK 0 million (Q2 2020: DKK 1 million).

Comprehensive income

Other comprehensive income for Q2 2021 was DKK 30 million against negative DKK 16 million in Q2 2020.

The year-on-year increase was mainly driven by a favourable change in actuarial gain net of deferred tax of DKK 33 million related to pension obligations and an increase in foreign exchange adjustment gain of DKK 13 million.

INCOME STATEMENT FOR THE FIRST HALF OF 2021

Revenue

Total revenue increased by 14% to DKK 1,478 million. Organic growth was 14% in first half year of 2021 compared to negative 11% for the first half of 2020. The increase in organic growth was primarily driven by organic growth in the UK market, and to a lesser extent, the CWE region.

Revenue, external				
	Q2		H1	
Amounts in DKK million	2021	2020	2021	2020
	Revenue			
Central Western Europe	403	351	695	668
UK	248	63	444	241
Poland	185	183	339	392
Total	836	596	1,478	1,300

Revenue split for the first half of 2021 was AAC of 73% and CSU of 27%.

Gross profit

The gross profit in the first half of 2021 increased by 10% to DKK 439 million compared to DKK 399 million in 2020, corresponding to a gross margin of 30% and 31%, respectively.

Gross profit in the AAC and CSU businesses was DKK 331 million and DKK 108 million, respectively, compared to DKK 264 million and DKK 135 million in the first half of 2020 for the AAC and CSU businesses, respectively.

EBITDA

EBITDA in the first half of 2021 increased by 20% to DKK 281 million compared to DKK 234 million in 2020, corresponding to an EBITDA margin of 19% and 18%, respectively.

EBIT

EBIT for the first half of 2021 increased by 33% to DKK 189 million against DKK 142 million in 2020, equalling an EBIT margin of 13% and 11%, respectively.

Net profit

Profit in the first half of 2021 increased by 39% to DKK 142 million, compared to DKK 102 million in 2020. Profit for the period is attributable to H+H International A/S' shareholders by DKK 142 million (2020: DKK 100 million) and to non-controlling interest by DKK 0 million (2020: DKK 2 million).

Comprehensive income

Other comprehensive income for the half of 2021 was DKK 37 million against negative DKK 30 million in 2020, mainly driven by changes in actuarial gains

net deferred tax of DKK 21 million related to pension obligations and foreign exchange adjustments of DKK 46 million.

CASH FLOW

Operating activities

Cash flow from operating activities in Q2 2021 was DKK 206 million against DKK 130 million in Q2 2020, mainly driven by higher earnings.

Working capital in Q2 2021 was DKK 63 million compared to DKK 51 million in Q2 2020.

Cash flow from operating activities in the first half of 2021 was DKK 201 million against DKK 147 million in 2020, a change of DKK 54 million, mainly driven by higher earnings.

Investing activities

Cash flow from investing activities in Q2 2021 was negative DKK 34 million, compared to negative DKK 22 million in Q2 2020.

Cash flow from investing activities in first half of 2021 was negative DKK 61 million, compared to negative DKK 117 million in the first half of 2020, which was driven by the acquisition of Porenbetonwerk Laussnitz GmbH & Co. KG of DKK 74 million in Q1 2020.

Financing activities

Cash flow from financing activities amounted to negative DKK 16 million in Q2 2021, compared to negative DKK 33 million in 2020. The year-on-year development was primarily driven by a change in borrowings of DKK 49, partly off-set by the purchase of treasury shares in Q2 2021 of DKK 23 million as part of the ongoing share buy-back programme.

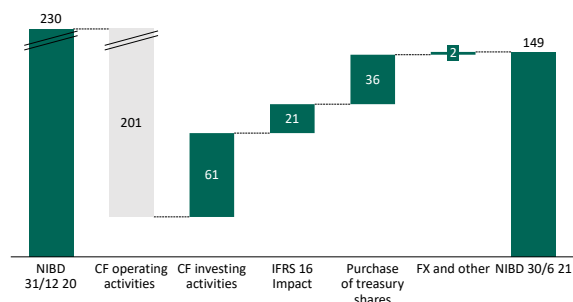
Cash flow from financing activities in first half of 2021 was positive DKK 30 million, compared to positive DKK 103 million in the first half of 2020, a change of negative DKK 70 million, driven by a change in borrowings, partly offset by the purchase of treasury shares.

BALANCE SHEET

The balance sheet total at 30 June 2021 was DKK 3,186 million, against DKK 2,919 million at 30 June 2020.

Net interest-bearing debt

Net interest-bearing debt totalled DKK 149 million at 30 June 2021, a decrease of DKK 81 million since 31 December 2020.



The development since the beginning of the year is primary due to earnings for the period offset by CAPEX, and the purchase of treasury shares.

On 30 June 2021, the Group's financial gearing was 0.3x net interest-bearing debt to EBITDA before special items, which is comfortably below the Group's long-term financial target of 1-2x EBITDA before special items.

The Group's net interest-bearing debt excluding leasing totalled DKK 39 million on 30 June 2021, corresponding to an unused committed bank facility of DKK 1.1 billion.

Equity

The consolidated equity increased by DKK 165 million compared to 30 June 2020 and by DKK 135 million compared to 31 December 2020.

Equity	H1	
	2021	2020
1 January	1,509	1,371
Profit for the period	142	102
Actuarial gains on pension plans	27	6
Foreign exchange adjustments	10	(40)
Dividend to non-controlling interests	(10)	0
Non-controlling interests arising from acquisition	0	40
Purchase of treasury shares	(36)	0
Other adjustments	2	0
30 June	1,644	1,479

CURRENT MARKET ENVIRONMENT

In general, the European housing market is still expected to continue growing. This is supported by a structural undersupply of housing, demographic growth, and urbanisation.

As mentioned in the Group's Q1 2021 Interim Financial Report, the first two months of 2021 was adversely impacted by particularly harsh winter weather, especially in Germany and Poland, which reduced demand. During Q2 2021, as the weather conditions improved, demand picked up significantly and all of H+H's markets are showing positive signs.

In Germany, a significant lack of housing space—especially in the larger cities—from a growing number of smaller households provides a solid demand outlook for both AAC and CSU.

However, due to a continued lack of installation capacity and available land, a significant number of permitted buildings are awaiting realisation causing order backlogs among housebuilders to grow considerably over the recent years. As the country is facing a continued undersupply of housing, the German Government is seeking to cope with these challenges through stimuli programmes providing incentives for homeowners and targeting availability and development of land. However, the effect of these programmes appears insufficient to convince builders to invest in overcoming the labour challenges, and growth in the German construction industry is therefore expected to remain restraint until a viable solution is found.

In the Nordic region, activity is generally high with positive demand outlooks for both Denmark and Sweden. However, price increases and longer lead time on building materials cause some bottlenecks for housebuilders.

In Denmark, increasing demand for housing and holiday homes has led to further growth—especially in the segment for family housing. According to third-party data providers, a total of 3,409 building plots were sold in Denmark in the first half of 2021. This is more than the number of building plots sold in all of 2019 and it represents a 79% increase relative to the first half of 2020.

The outlook for the Swiss and Benelux markets remains positive, with underlying demand showing steadily increasing trends.

In the UK, the Government remains committed to increasing the housing output to 300,000 dwellings annually, but the exact roadmap remains unclear. Several Government stimuli programmes aiming to cope with the challenge of the structural undersupply of housing are in place. These include the recent extension of the “Help to Buy” programme, which continues to assist the first-time buyer market. In addition, the “stamp duty holiday” increases the threshold for stamp duty and further supports the housing market until its gradual expiry towards September 2021.

The UK housing market has responded well to the support programmes, with strong forward sales reported from housebuilders. These extend well beyond the expiry of the abovementioned stimuli programmes. The private housing market is also showing high activity levels, driven by general shortage of housing, as well as relocations as a result of the COVID-19 pandemic, where buyers are increasingly willing to move to larger properties outside the big cities.

In combination, these trends have accelerated the recovery of the UK housing market and H+H is producing at near-full capacity to service its customers.

Brexit is still not expected to have any meaningful short-term impact on H+H and its UK operations, as both sourcing and selling are done domestically.

In Poland, several developers have increased capacity at building sites to compensate for the slow winter months and the overall market situation is very positive.

According to third-party data providers, the number of awarded permits increased by 40% in H1 2021 relative to H1 2020, driven by increases in the number of permits for both developers and for individual investors, thus covering building permits for both of H+H’s product categories. Historically, between 85% and 90% of awarded building permits have turned into actual construction work, providing a good medium-term demand outlook for the industry.

The Polish CSU market remains characterised by competition and price pressure due to the addition of capacity in 2020. However, due to the increasing demand, the situation appears to have stabilised and

price increases have been observed in certain parts of the country.

The competitive environment in the AAC market is relatively more moderate than that of the CSU market, with pricing following a positive trend, as several of H+H’s competitors are also increasing their prices as a response to the overall positive development in demand.

MOST MATERIAL RISKS AND UNCERTAINTIES

For most material risk and uncertainties, please refer to note 5 “Significant accounting estimates and judgements” and to note 12 “Risks Management”.

EVENTS IN THE FIRST HALF OF 2021

On 4 February 2021, the committed credit facility with Nordea Danmark, a branch of Nordea Abp, Finland was extended by one year to mature in April 2024.

On 4 March 2021, the Board of Directors of H+H announced the initiation of a DKK 100 million share buy-back programme. On 18 March 2021, the share buy-back programme was increased by an additional DKK 15 million. Please refer to note 9 “Share buy-back programme”.

EVENTS AFTER THE BALANCE SHEET DATE

H+H is closely monitoring the development in the COVID-19 pandemic and the responses by the local Governments of the countries in which H+H operates.

No other 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.

FINANCIAL OUTLOOK FOR 2021

- Revenue growth before acquisitions, divestments measured in local currencies (organic growth) is expected to be in the range of 8% to 11%
- EBIT before special items is expected to be in the range of DKK 360 million to DKK 400 million

actual developments and results to differ materially from the expectations expressed in this document. In no event shall H+H be liable for any direct, indirect, or consequential damages or any other damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action arising out of or in connection with the use of information in this document.

ASSUMPTIONS FOR THE FINANCIAL OUTLOOK FOR 2021

Specific assumptions

The expectations for H+H's financial performance in 2021 are based on the following specific assumptions:

- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains
- Exchange rates, primarily GBP, EUR and PLN remain at mid-August 2021 levels
- Energy and raw material prices are stable for the remainder of the year

General assumptions

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 2021

Interim financial report Q1-Q3 2021 10 Nov. 2021

FORWARD-LOOKING STATEMENTS

The Interim Financial Report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H, may cause

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 2021.

The interim financial report, which has not been audited or reviewed by the H+H'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 2021 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2021.

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, 11 August 2021

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

Amounts in DKK million	Group				
	Q2 2021	Q2 2020	H1 2021	H1 2020	Full-year 2020
Revenue	836	596	1,478	1,300	2,654
Cost of goods sold	(585)	(419)	(1,039)	(901)	(1,818)
Gross profit	251	177	439	399	836
Sales costs	(36)	(34)	(72)	(73)	(151)
Administrative costs	(43)	(36)	(89)	(90)	(168)
Other operating income and costs, net	0	(3)	3	(2)	4
EBITDA	172	104	281	234	521
Depreciation and amortization	(47)	(47)	(92)	(92)	(189)
EBIT	125	57	189	142	332
Special items, net	-	-	-	-	-
EBIT after special items	125	57	189	142	332
Financial income	0	1	1	2	2
Financial expenses	(5)	(5)	(11)	(11)	(27)
Profit before tax	120	53	179	133	307
Tax on profit	(27)	(15)	(37)	(31)	(56)
Profit for the period	93	38	142	102	251
Profit for the period attributable to:					
H+H International A/S' shareholders	93	37	142	100	241
Non-controlling interest	0	1	0	2	10
Profit for the period	93	38	142	102	251
Earnings per share (EPS-Basic)	5.2	2.1	7.9	5.6	13.5
Diluted earnings per share (EPS-D)	5.2	2.1	7.9	5.6	13.5

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Amounts in DKK million	Group				
	Q2 2021	Q2 2020	H1 2021	H1 2020	Full-year 2020
Profit for the period	93	38	142	102	251
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign entities	16	3	10	(36)	(48)
	16	3	10	(36)	(48)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	16	(23)	33	9	(110)
Tax on actuarial gains and losses	(2)	4	(6)	(3)	21
	14	(19)	27	6	(89)
Other comprehensive income after tax	30	(16)	37	(30)	(137)
Total comprehensive income for the period	123	22	179	72	114

CONDENSED BALANCE SHEET

	Group		
	30 June 2021	31 Dec. 2020	30 June 2020
Amounts in DKK million			
ASSETS			
Non-current assets			
Goodwill	211	211	202
Other intangible assets	248	258	279
Property, plant and equipment	1,552	1,538	1,551
Deferred tax assets	13	18	11
Financial assets	7	6	8
Total non-current assets	2,031	2,031	2,051
Current assets			
Inventories	247	282	271
Receivables	251	115	207
Cash	657	481	390
Total current assets	1,155	878	868
TOTAL ASSETS	3,186	2,909	2,919
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings	1,540	1,405	1,359
Other reserves	(137)	(147)	(139)
Equity attributable to H+H International A/S' shareholders	1,583	1,438	1,400
Equity attributable to non-controlling interests	61	71	79
Total equity	1,644	1,509	1,479
Non-current liabilities			
Pension obligations	112	147	49
Provisions	32	34	31
Deferred tax liability	135	130	163
Credit institutions	696	609	687
Lease liabilities	90	84	88
Total non-current liabilities	1,065	1,004	1,018
Current liabilities			
Lease liabilities	20	18	13
Trade payables	241	180	172
Income tax	35	30	27
Provisions	6	6	10
Other payables	175	162	200
Total current liabilities	477	396	422
Total liabilities	1,542	1,400	1,440
TOTAL EQUITY AND LIABILITIES	3,186	2,909	2,919
Net interest-bearing debt	149	230	398

CONDENSED CASH FLOW STATEMENT

	Q2	Q2	H1	H1
Amounts in DKK million	2021	2020	2021	2020
Operating profit (EBIT)	125	57	189	142
Financial income, received	0	1	1	2
Financial expenses, paid	(5)	(5)	(11)	(11)
Depreciation and amortisation	47	47	92	92
Gain and losses on sale of assets and other non-cash effects	0	8	0	8
Change in working capital	63	51	(29)	(49)
Change in provisions and pension contribution	(8)	(4)	(14)	(11)
Income tax paid	(16)	(25)	(27)	(26)
Operating activities	206	130	201	147
Acquisition of enterprises	0	0	0	(74)
Acquisition of property, plant and equipment and intangible assets*	(34)	(22)	(61)	(43)
Investing activities	(34)	(22)	(61)	(117)
Change in borrowings**	21	(28)	87	114
Change in lease liabilities	(7)	(5)	(14)	(11)
Purchase of treasury shares	(23)	0	(36)	0
Dividend to non controlling interets	(7)	0	(7)	0
Financing activities	(16)	(33)	30	103
Total cash flow for the period	156	75	170	133
Cash and cash equivalents, opening	497	315	481	262
Cash related to the acquired enterprises	0	0	0	8
Foreign exchange adjustments of cash	4	0	6	(13)
Cash at 30 June	657	390	657	390

* Acquisition of property, plant and equipment and intangible assets for first half 2021 is offset by sale of assets of DKK 3 million.

** Change in borrowings is driven by movement of positions within the Global Cash Pool arrangement.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Retained earnings	H+H shareholders share	Non controlling interests' share	Total
Equity at 1 January 2021	180	(147)	1,405	1,438	71	1,509
Total changes in equity in 2021						
Profit for the period	0	0	142	142	0	142
Other comprehensive income	0	10	27	37	0	37
Total comprehensive income	0	10	169	179	0	179
Share-based payment	0	0	2	2	0	2
Purchase of treasury shares	0	0	(36)	(36)	0	(36)
Dividend to non-controlling interests	0	0	0	0	(10)	(10)
Total changes in equity in 2021	0	10	135	145	(10)	135
Equity at 30 June 2021	180	(137)	1,540	1,583	61	1,644
Equity at 1 January 2020	180	(99)	1,253	1,334	37	1,371
Total changes in equity in 2020						
Profit 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

NOTES

1. Accounting policies

The interim financial report for the period 1 January 2021 to 30 June 2021 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 H+H's auditors.

The accounting policies are consistent with those applied in the 2020 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 2021.

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 and amortisation of property, plant and equipment, and intangible assets are therefore classified by function and presented on separate lines.

INCOME STATEMENT CLASSIFIED BY FUNCTION

Amounts in DKK million	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue	836	596	1,478	1,300
Cost of goods sold	(616)	(454)	(1,101)	(966)
Gross profit including depreciation and amortisation	220	142	377	334
Sales cost	(47)	(43)	(94)	(94)
Administration cost	(48)	(39)	(97)	(96)
Other operating income and costs	0	(3)	3	(2)
EBIT before special items	125	57	189	142
Special items, net	0	0	0	0
EBIT	125	57	189	142
Depreciation and amortisation comprise:				
Depreciation of property, plant and equipment	38	38	74	72
Amortisation of intangible assets	9	9	18	20
Total	47	47	92	92
Depreciation, amortisation and impairment are allocated to:				
Production costs	31	35	62	65
Sales costs	11	9	22	21
Administration costs	5	3	8	6
Total	47	47	92	92

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

4. Geographical information

Amounts in DKK million	Q2 2021	Q2 2020	H1 2021	H1 2020
	Revenue			
Central Western Europe	403	351	695	668
UK	248	63	444	241
Poland	185	183	339	392
	836	596	1,478	1,300

When presenting information on geographical areas, information on revenue is based countries except for “Central Western Europe” which comprise of Germany, Switzerland, Denmark, Sweden, Czech Republic, Netherlands and Belgium. Revenue for Germany for Q2 2021 amounts to DKK 278 million (2020: DKK 237 million) and to DKK 462 million for the first half 2021 (2020: DKK 448 million).

5. Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires Management to make certain 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 and net defined-benefit obligations.

With reference to note 7 “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 2020 annual report.

6. Seasonal fluctuations

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

Furthermore, because H+H’s sales 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.

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 funded from current earnings. 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 2020, a value adjustment has been made relating to the UK pension plan, affecting total comprehensive income positively with DKK 27 million net of tax. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows an underfunding of DKK 81 million (the present value of the obligations exceeds the fair value of the plan assets).

The total pension obligation on 30 June 2021 amounts to DKK 112 million, compared to DKK 147 million on 31 December 2021. The development in the pension obligations from 31 December 2021 is due to payments, interest, value adjustment and currency adjustment.

8. Financial resources and cash flow

Net interest-bearing debt, totalled DKK 149 million on 30 June 2021, corresponding to a decrease of DKK 81 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 CAPEX and purchase of treasury shares.

H+H Group's financing is a committed credit facility with Nordea Danmark, a branch of Nordea Abp, Finland, which on 4 February 2021 was extended by one year to mature in April 2024.

H+H Group's financing is subject to usual financial covenants, which have been fulfilled in the first half of 2021 and are expected to be fulfilled for 2021.

9. Share buy-back programme

On 4 March 2021, H+H International A/S initiated a share buy-back programme in compliance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and Commission Delegated Regulation (EU) 1052/2016 of 8 March 2016 (the "Safe Harbour Regulation"). On 18 March 2021, the share buy-back programme was increased by DKK 15 million, thereby increasing the maximum aggregate purchase price of the shares to be bought back under the programme to DKK 115 million. The share buy-back programme is in full described in Company Announcements no. 402 and no. 410.

The share buy-back programme is expected to be realised over a 12-month period, starting from 4 March 2021. Under the share buy-back programme, H+H may repurchase shares up to a maximum amount of DKK 115 million, and no more than 1,728,136 shares, corresponding to approximately 9.6 percent of the share capital of the H+H.

In Q2 2021, 128,000 shares were executed at a value of DKK 23 million. As per 30 June 2021 a total value of DKK 36 million was executed, corresponding to 213,300 number of shares.

10. Share-based payment

The matching share schemes for 2019 and the performance share units scheme for 2020 are active and presented in consolidated financial statements in the 2020 annual report.

In April 2021, the Board of Directors of H+H International A/S implemented a new long-term incentive program (LTIP) being a performance share unit (PSU) program, similar to the LTIP PSU program launched in 2020. PSU grants under the LTIP 2021 are made as described in Company Announcement no. 409.

In the first half of 2021, an expense of DKK 3 million was recognised under staff costs, against DKK 0.3 million in the same period in 2020.

11. Tax on profit

	Q2 2021	Q2 2020	2021	2020
Current tax	21	13	33	31
Movement in deferred tax	6	2	4	0
Tax on profit	27	15	37	31

12. Risk Management

H+H's principal risks and the external factors that may affect H+H are provided in the 2020 annual report. These are unchanged for the first half of 2021.

In the Management Review in the 2020 annual report 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. Events after the balance sheet date

H+H is closely monitoring the development in the COVID-19 pandemic and the responses by the local Governments of the countries in which H+H operates.

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.