Company Announcement No. 420, 2021

Interim Financial Report Q1 2021: H+H upgrades 2021 financial guidance based on solid market conditions

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CVR No. 49 61 98 12
LEI: 3800GJODT6FV8QM841

Date:
12 May 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 quarter of 2021 ("Q1 2021").

CEO Michael T. Andersen quote

"I am very pleased with the positive demand outlook across all our markets, which has driven the upgrade of our full-year financial expectations. Despite a slow-down in demand in Germany and Poland in the early months of 2021 caused by the strongest weather impact in a decade, activity has quickly picked up and is now gaining momentum. The UK market is looking particularly strong with solid forward sales reported by housebuilders in recent trading updates indicating building activity in the UK potentially returning to the historic high 2019-levels already this year."

Performance highlights for Q1 2021

- Industry hit by strongest weather impact in a decade with very low temperatures and several days of snowfall, especially in Germany and Poland, adversely impacting activity levels during January and February.
- Revenue decreased by 9% to DKK 642 million (DKK 704 million). Revenue in local currencies (organic growth) decreased by 9% (increase of 2%).
- Gross profit of DKK 188 million (DKK 222 million), corresponding to a gross margin of 29% (32%).
- EBITDA of DKK 109 million (DKK 130 million), corresponding to an EBITDA margin of 17% (18%).
- EBIT of DKK 64 million (DKK 85 million), corresponding to an EBIT margin of 10% (12%).
- Net profit for the period was DKK 49 million (DKK 64 million), and earnings per share was DKK 2.7 (DKK 3.5).
- Capital expenditures amounted to DKK 27 million (DKK 21 million).
- Free cash flow was negative by DKK 32 million (negative by DKK 78 million).
- Financial gearing was 0.6 times EBITDA at the end of the quarter compared to 0.4 times at the end of 2020.
- During Q1 2021, H+H joined the UN Global Compact initiative and commenced the process of having its net-zero emissions target verified under the Science Based Target initiative.

Financial highlights for the period 1 January 2021 to 31 March 2021

DKK million	Q1 2021	Q1 2020
Sales volume (thousand cubic metres)	960	1,073
Organic growth	(9%)	2%
Revenue	642	704
Gross margin	29%	32%
EBITDA before special items*	109	130
EBIT before special items*	64	85
EBIT margin before special items*	10%	12%
NIBD/EBITDA ratio before special items*	0.6x	0.9x
Free cash flow	(32)	(78)

*no special items Q1 2021 or Q1 2020

Outlook for 2021

- Revenue growth before acquisitions and divestments measured in local currencies (organic growth) is expected to be in the range 2% to 7% (previously 0% to 5%)
- EBIT before special items is expected to be in the range of DKK 330 million to DKK 390 million (previously DKK 310 million to DKK 370 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-May 2021 levels
- Energy and raw material prices increase at greater levels than the current inflation

Q1 2021 Interim Financial Report conference call

In connection with the release of the Q1 2021 Interim Financial Report, a conference call for investors and analysts is scheduled for Monday 17 May 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

Amounts in DKK million	Q1 2021	Q1 2020	Full-year 2020
Income statement			
Revenue	642	704	2,654
Gross profit	188	222	836
EBITDA before special items	109	130	521
EBITDA	109	130	521
EBIT before special items	64	85	332
EBIT	64	85	332
Profit before tax	59	80	307
Profit after tax	49	64	251
Balance sheet			
Assets	3,045	2,947	2,909
Invested capital	1,893	1,837	1,811
Investments in property, plant and equipment*	27	21	134
Acquisition and divestment of enterprises	0	74	72
Net working capital	146	148	55
Equity	1,553	1,461	1,509
Net Interest-bearing debt (NIBD)	277	504	230
Cash flow			
Cash flow from operating activities	(5)	17	425
Cash flow from investing activities	(27)	(95)	(206)
Cash flow from financing activities	46	136	6
Free cash flow	(32)	(78)	219
Financial ratios			
Organic growth	(9)%	2%	(6)%
Gross margin	29%	32%	31%
EBITDA margin before special items	17%	18%	20%
EBITDA margin	17%	18%	20%
EBIT margin before special items	10%	12%	13%
EBIT margin	10%	12%	13%
Return on invested capital (ROIC) (excl. Goodwill)	16%	21%	18%
Solvency ratio	49%	50%	50%
NIBD/EBITDA before special items ratio	0.6	0.9	0.4
Share data			
Share price, end of period (DKK)	168	78	132
Book value per share, end of period (DKK)	87	81	84
Earnings per share	2.7	3.5	13.5
Diluted earnings per share	2.7	3.5	13.5

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 IFRS 16

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE FIRST QUARTER OF 2021

Revenue
Total revenue decreased by 9% to DKK 642 million in Q1 2021 compared to DKK 704 million in Q1 2020. Revenue in local currencies (organic growth) decreased by 9% in Q1 2021.

Revenue, external		
	Q1	
Amounts in DKK million	2021	2020
	Revenue	
UK	196	178
Central Western Europe	292	317
Poland	154	209
Total	642	704

The decrease in organic growth was mainly driven by lower volumes in Poland as a result of poor weather conditions during January and February 2021 which adversely impacted construction activity in the country.

Revenue in Poland decreased by 26% to DKK 154 million in Q1 2021 compared with DKK 209 million in Q1 2020. Organic growth was negative 22%. The year-on-year decrease is primarily a result of a very strong Q1 2020 in which organic growth was 11%, as well as poor weather conditions which especially impacted the CSU business.

Revenue in the UK amounted to DKK 196 million against DKK 178 million in Q1 2020. Organic growth was 12%, mainly 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, as well as strong forward sales—especially during March 2021.

Revenue in the Central Western Europe region declined by 8% to DKK 292 million compared to DKK 317 million in Q1 2020. Organic growth in the region was negative 11%, mainly driven by poor weather conditions in January and February 2021 as well as postponed maintenance breaks in Germany. The negative organic growth was partly offset by a strong quarter in the Benelux with an organic growth of 17%.

Of the total revenue in the quarter of DKK 642 million, AAC and CSU constituted 73% and 27%, respectively.

Production cost
Production costs were affected by the poor weather conditions in January and February allowing for re-phasing of maintenance combined with increased input costs as expected.

Gross profit
Gross profit was DKK 188 million against DKK 222 million in 2020, corresponding to a margin of 29% in Q1 2021 compared to 32% in Q1 2020.

The gross profit margin was negatively impacted by the aforementioned lower volumes and increased production costs, partly offset by price increases as a result of H+H's continued pricing strategy.

Gross profit in the AAC business was DKK 149 million in Q1 2021, corresponding to a gross margin of 32%. In the CSU business, gross profit was DKK 39 million in Q1 2021, equal to a gross margin of 22%.

EBITDA
EBITDA was DKK 109 million compared to DKK 130 million in Q1 2020, equalling a margin of 17% and 18%, respectively.

The Group's continued cost focus resulted in a relatively lower SG&A ratio of 12%, compared to 13% in Q1 2020, partly offsetting the lower gross profit and positively impacting EBITDA.

Depreciation and amortization
Depreciation and amortization in Q1 2021 amounted to DKK 45 million, which is on par with Q1 2020.

Adjusted for depreciations related to the purchase price allocations, depreciations were DKK 31 million in Q1 2021 against DKK 30 million in Q1 2020.

EBIT
EBIT was DKK 64 million in Q1 2021, against DKK 85 million in Q1 2020, corresponding to a margin of 10% and 12%, respectively.

Net financials
Net financials totalled an expense of DKK 5 million in Q1 2021, which is on par with Q1 2020.

Profit before tax
Profit before tax amounted to DKK 59 million om Q1 2021, compared to DKK 80 million in Q1 2020.

Tax
Tax in Q1 2021 was a net expense of DKK 10 million against a net expense of DKK 16 million in Q1 2020. Please refer to note 11 for more information on tax for the period.

Net profit
Net profit in Q1 2021 amounted to DKK 49 million, compared to a net profit of DKK 64 million in Q1 2020. Profit for the period is attributable to H+H International A/S' shareholders by DKK 49 million (Q1 2020: DKK 63 million) and to non-controlling interests by DKK 0 million (Q1 2020: DKK 1 million).

Comprehensive income
The total comprehensive income for the first quarter was DKK 56 million against DKK 50 million in 2020.

The year-on-year decrease is mainly driven by an unfavourable change in actuarial gain net of deferred tax of DKK (12) million related to pension obligations, lower profit for the period by DKK (15) million, but partly offset by a decrease in foreign exchange adjustment losses of DKK 33 million.

CASH FLOW

Operating activities
Cash flow from operating activities in Q1 2021 was DKK (5) million against DKK 17 million in Q1 2020, mainly driven by lower earnings.

The working capital development is on par with last years and is driven by seasonality and pay out of customer rebates related to 2020.

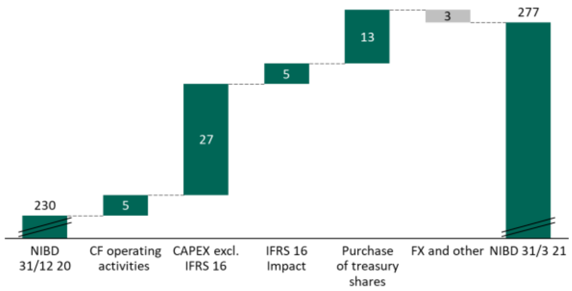
Investing activities
Cash flow from investing activities in the first quarter was DKK (27) million against DKK (95) million in Q1 2020. The relatively lower cash flow year-on-year was mainly driven by acquisition of enterprises of DKK 74 million in Q1 2020.

Free cash flow
Free cash flow in the first quarter was DKK (32) million against DKK (78) million in Q1 2020. The improvement relative to Q1 2020 was primarily a result of the aforementioned acquisitions in Q1 2020, but partly offset by the relatively lower cash flow from operating activities year-on-year.

Financing activities
Cash flow from financing activities amounted to DKK 46 million in Q1 2021, compared to DKK 136 million in 2020. The year-on-year reduction was primarily driven by a relatively smaller change in borrowings of DKK 66 million compared to DKK 142 million in Q1 2020 as well as the purchase of treasury shares in Q1 2021 of DKK 13 million as part of the ongoing share buy-back programme.

BALANCE SHEET
The balance sheet total at 31 March 2021 was DKK 3,045 million, against DKK 2,947 million at 31 March 2020.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 277 million at 31 March 2021, an increase of DKK 47 million since 31 December 2020.



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, CAPEX, and the purchase of treasury shares.

At 31 March 2021, the Group's financial gearing was 0.6x net interest-bearing debt to EBITDA before special items.

The Group's net Interest-bearing debt excluding leasing totalled DKK 178 million at 31 March 2021, corresponding to an unused committed bank facility of DKK 0.9 billion.

Equity

The consolidated equity increased by DKK 92 million compared to 31 March 2020 and by DKK 44 million compared to 31 December 2020.

Equity		
	Q1	Q1
Amounts in DKK million	2021	2020
1 January	1,509	1,371
Profit/loss for the period	49	64
Actuarial gains/losses on pension plans	13	25
Foreign exchange adjustments	(6)	(39)
Non-controlling interests arising from acquisition	0	40
Purchase of treasury shares	(13)	0
Other adjustments	1	0
31 March	1,553	1,461

CURRENT MARKET ENVIRONMENT

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

During the first two months of 2021, the particularly harsh winter weather adversely impacted the industry with postponements and slow demand, especially in Germany and Poland.

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 in September 2021.

The UK housing market has responded well to the support programmes, with strong forward sales reported from housebuilders. 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 are pointing to a recovery in the UK housing market, which is expected to proceed faster than previously expected with a potential return to the historic high levels of 2019 already in 2021.

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

In Germany, a significant lack of housing space—especially in the agglomeration areas—from a growing number of smaller households and a considerable number of immigrants seeking accommodation provides a solid demand outlook for both AAC and CSU.

In January 2021, almost 12,000 new buildings were permitted representing a year-on-year increase of 10%, mainly driven by an increase in the number of permitted buildings in the low-rise segment but partly offset by a decline in the number of permitted buildings in the high-rise segment.

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. 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, putting restraints on growth in the German construction industry.

In Denmark, increasing demand for housing and holiday homes has led to further growth—especially in the segment for family housing. Activity in Sweden has been declining slightly but mitigated through consolidation of the Nordic region, and the Swiss and Benelux markets are continuing to develop positively.

In Poland, the overall macroeconomic outlook is positive with an expected positive GDP growth in 2021 despite a third wave of COVID-19 hitting the country.

According to third-party data providers, the number of permits increased by 42% in Q1 2021 relative to Q1 2020, driven by increases in the number of permits for both developers and for individual investors. As a result, the medium-term demand outlook is positive.

The Polish CSU market remains characterised by competition and price pressure due to the addition of capacity in 2020. H+H has benefitted from the market consolidation achieved in 2018 and has been able to utilise its differentiated product offerings to partly mitigate the impact and maintain its strong customer relationships.

In the AAC market, pricing is following a positive trend due to the overall positive development in demand and the moderate competitive environment.

Strategy
H+H has been able to establish a more balanced geographical footprint with three core markets (the UK, Central Western Europe, and Poland) and two product lines (AAC and CSU) through acquisitions in Central Western Europe and Poland. This, combined with a strong financial position, has allowed the Group to build a significantly more robust position, both strategically and financially, to absorb unexpected market developments, underpinned by the financial results achieved in 2020.

H+H will continue to pursue the strategic ambition to further consolidate the German market as a primary focus and maintains a pipeline of potential acquisition targets.

On 4 March 2021, H+H released its first separate sustainability report for 2020. In the report, H+H announced its target to become carbon neutral—and possibly carbon negative—by 2050. H+H also announced its ambition to have the target verified under the Science Based Target Initiative. H+H has since commenced this process and will provide relevant updates later in 2021. Additionally, in line with previous communication, H+H has now joined the UN Global Compact initiative.

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 QUARTERS 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 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 2% to 7%
- EBIT before special items is expected to be in the range of DKK 330 million to DKK 390 million

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-May 2021 levels
- Energy and raw material prices increase at greater levels than the current inflation

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 H1 2021............ 12 Aug. 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 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.

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 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 31 March 2021 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 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, 12 May 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

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2021	2020	2020
Revenue	642	704	2,654
Cost of goods sold	(454)	(482)	(1,818)
Gross profit	**188**	**222**	**836**
Sales costs	(36)	(39)	(151)
Administrative costs	(46)	(54)	(168)
Other operating income and costs, net	3	1	4
EBITDA	**109**	**130**	**521**
Depreciation and amortization	(45)	(45)	(189)
EBIT	**64**	**85**	**332**
Special items, net	-	-	-
EBIT after special items	**64**	**85**	**332**
Financial income	1	1	2
Financial expenses	(6)	(6)	(27)
Profit before tax	**59**	**80**	**307**
Tax on profit	(10)	(16)	(56)
Profit for the period	**49**	**64**	**251**
Profit for the period attributable to:			
H+H International A/S' shareholders	49	63	241
Non-controlling interest	0	1	10
Profit for the period	**49**	**64**	**251**
Earnings per share (EPS-Basic)	2.7	3.5	13.5
Diluted earnings per share (EPS-D)	2.7	3.5	13.5

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2021	2020	2020
Profit for the period	**49**	**64**	**251**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign entities	(6)	(39)	(48)
	(6)	(39)	(48)
Items that will not be reclassified subsequently to profit:			
Actuarial gains and losses	17	32	(110)
Tax on actuarial gains and losses	(4)	(7)	21
	13	25	(89)
Other comprehensive income after tax	**7**	**(14)**	**(137)**
Total comprehensive income for the period	**56**	**50**	**114**

CONDENSED BALANCE SHEET

	Group		
	31 March	31 Dec.	31 March
Amounts in DKK million	2021	2020	2020
ASSETS			
Non-current assets			
Goodwill	211	211	202
Other intangible assets	252	258	289
Property, plant and equipment	1,534	1,538	1,572
Deferred tax assets	13	18	11
Financial assets	7	6	8
Total non-current assets	**2,017**	**2,031**	**2,082**
Current assets			
Inventories	297	282	311
Receivables	234	115	239
Cash	497	481	315
Total current assets	**1,028**	**878**	**865**
TOTAL ASSETS	**3,045**	**2,909**	**2,947**
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings	1,455	1,405	1,341
Other reserves	(153)	(147)	(138)
Equity attributable to H+H International A/S' shareholders	1,482	1,438	1,383
Equity attributable to non-controlling interests	71	71	78
Total equity	**1,553**	**1,509**	**1,461**
Non-current liabilities			
Pension obligations	134	147	29
Provisions	32	34	31
Deferred tax liability	127	130	165
Credit institutions	675	609	715
Lease liabilities	79	84	91
Total non-current liabilities	**1,047**	**1,004**	**1,031**
Current liabilities			
Lease liabilities	20	18	13
Trade payables	221	180	227
Income tax	34	30	29
Provisions	6	6	11
Other payables	164	162	175
Total current liabilities	**445**	**396**	**455**
Total liabilities	**1,492**	**1,400**	**1,486**
TOTAL EQUITY AND LIABILITIES	**3,045**	**2,909**	**2,947**
Net interest-bearing debt	277	230	504

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q1 2021	Q1 2020
Operating profit	64	85
Financial income, received	1	1
Financial expenses, paid	(6)	(6)
Depreciation and amortisation	45	45
Change in working capital	(92)	(100)
Change in provisions and pension contribution	(6)	(7)
Income tax paid	(11)	(1)
Operating activities	**(5)**	**17**
Acquisition of enterprises	0	(74)
Acquisition of property, plant and equipment and intangible assets	(27)	(21)
Investing activities	**(27)**	**(95)**
Change in borrowings	66	142
Change in lease liabilities	(7)	(6)
Purchase of treasury shares	(13)	0
Financing activities	**46**	**136**
Total cash flow for the period	**14**	**58**
Cash and cash equivalents, opening	481	262
Cash related to the acquired enterprises	0	8
Foreign exchange adjustments of cash	2	(13)
Cash at 31 March	**497**	**315**

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 2021	**180**	**(147)**	**1,405**	**1,438**	**71**	**1,509**
Total changes in equity in 2021						
Profit for the period	0	0	49	49	0	49
Other comprehensive income	0	(6)	13	7	0	7
Total comprehensive income	**0**	**(6)**	**62**	**56**	**0**	**56**
Share-based payment	0	0	1	1	0	1
Purchase of treasury shares	0	0	(13)	(13)	0	(13)
Total changes in equity in 2021	**0**	**(6)**	**50**	**44**	**0**	**44**
Equity at 31 March 2021	**180**	**(153)**	**1,455**	**1,482**	**71**	**1,553**
Equity at 1 January 2020	**180**	**(99)**	**1,253**	**1,334**	**37**	**1,371**
Total change in equity in 2020						
Profit 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**

NOTES

1. Accounting policies

The interim financial report for the period 1 January 2021 to 31 March 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.

Amounts in DKK million	**Q1 2021**	**Q1 2020**
Revenue	642	704
Cost of goods sold	(485)	(512)
Gross profit including depreciation and amortisation	**157**	**192**
Sales cost	(47)	(51)
Administration cost	(49)	(57)
Other operating income and costs	3	1
EBIT before special items	**64**	**85**
Special items, net	-	-
EBIT	**64**	**85**
Depreciation and amortisation comprise:		
Depreciation of property, plant and equipment	36	34
Amortisation of intangible assets	9	11
Total	**45**	**45**
Depreciation, amortisation and impairment are allocated to:		
Production costs	31	30
Sales costs	11	12
Administration costs	3	3
Total	**45**	**45**

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	Q1 2021	Q1 2020
	Revenue	
UK	196	178
Central Western Europe	292	317
Poland	154	209
	642	**704**

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 Q1 2021 amounts to DKK 184 million (Q1 2020: DKK 211 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 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 2020, a value adjustment has been made relating to the UK pension plan, affecting total comprehensive income positively with DKK 13 million net of tax. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows an underfunding of DKK 104 million (the present value of the obligations exceeds the fair value of the plan assets).

The total pension obligation on 31 March 2021 amounts to DKK 134 million, compared to DKK 147 million on 31 December 2020. The development in the pension obligations from 31 December 2020 is due to payments, interest, value adjustment and currency adjustment.

8. Financial resources and cash flow

Net interest-bearing debt, totalled DKK 277 million on 31 March 2021, corresponding to an increase of DKK 47 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, 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 quarter 2021 and which 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.

As per 31 March 2021 a total value of DKK 13 million was executed, corresponding to 85,300 number of shares.

10. Share-based payment

The matching share schemes for 2019 and 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 quarter 2021, an expense of DKK 1.1 million was recognised under staff costs, against DKK 0.9 million in the same period in 2020.

11. Tax

Tax for the first quarter totalled an expense of DKK 10 million, which comprise current tax of DKK 12 million and adjustment of deferred tax of DKK (2) million.

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 quarter 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.