Annual Report 2021

H+H International A/S

PARTNERS IN WALL BUILDING

CVR-no: 49 61 98 12 | Lautrupsgade 7, 5^{th} Floor. 2100 Copenhagen Ø

Our purpose

We are Partners in Wall Building

delivering trusted, sustainable and innovative solutions which enable better homes and workplaces for our communities

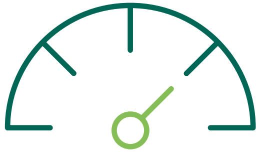
Our promises

Partners in Wall Building

As your trusted partner, H+H delivers industry-leading customer excellence and a comprehensive product portfolio. We provide innovative solutions to all of our partners' building needs from design and planning to delivery, assembly and problem solving.

We understand wall building and have a comprehensive product range to provide strength as well as thermal and acoustic insulation to meet all of your construction needs.

We understand your requirements and strive to build better living and working places for our communities.

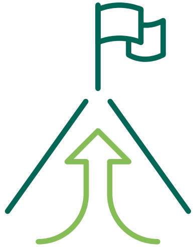


Performance focus

H+H is driven to deliver results.

Performance starts with our health and safety and permeates through the whole business. From quality products, customer journey, manufacturing excellence and continuous process improvement to our financial and ESG results delivered through our engaged workforce.

Our performance is ethical as we comply with legislation and strive to serve and enhance the communities in which we oprate. This commitment is embodied in our policies and procedures that underpin our performance.



Pushing the boundaries

The construction industry is continually evolving and as a market leader, we are curious and eager to push the boundaries.

We have developed products with improved thermal and acoustic properties to enable improved homes and workplaces. Our innovation in Modern Methods of Construction has significantly enhanced building efficiency and we continue to explore further product properties and applications to meet future needs.

To service our partners, we stay committed to present more than a simple product offering and it continues with our work on digital engagement for the benefit of our partners.

Protecting the planet

Protecting the planet is key to all of our futures and at H+H, we take this challenge seriously.

Our products are environmentally friendly as they are recyclable, long-lasting and thermally insulating. We help to reduce energy needs in homes and buildings.

We have been improving the energy and waste efficiency in our production process over many years, and we have committed to ambitious science-based emissions-reduction targets with a roadmap to reach carbon neutrality by 2050.

Furthermore, we support the UN Sustainable Development Goals focusing on Sustainable Cities, Responsible Consumption and Production.

People driven

People are at the heart of H+H.

The health and safety of all of our staff, suppliers, service providers and customers is our primary focus which will never be compromised as we strive towards zero harm.

We value our workforce, recognise the advantages of diversity and believe in the equality of people. Empowered by a culture built on collaboration and trust, we provide development opportunities which enable our employees to reach their potential and deliver this as a competitive advantage to our customers.

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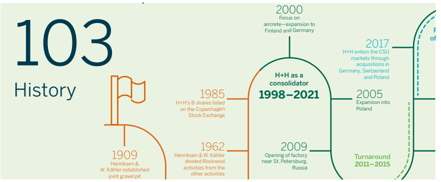


Other 2021 reports

Sustainability report
www.hplush.com/sustainability-reports

Remuneration report
www.hplush.com/remuneration

Corporate Governance statement
www.hplush.com/corporate-governance-reports

INTRODUCTION

The Annual Report of H+H International A/S comprises consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and further requirements in the Danish Financial Statements Act and Parent Company Financial Statements prepared in accordance with the Danish Financial Statements Act.

Forward-looking statements
The Annual 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.

Comparative figures
Unless otherwise stated, all figures in parenthesis refer to the corresponding figures in the prior year.

H+H at a glance

H+H is a leading provider of solutions and materials for wall building. Over the recent years, H+H has grown significantly through acquisitions and now has a strong and diversified market position across its geographies, serving as a solid foundation for continued growth.

Founded in

1909

H+H was established in 1909 when Henrik Johan Henriksen and Waldemar Kähler established the joint stone and gravel-pit enterprise, '*Singelsforretningen Omø*'.

Employees

1,663

We have more than 1,600 employees working across eight different countries in Northern and Central Europe, of which approximately two thirds work in our factories.

Revenue (DKKm)

3,020

In 2021, we generated a total revenue of DKK 3,020 million and an organic growth of 13%. AAC and CSU accounted for 71% and 29% of the total revenue, respectively.

Factories

31

We have 31 factories across Northern and Central Europe with a total annual output of close to 4.5 million cubic metres of wall-building materials. In addition, we are currently expanding one of our AAC factories in the northern part of Poland with a new CSU production line.

Acquisitions

24

Since 2014, we have acquired 24 factories. These have contributed to a significant expansion of our factory network and have more than tripled our white-stone businesses in both Germany and Poland.

Revenue split by product line (FY 2021)

71% 29%

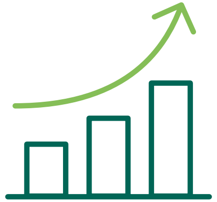
Both products are key components for energy-efficient wall systems.

Aircrete ("AAC") combines strength and durability with fire resistance, low weight and excellent thermal insulation making it the ideal material for the residential low-rise housing market.

Calcium silicate ("CSU") is a heavy and dense wall-building material primarily used for residential high-rise buildings. The product is fire resistant and has a very high degree of sound insulation.

Equity story

H+H remains in a unique position for continued growth due to attractive market fundamentals, a differentiated market approach, sustainable products and a proven track record of strategy execution.



Unique market conditions for growth

- Structural under-supply of housing
- Government commitment and stimuli programmes for housebuilding
- Demographic growth and changing housing needs
- Fragmented markets with room for consolidation through acquisitions
- High entry barriers for new competitors

Differentiated market approach

- Value-added customer relationships and assistance through entire building process
- Supplying sophisticated and sustainable solutions
- High degree of market adaptability
- High customer retention rate

Sustainable solutions —net-zero emissions by 2050

- Long-lasting and recyclable products
- Carbon-friendly products with increasing market penetration
- Insulating properties leading to energy savings and more sustainable buildings
- Excellent indoor climate, fire resistance and acoustic comfort
- Commitment to ambitious 1.5-degree emissions-reduction target

Proven track record of strategy execution

- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets continues to provide attractive synergies
- Efficient integration process and agile organisation
- Return on Invested Capital ("ROIC") consistently above WACC
- Strong cash-flow generation to fund continued growth

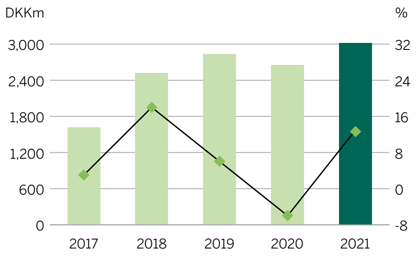
Performance highlights 2021

Selected financial figures and ratios

Revenue

Revenue
Organic growth

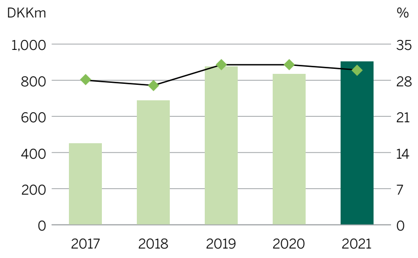
3,020



Gross profit and gross margin before special items[1]

Gross profit before special items
Gross margin before special items

30%

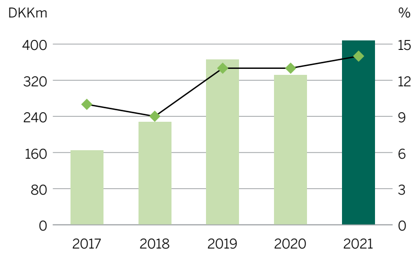


[1] Please refer to note 6 "Special items, net" for a description of special items

EBIT and EBIT margin before special items[2]

EBIT before special items
EBIT margin before special items

14%

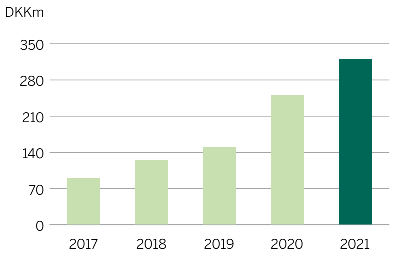


[2] Please refer to note 6 "Special items, net" for a description of special items
Note: EBIT in 2018 was affected by a one-off effect related to the acquisition of the German CSU plants

Profit after tax

Profit after tax

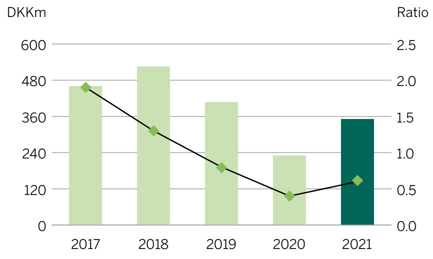
321



Net interest-bearing debt and financial gearing[3]

Net interest-bearing debt
Financial gearing

0.6x

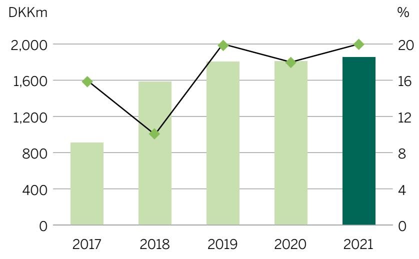


[3] Net interest-bearing debt to EBITDA before special items ratio.
Note: Net interest-bearing debt for 2019 onwards include the impact from IFRS 16

Invested capital and ROIC excluding goodwill

Invested capital
Return on Invested Capital

20%



Note: In 2018, ROIC was adversely impacted by a one-off related to the acquisition and integration of the German and Polish businesses as well as impairment of fixed assets in the now divested Russian business. Adjusted for these effects, ROIC would have been 17%.

Five-year summary

Income statement

(DKK million)	2021	2020	2019	2018	2017
Revenue	3,020	2,654	2,840	2,523	1,622
Gross profit before special items	905	836	877	690	452
EBITDA before special items	591	521	539	410	242
EBITDA	567	521	531	345	212
EBIT before special items	408	332	366	228	165
EBIT	377	332	358	163	134
Profit before tax	356	307	205	125	116
Profit after tax for the period	321	251	150	125	90

Balance sheet

(DKK million)	2021	2020	2019	2018	2017
Assets	3,400	2,909	2,716	2,421	1,327
Invested capital[1]	1,852	1,865	1,809	1,568	907
Investments in property, plant, and equipment[2]	197	134	126	138	110
Aquisition and divestment of enterprises	238	72	(20)	839	35
Net Working Capital	65	55	48	8	58
Equity	1,814	1,509	1,371	1,000	377
Net interest-bearing debt (NIBD)	350	230	407	525	460

Cash flow

(DKK million)	2021	2020	2019	2018	2017
Cash flow from operating activities	454	425	369	370	83
Cash flow from investing activities	(427)	(206)	(105)	(973)	(144)
Cash flow from financing activities	(25)	6	(131)	679	66
Free cash flow	27	219	264	(603)	(61)

Financial ratios

	2021	2020	2019	2018	2017
Organic growth	13%	(6%)	6%	18%	3%
Gross margin before special items	30%	31%	31%	27%	27%
EBITDA margin before special items	20%	20%	19%	16%	15%
EBITDA margin	19%	20%	19%	14%	13%
EBIT margin before special items	14%	13%	13%	9%	10%
EBIT margin	12%	13%	13%	6%	8%
Return on Invested Capital, excluding goodwill[3]	20%	18%	20%	10%	16%
Solvency ratio	50%	50%	49%	41%	28%
NIBD/EBITDA before special items ratio	0.6x	0.4x	0.8x	1.3x	1.9x

ESG performance data

	2021	2020	2019	2018	2017
Average number of FTEs	1,572	1,619	1,685	1,651	1,062
FTEs end of period (excluding divestments)	1,663	1,571	1,636	1,608	1,022
Lost-Time Incident frequency (LTIF)	5	6	6	9	11
Sickness absence (days per FTE)	12	13	13	10	9
Total energy per m^3 (MJ)	553	546	565	593	551
Fresh water consumption per m^3 (litres)	351	359	382	387	394

Financial ratios and ESG have been calculated in accordance with recommendations from the Danish Society of Financial Analysts.

1 Invested capital is measured on a rolling 12-months basis

2 Investment in property, plant and equipment excludes effects from IFRS 16.

3 Due to the acquisitions the method for calculating "Return on invested capital (ROIC)" has changed to better reflect a true and fair view. ROIC for 2018-2021 has been calculated as "Operating profit (EBIT)" held against the average invested capital (excluding goodwill), all measured on a twelve month's basis.

Sustainability highlights

During 2021, we made meaningful strides on our continued journey towards carbon neutrality by committing to ambitious science-based emissions-reduction targets.

Steady safety performance

0 fatalities

- Sixth consecutive year
- Lost-Time Incident frequency of 5
- Zero incidents at 23 out of 31 factories

Reduced carbon emissions and carbon per unit produced

6%

reduction in direct carbon emission versus base year 2019

Energy intensity down by 2% versus base year 2019

UN Global Compact

Sustainable Development Goals ("SDGs")

Our products support SDG-11 (Sustainable cities and communities) and SDG-12 (Responsible consumption and production).

Net-Zero by

2050

We are committed to achieving net-zero emissions in our operations and products by 2050.

Lower water usage

8%

reduction in water intensity versus base year 2019

H+H is committed to the Science Based Targets initiative ("SBTi")

1.5°C

We have a tangible plan that has been verified and approved by SBTi where we are reducing our own emissions in line with the 1.5-degree scenario in the Paris Agreement.

Please refer to page 26 of the 2021 Sustainability Report for more information.

Global megatrends

Our business is impacted by certain structural growth drivers that transcend industries, markets, and geographies. These megatrends are patterns of economic, social, political and/or behavioural changes with global reach and transformative impact on people and industries. They define the framework for our business and will often entail a demand for new products, services and ways of working.

36%

The share of the European Union's total CO_2 emissions coming from buildings

Climate change

Buildings are a significant source of energy consumption and are responsible for large share of the European Union's greenhouse-gas emissions, thereby representing a large and cost-effective opportunity to reduce emissions.

90%

The average amount of time that citizens in the European Union spend indoors

Health and well-being

The global Covid-19 pandemic has further highlighted the need for buildings with better indoor climate, fire resistance and increased safety, as well as better acoustics and sound insulation.

48%

The share of the population in the European Union projected to be living in urban areas by 2050

Demographics & urbanisation

The world's population is growing and so are cities. Sustainable urbanisation will require buildings made with non-combustible, durable, and sustainable materials that are energy efficient and comfortable to be in.

1 million

The unmet housing need in Germany in 2021

Undersupply of housing

Housing supply in Europe is showing a consistent shortfall in new construction compared to the underlying demand, and it appears that this unmet housing need will only grow in the coming years.

Sources: The European Commission, Housing Europe – The State of Housing in Europe 2021, The United Nations World Urbanization Prospects 2018, World Health Organization

LETTER FROM THE CHAIRMAN

Taking responsibility in the fight against climate change

Pursuing profitable growth has long been a key strategic priority for H+H, and I am very pleased to present a year with double-digit organic growth and our best-ever annual results. I am also proud to present the next steps on our journey towards carbon neutrality and our ambitious sustainability goals.

Sustainability continues to be at the top of our strategic agenda, and we continue our efforts towards reaching carbon neutrality by 2050. Our customers and partners are supporting this commitment as we work together on the sustainable transformation of European cities and communities.

Sustainability will be a common denominator and a driving force in our strategic initiatives to realise continued growth over the coming years. We wish to be a strong and responsible player in our industry, and we are aiming at setting new ambitious goals to play our part in limiting the impact of climate change. In 2021, we joined the UN Global Compact and in 2022 we will join the Corporate Climate Action project, boost innovation and drive sustainable growth by setting ambitious, science-based emissions-reduction targets.

As the first manufacturer of AAC and CSU products, we have committed to an ambitious 1.5-degree emissions-reduction target. Towards 2030, it is our ambition to reduce our scope 1 and 2 emissions by 46% and our scope 3 emissions by 22%. We are confident that this commitment will not only make an important contribution in the fight against climate change, but also add significant and sustainable long-term value to our business and to our shareholders.

Investing to meet drivers of future growth

Since 2014, it has been a key strategic ambition for H+H to take part in the consolidation of the European white-stone markets with a primary focus on Germany and Poland. Through strong strategic execution, we have consolidated our position in our chosen markets, and we have laid a solid foundation for continued growth and long-term value creation for our shareholders.

During 2021 we made meaningful strides on our continued growth journey with the acquisition of one aircrete factory in Feuchtwangen in Germany as well as the acquisition of 52.5% of the shares in DOMAPOR, a German manufacturer of aircrete and calcium silicate blocks located in Hohen Wangelin.

The recent acquisitions provide us with a critical mass and a unique geographical presence across the country with the ability to efficiently supply the entire German white-stone market. This important milestone serves as testament to our targeted M&A strategy and ongoing investments into further upgrades aimed at increased production efficiencies. Growth through acquisitions will remain on our strategic agenda, and we maintain a pipeline of potential acquisition targets.

To meet the drivers of future growth, we will also invest in the optimisation of our production platform. Through targeted investments, we will upgrade and expand our existing factory network with a clear aim of harvesting efficiency gains to drive further organic growth while at the same time lowering CO_2 emissions from our production and reducing our overall environmental footprint.

Our markets remain characterised by the longer-term effects of a structural undersupply of housing, and we are seeing ever-increasing expectations of more sustainable and climate-friendly buildings throughout the building's lifecycle—from the use of raw materials, production and supply chain, to the energy efficiency of both new and existing buildings as well as safe and healthy indoor environments. H+H is strongly positioned to take advantage of these longer-term trends, and we will be investing in further advancing that position over the coming years.

We also see interesting opportunities of using our technologies in other product categories and new product segments within the construction industry, including the continued development of products suited for energy-renovation as well as products targeting efficiency improvements for our customers. Innovation will therefore be a key factor in our pursuit of these opportunities. We will strive to remain a key partner to our customers and work on the life-time performance of our products, and we will explore options for expanding their commercial range.

The power of purpose

At H+H, we believe that there are a vast number of opportunities available to continue growing our company and deliver long-term value to our shareholders. To seize these opportunities, we have defined a corporate purpose to guide us on this journey. Our corporate purpose is that "We are Partners in Wall Building delivering trusted, sustainable and innovative solutions which enable better homes and workplaces for our communities". Our purpose is deeply rooted in the history of our company and what we have achieved so far but it also looks ahead to what we can achieve together with customers, suppliers, governments and partners across our footprint.

Enhancing shareholder value

Our company is stronger than ever and guided by our newly articulated corporate purpose, our well-defined promises and our unwavering commitment to sustainability, we remain fully committed to our pursuit of profitable growth and long-term value.

Over the recent years, we have consistently outperformed our long-term financial targets, and supported by the underlying market trends of a continued structural undersupply of housing, demographic growth, urbanisation and governmental support in increasing housing output, we are confident in the prospect for continued growth. We are therefore raising our ambitions and will increase our long-term target for EBIT margin from 11% to 12% and our target for ROIC from 14% to 16%.

On behalf of the Board of Directors, I would like to thank our customers and employees for your continued support. I would also like to thank my fellow shareholders. I look forward to continuing the journey with you in 2022.

Kent Arentoft
Chairman

Long-term financial targets

EBIT-margin before special items

12%

14% in 2021

Return on Invested Capital ("ROIC")

16%

20% in 2021

Financial gearing

Net interest-bearing debt to EBITDA before special items

1-2x

0.6x in 2021

Note: The long-term financial targets reflect the ambition to maintain minimum average levels across a full business cycle.

LETTER FROM THE CEO

Meeting the strong demand while consolidating our platform

In 2021, we delivered strong organic growth of 13% and a record-high EBIT before special items of DKK 408 million. These results were to a large extent driven by a swift recovery of the European housing markets following the Covid-19 pandemic, creating high demand and activity levels across our footprint.

In the Central Western Europe region, organic growth amounted to 6%, driven by both higher volumes and sales prices. In the United Kingdom, organic growth amounted to 34%, driven by higher sales volumes year-on-year, primarily as a result of the nation-wide lockdown introduced by the British Government in March 2020. And finally, in Poland, organic growth was 6%, driven by higher sales volumes in the CSU business and both higher sales volumes and higher sales prices in the AAC business.

Defending margins in a time of inflation
During the course of 2021, we have been faced with increasing input costs and higher transport prices. The higher transport costs have to a large extend been a result of the strong demand seen across the markets. To meet the high demand, and due to of a number of planned upgrades of certain of our factories, it has been necessary for us to adopt a more flexible utilisation of our production capacity, which has led to further increases in transport costs, as we have had to ship products from alternate production facilities and often over longer distances. Our group-wide procurement efforts and national sourcing of inputs and raw materials helped us avoid any major supply-chain issues during 2021.

In combination with increasing prices for raw materials, this has put pressure on our earnings margins. We are confident that we can offset the negative margin impact partially through sales-price increases. It is anticipated that our gross margin will be higher in the second half of 2022 as sales prices are gradually phased in during the first half of the year.

We will continue to follow a lean manufacturing approach to improve manufacturing efficiency and effectiveness. In combination with targeted capital

investments, we see additional efficiency gains to be realised from the continuous improvement of our production platform.

Strengthening the platform
Our efforts to consolidate the German white-stone markets continued in 2021 with the acquisitions of the Feuchtwangen and DOMAPOR factories.

This added capacity provides an opportunity to perform certain upgrades and maintenance of the production facilities at the Wittenborn factory in the northern part of Germany. Upon completion of the upgrades, the Wittenborn factory will be a state-of-the-art production facility, and the factory will be well positioned to meet future ESG-related requirements.

Innovation and sustainability will remain key focus areas in our pursuit for continued growth. Our Innovation team is working on solutions to further improve the productivity and life-time performance of our products as well as expanding their commercial range and explore alternative applications, including the development of products for energy renovation and after-insulation of buildings.

We firmly believe that these strategic initiatives, combined with a successful integration of the acquired factories and the upgrade of the Wittenborn factory, will provide a strong foundation as we take these next steps on our continued growth journey.

Increased focus on strategic HR
Over the recent years, we have seen a general trend of increasing shortages of qualified labour across the construction industry. Our corporate purpose, well-defined promises and the strengthening of our regional HR functions will further support our strategic journey and our continued ability to attract and retain the best people in our markets and industry. In addition to establishing dedicated HR resources in each of our regions, we have implemented programmes for training and development, talent management and succession planning.

In addition, we have rolled out a set of corporate behaviours across our organisation which in combination with the other activities will further support our corporate culture and position H+H as a preferred employer in the industry.

Thank you
These past couple of years have illustrated the strength of our company and our ability to adapt to different market situations. 2020 brought a global pandemic which continues to characterise and impact our everyday lives, and 2021 showed a swift rebound in market activity with demand exceeding production capacity for most of our industry.

Throughout this period, we have demonstrated resilience and solid operational performance, and our employees have worked tirelessly to deliver unparalleled customer service. We have executed on our strategy and have continued to present strong financial results, and we have both the operational platform and the financial firepower available to pursue further growth—both organically and inorganically.

Finally, I would like to thank everyone in our organisation. The fantastic results delivered in 2021 are testament to your continued dedication, flexibility and commitment. I would also like to thank our customers and partners across our markets for supporting H+H, and we look forward to continuing our collaboration in 2022.

Michael Troensegaard Andersen
Chief Executive Officer

"The two acquisitions provide an important expansion of our German factory network and set us on a path to more than triple our German white-stone business compared with 2017 production figures."

Financial outlook

Changes to the guidance during 2021

The initial outlook for 2021 was introduced on 4 March 2021 in connection with the release of the 2020 Annual Report. The guidance reflected the severe weather impact in Germany and Poland in the early months of the year and was based on the expectations that the UK market would not return to the historical high levels of 2019. As the year progressed, the markets quickly regained momentum and the financial guidance was therefore upgraded in May 2021. The solid demand continued into the second quarter with high activity and favourable trading conditions. Coupled with the stabilisation of the competitive situation in the Polish CSU business, this led to another upgrade of the financial guidance in August 2021. In November, the guidance was adjusted to reflect the relatively high visibility on sales for the remainder of the year and the associated earnings.

On 27 January 2022, we announced preliminary, unaudited financial results for 2021, which exceeded the expectations set out in the financial guidance from November 2021 due to a strong fourth quarter in especially the Polish and Nordic markets.

	Original guidance 4 March 2021	Upgrade 12 May 2021	Upgrade 11 August 2021	Adjustment 10 November 2021	Preliminary results 27 January 2022	Realised result 3 March 2022
Organic growth	0-5%	2-7%	8-11%	~11%	~13%	13%
EBIT (DKKm)	310-370	330-390	360-400	375-400	~405	408

2022 financial outlook

Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") is expected to be in the range of 10% to 15%.

EBIT before special items is expected to be in the range of DKK 420 million to DKK 500 million.

Assumptions for the financial guidance for 2022
The expectations for H+H's financial performance in 2022 are based on a number of specific and general assumptions. Management believes that the most significant of these assumptions relate to the following items:

Specific assumptions:
- Exchange rates, primarily the British pound ("GBP"), the euro ("EUR") and the Polish zloty ("PLN"), remain at mid-February 2022 levels.
- Inflation rates related to the cost of energy and raw-material to stabilise at mid-February level.

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
- Operational uptime at H+H's production plants

OUR BUSINESS

Business model

Resources

People
We value our workforce, recognise the advantages of diversity and believe in the equality of people

Raw materials
Our products are made of sand, water and lime, with cement and aluminium added for aircrete

Factory network
We have created a strong network of factories and sales offices with national reach within the countries in which we operate

Unique market conditions for growth
Structural undersupply of housing, demographic growth, urbanisation and changing housing needs provide a solid growth platform

Solid capital structure
Our strong and flexible capital structure supports our continued growth journey and sustainable shareholder value-creation

Our business

We are Partners in Wall Building delivering **trusted, sustainable and innovative solutions** which enable better homes and workplaces for our communities

Quality manufacturing
We follow a lean manufacturing process to improve efficiency and eliminate waste. Further, targeted capital investments improve reliability, throughput and quality across the production platform

Value-added sales
We support our customers from the early planning stage and throughout the wall-building process. We aim to be the ideal partner and a one-stop shop for every wall-building project

Diversified market
Our product range is diverse, and its flexibility allows for various applications. As a result, the customer segments are also diverse and provide a differentiated risk profile

Strategy execution
We have a strong track record of strategy execution. Through consolidation of the European white-stone markets, we have realised significant synergies related to both pricing, sourcing and sales channels

Added value

Customer value
By understanding our customers, their local needs and the industry trends, we help overcome challenges, eliminate waste and manage complexities throughout the wall-building process

Modern and carbon-friendly products
Our products offer improved indoor climate and energy savings as well as fire resistance and better acoustic insulation between rooms. In addition, the products are long-lasting and can be integrated into a circular economy

Safe and attractive work environment
Employment and working conditions must be safe, fair and non-discriminatory to attract top talents and support the development and career ambitions of our employees

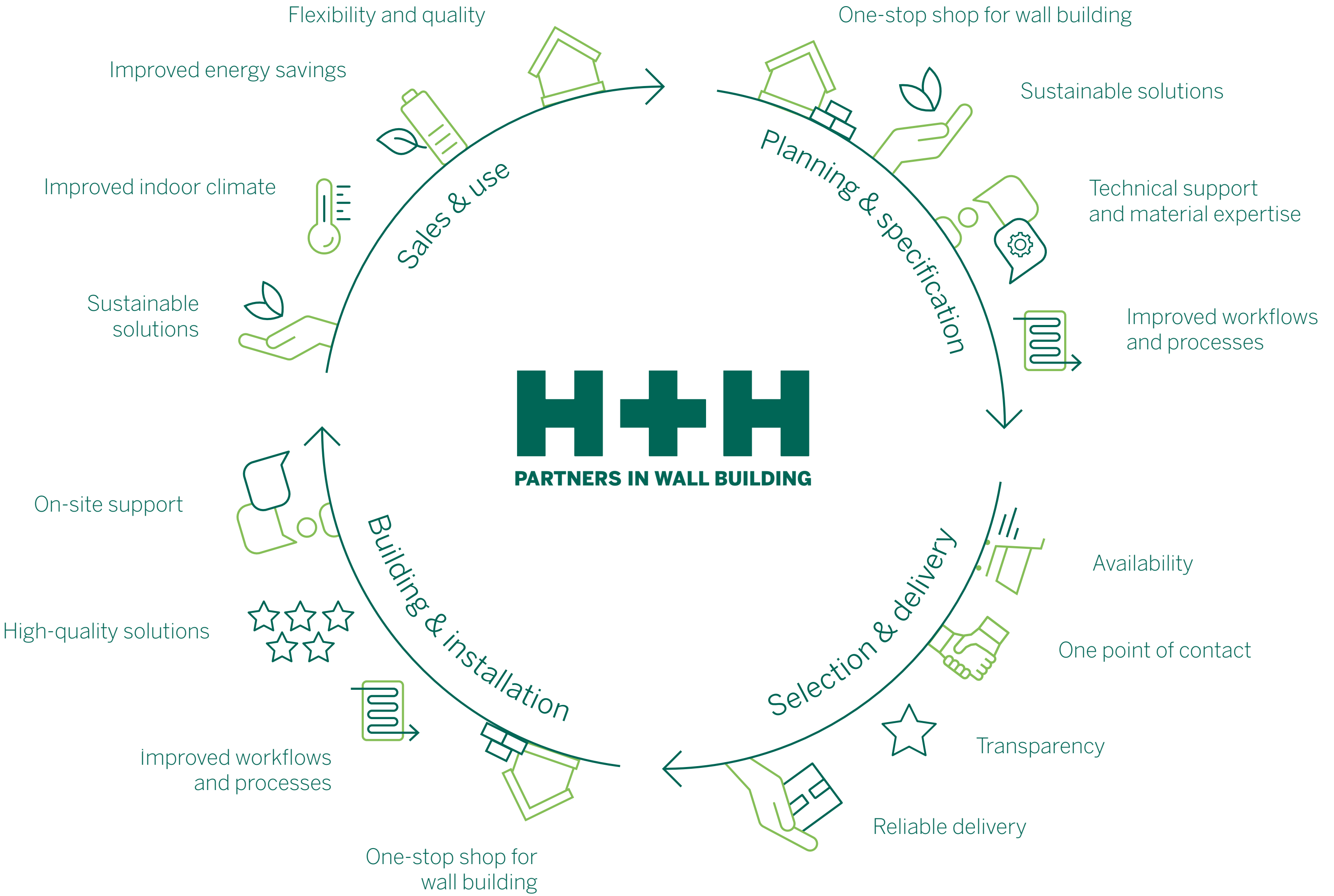
Shareholder value
We will continue to pursue profitable growth through acquisitions and investments in the existing production platform to generate robust, long-term value for our shareholders. Further, we may return excess capital to shareholders by means of dividends and/or share buy-back programmes

Partners in Wall Building

Our homes, flats, offices, and other buildings need to be comfortable, safe and sustainable. Our wall-building solutions have been specifically developed to deliver high-quality and sustainable results.

An improved indoor climate, energy savings due to better thermal insulation, fire resistance and increased safety, as well as better acoustic insulation between rooms—these are just some of the many benefits that people who live and spent time in buildings featuring H+H solutions will enjoy.

Our value proposition is to be a trusted partner to builders and developers across our markets and we are constantly striving for added value across every stage of the wall-building process. We aim to find new ways to improve our products and building concepts to make building better, easier and more efficient to everyone involved—from sourcing and production to distribution and building sites, we are **Partners in Wall Building**.



Products and solutions

Our product range is diverse, and its flexibility allows for various applications. As a result, the customer segments are also diverse and provide a differentiated risk profile.

Our products

H+H is a provider of building materials. Our core activities are the production and sale of autoclaved aerated concrete ("AAC" or "aircrete") and calcium silicate ("CSU" or "sand lime bricks"). The products are building blocks used for wall building and pre-cast wall-panel solutions, primarily in the residential new-building segment.

The product range also includes more advanced products, such as high-insulating blocks, larger elements and a range of traded goods used for wall-building.

A strong solution in sustainable building

Foundations

H+H Foundations Blocks are quick to install and can be used to support solid or cavity wall constructions as well as timber frame structures.

External walls

H+H wall elements can also be used for solid external walls. They offer the fastest building method as well as an unparalleled air tightness and insulation.

Internal walls

Partition walls built with H+H wall materials meet any sound-insulation requirements and are quick and easy to install.

Applicable across segments and purposes

Private low-rise houses

H+H has strong track record and expertise in construction of walls for private low-rise houses.

Volume housebuilders

H+H is a trusted partner to builders of large construction projects ensuring cost-efficient and high-quality solutions.

Public sector housing

H+H is committed to supporting public sector housing providers with high quality, long-lasting and energy-efficient housing.

Commercial and industry

H+H's solutions are immensely versatile and can be used in many types of commercial and industrial buildings—low-rise as well as high-rise.

Residential high-rise

H+H wall building solutions also include solid and partition wall products used in residential high-rise buildings.

Self-build

H+H wall solutions also support self-build and DIY projects of any kind. An eco-friendly and easy to handle material for any wall.

Renovation

H+H wall-building solutions are a popular choice for domestic renovations, extensions, and small building projects, including energy-efficient improvements.

Corporate strategy and growth platform

H+H is a leading player in the European AAC and CSU markets. Through our successful growth strategy, we have significantly increased our size and earnings and have achieved a diversified geographic footprint in the European white-stone markets. Our differentiated market approach and the position as a trusted partner in wall-building provide a solid foundation for continued growth through further acquisitions, continuous optimisation of the Group's production network and the potential entry into new segments and markets.

Profitable growth through acquisitions
Since 2014, the strategy has been focused around consolidating the European white-stone market with a primary focus on Germany and Poland. Over this period, we have acquired a total of 24 factories, thereby increasing our factory network by 18 factories, net of divestments and general restructuring of the company. The acquisitions have also added significant incremental capacity to our production network and have greatly improved earnings margins through the realisation of synergies from increased production efficiency as well as from both sourcing and sales channels.

The ambitious journey of restructuring and consolidating the fragmented European markets began in Poland with the acquisition of five AAC factories, which added a significant amount of incremental volume and allowed for improved productivity through effective integration and development of both the organisational structure and the production facilities.

In 2018, we entered the CSU market through two large acquisitions with activities in Germany, Switzerland, and Poland. The addition of the CSU business has proven to be a successful expansion under the "Partners in Wall Building" value proposition and has provided a diversified market exposure as CSU is more focused towards the high-rise segment.

Since then, we have completed several value-adding acquisitions and in 2021, we acquired one aircrete factory located in Feuchtwangen in Bavaria, Germany, and announced the acquisition of 52.5% of the shares in DOMAPOR Baustoffwerke GmbH & Co. KG ("DOMAPOR"), a German manufacturer of aircrete and calcium silicate blocks located in Mecklenburg-West Pomerania. The acquisition closed in late-December 2021, upon which H+H obtained control of the business in an all-cash transaction.

While the strategic focus to a larger extent will be directed towards optimising the operational setup and driving organic growth, we maintain a pipeline of potential acquisition targets and may pursue any of these should they add value to our existing operations. We may therefore continue to engage in bolt-on acquisitions of targets with attractive geographical locations and/or modern and well-run production facilities. We remain in a unique position to pursue further expansion of our German production footprint, as we have both the necessary financial strength and a proven track record of integration and restructuring from recent years' acquisitions.

Entrance into new markets
In parallel with the heightened focus on investments in organic growth, we may pursue further growth in the European wall-building materials markets.

We see relevant growth opportunities through expansion of activities into geographies with high levels of market penetration for AAC and CSU products. The market structures and associated risk profiles differs from market to market—particularly for AAC as the product

category has a global reach. We are continuously monitoring the situation and have the financial means to benefit from opportunities in creating market-leading positions should targets be available.

The expansion of our product offering with other wall-building materials may potentially also offer relevant growth opportunities. Certain wall-building materials have similar sales channels thereby offering potential synergies.

Also, innovation and sustainability will remain key factors in the pursuit of further organic growth opportunities. Development of products for energy renovation could provide a more diversified profile with potential sales into the market for renovation, modernisation and improvement ("RMI"). The European Union has proposed an alignment of the rules for the energy performance of buildings with the European Green Deal with the aim to decarbonise the EU's building stock by 2050.

This will facilitate the renovation of not only homes, but also schools, hospitals, offices and other buildings across Europe to reduce greenhouse-gas emissions. Our innovation efforts are aiming at tapping into this attractive growth avenue.

Differentiated market approach
We firmly believe that collaboration creates lasting value—both for the customers, suppliers and other stakeholders. By understanding our customers, their local needs and industry trends, we can help them

Current product portfolio

	Aircrete	Calcium silicate	Other wall-building materials
Central Western Europe	Optimise and build on current market position through continued optimisation of production platform via investments in organic growth combined and/or further acquisitions		Explore acquisitive growth opportunities within new product segments through acquisitions and/or continued focus on innovation to further complement the value proposition. Feasible roadmap to market-leading position must be available
The United Kingdom	Maintain market-leading position through continued optimisation of production platform and investments in organic growth		
Poland	Continue to harvest synergies from the recent years' acquisitions to further optimise and build on market position and strengthen resilience of Polish white-stone business. This is to be combined with investments into organic growth and/or further acquisitions.		
Other geographies not in current footprint	Explore acquisitive growth opportunities in countries adjacent to current geographical footprint to further complement the value proposition. Feasible roadmap to market-leading position must be available		

overcome challenges, eliminate waste and manage complexities throughout the building process with the aim to build long-lasting sustainable homes. We strive to be the ideal partner and a one-stop-shop for every wall-building project, while also assisting in optimising the building process and the carbon emissions from a life-time perspective.

Our value proposition is to be a trusted partner to all customers across our markets, aiming to add value at every stage of the building process. We are constantly striving to find new ways to improve our products and building concepts to make building better, easier and more efficient to everyone involved—from sourcing and production to distribution and building sites.

Finally, we are the first company in the white-stone industry to have science-based targets for reduction of carbon emissions in line with the Paris Agreement. With tightening building regulations, our partners are assured that we have the aspiration—and tangible plans—for how to play an active role in the sustainable transformation of the industry.

Continuous expansion and optimisation of production network

The markets in which we operate hold attractive growth opportunities due to unique macroeconomic conditions, and we have a strong track record as a market consolidator. Generally, and as previously communicated, the European housing markets are still expected to continue growing, supported by the longer-term effects of a structural undersupply of housing, demographic growth and urbanisation. We remain strongly positioned to take advantage of these longer-term trends and will be investing in further enhancing our position over the coming years.

Following the successful consolidation of the German and Polish white-stone markets, which has formed a solid platform for continued growth and long-term value creation, we will to a larger degree focus our strategic efforts on optimising and strengthening our production platform. This may be done via investments in optimising the existing factory network allowing for further efficiency gains, investments in additional capacity and a continued focus on innovation and sustainability.

Our Continuous Improvement ("CI") programme has shown good results since its introduction in 2019. The programme is a long-term commitment to deliver sustainable margin improvements and during 2021, we maintained our focus on improving energy efficiency, improving raw-materials consumption, reducing waste and increasing factory up-time across our footprint. During 2021, we have implemented a structured Group-wide programme to drive CI, which has led to a strengthening of the CI organisation, as well as a formal training and education programme for all levels in the production organisation. The improvement programme has been aligned with and is supported by our strategic upgrades to specific plants in Poland and Germany.

We also see great potential in the British 'Modern Methods of Construction' ("MMC") initiative, including marketing of our pre-cast wall-panel solutions (i.e., storey-height aircrete panels) to the British market as well as a continued focus on the marketing of our thin-joint masonry solutions, where mortar is replaced by glue, thereby creating a thinner joint between the individual blocks which results in faster laying and improved productivity. Both solutions provide improved efficiency at the constructions sites, but are also expected to result in incremental sales volumes for H+H.

The addition of capacity through the construction of new factories or the expansion of existing production facilities will also be within our strategic scope. The expansion of our AAC factory in Reda in Poland with a new CSU production line is already well underway with expected completion in mid-2022. Further, the German and British Governments have recently been voicing their ambitions to build more homes and have over the recent years launched stimuli programmes to support their respective targeted numbers of annual dwellings.

These ambitions are expected to drive incremental demand, and because the Northern and Central European white-stone industry is already characterised by capacity constraints, the addition of capacity in especially the UK market may provide attractive longer-term growth opportunities for H+H. However, we maintain our view that firm commitment and concrete roadmaps from the British Government and customers would be a prerequisite for significant additions of capacity.

Defending margins and maintaining attractive returns

In recent years, we have benefitted from strong market conditions and through commercial excellence, we have utilised the increase in house-building activity and have harvested synergies from acquisitions to deliver consistently high organic-growth rates. Further, the combined product portfolio with AAC and CSU has proven to be a strong combination.

In times of increased pressure from supply shortages and focus on reliable, effective processes—such as logistics—are key. By combining the right set of skills, the right IT solutions and the right partners, the logistics solution can become a differentiator in the marketplace. As we have grown, the production footprint and network of logistics partners have increased as well. We aim to deliver top-of-the-class solutions at the right place and time, and due to our size, we can benefit from a more efficient setup.

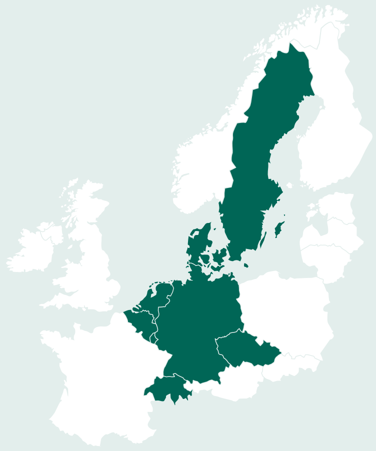
Following a strengthening of the procurement function over the recent years, we have created a platform of consolidated buying positions in Germany and Poland has benefitted from improved procurement processes in all regions. The company-wide Category Management approach is expected to enable us to leverage our increased size, and will remain a key focus going forward.

As an increasing input-cost pressure and higher transport costs are expected for the near term, as well as longer-term effects from the increasing cost of emissions allowances on cement-based products, we will continue to follow a lean manufacturing approach to improve manufacturing efficiency and effectiveness. The continuous improvements in the production process will enable increased factory output and in combination with the other initiatives, this has partly offset cost inflation in several areas. This has been complemented by targeted capital investments to improve reliability, throughput and quality across the manufacturing network. During 2021, we have continued our efforts with increased focus on energy savings, productivity increases and savings on raw materials where possible. These initiatives will continue in 2022.

Our geographical footprint

We have a diversified geographical footprint with our activities spread across three core regions, namely the Central Western Europe region (comprising Germany, the Nordics, the Benelux countries, the Czech Republic and Switzerland), the United Kingdom and Poland.

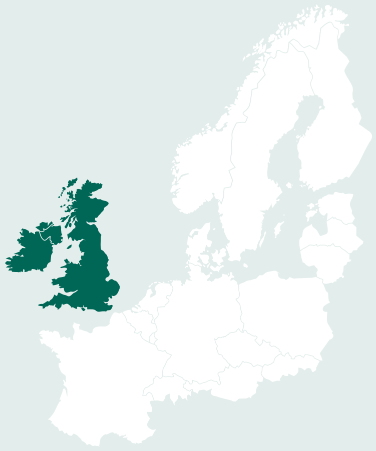
We have a leading position in most of our markets with solid market shares and strong customer relationships.



Central Western Europe

Share of Group revenue in 2021
(DKKm)

46%



The United Kingdom

Share of Group revenue in 2021
(DKKm)

29%

Poland

Share of Group revenue in 2021
(DKKm)

25%

Central Western Europe

2021 was another solid year for the Central Western Europe in which we continued to see the benefits from our efforts to consolidate the German white-stone markets. These efforts continued in 2021 with the acquisitions of two additional factories which will serve as an important expansion of our German factory network.

1,399
2021 revenue, DKKm

15
Factories

~13%
CSU market share[1]

6%
2021 organic growth

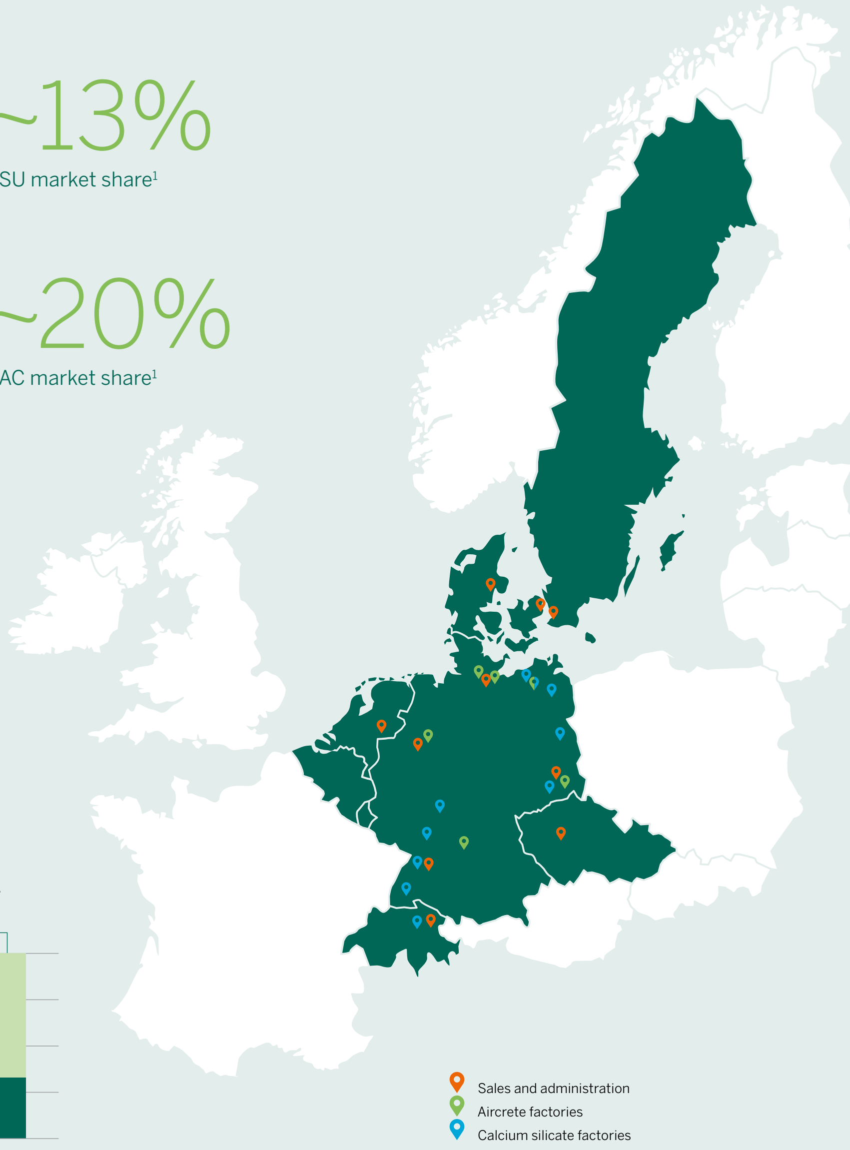
644
Employees

~20%
AAC market share[1]

[1] Germany only

Revenue and Organic growth

Market penetration



Germany

Market conditions and trends
While the Covid-19 pandemic continues to weigh on economic activity, the German economy remains solid and is projected to grow by around 3% in 2021, compared to a contraction of 5% in 2020, and is expected to return to pre-pandemic levels in 2022[1]. Further, unemployment rates are declining and investment levels are solid, underpinned by low interest rates[2], which all in all offer favourable conditions for continued high activity in the construction industry.

The country continues to experience a significant lack of housing space—especially in the larger cities—driven by a growing number of smaller households as well as current migration trends. The newly elected German Government appears committed to address this issue and increase the annual housing output. The Government has recently upgraded the target for number of dwellings to 400,000 per year—of which 100,000 are to be publicly subsidised—which represents an increase of approximately 50,000 dwellings from the previous target and is between 80,000 and 100,000 more dwellings than the construction sector is currently managing to complete.

The number of building permits for new buildings issued in 2021 increased by approximately 5% year-on-year. However, due to the continued lack of installation capacity and shortages of available land, the number of issued permits has consistently outnumbered completions of new buildings. This has caused the order backlogs among housebuilders to grow considerably over the recent years, and the backlog of permitted dwellings which have not been completed totalled almost 780,000 dwellings at the beginning of 2021[3].

Generally, the German construction industry has for a long period been suffering from a significant shortage of skilled labour, which creates certain bottlenecks that point to a continued need for increasing productivity in the construction industry through both product innovation and partnerships models, such as our Partners in Wall Building approach, aimed at increased efficiency at the building sites.

Over the recent years, efforts have been made to counter the structural undersupply of housing through incentives to homeowners and stimuli programmes targeting the 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.

Key developments in 2021
In the early months of the year, Germany was faced with very harsh winter weather which adversely impacted construction activity due to very low temperatures and several days with snowfall. As the weather conditions improved, activity quickly recovered and demand for our products picked up significantly.

[1] OECD Economic Outlook, Volume 2021 Issue 2: Preliminary version © OECD 2021
[2] Deutsche Bundesbank Monthly Report December 2021
[3] Statistisches Bundesamt (Destatis) 2021

Overall capacity utilisation for the building-materials industry is high, but there is spare capacity available through the activation of additional working shifts at the factories to meet any regional peaks in demand. There were only minor capacity expansions in the AAC industry during 2021 with regional impacts to pricing. Overall, pricing in both product segments continues to follow positive trajectories.

During 2021 we performed certain planned upgrades and maintenance at two of our German factories, which resulted in temporary relatively lower production output from the factories in the period. These upgrades further resulted in temporary increased transport costs as we had to ship products from other production facilities over longer distances.

We closed two additional acquisitions in Germany during the year, which will further strengthen our German footprint and provide important capacity as we plan to perform certain upgrades to our German factory network in 2022. Once the two new factories have been integrated into our German factory network, we see a clear path towards our initial target of a market share of at least 20% in the German AAC markets, and we are on track to more than triple our German white-stone business compared with 2017 production figures.

For 2022, we are planning a number of larger upgrades at our Wittenborn factory in the northern part of Germany. Upon completion of the upgrades, the Wittenborn factory will be a state-of-the-art facility, both from a production perspective as well as from an ESG perspective. This means that while the factory will be temporarily closed down for a period of 2022, the upgrades are of key strategic importance, and they will carry long-term value for H+H.

Other markets

Activity within the Danish construction industry increased significantly during 2021 driven by high demand and several political initiatives introduced as a response to the Covid-19 pandemic[4]. In combination with a general shortage of certain raw materials and qualified labour, the phasing out of these initiatives are expected to lead to a more normalised level for Danish construction in 2022.

In Sweden, easing of restrictions related to the Covid-19 pandemic have helped the economy pick up significantly during the second half of the year. While the country faces certain issues related to transport and logistics as well as a general shortage of materials, low unemployment and increases in wages bode well for continued strong investments in housing and construction[5].

The Czech Republic was added to our geographical footprint in 2019 through the acquisition of the majority share position in Baustoffwerke Dresden GmbH & Co. KG ("BWD"). Currently, we only have a single sales office in the country, but the market is showing positive signs and demand for our products has recently been strong.

The outlook for the Benelux countries remains positive. Solid GDP-growth rates are expected for 2022 following sharp declines on the back of the Covid-19 pandemic[6]. Over the recent years, the number of building permits issued has been steadily increasing, underpinning the positive demand outlook.

Finally, the Swiss economy is also recovering following the downturn caused by the Covid-19 pandemic, albeit at slightly lower rates than previously as supply bottlenecks and Covid-19 restrictions are putting a strain on economic growth[7]. Growth in the construction industry has over the recent years been stable, but moderate. H+H maintains a market-leading position in CSU.

Germany's target for annual number of dwellings

400,000

Year-on-year increase in number of issued permits

5%

Backlog of permitted dwellings awaiting completion

780,000

[4] Construction Prognosis Fall 2021, Confederation of Danish Industry, November 2021
[5] The Swedish Economy September 2021, The National Institute of Economic Research (NIER)
[6] CPB Netherland Bureau for Economic Policy Analysis, September 2021 and National Bank Belgium, June 2021
[7] Staatssekretariat für Wirtschaft (SECO), Konjunkturprognose Winter 2021/2022

The United Kingdom

2021 was a very strong year for the British construction industry with activity levels exceeding those of the record year of 2019. The high activity was in part driven by the shorter-term government stimuli programmes, but the longer-term prospects for the industry are strong.

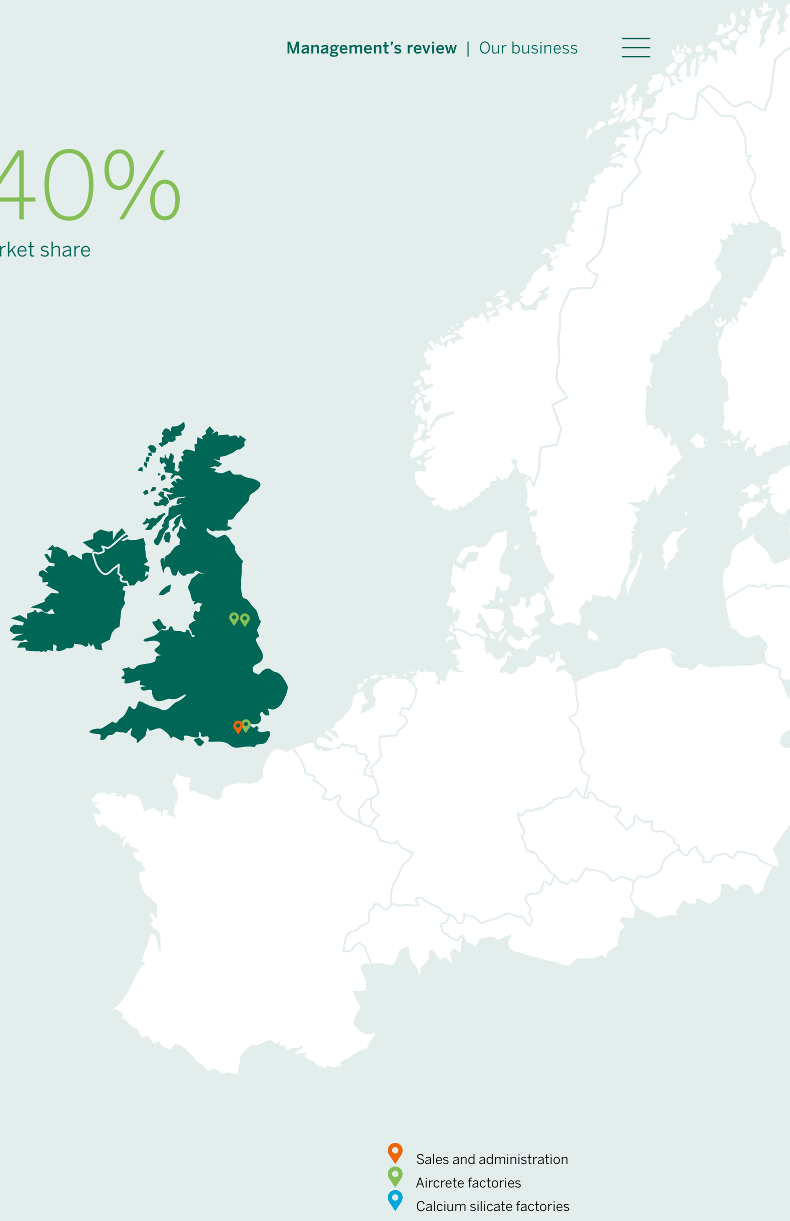
884
2021 revenue, DKKm

3
Factories

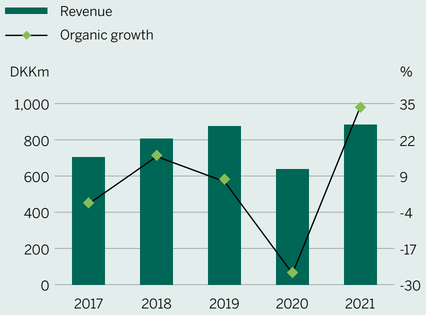
>40%
AAC market share

34%
2021 organic growth

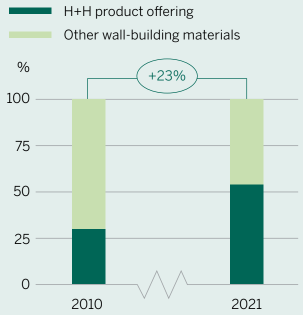
243
Employees



Revenue and Organic growth



Market penetration



Market conditions and trends
Despite uncertainties resulting from the ongoing Covid-19 pandemic, the British economy looks set to return to pre-pandemic levels in early-2022[1]. Emerging evidence suggests that the labour market recovery has not been set back by the expiry of the furlough scheme and various indicators and surveys suggest that most of the workers still on furlough at the end of September 2021 remain in employment[2].
Further, interest rates remain at historically low levels[3], boding well for the longer-term prospects of the British housing markets, but we are closely monitoring the situation.

It is projected that there will be 3.7 million new households in the next 25 years[4] which highlights the need for increasing the British housing stock through the construction of new homes. The British Government recently reiterated its target to increase housing output to 300,000 new homes per year and to deliver one million homes by 2024 to address the challenges from the structural undersupply of housing that the country has faced for several years[5]. In 2019, a total of 244,000 dwellings were added, representing the highest level in more than 30 year but still around 19% short of the Government's target.

While the Government's target may form a part of the solution to the country's housing issues, certain barriers, including a significant shortage of skilled labour and the lack of suitable land, may need to be addressed if this target is to be met. The Government has implemented initiatives to address these challenges, including providing financial incentives to employers and encouraging local authorities to redevelop brownfield land, but the effects of these initiatives appear insufficient.

Further, the challenges arising from an ageing workforce, societal changes increasingly acting against construction in the race for talented employees, and the added geo-political pressures of Brexit impacting labour security, is forcing the construction industry to modernise. The British Government is therefore encouraging builders to implement Modern Methods of Construction ("MMC"), which use a combination of offsite manufacturing, onsite techniques and innovative technologies to produce homes more quickly than traditional housebuilding methods. For H+H, this will include the continued marketing of our pre-cast wall-panel solutions (i.e., storey-height aircrete panels) and of our thin-joint masonry solutions to the British market—both of which will provide improved efficiency at the construction sites. We are already seeing solid customer interest in these products, and we expect this trend to continue in the coming year.

Key developments in 2021
Following the downturn in 2020 caused by the Covid-19 pandemic, which resulted in a three-month national lock down of the British construction industry, housebuilders swiftly restarted operations and ramped-up their activity. This resulted in a significant uptick in demand for building materials, and our operations were put under severe pressure to make up for the production lost during the lock-down period.

Throughout 2021 the private housing market showed continued high levels of activity, driven in part by the general shortage of housing but also by the trend of relocations to larger properties outside the big cities.

The demand pressure continued throughout 2021, and our production was adjusted at our factories by producing certain types of products at certain factories optimising our service of customer needs. These adjustments temporarily increased transport costs with products shipped from sub-optimal locations.

Aircrete continues to show increasing levels of market penetration, as the growth in the building industry has primarily been driven by an increasing demand for larger, detached houses—which require higher volumes of aircrete—rather than for flats. Additional penetration is driven by aircrete being used below the ground as foundation blocks as well as increasing volumes of aircrete being used in the affordable housing sector.

As has been seen over the recent years and driven by increasing demand for our product range and the general market growth, we have increased our sales volumes per dwelling at the expense of alternative products, such as dense blocks, wood-frame solutions, and stud walls. Historically, this increased demand has been met by capacity expansions by both H+H and our competitors, and we see potential opportunity to further increase our UK capacity further. This opportunity is further underpinned by the trends seen around MMC, which are expected to drive incremental volumes for H+H. However, we maintain our view that firm commitments and roadmaps outlining specific initiatives for increasing the annual housing output would be a prerequisite for added capacity.

The United Kingdom's target for annual number of dwellings

300,000

Year-on-year increase in number of issued permits for the year ended 30 September 2021

8%

The projected number of new households for the coming 25 years

3.7 million

1 OECD Economic Outlook, Volume 2021 Issue 2: Preliminary version © OECD 2021
2 PwC UK Economic Outlook, December 2021
3 Bank of England
4 Office for National Statistics, 'Household projections for England' (29 June 2020)
5 Ministry of Housing, Communities & Local Government (MHCLG) – Written evidence (UKH0042)

Poland

2021 showed very high activity in the Polish construction markets which translated into strong demand for our AAC and CSU products. We continue to benefit from the market consolidation achieved in 2018 with positive impact on both pricing and sourcing of materials.

737
2021 revenue, DKKm

13
Factories

20-25%
AAC market share

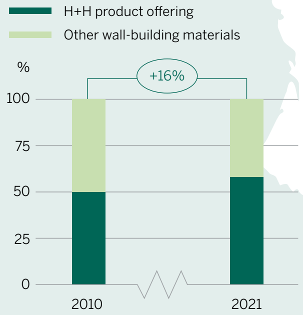
6%
2021 organic growth

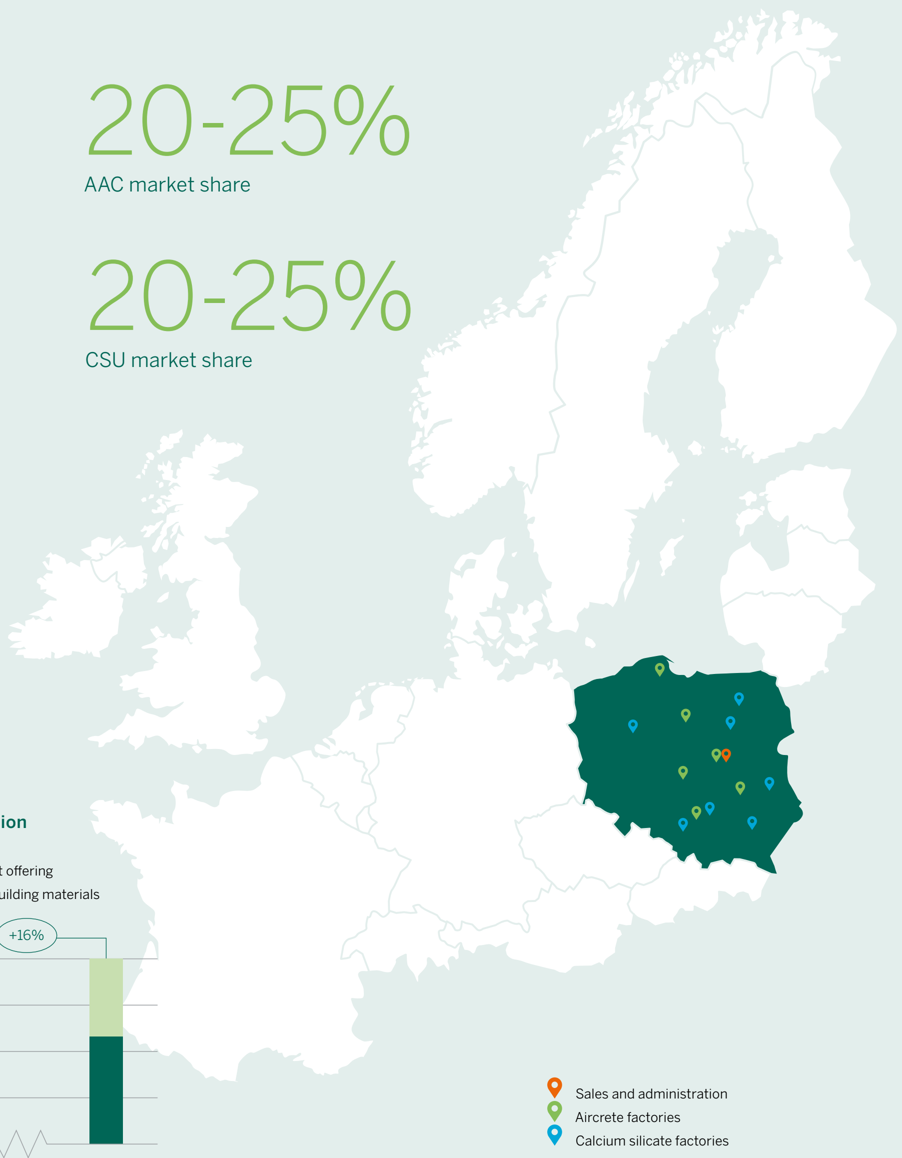
776
Employees

20-25%
CSU market share

Revenue and Organic growth

Market penetration





Market conditions and trends

Following a strong rebound from the pandemic, the Polish economy grew by 3% in the first half of 2021 and has already surpassed pre-pandemic levels with full-year 2021 growth estimated at more than 5%[1]. Consumption and investments are expected to drive a trend of continued growth and the Polish economy is expected to grow by a further 5% in 2022[2]. Unemployment peaked in the first quarter of 2021 but has since come down to an unemployment rate which is in line with, or even slightly below, pre-pandemic levels[3]. Interest rates were relatively low throughout 2021 but has since come up to a more normalised level. However, in a historical context, interest rates remain relatively low and thus offer favourable conditions for further investments in the housing sector[4].

The Polish construction market has always been highly cyclical, and the swift recovery of the Polish economy has coincided with a strong pick-up in construction activity, which has caused some inflationary pressure. However, despite construction-materials prices escalating, the Polish construction industry presses on and has registered a 24% year-on-year increase in the number of dwellings started during the year, with the number of dwellings started for individual investors and developers increasing by 18% and 28%, respectively[5].

The number of building permits issued in 2021 increased by approximately 23% year-on-year, with the number of permits issued for individual investors and developers increasing by 21% and 24%, respectively. It is estimated that the number of started dwellings will decline in 2022, but to a level which is still considerably ahead of historical averages[6], thus providing a continued positive outlook for the activity in the Polish construction markets.

Since 2013, the number of building permits has consistently outnumbered completions, thus creating a significant construction backlog. In the long term, factors such as shortage of skilled labour, an ageing workforce, and a lack of new apprentices are expected to become more apparent and will only add to this issue. In addition, the easing of travel restrictions will likely drive migration of skilled Polish labourers to the surrounding countries. These trends point to a continued need for increasing productivity in the construction industry through both product innovation and partnerships models, such as our Partners in Wall Building approach, aimed at increased efficiency at the building sites.

Key developments in 2021

In the early months of the year, Poland was faced with very harsh winter weather which adversely impacted construction activity due to very low temperatures and several days with snowfall. As the weather conditions improved, activity quickly recovered and demand for our products picked up significantly.

The high demand continued throughout 2021 but has been stabilising towards the end of the year. The outlook does however remain strong, underpinned by the high number of building permits issued and the number of dwellings started, which should support continued high activity in the coming year.

Following the opening of a new factory near Warsaw in 2020 by a competitor, CSU prices rapidly declined and continued this trend into the early months of 2021. Since then, prices have recovered and are now back at levels close to the 2019-high, with further increases expected for 2022. While price increases are being observed, the situation is fragile as additional capacity may still be introduced in the Polish CSU market.

In the AAC market, pricing continues its positive trajectory due to the strong demand and the moderately-less competitively sensitive environment compared to that of the CSU market.

During 2021, we restarted the expansion of our Reda AAC factory in the northern part of Poland with the construction of a new CSU production line and the work is progressing well. The factory will be the first factory in Poland capable of producing both AAC and CSU. Further, the geographical location of the factory is attractive, as it is situated close to the tri-city area of Gdańsk, Sopot and Gdynia and the competition in this area is relatively less fierce than in Central Poland.

Production start-up from the new CSU production line at the Reda factory is expected for Q3 2022, with an initial capacity of 60,000 m^3 annually in phase one, corresponding to approximately 3% of the Polish CSU market, which later can be increased to around 100,000 m^3 annually. Given the high demand and the positive outlook for the Polish construction markets, we firmly believe that the market will be able to absorb this additional capacity.

Year-on-year increase in number of issued permits

23%

Year-on-year increase in number of started dwellings

24%

Projected economic growth for 2021

5%

[1] OECD Economic Outlook, Volume 2021 Issue 2: Preliminary version © OECD 2021
[2] OECD Economic Outlook, Volume 2021 Issue 2: Preliminary version © OECD 2021
[3] Statistics Poland
[4] National Bank of Poland
[5] Statistics Poland
[6] SPECTIS

Financial policy and capital allocation

Financial policy
The overall objective of H+H's financial policy is to ensure sufficient financial flexibility to meet the Group's strategic objectives and a robust capital structure to maximise the return for H+H's shareholders.

The long-term target (i.e., through a business cycle) for the financial gearing ratio is 1-2 times EBITDA before special items. The ratio may exceed this level from time to time following certain significant acquisitions.

Capital allocation priorities
Our free cash-flow allocation priorities are unchanged from previous years:

1. Repayment of net interest-bearing debt in periods when the financial gearing ratio is above the long-term target range;
2. Pursue value-adding investments in the form of bolt-on acquisitions or development of the existing business; and
3. Distribution of capital to the shareholders by means of share buy-backs and/or dividends.

Value-adding investments
We actively participate in the consolidation of the fragmented European white-stone market and have created substantial shareholder value through acquisitions over the recent years. Since 2014, we have acquired a total of 24 factories, adding more than DKK 450 million in annual EBITDA from around DKK 1,400 million in total M&A investments over the period.

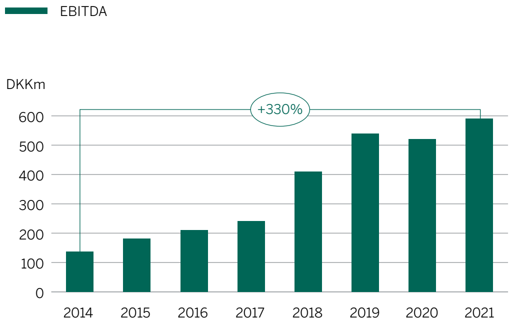
During 2021, we made two additional acquisitions in Germany, with the acquisition of one AAC factory in Feuchtwangen and 52.5% of the shares in DOMAPOR Baustoffwerke GmbH & Co. KG, a German manufacturer of both AAC and CSU products located in Hohen Wangelin.

Since the introduction of the current growth strategy in 2014, We have been able to create an increasing return on invested capital ("ROIC") over time. We will continue to pursue opportunities to restructure and consolidate in our core markets.

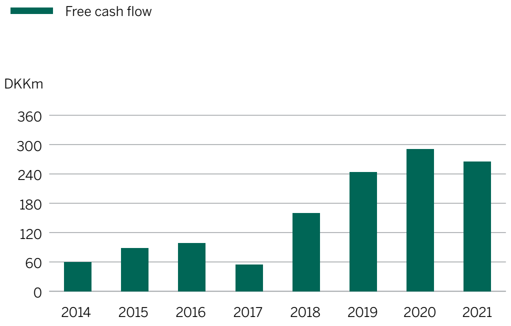
We will pursue further growth in the European markets. Entering new markets may include countries adjacent to the already-existing geographies, as well as the addition of new products under the value proposition, Partners in Wall Building.

Distribution of capital to shareholders
Supported by the continued strong earnings and free cash-flow generation, which has resulted in a financial gearing comfortably below the Group's long-term target of 1-2x EBITDA, the Board of Directors has decided to initiate a share buy-back programme of up to DKK 150 million. Please refer to Company Announcement no. 469 of 3 March 2022 for more information.

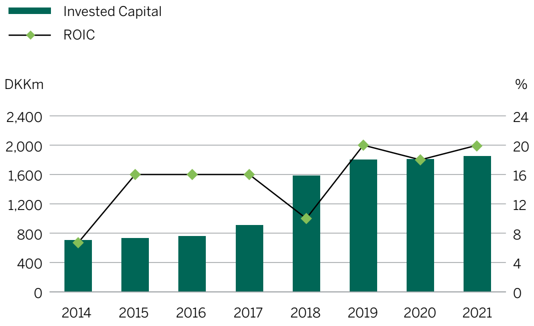
Annual EBITDA(1)



Free cash flow, excluding M&A²



Invested Capital and Return on Invested Capital (ROIC)³



(1) Before special items (2) Free cash flow, excluding M&A has been pro-forma adjusted for build-up of inventory related to the updgrade of the Burough Green factory, which adversly impacted free cash flow by DKK 81 million in 2017 and positively impacted free cash flow by DKK 76 million in 2018 (3) In 2018, ROIC was negatively impacted by a one-off related to the acquisition and integration of the German and Polish businesses and impairment of fixed assets in Russia. Adjusted for these items, ROIC in 2018 would have been 17%

SUSTAINABILITY

H+H's sustainability strategy

Sustainability is a strategic enabler of growth for H+H. Buildings are a significant source of energy consumption and greenhouse-gas emissions (“GHG”) that cause climate change. Hence, building materials, such as our AAC and CSU products, are well positioned for long-term growth as they ensure energy-efficient buildings and help to reduce the life-cycle emissions of buildings.

Our Sustainability Strategy was updated in 2020 and is based on seizing the opportunity for growth in sustainable building materials, while mitigating the environmental, social and governance risks that are present in its products and operations.

To support this, we have set a ten-year science-based target to decarbonise our operations and reduce the carbon intensity of our AAC and CSU products. We have also committed to achieving net-zero emissions in our products and operations by 2050. Details on H+H GHG emissions and our science-based target are provided on the following page and more information is provided in our Sustainability Report for 2021.

H+H is also a signatory of the UN Global Compact and supports the UN SDGs. The SDGs that are strategically important to us are highlighted on this page and an index that references SDG links is provided throughout the Sustainability Report for 2021.

Sustainability report
www.hplush.com/sustainability-reports

H+H's science-based target

In 2021, H+H committed to an ambitious 1.5°C climate target and had our target validated by the Science Based Targets initiative. In doing so, we have become the first manufacturer of AAC and CSU and one of only six companies within the building-products sector in Europe to have a science-based targets approved in line with the 1.5-degree scenario.

H+H's commitments

- **H+H commits to reduce absolute Scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year.**
- **H+H also commits to reduce Scope 3 GHG emissions 22% per m3 by 2030 from a 2019 base year.**

Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement—limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

H+H's science-based target sets out the reductions that we will make as a company by 2030 in our Scope 1, 2 and 3 greenhouse gas emissions and aligns H+H to the Paris Agreement and to the EU's climate goals.

The ten-year science-based target builds on the product life-cycle analysis ("LCA") that we undertook in 2020 on our AAC and CSU products—the two main building materials manufactured and supplied by H+H.

The LCA underpins H+H's commitment to achieving net-zero emissions in our operations and products by 2050.

Taken together, the science-based target and the commitment to net-zero emissions by 2050 provide H+H with a strong foundation to reduce emissions. The levers by which we will achieve these reductions are discussed in the Sustainable Buildings and Climate and Environment sections of this report.

Implementing the GHG protocol

As part of the science-based target setting process, H+H undertook a detailed mapping of our GHG emissions in accordance with the GHG Protocol. This included enhancements to the methodology as well as setting a recalculation policy and has led to adjustments to the 2019 base year GHG emissions that were previously reported.

H+H's carbon footprint

H+H's emissions amounted to approximately 913,000 tonnes of CO_2e in 2019. In accordance with the GHG Protocol, these are divided into three scopes:

1. **Scope 1** emissions are those that we as a company can directly influence through our own operations—such as emissions produced in H+H's factories.

2. **Scope 2** emissions are indirect emissions from operations, such as production of electricity and heat elsewhere.

3. **Scope 3** emissions are indirect, and are largely driven by the manufacturers of the cement and lime which is purchased by H+H.

Direct emissions from H+H's operations account for about 25% of H+H's carbon footprint, with about 75% of these emissions generated by the use of coal, oil, steam, and gas in our factories.

About 75% of the emissions in H+H's carbon footprint are generated elsewhere along the value chain. The majority of these emissions (approximately 95%) are generated upstream by cement and lime manufacturers as a result of the chemical reaction that occurs when carbon is removed from limestone as it is heated to produce clinker for cement or lime. The CO_2 released is an unavoidable consequence of this reaction, as the limestone has absorbed CO_2 during its formation.

PEOPLE

People are at the heart of H+H

The health and safety of all our staff, suppliers, service providers, and customers is our primary focus which will never be compromised as we strive towards zero harm.

We value our workforce, recognise the advantages of diversity and believe in the equality of people. Empowered by a culture built on collaboration and trust, we provide development opportunities which enable our employees to reach their potential and deliver this as a competitive advantage to our customers.

Organisation and people

Organisation
H+H is structured into three core regions—Central Western Europe, the United Kingdom, and Poland. Headquartered in Copenhagen, H+H employs 1,663 people from more than ten different nationalities. We believe that having a lean HQ and decentralised management structure empower and enable our regional management teams to act quickly and take on the challenges in their respective areas.

Our regional set-up was initiated in 2020 and was further strengthened with the restructuring of the Central Western Europe region, which now oversees production, sales and administration in Belgium, the Czech Republic, Denmark, Germany, the Netherlands, Sweden and Switzerland. Consequently, a key focus for 2021 has been the implementation of the new organisational design and the integration of our latest acquisitions, and this focus will continue in 2022.

H+H behaviours
Launched in 2019, our HR strategy has taken the function on a journey from being purely administrative to creating value across the Group. This has been achieved through various activities, including HR talent upgrades, improvement of internal communication with local and Group-wide intranet sites, revising short and long-term incentives and the optimisation of HR processes to ensure that they are fit-for-purpose.

We consider continuous development of our employees' competencies and personal development as key to helping them realise their potential and ambitions to the benefit of both themselves and to H+H. By building on our organisational and leadership capabilities, we want to enable individuals, organisations and business environments to evolve while mitigating the change risks arising from the growing complexity in the world today.

To ensure this, 2021 saw the launch of the group-wide initiative 'H+H Behaviours', which aims to create a clear and shared understanding of which behaviours and competencies support our strategy and fuel performance. Various group workshops were held to determine the behaviours which will support us now and in the future. These were followed by regional workshops to ensure the local relevance of the behaviours and to discuss the need for expanding the selection in the region to align with their local strategies. The following Group-wide behaviours were selected:

- Strategic Mindset
- Instils Trust
- Builds Effective Teams
- Drives Results
- Customer Focus
- Action Oriented
- Collaborates

The behaviours have already been incorporated into certain of our people processes together with our corporate Purpose and Promises, and they will be further rolled out in 2022 with the implementation of a new Learning Management System across the Group and the launch of regional Employee Voices' teams, giving employees a chance to discuss and voice their opinions on how to integrate the behaviours in their daily work life.

Resourcing and succession planning

Resourcing and succession planning were key focus points in 2021 and will remain so in 2022. We want to attract, develop, motivate and retain talent, matching business needs now and ensuring fit for the future. We strive to become an employer of choice by providing a safe and attractive work environment while improving diversity and inclusion.

In 2021, we revisited and updated our Talent Management process, identifying and mapping critical roles and resources across the organisation to ensure that succession plans are in place for all roles and that all critical resources have a development plan.

The company is committed to providing equal opportunities in employment and always hiring the most qualified candidate for each of its recruitments—whether internal or external. We recognize the advantages of diversity, and we value and respect the varied backgrounds of our employees and the different experiences and skills they contribute with in terms of gender, nationality, and educational background.

In 2021, we have made strides towards more diversity in our regional management level while the general gender split across the Group remains at 15%. However, the proportion of women to men is higher at executive and middle-management levels and lower among production employees. At the annual general meeting in 2022, the Board of Directors will nominate a new candidate for the Board, which will increase diversity in terms of gender, nationalities and skills represented.

Absence reduction

The health and safety of our employees will always be our most important priority and managing absence is an essential part of managing health and wellbeing as well as developing and retaining an excellent workforce. Levels of absence vary from region to region and with functional department within the company. H+H has developed a common approach to all absences which is used across all regions. The aim is to ensure that all employees are supported throughout their absence, allowing them to return to work in a safe and controlled manner.

Targets for absence sickness have been set to deliver an absence rate of nine days per year on average in 2024, including absenteeism from long-term illness.

Diversity in leadership positions

Non-office workers	Women	Men	Total (∑)	Indicator (W/M)	Indicator (W/Total)
Germany	-	23	23	-	-
Poland	3	73	76	4%	4%
United Kingdom	-	2	2	-	-
Total	**3**	**98**	**101**	**3%**	**3%**

Office workers	Women	Men	Total (∑)	Indicator (W/M)	Indicator (W/Total)
Benelux	1	1	2	100%	50%
Czech Republic	-	1	1	-	-
Germany	13	34	47	38%	28%
H+H International	1	7	8	14%	13%
Nordics	3	3	6	100%	50%
Poland	15	37	52	41%	29%
Switzerland	-	1	1	-	-
United Kingdom	8	28	36	29%	22%
Total	**41**	**112**	**153**	**37%**	**27%**

Safety

We put safety first and strive for zero harm to our people, contractors, suppliers and customers.

H+H takes the management of safety risks inherent in the business very seriously and we continuously work to improve safety and health of our employees.

This approach is guided by H+H's Health and Safety Policy. In moving towards our Zero Harm ambition, we are embedding a culture of safety and applying our safety management system across all our operations. Near-miss reporting and root cause analysis are mandatory activities to continuously improve H+H's performance together with external and internal audits. All incidents are escalated to Group-management level for information and guidance purposes.

All H+H factories have an 18-month Safety Improvement Plan to drive the performance towards Zero Harm. We apply our safety management system across all acquisitions, and we are well-practiced in improving the safety culture and performance across locations that are new to the Group.

Local leaders are responsible for Health & Safety in their locations and are supported by safety officers and the Group Health & Safety leadership team. The leadership team is headed by our Group Chief Operating Officer. Maintaining a robust safety culture is a continuous focus for all levels of management.

Covid-19 response

Covid-19 has continued to exert an influence on the business in 2021. All our factories remained open in the year, with the company maintaining best-practice hygiene procedures and social distancing as defined by the relevant government guidelines. A close monitor was kept on any positive cases in the workforce, resulting in all close contact colleagues isolating and testing until proven negative to minimise any risk to all other employees. This included contractors working within our facilities. Whilst Covid-19-related isolations did have some impact on project delivery, all facilities were kept open and producing throughout the year.

As part of our efforts to manage the effects of the pandemic, we have also put additional emphasis on mental health across the Group, with various initiatives and campaigns depending on what was found to be most locally relevant.

H+H SHIELD campaign

Like all industries, we know our business comes with risks and along with other companies in our industry, we have seen terrible injuries and even fatalities in the past. All of these have been avoidable and we strive to never repeat these ever again.

The H+H SHIELD campaign—which stands for "Safety and Health in Every Level and Department"—is supported by our unwavering commitment to ensure the health and safety of all our employees and stakeholders. The campaign is an initiative to improve our safety performance and introduces a clear and focused vision statement which embraces our safety vision, ambition, beliefs and commitment.

As part of the campaign, we have introduced a set of nine safety rules to apply across all company employment locations, which are used to drive a stronger safety culture across the H+H Group based on personal accountability and compliance with general rules and procedures.

1. When required, work with an authorised work permit
2. Make sure your workspace is clean, tidy and organised
3. Check and be sure the tools you are using are right for the job
4. Make sure moving machinery is guarded
5. Drive with care and consideration
6. Stop and Think
7. Always hold the handrail on stairs
8. Always make sure that equipment is isolated before work begins
9. Our **GOLDEN** rule: Stop work if conditions are dangerous or behaviours are unsafe.

Summary of strategic targets

Long-term targets

H+H commits to achieving net-zero emissions in our operations and products by

2050

EBIT-margin before special items

11%

14% in 2021

Return on invested capital

14%

20% in 2021

Financial gearing

Net interest-bearing debt to EBITDA before special items

1-2x

0.6x in 2021

Mid-term targets

H+H commits to reducing absolute Scope 1 and 2 greenhouse-gas emissions by

46%

by 2030 compared with 2019

H+H commits to reducing Scope 3 greenhouse-gas emissions by

22%

per kg CO_2e/m^3 by 2030 compared with 2019

Short-term targets

2022 organic growth

10% to 15%

2022 EBIT before special items, DKKm

420 to 500

- **We commit to reducing energy consumption per m^3 by 7% versus 2019 base line of 565 MJ per m^3 by 2024**
- **We commit to reducing water usage by 5% versus 2019 base line of 382 litres per m^3 by 2024**
- **We commit to achieving zero waste to landfill by 2024**
- **We commit to reducing lost-time-incidents frequency ("LTIF") to 3 by 2024**
- **We commit to reducing absenteeism through sickness to 9 days per annum by 2024**
- **We commit to improving gender diversity within the Board of Directors to minimum 25-40% of the under-represented gender by no later than the annual general meeting in 2023**

Note: The Group's long-term financial targets reflects the ambition to maintain average minimum levels through a full business cycle

PERFORMANCE

A WORD FROM THE CFO

Margin defence as a key driver in a demanding market

2021 was characterised by very high market activity following the swift recovery of the construction industry from the Covid-19 pandemic.

To service the high demand, global supply chains were put under pressure, resulting in cost inflation for transportation and certain raw materials. These factors have increased our exposure to both financial and operational risks, and mitigation of these risks have been a key theme all through the year. During 2021, we have heightened the focus on margin defence, enterprise risk management, and we have continued the strengthening of our systems and processes.

Firm pricing policy and cost control
2021 showed increasing costs for transport and energy, as well as for certain raw materials which were influenced by increasing costs for emission allowances on cement-based products. We have to a large extent been able to mitigate these cost increases through strong procurement efforts and solid hedging policies. Combined with high market activity, this allowed us to deliver the strongest financial result in the history of H+H and outperform our long-term financial targets.

As these trends of increasing cost are likely to continue, a key focus during the year has been to further strengthen the procurement processes and harvest efficiency gains in the production processes from our ongoing Continuous Improvement programme. In addition, the two acquisitions completed during 2021 will help mitigate the higher transport costs arising from having to deliver products from suboptimal production locations, as was seen in 2021.

Finally a continued firm discipline in sales pricing, including flexible pricing agreements with links to the increasing cost pressure from raw materials and energy, remains key to defend earnings margins.

Risk management as a strategic driver
Since 2020 our strategic focus and initiatives within Enterprise Risk Management ("ERM") have matured considerably and the ERM programme is now fully implemented and adopted across the organisation. During the year, we continued the maturity journey through further initiatives such as the implementation of control-monitoring systems and formalisation of a clearer link from ERM to insurance coverage. In the coming years, these important strategic efforts will support and help us navigate through changing market conditions.

Strengthening our systems and process platform
Our corporate IT function continues to drive our efforts to further strengthen the business processes and systems used across the organisation, support innovation and growth initiatives, as well as defending our business against IT-related threats. In 2021 we have successfully upgraded our ERP platform in the UK and the German AAC business to ensure further scalability, efficiencies, and standardised business processes. The Global Process Framework established in 2020 has been a key enabler in the roll-out of the platform. The framework allows us to align business processes across our operations around the upgraded ERP platform. In 2022 we will continue the roll-out of the upgraded ERP platform to the remaining parts of the organisation, thereby establishing the foundation for further use of technology to improve our competitiveness and service to our customers.

Strong cash generation for investments
During the year H+H generated the highest operational cash flow in company history. This allowed for further investments into our existing and new production sites, as well as the funding of the two acquisitions in Germany completed in 2021. It is key for H+H to have a strong and flexible capital structure which can support our continued growth journey as well as investments into further efficiency and capacity gains. Investments in improving the sustainability aspects of our production and business will also be of the utmost importance in the coming years. Sustainability will be a common denominator and a driving force in our strategic initiatives to realise continued growth over the coming years and to meet our long-term financial targets for earnings, financial leverage, and ROIC.

Peter Klovgaard-Jørgensen
Chief Financial Officer

Full year 2021 financial review

Income statement

Revenue
Total revenue increased by 14% to DKK 3,020 million in 2021 compared to DKK 2,654 million in 2020. Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") was 13% in 2021 compared to negative 6% in 2020.

The organic growth of 13% was primarily driven by a recovery of the UK market following the national lockdown in 2020 as a response to the Covid-19 pandemic. Excluding the UK, organic growth was 6% driven by strong demand and sales-price increases, especially in the Central Western Europe region.

Revenue in Central Western Europe amounted to DKK 1,399 million compared to DKK 1,299 million in 2020. Organic growth was 6%, mainly driven by higher sales prices in both product categories, but partly offset by lower sales volumes.

Revenue in the UK amounted to DKK 884 million compared to DKK 639 million in 2020. Organic growth was positive 34%, mainly due to higher sales volumes and to a lesser extent due to higher sales prices.

Revenue in Poland was DKK 737 million compared to DKK 716 million in 2020 driven by both higher volumes and higher sales prices. Organic growth was 6%, mainly driven by higher sales prices for AAC and higher volumes for CSU, partly offset by lower CSU sales prices.

Of the total revenue of DKK 3,020 million, AAC accounted for 71%, while CSU accounted for 29%. The corresponding figures for 2020 were a total revenue of DKK 2,654 and a split of 68% and 32% for AAC and CSU, respectively. The year-on-year change is mainly a result of country mix.

Production costs
Production costs were adversely impacted by increasing prices for certain raw materials, mainly cement, limestone, timber, and plastic foil, as well as higher transport prices in the UK and Germany from a continued high demand causing shipment of products from sub-optimal locations.

During 2021 H+H has been conducting certain planned upgrades and maintenance at two of the factories in Germany, resulting in relatively lower production output from the factories in the period. The upgrades have also resulted in increased transport costs as H+H has had to ship products from other production facilities and often over longer distances.

Gross profit before special items
Gross profit before special items increased by 8% to DKK 905 million in 2021, compared to DKK 836 million in 2020, corresponding to a gross margin before special items of 30% compared to 31% in 2020. The gross margin was adversely impacted by higher transport costs and to a lesser extent higher production cost.

Gross profit in the AAC business was DKK 660 million, corresponding to a gross margin of 31%. Gross profit in the CSU business was DKK 245 million, corresponding to a gross margin of 28%.

EBITDA before special items
EBITDA before special items increased by 13% to DKK 591 million, compared with DKK 521 million in 2020, corresponding to an EBITDA margin before special items of 20%, on par with 2020.

Depreciation and amortisation
Depreciation and amortisation amounted to DKK 183 million against DKK 189 million in 2020.

EBIT before special items
EBIT before special items increased by 23% to DKK 408 million in 2021 compared to DKK 332 million in 2020, corresponding to an EBIT margin before special items of 14% compared to 13% in 2020.

Special items
Special items for 2021 were negative DKK 31 million, compared to DKK 0 million in 2020. Special items primarily relate to the acquisitions completed in 2021 and comprise integration costs of DKK 11 million, transaction and restructuring costs of DKK 13 million, as well as a write-down of DKK 7 million related to strategic replacement of the autoclaves in the Wittenborn factory in Germany planned for 2022.

Recognition of special items has affected the following financial statement lines of the income statement: Cost of goods sold (DKK 11 million), Sales cost (DKK 4 million), Other operating income and costs (net DKK 9 million), and Depreciation and amortisation (DKK 7 million). Please refer to note 6 for more information.

EBIT
EBIT increased by 14% to DKK 377 million compared to DKK 332 million in 2020.

Net financials
Net financials totalled an expense of DKK 21 million in 2021 compared to an expense of DKK 25 million in 2020.

Profit before tax
Profit before tax increased by 16% to DKK 356 million compared to DKK 307 million in 2020.

Tax
Tax totalled an expense of DKK 35 million compared to an expense of DKK 56 million in 2020. The relatively lower tax is driven by deferred tax adjustments related to acquired companies in prior years.

Profit for the period
Profit for the period totalled DKK 321 million compared to DKK 251 million in 2020, representing an increase of 28% year-on-year.

Profit for the period attributable to H+H International A/S's shareholders was DKK 310 million and DKK 11 million attributable to non-controlling interest. For 2020, the profit attributable to H+H International A/S's shareholders and to non-controlling interest was DKK 241 million and DKK 10 million, respectively.

Other comprehensive income
Other comprehensive income was positive DKK 45 million compared to negative DKK 137 million in 2020, mainly as a result of movements in losses on value adjustment of net pension obligations less deferred tax of DKK 125 million and foreign exchange less deferred tax of DKK 57 million. Please refer to the section "Statement of changes in equity" for further information.

Cash flow

Operating activities
Cash flow from operating activities increased by 7% to DKK 454 million, compared to DKK 425 million in 2020, primarily driven by higher EBITDA and positive working capital development partly offset by tax paid.

Investing activities
Cash flow from investing activities was DKK 427 million, compared with DKK 206 million in 2020. The year-on-year increase was mainly driven by acquisition of entities in 2021 totalling DKK 238 million compared to DKK 72 million in 2020.

Capital expenditures totalled DKK 197 million compared to DKK 134 million in 2020. The relatively higher level year-on-year was mainly a result of the resilience plans introduced in 2020, as a response to the Covid-19 pandemic, which included a postponement of the expansion of the Polish AAC factory in Reda with a new CSU production line to 2021.

Free cash flow
Free cash flow amounted to DKK 27 million, against DKK 219 million in 2020.

Financing activities
Cash flow from financing activities was negative DKK 25 million in 2021, compared to positive DKK 6 million in 2020. The development is primarily driven by the purchase of treasury shares of negative DKK 95 million partly offset by a change in borrowings of DKK 134 million.

Balance sheet

The balance sheet total on 31 December 2021 was DKK 3,400 million compared to DKK 2,909 million on 31 December 2020.

Financing
Net interest-bearing debt totalled DKK 350 million on 31 December 2021, an increase of DKK 120 million since 31 December 2020.

The increase in net interest-bearing debt since the beginning of the year was primary driven by the acquisition of enterprises, capital expenditures, and the purchase of treasury shares, partly offset by earnings for the period.

On 31 December 2021, financial gearing was 0.6x 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.

Net interest-bearing debt excluding leasing totalled DKK 244 million on 31 December 2021, corresponding to an unused committed bank facility of DKK 0.9 billion.

Equity
Equity increased by DKK 305 million in 2021.

Net gains recognised directly in equity comprise profit for the year of DKK 321 million, a value adjustment of pension obligations less deferred tax of DKK 36 million, and foreign exchange adjustments of investments in foreign entities of positive DKK 9 million.

Other changes to equity comprise recognition of non-controlling interests arising from the acquisition of the majority stake in DOMAPOR Baustoffwerke GmbH & Co. KG of DKK 38 million, dividend paid to non-controlling interests of DKK 10 million, recognised costs for share programmes of DKK 6 million, and the purchase of treasury shares of DKK 95 million. Refer to note 3 "Staff costs", note 19 "Share capital and treasury shares", note 20 "Pension obligations", and note 25 "Business combinations" for further information.

Equity attributable to H+H International A/S's shareholders and to non-controlling shareholders was DKK 1,704 million and DKK 110 million, respectively.

Return on invested capital (ROIC)
Return on invested capital was 20% compared to 18% in 2020.

Management review for the parent company

Profit for the year was DKK 267 million compared to DKK 118 million in 2020. The increase of DKK 149 million against last year is driven by dividend received in 2021 of DKK 280 million compared to DKK 124 million in 2020.

Events after the balance sheet date

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.

Q4 2021 key figures

Revenue
Total revenue increased by 14% to DKK 731 million in 2021 compared to DKK 642 million in 2020. Organic growth was 11% in 2021 compared to 4% in 2020.

The strong organic growth was mainly driven by higher volumes and sales prices in the Central Western Europe region and in Poland.

Gross profit before special items
Gross profit before special items was DKK 216 million compared to DKK 196 million in 2020, corresponding to a gross margin before special items of 30% and 31%, respectively.

The relatively lower gross margin year-on-year is mainly due to higher production costs, and to a lesser extent higher transport costs.

EBITDA before special items
EBITDA before special items increased by 11% to DKK 139 million compared to DKK 125 million in 2020, representing an EBITDA margin before special items of 19%, on par with 2020.

Depreciation and amortisation
Depreciation and amortisation amounted to DKK 45 million compared to DKK 51 million in 2020.

EBIT before special items
EBIT before special items increased by 27% from DKK 74 million to DKK 94 million in 2021, corresponding to an EBIT margin before special items of 13% compared to 12% in 2020.

Special items
Special items amounted to DKK 27 million, against DKK 0 million in Q4 2020.

Special items primarily relate to the acquisitions closed in 2021 and comprise integration costs as well as transaction and restructuring costs. Furthermore, special items also comprise a write-down related to strategic replacement of autoclaves in the Wittenborn factory in Germany planned for 2022.

EBIT
EBIT amounted to DKK 67 million compared to DKK 74 million in 2020.

Net financials
Net financials totalled an expense of DKK 5 million in 2021 compared to an expense of DKK 7 million in 2020.

Profit before tax
Profit before tax was DKK 62 million compared to DKK 67 million in 2020.

Tax
Tax totalled an income of DKK 29 million compared to an expense of DKK 1 million in 2020, mainly driven by an income related to adjustment of deferred tax related to acquired companies in prior years.

Profit for the period
Profit for the period was DKK 91 million compared to DKK 66 million in 2020.

Profit for the period is attributable to H+H International A/S's shareholders by DKK 83 million and to non-controlling interest by DKK 8 million. For 2020, profit was attributable to H+H International A/S's shareholders by DKK 61 million and to non-controlling interest by DKK 5 million.

Other comprehensive income
Other comprehensive income amounted to positive DKK 22 million compared to negative DKK 21 million in 2020, driven by actuarial gains net deferred tax of positive DKK 14 million in relation to pension obligations and foreign exchange adjustment related to foreign entities of positive DKK 8 million.

Cash flow

Operating activities
Cash flow from operating activities amounted to DKK 77 million compared to DKK 120 million in 2020, mainly driven by negative working-capital developments and tax paid for the period.

Investing activities
Cash flow from investing activities was negative by DKK 195 million, compared to negative DKK 67 million in 2020, mainly as a result of cash flow related to the acquisition of the majority stake in DOMAPOR Baustoffwerke GmbH & Co. KG totalling DKK 112 million.

Capital expenditures for 2021 amounted to DKK 92 million compared to DKK 69 million in 2020.

Free cash flow
Free cash flow was negative DKK 118 million compared to DKK 53 million in 2020 mainly as a result of the aforementioned acquisition.

Financing activities
Cash flow from financing activities was negative DKK 56 million, compared to negative DKK 38 million in 2020, primarily driven by change in borrowings, debt from acquisitions, and the purchase of treasury shares.

Q4 2021 results (unaudited)

(DKK million)	2021	Q4 2021	Group Q3 2021	Q2 2021	Q1 2021	2020	Q4 2020	Group Q3 2020	Q2 2020	Q1 2020
Income statement										
Revenue	3,020	731	811	836	642	2,654	642	712	596	704
Gross profit before special items	905	216	250	251	188	836	196	241	177	222
EBITDA before special items	591	139	171	172	109	521	125	162	104	130
EBIT before special items	408	94	125	125	64	332	74	116	57	85
Profit after tax for the period	321	91	88	93	49	251	66	83	38	64
Balance sheet										
Investments in property, plant and equipment	197	92	44	34	27	134	69	22	22	21
Cash flow										
Cash flow from operating activities	454	77	176	206	(5)	425	120	158	130	17
Cash flow from investing activities	(427)	(195)	(171)	(34)	(27)	(206)	(67)	(22)	(22)	(95)
Cash flow from financing activities	(25)	(56)	1	(16)	46	6	(38)	(59)	(33)	136
Financial ratios										
Organic growth	13%	11%	13%	39%	(9%)	(6%)	4%	(7%)	(22%)	2%
Gross margin before special items	30%	30%	31%	30%	29%	31%	31%	34%	30%	32%
EBITDA margin before special items	20%	19%	21%	21%	17%	20%	19%	23%	17%	18%
EBIT margin before special items	14%	13%	15%	15%	10%	13%	12%	16%	10%	12%

GOVERNANCE AND SHAREHOLDER INFORMATION

Corporate Governance

Corporate governance is a key aspect of H+H International A/S in line with our well-defined company promises. We are continuously developing and aligning our corporate governance to our strategic development and targets, as well as to our goals and achievements, the external environments and input from our stakeholders.

Governance structure
Shareholders of H+H International A/S exercise their rights at the general meeting, which is the supreme governing body of H+H.

H+H International A/S has a two-tier management system in which the Board of Directors and the Executive Board are responsible for the management of the Company's affairs. No persons hold dual membership of the Board of Directors and the Executive Board. The Executive Board is responsible for the day-to-day management of the Group, while the Board of Directors supervises the work of the Executive Board and is responsible for the overall management of and strategic direction for the Group.

Competences and diversity
Considering the H+H Group's current growth strategy, the main competences relevant for the Board of Directors are deemed to be strategy development as well as executive and in-depth experience in relation to integration processes for acquired businesses, with a particular focus on finance, IT, HR, risk management and ESG-driven business development, as well as innovation, commercial and operational experience in H+H's core markets.

The Board of Directors and the Executive Board recognise the importance of promoting diversity within gender, age, nationality, international experience and competences. Pursuant to section 139c of the Danish Companies Act, the Board of Directors has set a target for the gender distribution amongst its members, whereby the Board shall seek to ensure that each gender is represented:

- by at least one shareholder-elected member when the Board of Directors consists of a total of four shareholder-elected members;
- by at least two shareholder-elected members when the Board of Directors consists of a total of five to seven shareholder-elected members; and
- by at least three shareholder-elected members when the Board of Directors consists of a total of eight shareholder-elected members.

The aim is to achieve the target no later than by the annual general meeting to be held in 2023. The target was not achieved in 2021, as the number of female board members remained at one out of six members since there were no changes to the board composition during 2021.

As allowed under section 139c(7) of the Danish Companies Act, H+H International A/S has, due to its relatively small size with only 22 employees at year-end 2021, opted not to have a gender diversity policy for its different management levels, since the limited or no changes among the employees in any given year make it difficult to achieve gender diversity targets within a meaningful time frame. However, looking at the overall H+H Group, H+H has set some gender-specific KPIs as further decribed in the Sustainability Report for 2021.

Instead of having a Group policy focusing merely on gender diversity, H+H finds it more relevant to focus on diversity in a broader sense encompassing not only gender, but also other aspects, including but not limited to age, education and skills, experience, and geographical and cultural background. A Diversity Policy for the Group was established in 2019, and can be found on the Company's website at www.hplush.com/diversity. The Diversity Policy applies to all executives and employees of the Group and has as its purpose to foster an inclusive and open working climate where diversity is embraced and promoted. Having a diverse mix of cultures, backgrounds, genders, skills, expertise and experiences ensures a dynamic organisation that continues to develop and advance exactly due to its diversity, whereas having a monoculture creates a risk of overlooking relevant opportunities and risks due to the right questions not being asked.

The current Board of Directors and the Executive Board is considered to be diverse, as the members represent very different competences and experiences, five different nationalities and ages ranging from the early 40's up to the early 70's. The Executive Board consists of two males, who are different with regard to age, educational background, competencies and international experience. For the Board of Directors, there is awareness that gender diversity shall be improved, and if the Board of Director's proposal for the coming annual general meeting on 31 March 2022 for a new board member is approved, the diversity with regard to nationality as well as the gender diversity on the Board of Directors will be improved and fulfil the requirements in Section 139c of the Danish Companies Act.

Board of Directors

The Board of Directors' annual evaluation procedure for 2021 was conducted with all board members present and in parallel also through one-on-one meetings concerning specific issues between the Chairperson and the individual board members. The evaluation included a review of the diversity and board competencies required. The Board's self-evaluation concluded that the gender-diversity target has not yet been met and that there exists a competence gap in relation to sustainability and ESG, but otherwise the collective competences of the Board of Directors match the overall needs of H+H considering the Group's risks and opportunities. The Board found that the number of board members being at six board members is appropriate, and that the cooperation between the board members, and with the Executive Board and the Chairman's leadership of the Board of Directors, are good and effective.

At the coming annual general meeting to be held on 31 March 2022, the Board of Directors will propose that all current board members are re-elected, with the exception of Pierre-Yves Jullien who after 12 years on the Board of Directors will step down. Accordingly, for the annual general meeting on 31 March 2022, the Board of Directors will propose the election of Kajsa von Geijer (b. 1964), Senior Vice President HR & Sustainability and member of Group Management in Thule Group AB, Sweden, as a new board member. Kajsa von Geijer has extensive international experience within strategic and operational HR, sustainability, ESG, and general compliance, and if she is elected, the collective board competencies will be broadened and the set gender-diversity target will be reached.

Board activities during 2021

During 2021 the Board of Directors held a total of six meetings. Attendance at the board meetings and board committee meetings is shown in the table below. Board members unable to participate will, except in the case of non-planned sudden hindrances, read the agenda and background material for the meeting and then submit comments and input prior to the meeting to ensure that the views of all members are considered at the meeting.

Corporate governance reporting

The Corporate Governance recommendations applicable for 2021 are the recommendations of 2 December 2020. H+H has issued a statutory annual corporate governance statement pursuant to section 107b of the Danish Financial Statements Act, which shows that H+H follows the recommendations in all material respects, and explanations to the few deviations are provided in the statement. The statement can be found at www.hplush.com/corporate-governance-reports.

Data Ethics Policy

During 2021 we implemented a Data Ethics Policy. As data becomes increasingly important in our society, it is key to define and establish rules and guidelines for the collection, storage and use of data. We strive to ensure a high and adequate level of data protection, as we recognise that privacy plays an important role in gaining and maintaining the trust of our employees, customers, suppliers, and other stakeholders. While we do not process large quantities of personal data, we acknowledge the importance of safeguarding such data. We further acknowledge that the use of artificial intelligence may present some ethical dilemmas which need to be managed appropriately.

We are committed to complying with all applicable personal data protection laws, including the Danish Financial Statements Act §99d. We run internal audit controls to secure compliance with both information security and data protection requirements, and all employees developing, purchasing or otherwise working with technology and data-science based uses of data shall be informed about the data-ethics principles. We do not purchase, sell or broker data or otherwise profit from separate data transfers from or to third parties. We do not currently carry out data processing using artificial intelligence, such as machine learning, as a natural part of our business. Potential future uses relate to production and logistics optimisation as well as marketing automation.

Whether we process personal data or other types of data, we always apply our standards for data ethics to the way we work, making sure that our processing activities and security measures match the requirements for the data we are handling. Our Data Ethics Policy can be found on our corporate website via the following link: www.hplush.com/data-ethics.

Overview of committee members and attendance rate for meetings in 2021

	Board	Meetings	Audit Committee	Meetings	Nomination Committee	Meetings	Remuneration Committee	Meetings
Kent Arentoft,	Chairman	●●●●●●	-	-	Chair	●●●	Chair	●●
Stewart Antony Baseley	Member	●●●●●●	-	-	Member	●●●	-	-
Volker Christmann	Member	●●●●●●	-	-	-	-	Member	●●
Pierre-Yves Jullien	Member	●●●●●●	Member	●●●●●	Member	●●●	-	-
Miguel Kohlmann	Member	●●●●●●	-	-	-	-	Member	●●
Helen MacPhee	Member	●●●●●●	Chair	●●●●●	-	-	-	-
Attendance rate		100%		100%		100%		100%

Key matters transacted by the Board of Directors during 2021 (including but not limited to)

- Review of ESG policy and monitoring of process for setting science-based emissions targets
- Group-wide talent reviews and succession planning
- Capex planning and German factory upgrades
- Nominate Kajsa von Geijer as board member for the election to the Board of Directors at the Annual General Meeting in 2022
- Definition of the Company's new purpose and promises
- Strategy and business plan review, target setting, and budget approval
- Follow up on M&A activity to ensure continued growth
- Monitor the Company's financial policy, debt levels, and capital structure
- Review and assess the composition, succession planning, competencies, and diversity of the Board of Directors

Key matters transacted by the Board Committees during 2021 (including but not limited to)

The Audit Committee

- Oversight of Enterprise Risk Management principles and processes and review of key enterprise risks and related mitigation plans
- Review of progress within IT security
- Implementation of a new Control Management System
- Monitor the financial reporting process, including accounting estimates and accounting policies as well as the integrity of the reporting process
- Review of annual and interim financial reports
- Monitor the implementation of the Group-wide ERP system
- Selection of independent auditor and recommendation for the Board of Directors on the election of independent auditor
- Review the Group's tax policy

The Nomination Committee

- Review and assessment of the composition, competencies, and diversity of the Board of Directors
- Identification of candidates (Kajsa von Geijer) for membership of the Board of Directors

The Remuneration Committee

- Preparation of the annual remuneration report
- Review and propose executive remuneration
- Ensuring that actual executive remuneration is in compliance with the established remuneration policy and the review of the individual member's performance
- Review and adapt the remuneration policy to the latest corporate governance recommendations
- Propose fees for the members of the Board of Directors

Board of Directors

Stewart Antony Baseley **Pierre-Yves Jullien** **Helen MacPhee** **Kent Arentoft, Chairman** **Volker Christmann** **Miguel Kohlmann**

Board of Directors

Kent Arentoft, Chairman Male. Born 1962. Danish.	**Stewart Antony Baseley** Male. Born 1958. British.	**Volker Christmann** Male. Born 1957. German.	**Pierre-Yves Jullien** Male. Born 1950. French.	**Miguel Kohlmann** Male. Born 1962. German & Brazilian.	**Helen MacPhee** Female. Born 1962. British.
Chairman of DSVM Invest A/S and subsidiaries (Denmark).	Executive Chairman, Home Builders Federation and Board of Directors member of four subsidiaries (UK).	Managing Director, Senior Vice President Insulation Central Europe, Member of Group Management ROCKWOOL International A/S. Chairman of the Board of Directors of two companies in the ROCKWOOL Group, managing director of five companies in the ROCKWOOL Group and member of the Board of Directors of ROCKWOOL Foundation.	Professional board member and advisor.	Professional board member and advisor.	Vice President of Finance, AstraZeneca plc (UK).
Joined the Board of Directors in 2013. Chairman since 2013. Member of the Nomination Committee (Chair) and the Remuneration Committee (Chair).	Joined the Board of Directors in 2010. Member of the Nomination Committee.	Joined the Board of Directors in 2017. Member of the Remuneration Committee.	Joined the Board of Directors in 2010. Member of the Audit Committee and the Nomination Committee.	Joined the Board of Directors in 2018. Member of the Remuneration Committee.	Joined the Board of Directors in 2019. Member of the Audit Committee (Chair).
Indirectly holds 60,000 shares in H+H via a company he controls with no changes to his holdings during 2021.	Holds 22,500 shares in H+H with an addition of 3,500 shares in 2021.	Does not hold any shares in H+H and no changes were made to his holding during 2021.	Does not hold any shares in H+H and no changes were made to his holding during 2021.	Does not hold any shares in H+H and no changes were made to his holding during 2021.	Does not hold any shares in H+H and no changes were made to her holding during 2021.
Independent as defined in the Danish Recommendations on Corporate Governance.	Independent as defined in the Danish Recommendations on Corporate Governance.	Independent as defined in the Danish Recommendations on Corporate Governance.	Independent as defined in the Danish Recommendations on Corporate Governance.	Independent as defined in the Danish Recommendations on Corporate Governance.	Independent as defined in the Danish Recommendations on Corporate Governance.
Broad organisation and management experience in international companies in the building materials and contracting sector, particularly within strategy development and M&A transactions.	Experience in the international housebuilding industry and the developer industry, particularly in the UK, as well as international management experience.	Extensive experience within the building materials production sector of Central Europe, particularly in Germany, as well as within financial auditing and controlling.	Experience in management of a major global production company, including turnarounds and efficiency improvement as well as B-t-B sales.	Extensive management experience in building materials and industry on a global scale. Worked in controlling, sales, production and general management.	Extensive experience within strategic and operational finance and international experience in change mangement, financial oversight and control, governance, and risk frameworks, as well as international talent development.
Other management positions and directorships Member of the Board of Directors of Solix Group AB (Sweden) and Chairman of one subsidiary.	**Other management positions and directorships** Chairman of Fuerst Day Lawson Holdings Limited (UK) and Highlander-Partners (Poland) (two group-related companies) and Troy Homes Limited (UK). Member of the Board of Directors of Sferra Fine Linens UK Limited (UK). Patron of Children with Speciel Needs Foundation (UK).	**Other management positions and directorships** Chairman of the Board of Directors of BuVEG (Bundesverband energieeffiziente Gebäudehülle) (Germany). Member of the Board of Directors of FIW (Forschungsinstitut für Wärmtechnik) (Germany).	**Other management positions and directorships** Member of the Board of Directors of Saudi Arabian Packaging Industry W.L.L. (Saudi Arabia and United Arab Emirates). Vice President of the Danish Chamber of Commerce (France) and member of the Danish Tunisian Chamber of Commerce (Denmark).	**Other management positions and directorships** Chairman of the Board of Directors of Ewellix AB (Sweden), Pfleiderer GmbH (Germany), and NMC International S.A. (Luxembourg). Member of the Board of Directors of Archroma Holdings SARL (Luxembourg) and Paul Bauder Gmbh (Germany).	**Other management positions and directorships** N/A

Executive Board

Michael Troensegaard Andersen Male. Born 1961. Danish.	**Peter Klovgaard-Jørgensen** Male. Born 1978. Danish.
CEO since 2011	CFO since 2019
Holds 55,661 shares in H+H with an addition of 6,851 shares in 2021.	Holds 3,679 shares in H+H with an addition of 840 shares in 2021.
Background	**Background**
2008-2011: President of global business unit in Trelleborg Group with 10 subsidiaries in Europe, USA and Asia	2016-2019: CFO in ISS Denmark A/S (Denmark)
2004-2008: Managing Director of Trelleborg Sealing Solutions Helsingør A/S (Denmark)	2014-2016: Head of Finance in ISS Denmark A/S (Denmark)
1997-2004: Alto International A/S (now part of Nilfisk Group). Executive positions within sales, marketing and general management.	2010-2014: Treasury Vice President in ISS Group
Member of the Board of Directors of Hansen Group A/S (Denmark) and Solar Group A/S (Denmark)	Prior: Auditor in EY
Education	**Education**
MSc. (Engineering and a B.Comm. (Accounting))	MSc. (Business Economics and Auditing)

Michael Troensegaard Andersen
Chief Executive Officer

Peter Klovgaard-Jørgensen
Chief Financial Officer

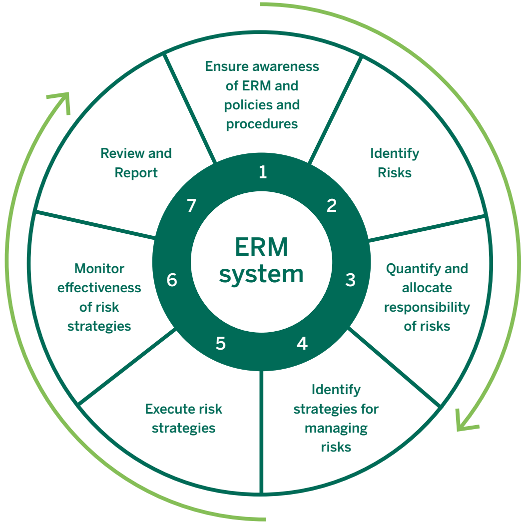
Risk and risk management

Risk management
The Board of Directors evaluates our risk management processes on a continuous basis to ensure that the risk profile, risk processes and risk awareness are appropriate. Responsibility for Enterprise Risk Management ("ERM") effectiveness has been delegated to the Chief Financial Officer.

The ERM processes in H+H ensures a dynamic process, involving the identification of risks, an assessment of their probability and the potential impact on business performance, reputation, and people. The aim is to mitigate identified key risks to an acceptable level through appropriate ERM processes, but also to take advantage of identified opportunities.

As in previous years, the ERM processes across our main markets comprised the annual wheel of activities. As part of the ERM processes, integration into both local strategies and the Group strategy has been established, supporting the long-term targets of H+H.

During 2021, we have gone through an external assessment of the ERM Framework in accordance with the COSO ERM Framework. The ERM Framework was confirmed to be on par with Best Practice in the construction industry. Learnings from the analysis have been incorporated into activities for 2022 and 2023.



Three Lines of Defence

1 **ERM Community**
Comprises Group and Subsidiary business representatives, ensuring a balanced and complete bottom-up process. Subsidiary management and Group functional heads conduct an annual risk review, in which all identified key risks are described, discussed and evaluated. They are individually and collectively responsible for ensuring that mitigating actions are implemented to reduce the identified risks to an appropriate level as well as assessing the effectiveness of implemented mitigating actions.

2 **ERM Committee**
Comprises Group management-team members and is responsible for communicating and ensuring risk compliance as well as evaluating the ERM processes. The Committee develops the overall risk strategies and scope for the ERM processes and reviews their effectiveness. The Committee also reports on assessed risks, effectiveness and mitigating actions to the Audit Committee.

3 **Audit Committee**
Oversees the development of the ERM system, the ongoing reporting on assessed risks and the mitigating actions taken. Responsible for monitoring the overall status of ERM governance (i.e., its performance and relevance).

Communicating and ensuring risk compliance

Oversees develop-ments of ERM

	1. Market	**2. Production**	**3. Financial**
Probability & impact			
Risk Description	Risk of a change in market conditions due to a worsening global economy or changes to EU or UK regulation, including the carbon emission regulation resulting in lack of demand for and/or substitution away from H+H's products. The markets in which H+H operate tend to be cyclical and to some degree correlate. Risks related to competition could occur due to excess production capacity or changes in competitors' pricing strategies.	Risk of reduction in production capacity due to Covid-19, contamination infection resulting from temporary closure, a shortage of raw material supply or a major breakdown in a production facility causing a mid-to-long-term loss of production. Such a shortfall could impact overhead recovery and potentially sales. Also, risks related to inflationary pressure, especially related to raw materials and transport, and our ability to absorb it through continuous improvement projects and/or through price increases.	Risk of insufficient cash or financing to conduct daily business, execute the growth strategy and to comply with financial covenants. Also, volatility in foreign exchange rates could result in a risk of losses when funds are retrieved to the Group.
Risk Mitigation	H+H have a solid understanding of the core markets and underlying developments. A structured process for continuously updating key leading indicators to anticipate potential impact and execute mitigating plans. Furthermore, Group Innovation focuses on products and applications for lower carbon emission and productivity at building sites. Finally, H+H closely monitors economic, political and competition developments in and outside our footprint and participate in European interest organisations for masonry products to impact the political environment.	Due to the continued risk of Covid-19 contamination, and as an integrated part of our safety precautions, H+H has chosen to retain the enhanced hygiene precautions across all sites implemented in 2020. The safety of H+H's employees and visitors is our first priority. H+H regularly conducts preventive maintenance checks to limit risk of a major breakdown. Should a major breakdown occur, other plants could partly mitigate as a short-term option. Furthermore, H+H is insured for breakdowns and business interruptions, so the isolated financial impact is considered low. Finally, H+H aims towards dual sourcing of key raw materials to ensure steady supply.	H+H has a committed credit facility with Nordea of DKK 1.1 billion and an additional accordion facility of DKK 0.6 billion not currently utilized. The agreement matures in 2024. The facilities secure funding of daily operations and the growth strategy. Financial covenants are monitored monthly and reported quarterly. Reports show significant headroom. The translation risk is reduced by FX hedging on a transactional basis.
Net risk assesment	Operating in the construction sector, H+H is exposed to political and economic developments but believes to have reduced the risk to an acceptable level through mitigating actions and has during 2021 been able to defend earnings and cashflow in line with long term financial targets. Similarly, having a market leading position in most of our markets, H+H is able to reduce competition risk to an acceptable level.	Considering the mitigating plans and recent additions to factory footprint, we believe the risk is medium but acceptable. However, H+H is continuously focusing on improving mitigating actions to production risks. As Enterprise Risk Management has become an even more integrated part of our processes, it has led to a better overview of mitigating actions and how to include these in the business processes.	With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom

	4. Compliance	**5. People**	**6. IT**	**7. Sustainability**
Probability & impact				
Risk Description	Risk of lack of compliance with laws and regulations, e.g. competition law, GDPR, transfer pricing etc. could result in loss of reputation and/or fines resulting in financial impact.	Risk of incidents or fatalities at our production facilities as they are inherently dangerous workplaces. Risk of a scarcity of qualified labour or lack of succession to key roles.	There is a high dependency on technology in most aspects of the business. Securing the reliability and integrity of systems, as well as managing threats from cyber security, data leakage and data security are key focus areas for H+H. An extended period of downtime as well as data loss or leakage could result in delays, damage to reputation and additional costs.	Increased focus on sustainability and in particular carbon emission puts new requirements on all organisations. Demands from customers and other stakeholders and changes in legislation could change the demand patterns. This could lead to lack of demand for and/or substitution away from H+H's products if H+H is not adapting to the new patterns.
Risk Mitigation	H+H continuously monitors new regulations within all our markets, consults expert advisors and performs training within key areas. Policies are deployed and both Group and regional management of H+H communicates the importance of compliance and regulation regularly in written form, videos, seminars etc. Also, whistle-blower policies are in place and communicated across the organisation and digital whistle-blower platforms are available from all H+H websites to enable easy and, if wanted, anonymous reporting of believed non-compliance. H+H has an ESG Committee consisting of Group Officers representing each related topic and a compliance team across our footprint to facilitate, implement and ensure awareness to compliance related matters.	The Health & Safety of our people is our first priority. Internal H&S audits are conducted annually in rotation and actions are prioritised implemented. H&S audits are verified externally every three years. KPIs are monitored routinely and form part of Management renumeration programmes. H+H monitors developments in the local labour markets to ensure H+H is a competitive and attractive employer. Specific focus for HR includes recruiting, training and developing talent as well as succession planning. Development and training plans ensure that our employees have the competencies necessary for us to achieve our strategic goals.	H+H has a well-defined information security framework, including updated policies, guidelines and tools which supports the desired information security level. Over the last years, H+H has taken several initiatives to improve the IT platform and the embedded security framework.	H+H has an ESG committee at management level to oversee the ESG risks, monitor new requirements and implement relevant mitigating actions. Based on an initial risk assessment the carbon footprint has been analysed and H+H has set science-based targets in line with the 1.5 degree scenario in the Paris Agreement.
Net risk assesment	Risk of lack of compliance with laws and regulations is considered low including the mitigating actions taken.	The risk of incidents and fatalities does exist, but it is our assessment that considering the mitigating actions taken, the risk is reduced to an acceptable level. Enterprise Risk Management procedures, including improved HR processes, also contribute to a reduced people risk.	IT related risk impact is considered low, and the likelihood of occurrence will be further reduced as the mitigating actions are continuously updated and implemented.	With the mitigating strategy, H+H has reduced the risk to an acceptable level, but an execution risk for the strategy remains. The strategy relies on use of hydrogen which is not yet available on the market and that suppliers of cement, lime and transport services must reduce their direct emissions in line with their targets.

Shareholder information

H+H international A/S is listed on the Nasdaq Copenhagen stock exchange and is trading under the ticker symbol HH.

Share-price development
The H+H International A/S share started the year at a price of DKK 132.00 and closed the year at a price of DKK 230.00, representing an increase of 74.2%. At the end of the year, the total market value of H+H amounted to DKK 4,136 million. For comparison, the OMX Copenhagen Mid-Cap index increased by 28.5% in 2021 and the Danish KAXCAP index, an index comprising all stocks trading on the Nasdaq Copenhagen stock exchange, increased by 21.8%.

The highest traded price was DKK 280.00 on 2 November and the lowest traded price was DKK 122.80 on 28 January. The average daily turnover was 34,085 shares, representing a decrease of 26.5% relative to 2020.

Share buy-back programme
On 4 March 2021, H+H initiated a share buy-back programme of up to DKK 100 million to be executed over a period of twelve months. 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 was completed on 18 February 2022. A total of 569,853 shares were bought back under the programme at an aggregate purchase price of DKK 115 million. The programme was undertaken in accordance with the 'Safe Harbour Regulation'.

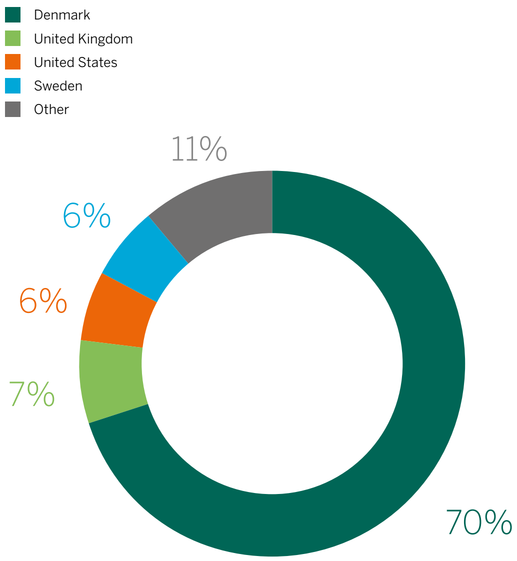
Supported by the continued strong earnings and free cash-flow generation, which has resulted in a financial gearing comfortably below the Group's long-term target of 1-2x EBITDA, the Board of Directors has decided to initiate a share buy-back programme of up to DKK 150 million. Please refer to Company Announcement no. 469 of 3 March 2022 for more information.

Share capital
H+H's share capital is currently divided into 17,983,395 shares with a nominal value of DKK 10 per share. All the Group's shares enjoy the same voting and dividend rights. At the end of 2021, H+H held a total of 548,753 shares as treasury shares. As previously communicated, it is expected that any shares bought back under the share buy-back programme carried out during 2021 and early-2022, which are not used to meet obligations relating to the Company's share-based incentive programme, will be proposed cancelled at the Annual General Meeting in 2022.

Share information

Exchange	Nasdaq Copenhagen
ISIN code	DK0015202451
Ticker symbol	HH
No. of shares	17,983,365
Denomination	DKK 10 per share
Share capital	DKK 179,833,650
Voting rights	One vote per share

Geographical distribution of shareholders



Composition of shareholders
On 31 December 2021, H+H had more than 5,300 registered shareholders. Major shareholders owning more than 5% of the share capital and votes were Arbejdsmarkedets Tillægspension (more than 10.0%), Nordea Funds Ltd. (more than 5.0%) and Handelsbanken Fonder AB (more than 5.0%). When excluding major shareholders and certain other related shareholdings, the free float of H+H's outstanding shares is estimated to be around 70%.

The majority of the share capital (70%) is held by Danish Investors. Other key markets are the United Kingdom, the United states and Sweden, with 7%, 6% and 6% of the share capital, respectively.

Major shareholders

Arbejdsmarkets Tillægspension, Denmark	>10%
Nordea Funds Ltd., Finland	>5%
Handelsbanken Fonder AB, Sweden	>5%

Annual general meeting

The next annual general meeting will be held on 31 March 2022. The time and place will be announced in the notice to convene the annual general meeting as published in a Company Announcement and on the Group's website. The notice will be published no earlier than five weeks and no later than three weeks prior to the annual general meeting. Documents for use at the annual general meeting will be made available on the H+H's website, www.HplusH.com, no later than three weeks before the meeting. Shareholder proposals for the agenda of the annual general meeting must be submitted no later than six weeks before the meeting (i.e., before 16 February 2022).

Unless otherwise stated in the Danish Companies Act or the Group's Articles of Association, resolutions on the amendment of the Articles of Association will be valid only if carried by at least two thirds of the votes cast and of the voting share capital represented at the general meeting.

Investor Relations

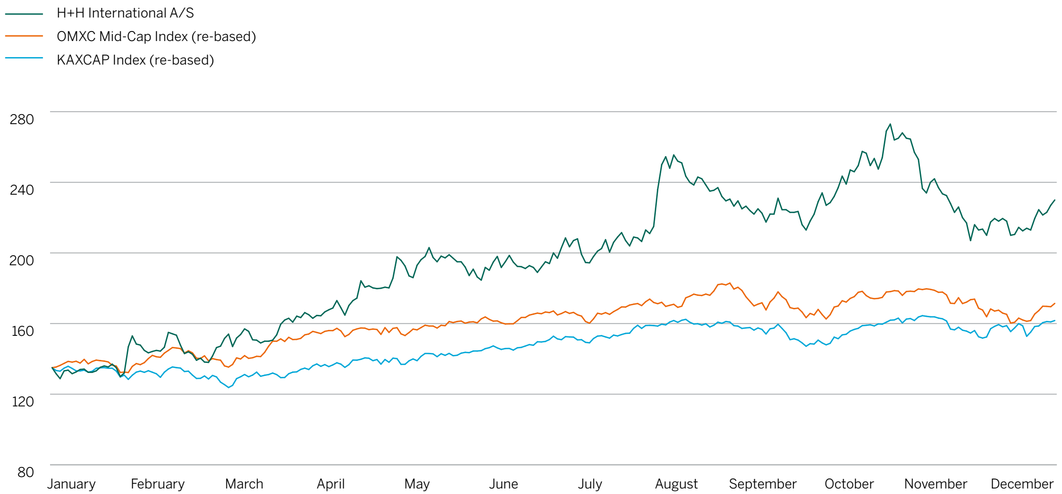
The purpose of H+H's financial communications and other investor relations activities is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of the H+H share. Relevant investor information is available on H+H's website, www.hplush.com/investor-relations.

To ensure that capital market participants, including current and prospective investors, are able to make well-informed investment decisions, H+H seeks a transparent and active dialogue with all financial market participants, including investors, sell-side analysts, journalists and the general public via conference calls, participation in investor meetings and equity conferences and social media.

H+H is currently covered by two sell-side analysts who regularly publish equity research reports about the company. Two other financial institutions have coverage of the H+H share but are currently having a changeover of analysts. A list of analysts covering H+H can be found on the Group's investor relations website, https://www.hplush.com/analysts-and-share-analyses.

H+H is not normally available for dialogue about financial matters in the three-week period leading up to the publication of an interim financial report or the annual report. Inquiries concerning investor relations issues should be addressed to the Head of Investor Relations and Treasury via email to Shareholder@HplusH.com.

2021 relative share-price performance



Financial calendar 2022

31 March 2022	2022 Annual General Meeting
6 May 2022	Q1 2022 Interim Financial Report
18 August 2022	H1 2022 Interim Financial Report
10 November 2022	Q1-Q3 2022 Interim Financial Report

FINANCIAL STATEMENTS

Income statement

Note	(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
2	Revenue	3,020	2,654	-	-
3, 17	Cost of goods sold	(2,115)	(1,818)	-	-
	Gross profit before special items	**905**	**836**	**-**	**-**
3	Sales costs	(143)	(151)	-	-
3	Administrative costs	(186)	(168)	(64)	(60)
4	Other operating income and costs, net	15	4	52	47
	EBITDA before special items	**591**	**521**	**(12)**	**(13)**
5	Depreciation and amortisation	(183)	(189)	(2)	(2)
	EBIT before special items	**408**	**332**	**(14)**	**(15)**
6	Special items, net	(31)	-	-	-
	EBIT	**377**	**332**	**(14)**	**(15)**
7	Financial income	4	2	299	145
8	Financial expenses	(25)	(27)	(24)	(17)
	Profit before tax	**356**	**307**	**261**	**113**
9	Tax on profit	(35)	(56)	6	5
	Profit for the year	**321**	**251**	**267**	**118**
	Profit for the year attributable to:				
	H+H International A/S' shareholders	310	241	267	118
	Non-controlling interest	11	10	-	-
	Profit for the year	**321**	**251**	**267**	**118**
12	Earnings per share (EPS-Basic) (DKK)	17.5	13.5		
12	Diluted earnings per share (EPS-D) (DKK)	17.5	13.5		

Statement of comprehensive income

Note	(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
	Profit for the year	**321**	**251**	**267**	**118**
	Other comprehensive income:				
	Items that will not be reclassified subsequently to the income statement:				
20	Actuarial losses and gains	47	(110)	-	-
	Tax on actuarial losses and gains	(11)	21	-	-
		36	**(89)**	**-**	**-**
	Items that may be reclassified subsequently to the income statement:				
	Foreign exchange adjustments, foreign entities	9	(48)	-	-
		9	(48)	-	-
	Other comprehensive income after tax	**45**	**(137)**	**-**	**-**
	Total comprehensive income for the year	**366**	**114**	**267**	**118**

Balance sheet at 31 December

Assets

		Group		Parent company	
Note	**(DKK million)**	**2021**	**2020**	**2021**	**2020**
	Goodwill	364	211	-	-
	Customer relations	261	244	-	-
	Other intangible assets	35	14	10	3
13	**Intangible assets**	**660**	**469**	**10**	**3**
	Land and buildings	755	709	-	-
	Plant and machinery	633	642	-	-
	Other equipment, fixtures and fittings	92	87	6	7
	Assets under construction	227	100	-	-
14	**Property, plant and equipment**	**1,707**	**1,538**	**6**	**7**
15	Deferred tax assets	17	18	10	10
16	Equity investments in subsidiaries	-	-	1,230	1,230
16	Investments in associated companies	1	1	-	-
	Other receivables	5	5	-	-
	Receivables from subsidiaries	-	-	1,009	747
	Other non-current assets	**23**	**24**	**2,249**	**1,987**
	Total non-current assets	**2,390**	**2,031**	**2,265**	**1,997**
17	Inventories	321	282	-	-
18	Trade receivables	146	80	-	-
	Group debtors	-	-	72	56
18	Other receivables	37	29	1	1
	Prepayments	7	6	1	1
	Cash	499	481	338	353
	Current assets	**1,010**	**878**	**412**	**411**
	Total assets	**3,400**	**2,909**	**2,677**	**2,408**

Equity and liabilities

		Group		Parent company	
Note	**(DKK million)**	**2021**	**2020**	**2021**	**2020**
19	Share capital	180	180	180	180
	Translation reserve	(138)	(147)	-	-
	Retained earnings	1,662	1,405	1,487	1,310
	Equity attributable to H+H International A/S's shareholders	1,704	1,438	1,667	1,490
	Equity attributable to non-controlling interests	110	71	-	-
	Equity	**1,814**	**1,509**	**1,667**	**1,490**
20	Pension obligations	85	147	-	-
21	Provisions	41	34	-	-
15	Deferred tax liabilities	137	130	-	-
	Lease liabilities	85	84	1	1
22	Credit institutions	743	609	646	572
	Non-current liabilities	**1,091**	**1,004**	**647**	**573**
22	Credit institutions	-	-	-	-
	Trade payables	251	180	4	5
	Lease liabilities	21	18	5	5
	Income tax	23	30	-	-
	Payables to subsidiaries	-	-	337	320
21	Provisions	5	6	-	-
	Other payables	195	162	17	15
	Current liabilities	**495**	**396**	**363**	**345**
	Total liabilities	**1,586**	**1,400**	**1,010**	**918**
	Total equity and liabilities	**3,400**	**2,909**	**2,677**	**2,408**

Cash flow statement

Note	(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
	Operating profit (EBIT)	377	332	(14)	(15)
7	Financial income, received	4	3	19	21
8	Financial items, paid	(25)	(23)	(17)	(17)
5	Depreciation and amortisation	183	189	2	2
	Write downs	7	-	-	-
	Gain on disposal of property, plant and equipment	(7)	-	-	-
	Loss on disposal of property, plant and equipment	-	4	-	-
	Other adjustments with non-cash effects	7	1	6	4
	Change in inventories	(18)	20	-	-
	Change in receivables	(54)	21	(16)	4
	Change in trade payables and other payables	83	(38)	1	(2)
	Change in provisions and pension contribution	(29)	(28)	-	-
	Income tax paid	(74)	(56)	5	5
	Operating activities	**454**	**425**	**(14)**	**2**
	Sale of property, plant and equipment	8	-	-	-
	Change in borrowings to subsidiares	-	-	(245)	(2)
	Capital increase in subsidiaries	-	-	-	22
7	Dividend from subsidiaries	-	-	280	124
25	Acquisition of enterprises and related deferred payments	(238)	(72)	-	-
13, 14	Acquisition of property, plant and equipment and intangible assets	(197)	(134)	(16)	-
	Investing activities	**(427)**	**(206)**	**19**	**144**
	Free cash flow	**27**	**219**	**5**	**146**

Note	(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
22	Change in borrowings	134	51	74	27
25	Debt from acquired enterprises	(28)	(15)	-	-
	Change in lease liabilities	(26)	(21)	-	(1)
	Dividend to non-controlling interests	(10)	(5)	-	-
	Purchase of treasury shares	(95)	(4)	(95)	(4)
	Financing activities	**(25)**	**6**	**(21)**	**22**
	Cash flow for the year	**2**	**225**	**(16)**	**168**
	Cash at 1 January	481	262	353	186
25	Cash related to the acquired enterprises	7	8	-	-
	Foreign exchange adjustments of cash	9	(14)	1	(1)
	Cash at 31 December	**499**	**481**	**338**	**353**

Statement of changes in equity

Group

(DKK million)	Share capital	Translation reserve	Retained earnings	H+H share-holders share	Non-controlling interest' share	Total
Equity at 1 January 2020	**180**	**(99)**	**1,253**	**1,334**	**37**	**1,371**
Profit for the year	-	-	241	241	10	251
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	-	(48)	-	(48)	-	(48)
Actuarial gains/losses on pension plans	-	-	(110)	(110)	-	(110)
Tax on other comprehensive income	-	-	21	21	-	21
Net gains recognised directly in equity	**-**	**(48)**	**(89)**	**(137)**	**-**	**(137)**
Total comprehensive income	**-**	**(48)**	**152**	**104**	**10**	**114**
Acquisition of treasury shares	-	-	(4)	(4)	-	(4)
Share-based payment	-	-	4	4	-	4
Non-controlling interests arising from acquisition	-	-	-	-	29	29
Dividend to non-controlling interests	-	-	-	-	(5)	(5)
Total changes in equity	**-**	**(48)**	**152**	**104**	**34**	**138**
Equity at 31 December 2020	**180**	**(147)**	**1,405**	**1,438**	**71**	**1,509**
Profit for the year	-	-	310	310	11	321
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	-	9	-	9	-	9
Actuarial gains/losses on pension plans	-	-	47	47	-	47
Tax on other comprehensive income	-	-	(11)	(11)	-	(11)
Net gains recognised directly in equity	**-**	**9**	**36**	**45**	**-**	**45**
Total comprehensive income	**-**	**9**	**346**	**355**	**11**	**366**
Acquisition of treasury shares	-	-	(95)	(95)	-	(95)
Share-based payment	-	-	6	6	-	6
Non-controlling interests arising from acquisition	-	-	-	-	38	38
Dividend to non-controlling interests	-	-	-	-	(10)	(10)
Total changes in equity	**-**	**9**	**257**	**266**	**39**	**305**
Equity at 31 December 2021	**180**	**(138)**	**1,662**	**1,704**	**110**	**1,814**

Parent company

(DKK million)	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	**180**	**1,192**	**-**	**1,372**
Profit for the year	-	118	-	118
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**118**	**-**	**118**
Acquisition of treasury shares	-	-	-	-
Share-based payment	-	-	-	-
Total changes in equity	**-**	**118**	**-**	**118**
Equity at 31 December 2020	**180**	**1,310**	**-**	**1,490**
Profit for the year	-	267	-	267
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**267**	**-**	**267**
Acquisition of treasury shares	-	(96)	-	(96)
Share-based payment	-	6	-	6
Total changes in equity	**-**	**177**	**-**	**177**
Equity at 31 December 2021	**180**	**1,487**	**-**	**1,667**

Notes to the consolidated financial statements

Notes - Financial statements

Notes - Income statement

Notes - Balance sheet

Notes - Supplementary information

Notes – Financial statements

1 General accounting policies

The annual report for the period 1 January - 31 December 2021 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

H+H International A/S is a public limited company registered in Denmark. The annual report of H+H International A/S for 2021 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2021 on 3 March 2022. The annual report for 2021 will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 31 March 2022.

Basis of preparation
The annual report is presented in DKK, which is the parent company's functional currency, rounded to the nearest DKK 1 million. The annual report has been prepared using the historical cost principle. However, derivatives are measured at fair value, and noncurrent assets and disposal classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less selling costs.

Compared to last year an accounting policy for government grants has been implemented. Except for this, the accounting policies are unchanged compared to last year. Accounting policies have been applied consistently throughout the financial year and for the comparative figures, if not mentioned otherwise.

The accounting policies applied to the consolidated financial statements as a whole are described below, while the remaining accounting policies are described in connection with the notes to which they relate. The aim is to give a better understanding of the individual items. The descriptions of accounting policies in the notes form part of the overall description of accounting policies

Adoption of new, revised and amended IFRSs effective 1 January 2021
H+H International A/S has adopted all relevant 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. It is assessed that they have not had a material impact on the consolidated financial statement.

Other new interpretations effective 1 January 2021
It is assessed that application of other new interpretations effective on 1 January 2021 has not had a material impact on the consolidated financial statements.

New, revised and amended IFRS Standards effective 1 January 2022
It is assessed that new, revised or amended IFRSs and Interpretations effective from 1 January 2022 will not have a material impact on the consolidated financial statements.

New, revised and amended IFRSs and interpretations not yet adopted by EU
It is assessed that new, revised or amended IFRSs and interpretations that have been issued but not yet adopted by EU as at 31 December 2021 will not have a material impact on the consolidated financial statements.

Application of materiality
In the preparation of the annual report, H+H Group aims to focus on information which is considered to be material and relevant to the users of the annual report. The consolidated financial statements are a result of aggregating large numbers of transactions into classes of similar items, according to their nature or function, in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required by IFRS are provided in the annual report unless the information is considered immaterial to the users of the annual report.

Description of accounting policies

Consolidated financial statements
The consolidated financial statements include the parent company H+H International A/S and subsidiaries in which H+H International A/S has control of the Subsidiary's financial and operating policies so as to obtain returns or other benefits from the Subsidiary's activities. Control exists when H+H International A/S holds or has the ability to exercise, directly or indirectly, more than 50% of the voting rights or otherwise has control of the Subsidiary in question.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' financial statements, applying the H+H Group's accounting policies. Intra-group income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains arising from intragroup transactions are eliminated on consolidation.

Equity investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition. Accounting items of subsidiaries are fully recognised in the consolidated financial statements.

Foreign currency translation
For each entity included in the consolidated financial statements, a functional currency has been determined. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Transactions in currencies other than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date on which the receivable or payable arose or the exchange rate used in the last annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of foreign entities with a functional currency other than DKK, income statements are translated at the exchange rates at the transaction date and balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not give a significantly different view. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date, and on translation of income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date, are recognised as other comprehensive income.

Foreign exchange adjustments of balances considered part of the overall net investment in entities with a functional currency other than DKK are recognised in the consolidated financial statements as other comprehensive income. Correspondingly, foreign exchange gains and losses

Notes – Financial statements

1 General accounting policies – continued

on that part of loans and derivative financial instruments entered into to hedge the net investment in such entities which effectively hedges against corresponding exchange gains/losses on the net investment in the entity are recognised as other comprehensive income.

On the complete or partial disposal of a foreign operation, or on the repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised.

On the disposal of partially owned foreign subsidiaries, the part of the translation reserve attributable to non-controlling interests is not transferred to the income statement. On the partial disposal of foreign subsidiaries without loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to non-controlling interests' share of equity.

The repayment of balances that are considered part of the net investment is not itself considered to constitute partial disposal of the subsidiary.

Cash flow statement
The cash flow statement shows the cash flows for the year, broken down by operating, investing and financing activities, and the year's change in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately under cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of payment, and cash flows from disposals of entities are recognised up to the date of disposal.

Cash flows in currencies other than the functional currency are translated at average exchange rates, unless these deviate significantly from the rates at the transaction date. Cash flows from operating activities are determined as operating profit adjusted for depreciations, amortization and impairment losses, non-cash operating items, change in working capital, pension contributions, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities; acquisitions and disposals of intangible assets, property, plant and equipment, and other non-current assets; and acquisitions and disposals of securities that are not recognised as cash and cash equivalents. Leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated expenses as well as the raising of loans, repayment of interest-bearing debt, purchase and sale of treasury shares, and payment of dividends as well as dividend received from subsidiaries.

Cash and cash equivalents comprise cash and securities with a maturity of less than three months at the time of acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in liabilities in the balance sheet.

Financial ratios
Other financial ratios have been prepared in accordance with the Danish Finance Society's guidelines.

The financial ratios under Key figures in the Managemen't review have been calculated as follows:

Gross margin	Gross profit x 100 / Revenue
EBITDA margin	EBITDA x 100 / Revenue
EBIT margin	EBIT x 100 / Revenue
Return on invested capital *	EBIT / Average invested capital
Earnings per share (EPS) **	Profit/loss for the year / Average number of shares outstanding
Diluted earnings per share (EPS-D) **	Diluted earnings / Diluted average number of shares outstanding
Return on equity	Profit/loss for the year x 100 / Average equity excl. non-controlling interests
Solvency ratio	Equity at year-end (attributable to H+H) x 100 / Total equity and liabilities, year-end
Book value per share, year-end	Equity (in H+H),year-end / Number of shares, year-end
Price/book value	Share price / Book value per share, year-end
Price-earnings ratio (PE)	Share price / Earnings per share
Lost-time incident frequency (LTIF)	Number of lost time incidents x 1 million / Hours worked
Payout ratio	Total dividend paid x 100 / Profit/loss for the year
Free cash flow	The sum of cash flow from operating and investing activities
NIBD/EBITDA	Net interest-bearing debt,year-end / EBITDA

* Return on invested capital is measured on a twelve months basis. Invested capital is calculated as net working capital plus tangible assets and intangible assets excluding goodwill deducted by provisions and operating non-current liabilities. Net working capital is defined as inventories, trade receivables, other receivables, prepayments deducted by trade payables and other payables.

** Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.

Notes – Financial statements

1 General accounting policies – continued

Glossary

EBITDA	Operating profit before depreciation, amortisation and financial items
EBIT	Operating profit before financial items
Special items	Refer to note 6 for accounting policy for special items
Margins before special items	Consists of defined margins adjusted for special items re above and note 6
Organic growth	Revenue growth excluding effects from changes in foreign exchange rates and revenue from acquisitions and divestments

Significant accounting estimates and judgements

Determining the carrying amounts of some assets and liabilities requires Management to make judgements, estimates and assumptions concerning future events. The estimates and assumptions made are based on historical experience and other factors that are believed by Management to be sound under the circumstances but that, by their nature, are uncertain and unpredictable. The estimates and assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the H+H Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates and assumptions. It may be necessary to change estimates and assumptions made previously as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events

Critical accounting estimates and judgements made in connection with the financial reporting are set out in the following notes:

- Impairment testing of intangible assets, note 13
- Lease and service contracts, note 14
- Recovery of deferred tax assets, note 15
- Investments in subsidiaries, note 16
- Defined benefit pension plans, note 20
- Business combinations, note 25

Given the evolving nature of the Covid-19 pandemic and the uncertainties involved, we will continue to monitor the situation and implication on Group's financial position, activities and cash flows. Depending on a potential 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 the consolidated financial statements for 2021 could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position. As of 31 December 2021, 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.

2 Segment information

Key customers
One customer in the United Kingdom represented approx. 20% of the H+H Group's total revenue in 2021 (2020: approx. 19%). The following geographical areas in the Group represent more than 10% of revenue or non-current assets

	Group			
(DKK million)	**2021**		**2020**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Central Western Europe	1,399	1,704	1,299	1,381
UK	884	239	639	216
Poland	737	420	716	414
Other countries and eliminations	-	27	-	20
	3,020	**2,390**	**2,654**	**2,031**

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, Holland and Belgium. Revenue in 2021 for Germany amounts to DKK 946 million (2020: DKK 885 million). All revenue relates to sales of goods and transport services.

Revenue in Denmark was DKK 222 million in 2021 (2020: DKK 197 million). Non-current assets in Denmark at year-end 2021 amounted to DKK 29 million (2020: DKK 21 million).

Accounting policies

The reporting of operating segments is in accordance with the internal reporting to the Executive Management which constitute H+H's chief operating decision maker. Segment information is prepared in accordance with H+H's accounting policies and the internal financial reporting framework.

H+H has identified several operating segments which has been aggregated into one reporting segment. The operating segments all share similar economic characteristics, are similar in the nature of products, production processes and customer base as well as in distribution methods.

Executive Management is responsible for decisions about overall resource allocation and performance assessment. Business decision on resource allocation and performance evaluation for each of the operating segments are made on basis of EBIT before special items. Decision on financing and tax are made for H+H as a whole.

Segment income and expenses as well as segment assets are those items that are directly attributable to the individual segment or can be allocated to the segment on a reliable basis. Unallocated items comprise primarily of items relating to H+H's administrative functions, investing activities etc.

Segment income and expenses as well as segment assets are those items that are directly attributable to the individual segment or can be allocated to the segment on a reliable basis. Unallocated items comprise primarily of items relating to H+H's administrative functions, investing activities etc.

Notes – Income statement

3 Staff costs

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Wages and salaries	503	458	37	30
Defined contribution plans, see note 20	7	8	-	-
Share-based payment	6	4	6	4
Remuneration to the Board of Directors	3	3	3	3
Other staff costs	51	50	-	-
	570	**523**	**46**	**37**
Staff costs are recognised as follows:				
Production costs	342	311	-	-
Sales and distribution costs	111	110	-	-
Administrative costs	117	102	46	37
	570	**523**	**46**	**37**
Average full-time equivalent staff	**1,572**	**1,619**	**21**	**16**
Remuneration to the Executive Board:				
Michael Troensegaard Andersen (CEO):				
Salary and other benefits	4.2	4.1	4.2	4.1
Bonus	1.5	1.3	1.5	1.3
Share-based payment	1.7	1.5	1.7	1.5
Pension	-	-	-	-
	7.4	**6.9**	**7.4**	**6.9**
Peter Klovgaard-Jørgensen (CFO):				
Salary and other benefits	2.7	2.5	2.7	2.5
Bonus	0.9	0.8	0.9	0.8
Share-based payment	0.8	0.4	0.8	0.4
Pension	-	-	-	-
	4.4	**3.7**	**4.4**	**3.7**
Total	**11.8**	**10.6**	**11.8**	**10.6**

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Remuneration to non-registered members of executive management:				
Salary and other benefits	4.7	4.4	4.7	4.4
Bonus	1.7	1.3	1.7	1.3
Share-based payment	1.1	0.9	1.1	0.9
Pension	0.3	0.3	0.3	0.3
Total	**7.8**	**6.9**	**7.8**	**6.9**

Remuneration Policy for Board of Directors and Executive Board
The Remuneration Policy for H+H International A/S (H+H) was adopted at the annual general meeting on 2 April 2020. The overall objective of the Remuneration Policy is to provide a remuneration framework that supports successful execution of the H+H Group strategy.

The Board of Directors has established a Remuneration Committee that assists the Board of Directors in developing, implementing and continuously complying with the Remuneration Policy. The Charter of the Remuneration Committee as well as a description of the key matters handled by the Remuneration Committee for the latest financial year is available at www.HplusH.com/board-committees.

The Board of Directors does not receive any form of incentive payment, and remuneration to the Executive Board consists of fixed salary and other benefits as well as the variable elements short-term incentive programs (STIP) and long-term incentive programs (LTIP).

Board of Directors
The Board of Directors comprises of six members. The annual general meeting on 26 March 2021 approved remuneration for 2021 to the Chairman of the Board of DKK 825,000 (2020: DKK 825,000) and remuneration to ordinary board members of DKK 275,000 (2020: DKK 275,000). In addition each member of the Board of Directors also received remuneration for board committee work, DKK 75,000 (2020: DKK 75,000) and the chair of the Audit Committee DKK 150,000 (2020: DKK 150,000). The board committees currently comprise of an Audit Committee, a Nomination Committee and a Remuneration Committee.

Executive Board
Short-term incentive programs (STIP)
In addition to the fixed salary, remuneration for the Executive Board consists of an annual cash bonus based on performance related to the extent of achievement of pre-defined key performance indicators (KPIs). The bonus is therefore not guaranteed. In the case of termination of employment, the member is entitled to a pro rata bonus up to the date of termination, if the performance achieved by year-end means that a cash bonus has been earned.

Long-term incentive programs (LTIP) for 2021
In March 2021, a new long-term incentive program (LTIP), being a performance share unit (PSU) program, was implemented by the Board of Directors. At initiation, a total of 65,900 PSUs was granted to the participants, including 15,700 PSUs to H+H's CEO and 9,800 PSUs to CFO. The number of PSUs that vest at the end of a vesting period depends on the extent of achievement of the specific KPIs. The vesting period

Notes – Income statement

3 Staff costs – continued

for the PSUs is approximately three years, with vesting for the 2021 LTIP being in 2024 when the audited annual report for 2023 is publicly announced. Upon vesting, the participants will receive one H+H share per PSU that vests.

Long-term incentive programs (LTIP) related to prior years
In March 2020, a PSU program, similar to above, was launched, and in 2019 and 2018, matching share programs were launched for the Executive Board and certain key employees in the H+H Group. In the matching share programs, each participant invested H+H shares into the program, which will trigger vesting of a maximum allocation of 3 shares per investment share by the end of the vesting period, if all the vesting criteria are fulfilled. Vesting criteria also relate to continuous employment in the H+H Group during the vesting period or dismissal as a "good leaver". Vesting period for the matching share programs is approximately 3 years.

In March 2021 a total of 31,068 shares vested relating to the 2018 matching share program, hereof 3,322 shares settled in cash.

Pending share programs
The fair value of the programs are determined as the number of shares/PSU's which are expected to vest. The share price used in calculating the value of the programs is the average share price on the first 10 days of the trading window when the programme is launched. At vesting, grants can be settled with shares or by cash, based on the company's decision. Cost for share programs are recognised as staff costs until the expiry of the vesting periods. Cost are reversed for participants that voluntarily (i.e. "bad leavers") leave the H+H Group.

As of 31 December 2021, the Company had the following pending share programs with associated fair values:

	Max. Shares/ PSUs to be granted	Expected shares/PSUs to be granted	Max. value (DKK million)	Exp. value (DKK million)
2019-programme, vesting in March 2022	54,957	54,957	5.6	5.6
2020-programme, vesting in March 2023	87,400	81,457	7.0	6.5
2021-programme, vesting in March 2024	65,900	53,025	10.0	8.0

The programmes pending are hedged in whole or in part by purchase of treasury shares. In 2021, the Company bought 474,153 treasury shares (2020: 30,000 shares), mostly related to the share buy-back program. Refer to note 19 for more information.

Management's holding of shares in H+H International A/S

	1 January 2021	Additions or sold/settled during the year	31 December 2021	Market value*
Board of Directors:				
Kent Arentoft (indirect ownership)	60,000	-	60,000	13,800
Stewart Antony Baseley	19,000	3,500	22,500	5,175
Volker Christmann	-	-	-	-
Pierre-Yves Jullien	-	-	-	-
Miguel Kohlmann	-	-	-	-
Helen MacPhee	-	-	-	-
	79,000	3,500	82,500	18,975
Executive Board:				
Michael Troensegaard Andersen	48,810	6,851	55,661	12,802
Peter Klovgaard-Jørgensen	2,839	840	3,679	846
Total	**130,649**	**11,191**	**141,840**	32,623

* Calculation of the market value is in DKK thousand and is based on the quoted share price of DKK 230.00 at 30 December 2021.

Accounting policies
The H+H Group's incentive schemes comprise share programmes for senior executives and certain key employees.

The value of services rendered by employees in return for share grants is measured at the fair value of the shares. For equity settled shares, the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period of the shares. The costs are set off directly against equity.

On initial recognition of shares, the number of shares expected to vest is estimated, cf. the service condition described. The figure initially recognised is subsequently adjusted for changes in the estimate of the number of shares expected to vest, so that the total recognition is based on the actual number of vested shares.

Notes – Income statement

4 Other operating income and costs before special items

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Other operating income:				
Management fee	-	-	52	47
Gain on disposal of property, plant and equipment	7	-	-	-
Rental income	6	10	-	-
Other income	5	2	-	-
	18	**12**	**52**	**47**
Other operating costs:				
Loss on disposal of property, plant and equipment	-	(4)	-	-
Other costs	(3)	(4)	-	-
	(3)	**(8)**	**-**	**-**
Total	**15**	**4**	**52**	**47**

Accounting policies

Other operating income and costs comprise items secondary to the entities' activities such as gain and losses on disposal of property, plant and equipment, management fee, rental income, refunds of energy taxes etc.

5 Depreciation, amortisation and write downs before special items

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Other intangible assets	37	38	-	-
Land and buildings	31	37	2	2
Plant and machinery	82	84	-	-
Fixtures and fittings, tools and equipment	33	30	-	-
Total	**183**	**189**	**2**	**2**

Write downs amounts to DKK 7 million which has been reported as special items, see note 6.

6 Special items, net

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Integration costs	(11)	-	-	-
Write down	(7)	-	-	-
Transaction and restructuring costs related to acquisitions	(13)	-	-	-
Total	**(31)**	**-**	**-**	**-**
Impact of special items on EBIT				
Cost of goods sold	(11)	-	-	-
Sales costs	(4)	-	-	-
Other operating income and costs, net	(9)	-	-	-
Depreciation and amortisation	(7)	-	-	-
Total	**(31)**	**-**	**-**	**-**

Special items primarily relate to the acquisitions closed in 2021 and comprise integration costs, transaction and restructuring costs, as well as write-down related to strategic replacement of the autoclaves in the Wittenborn factory in Germany planned for 2022.

Accounting policies

Special items include significant income and expenses of a special nature in terms of the Group's revenue-generating activities that cannot be attributed directly to the Group's ordinary operating activities.

Special items also include significant non-recurring items, including gains and losses on the disposal of activities and associates and transaction costs in a business combination. Significant restructuring of processes and structural adjustments are also included in special items.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

Notes – Income statement

7 Financial income

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Interest income	3	2	2	3
Interest income from subsidiaries	-	-	17	18
Dividend from subsidiary	-	-	280	124
Past service costs relating to pension plans; see note 20	1	-	-	-
Total	**4**	**2**	**299**	**145**

Accounting policies

Financial income comprises interest income, capital gains, transactions denominated in foreign currencies, amortisation of financial assets, and surcharges and allowances under the tax prepayment scheme etc.

Dividends from equity investments in subsidiaries are credited to the parent company's income statement in the financial year in which they are declared.

8 Financial expenses

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Interest expenses	15	12	15	14
Interests expense, leases	3	4	-	-
Interest expenses to subsidiaries	-	-	1	1
Interest on financial instruments	18	16	16	15
Financial expenses relating to pension plans; see note 20	2	2	-	-
Past service costs relating to pension plans; see note 20	-	1	-	-
Foreign exchange rate adjustments	-	4	7	-
Other financial expenses	5	4	1	2
Total	**25**	**27**	**24**	**17**

Accounting policies

Financial expenses comprise interest expenses, past service costs, capital losses, impairment losses relating to securities, recirculation of cumulative translation differences of entities disposed of, payables and transactions in foreign currencies, and amortisation of financial liabilities, including finance lease obligations etc.

9 Tax

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Tax on profit from continuing operations	35	56	(6)	(5)
Tax on other comprehensive income	11	(21)	-	-
Total	**46**	**35**	**(6)**	**(5)**
Total tax can be broken down as follows:				
Current tax for the year	70	64	(6)	(5)
Adjustment relating to changes in tax rate	(1)	2	-	-
Adjustment of deferred tax	7	(26)	3	3
Change in valuation of tax assets	(5)	(8)	(3)	(3)
Prior-year adjustments	(25)	3	-	-
Total	**46**	**35**	**(6)**	**(5)**
Current joint taxation contribution for the year	**-**	**-**	**(6)**	**(5)**
Tax on profit from continuing operations can be broken down as follows:				
Calculated 22.0% (2020: 22.0%) tax on income from ordinary activities	78	68	57	25
Less tax in foreign Group entities compared with 22.0% rate (2020: 22.0%)	(15)	(12)	-	-
Tax effect of:				
Change in valuation of tax assets	(4)	(8)	(3)	(3)
Change in tax rate	-	2	-	-
Non-deductible expenses/non taxable income	1	3	(60)	(27)
Prior year adjustment	(25)	3	-	-
Total	**35**	**56**	**(6)**	**(5)**

Notes – Income statement

9 Tax – continued

Accounting policies

Tax on profit comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that can be attributed to items in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity.

H+H International A/S is taxed jointly with all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income. Subsidiaries that utilise tax losses in other subsidiaries pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses, while subsidiaries with tax losses that are utilised by other subsidiaries receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Where the H+H Group receives a tax deduction in the calculation of taxable income in Denmark or abroad as a result of sharebased payment schemes, the tax effect of these schemes is recognised in tax on profit. If the total deduction exceeds the total remuneration expense, the tax effect of the excess deduction is recognised directly in equity.

The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, all companies that are jointly taxed are thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

Approach to taxes

As recommended by the Danish Committee on Corporate Governance, H+H has adopted a tax policy. For more details on our approach to taxes, we refer to our tax policy which can be found here: https://www.hplush.com/tax

In addition to the Committee's best practice guidelines, the Global Sustainability Standard Board (GSSB) has issued GRI 207 TAX 2019. The H+H tax policy addresses the essence of the Committee's recommendations and the disclosures of GRI 207, and thereby forms the foundation for a common tax approach for the H+H Group. In order to increase transparency, we present key figures on tax jurisdiction levels below. Corporate income tax is based on IFRS reporting standards instead of GRI methodology to ensure internal coherence throughout the annual report.

Country-by-country key figures - IFRS

(DKK million)	Group 2021						
	Number of employees	Total employee remuneration	Revenues from third-party sales	Revenues from intragroup transac-tions with other tax juridictions	Property, plant and equipment and inventory	Balance of intra-company debt	Corporate income tax paid on a cash basis
Denmark	49	66	222	-	12	23	-
UK	243	115	884	-	267	135	22
Germany	462	226	946	205	1,146	(964)	13
Poland	776	135	737	11	452	108	32
Switzerland	20	17	110	-	145	25	5
Other countries*	22	11	121	-	4	1	2
Total	**1,572**	**570**	**3,020**	**216**	**2,026**	**(672)**	**74**

Current tax explanation on country level

	Calculated local corporate tax on profit (loss) before tax	Non-taxable income and non-deductable costs, net	Deferred tax	Other ad-justments	Current tax
Denmark	(3)	-	3	-	-
UK	(34)	(4)	7	5	(26)
Germany	6	-	(2)	(7)	(3)
Poland	(40)	2	(2)	5	(35)
Switzerland	(6)	-	1	-	(5)
Other countries*	(1)	-	-	-	(1)
Total	**(78)**	**(2)**	**7**	**3**	**(70)**

* Other countries comprise Benelux, Sweden and Czech Republic

Notes – Income statement

10 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.

The table below shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function:

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Revenue	3,020	2,654	-	-
Cost of goods sold	(2,238)	(1,943)	-	-
Gross profit including depreciation and amortisation	**782**	**711**	**-**	**-**
Sales costs	(188)	(201)	-	-
Administrative costs	(201)	(182)	(66)	(62)
Other operating income	18	12	52	47
Other operating costs	(3)	(8)	-	-
EBIT before special items	**408**	**332**	**(14)**	**(15)**
Special items	(31)	-	-	-
EBIT	**377**	**332**	**(14)**	**(15)**
Depreciation and amortisation comprise:				
Amortisation of intangible assets	37	38	-	-
Depreciation of property, plant and equipment	146	151	2	2
Total	**183**	**189**	**2**	**2**
Depreciation and amortisation are allocated to:				
Production costs	123	125	-	-
Sales costs	45	50	-	-
Administrative costs	15	14	2	2
Total	**183**	**189**	**2**	**2**

The Company's revenue streams contain of contracts for sale of goods and related transport services. Change of control for contracts for goods are satisfied upon shipment whereby the performance obligation is met instantly. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location whereby the performance obligation is met.

The transaction price is the amount to which H+H expects to be entitled in exchange for the transfer of goods and transport services. The transaction price for delivery of goods and transport services are an integrated part of the contracts and the standalone selling prices are directly observable. Accounting estimates are made for variable considerations which consist of customer rebates and bonusses. These are allocated to the transaction price based on "The most likely amount"-method.

Payment terms mainly comprise of 30 days end of month, hence no significant financing component. Defect products and return pallets can be redelivered and provisions has been recognised accordingly. For further description, please refer to note 21 "Provisions"

Accounting policies

Revenue from contracts for goods recognised in the income statement when the customer obtains control. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location. Revenue is recognised if the income can be measured reliably and is expected to be received. Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

Cost of goods sold comprise costs incurred in generating the revenue for the year. The trading entities recognise cost of sales and the producing entities recognise production costs, relating to revenue for the year. This includes the direct and indirect cost of raw materials and consumables, distribution and wages and salaries.

Sales costs comprise marketing costs etc. which includes costs of sales personnel, and advertising and exhibition costs.

Administrative costs include costs incurred during the year for management and administration, including costs for administrative staff, office premises and office expenses. Administrative costs also include impairment of trade receivables.

Notes – Income statement

11 Government grants

For 2021, H+H has not participated in any government grant schemes.

For 2020, H+H participated in three government grant schemes, in the UK, Germany and Poland, 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, totaling DKK 13 million in 2020. H+H has also participated in government grant schemes for Germany and Poland where grants of DKK 1 million was received.

In total for 2020, grants of DKK 14 million was received which has been recognised in the income statement as "Cost of goods sold" by DKK 12 million and "Sales costs" by DKK 2 million.

As of 31 December 2021 and 31 December 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.

Accounting policies

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.

12 Earnings per share (EPS)

	Group	
(DKK million)	**2021**	**2020**
Average number of shares	17,983,365	17,983,365
Average number of treasury shares	(279,822)	(86,350)
Average number of outstanding shares	17,703,543	17,897,015
Dilution from share options	-	-
Average number of outstanding shares, diluted	**17,703,543**	**17,897,015**
Profit/loss for the year (DKK million)	321	251
Attributable to non-controlling interest	(11)	(10)
Shareholders in H+H International A/S (DKK million)	**310**	**241**
Earnings per share (EPS) (DKK)	17.5	13.5
Diluted earnings per share (EPS-D) (DKK)	17.5	13.5

See calculation principle in note 1 under financial ratios

Notes – Balance sheet

13 Intangible assets

(DKK million)	Parent company 2021	Parent company 2020
	Other intangible assets	Other intangible assets
Total cost at 1 January	3	-
Additions during the year	7	3
Total cost at 31 December	**10**	**3**
Total amortisation at 1 January	-	-
Amortisation for the year	-	-
Total amortisation at 31 December	**-**	**-**
Carrying amount at 31 December	**10**	**3**

Group

(DKK million) 2021	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January	239	324	75	638
Foreign currency translation adjustments	-	-	1	1
Additions from acquired companies, see note 25	153	49	3	205
Additions during the year	-	-	22	22
Disposals during the year	-	-	(3)	(3)
Total cost at 31 December	**392**	**373**	**98**	**863**
Total depreciation and amortisation at 1 January	(28)	(80)	(61)	(169)
Foreign currency translation adjustments	-	-	-	-
Amortisation for the year	-	(32)	(5)	(37)
Amortisation of disposals	-	-	3	3
Total amortisation and impairment losses at 31 December	**(28)**	**(112)**	**(63)**	**(203)**
Carrying amount at 31 December	**364**	**261**	**35**	**660**

(DKK million) 2020	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January	226	280	70	576
Foreign currency translation adjustments	(4)	(6)	(7)	(17)
Additions from acquired companies	17	50	-	67
Additions during the year	-	-	13	13
Disposals during the year	-	-	(1)	(1)
Total cost at 31 December	**239**	**324**	**75**	**638**
Total depreciation and amortisation at 1 January	(30)	(49)	(58)	(137)
Foreign currency translation adjustments	2	1	2	5
Amortisation for the year	-	(32)	(6)	(38)
Amortisation of disposals	-	-	1	1
Total amortisation and impairment losses at 31 December	**(28)**	**(80)**	**(61)**	**(169)**
Carrying amount at 31 December	**211**	**244**	**14**	**469**

Notes – Balance sheet

13 Intangible assets – continued

Impairment testing
Management has tested goodwill for impairment in each of the cash-generating units to which such assets have been allocated.

Management has identified the following four cash-generating units;

	2021		
Cash-generating units and related goodwill	**Product**	**Year of origin**	**DKK million**
Poland	AAC & CSU	2003	22
Central Western Europe	AAC	2006/20/21	198
Central Western Europe	CSU	2018/19	144
UK	AAC	N/A	-
Total			**364**

In 2021, goodwill of DKK 153 million was acquired in connection to the acquisitions of "Feuchtwangen" and "DOMAPOR", both adding into the Central Western Europe AAC cash-generating unit. Refer to note 25 "Business combinations" for further information on the purchase price allocation.

Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in each CGU.

In both 2021 and 2020, the impairment test of goodwill showed no impairment.

Key assumptions
For the purpose of impairment testing the recoverable amount was defined as the value in use. The impairment tests were based on budget for 2022 approved by the Board of Directors and strategy projections for the years 2023-2027 for all CGUs. The assumptions of the forecast period are based on benchmarked external data and historic trends.

	2021		
Cash-generating units	**Poland AAC & CSU**	**Central Western Europe AAC**	**Central Western Europe CSU**
Carrying amount of intangible assets, property, plant and equipment at 31 December 2021 (DKK million)	415	873	828
Goodwill (DKK millon)	22	198	144
Estimated average annual growth in revenue 2022-2027 (CAGR)	5.5%	6.4%	1.8%
Estimated average annual growth in gross margin in percentage points 2022-2027	0.3%	0.3%	0.2%
WACC before tax (budget and terminal period, respectively)	13.0%/13.0%	8.7%/9.9%	9.8%/11.7%
WACC after tax (budget and terminal period, respectively)	10.5%/10.5%	6.9%/7.8%	7.2%/8.6%

	2020		
Cash-generating units	**Poland AAC & CSU**	**Central Western Europe AAC**	**Central Western Europe CSU**
Carrying amount of intangible assets, property, plant and equipment at 31 December 2020 (DKK million)	411	504	875
Goodwill (DKK millon)	22	45	144
Estimated average annual growth in revenue 2021-2026 (CAGR)	0.3%	3.3%	1.8%
Estimated average annual growth in gross margin in percentage points 2021-2026	0.5%	-0.3%	0.1%
WACC before tax (budget and terminal period, respectively)	11.0%/11.0%	9.3%/11.1%	9.8%/11.7%
WACC after tax (budget and terminal period, respectively)	8.9%/8.9%	7.2%/8.6%	7.2%/8.6%

Notes – Balance sheet

13 Intangible assets – continued

The weighted average growth rate used for the terminal period for the years after 2027 has been estimated at 1.0% - 2.0% (2020: 1.0% - 2.0%). The weighted average annual growth rate for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual CGUs.

For all CGU's, increasing gross margin has been estimated for the period 2022-2027, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases.

The WACC is based on generally applied principles including the determination of return on equity and cost of debt. Components for the return on equity, the marked risk premium, company specific risk premium and beta-values, is benchmarked to information provided by an external valuation specialist. The risk-free rate for each CGUs for the budget period has been sourced from trading economics and is equal a 10-years government bond. The risk-free rate for the terminal period is normalised. The cost of debt is estimated based on the actual margin in the bank agreements and the risk-free rate.

Sensitivity on changes in key assumptions
Group Management believes that likely changes in the key assumptions will not cause the carrying amount of goodwill and noncurrent assets to exceed the recoverable amounts. Sensitivity analysis of impairment tests focuses on changes in discount rate (WACC), long-term growth rate, revenue and EBITDA. All other factors are unchanged in the sensitivity analysis.

Based on sensitivity analyses, it is Management's opinion that no probable change in any key assumptions would cause the carrying amounts of CGUs to exceed the recoverable amount as at 31 December 2021.

Accounting policies

Goodwill is recognised initially in the balance sheet at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity, and translated on initial recognition into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The carrying amount of goodwill is allocated to the H+H Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the H+H Group's organisational and internal reporting structure.

Other intangible assets comprises of customer relations, order-book, trademarks, development projects and patent and licenses. Customer relations, order book and trademarks acquired in connection with business combinations are measured at cost less cumulative amortisation and impairment losses. They are amortised using a straight-line method over the expected useful life.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the entity can be demonstrated, and which the entity intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less cumulative amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the H+H Group's development activities and interest expenses on loans to finance development projects that relate to the production period. On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

Patents and licences are measured at cost less cumulative amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the shorter of the remaining patent or contract period and the useful life.

Software and other intangible assets are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Software 3-6 years
- ERP systems 8 years
- Customer relations 10 years
- Other intangible assets 1-10 years

Critical accounting estimates and judgements

Impairment of goodwill and non-current assets
Goodwill is tested for impairment annually, the first time before the end of the year of acquisition. The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

The carrying amounts of other non-current assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less expected disposal costs and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under depreciation and amortisation. Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment loss have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation/amortisation if no impairment losses had been charged.

The calculation for impairment testing is based on budgets approved by Board of Directors. Cash flows after the budget period are extrapolated using individual growth rates. The discount rate used for the calculation incorporates possible impacts of future risks.

Notes – Balance sheet

14 Property, plant and equipment

(DKK million)	Parent company 2021	Parent company 2020
	Fixtures and fittings, tools and equipment	Fixtures and fittings, tools and equipment
Total cost at 1 January	9	9
Additions	1	-
Total cost at 31 December	**10**	**9**
Total depreciation at 1 January	(2)	0
Depreciations for the year	(2)	(2)
Total amortisation at 31 December	**(4)**	**(2)**
Carrying amount at 31 December	**6**	**7**
Right-of-use assets included as		
Additions	1	-
Depreciation	2	2
Carrying amount at 31 December	6	6

(DKK million) Group 2021	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Property, plant and equipment under con-struction	Total
Total cost at 1 January	1,290	2,298	260	100	3,948
Foreign currency translation adjustments	9	45	2	1	57
Additions from acquired companies, see note 25	71	38	-	-	109
Transfers	2	17	-	(19)	-
Additions, including right-of-use assets	4	17	37	146	204
Disposals during the year	(3)	(35)	(12)	(1)	(51)
Total cost at 31 December	**1,373**	**2,380**	**287**	**227**	**4,267**
Total depreciation and amortisation at 1 January	(581)	(1,656)	(173)	-	(2,410)
Foreign currency translation adjustments	(7)	(35)	(1)	-	(43)
Additions from acquired companies	-	-	-	-	-
Depreciation for the year	(31)	(82)	(33)	-	(146)
Depreciation of disposals	1	26	12	-	39
Total depreciation and impairment losses at 31 December	**(618)**	**(1,747)**	**(195)**	**-**	**(2,560)**
Carrying amount at 31 December	**755**	**633**	**92**	**227**	**1,707**
Right-of-use assets included as					
Additions	1	-	28	-	29
Depreciation	(3)	-	(19)	-	(22)
Carrying amount at 31 December	84	-	46	-	130

Notes – Balance sheet

14 Property, plant and equipment – continued

(DKK million)	Group 2020				
	Land and buildings	**Plant and machinery**	**Other equipment, fixtures and fittings**	**Property, plant and equipment under con-struction**	**Total**
Total cost at 1 January	1,279	2,374	199	99	3,951
Adjustment to opening	(13)	(116)	36	24	(69)
Foreign currency translation adjustments	(31)	(54)	(3)	(3)	(91)
Additions from acquired companies	20	14	-	-	34
Transfers	13	34	3	(50)	-
Additions, including right-of-use assets	23	54	32	30	139
Disposals during the year	(1)	(8)	(7)	-	(16)
Total cost at 31 December	**1,290**	**2,298**	**260**	**100**	**3,948**
Total depreciation and amortisation at 1 January	(565)	(1,703)	(125)	-	(2,393)
Adjustment to opening	8	93	(26)	-	75
Foreign currency translation adjustments	12	34	2	-	48
Additions from acquired companies	-	-	-	-	-
Depreciation for the year	(37)	(84)	(30)	-	(151)
Depreciation of disposals	1	4	6	-	11
Total depreciation and impairment losses at 31 December	**(581)**	**(1,656)**	**(173)**	**-**	**(2,410)**
Carrying amount at 31 December	**709**	**642**	**87**	**100**	**1,538**
Right-of-use assets included as					
Additions	7	-	11	-	18
Depreciation	(3)	-	(16)	-	(19)
Carrying amount at 31 December	88	-	38	-	126

Right-of-use-assets
The Group leases land and buildings, offices, cars and forklift trucks. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Accounting policies
Land and buildings, plant and machinery, fixtures and fittings, and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition up to the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Cost is increased by estimated costs for dismantling and removal of the asset and restoration costs, to the extent that they are recognised as a provision, and interest expenses on loans to finance the production of property, plant and equipment that relates to the production period. The cost of a combined asset is divided into separate components that are depreciated separately if the components have different useful lives.

Subsequent costs, for example in connection with replacement of part of an item of property, plant or equipment, are recognised in the carrying amount of the asset if it is probable that future economic benefits will flow to the H+H Group from the expenses incurred. The replaced part is derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Production buildings 30-50 years
- Office buildings 30-50 years
- Production equipment, autoclaves, mills, cutting machines and moulds 10-30 years
- Plant, machinery and other equipment 5-20 years
- Vehicles, fixtures and IT equipment 3-10 years
- Land is not depreciated

The main part of the Group's non-current assets comprises of production equipment, autoclaves, mills, cutting machines, presses and moulds which are depreciated over a period of 10-30 years.

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount. The effect on depreciation of any changes in depreciation period or residual value is recognised prospectively as a change in accounting estimates.

Leases
At the commencement date, the Group recognises a lease liability and a corresponding right-of-use asset at the same amount, except for short-term leases of 12 months or less and leases of low-value assets. The interest rate implicit in the lease or the H+H Group's incremental borrowing rate is used as the discount rate for calculating the lease liability and a corresponding right-of-use asset.

Notes – Balance sheet

14 Property, plant and equipment – continued

A right-of-use asset is initially measured at cost, which equals the initial lease liability and initial direct costs less any lease incentives received. The Group has applied the practical expedient option allowed under IFRS by using a portfolio approach for the recognition of lease contracts related to assets of the same nature and with similar lease terms, i.e. cars and trucks.

Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses, and adjusted for remeasurement of the lease liability.

The right-of-use asset is depreciated over the earlier of the lease term or the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment. Right-of-use assets are recognised as property, plant and equipment.

The Group has elected not to recognise right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Lease payments related to such leases are recognised in the income statement as an expense on a straight-line basis over the lease term.

Critical accounting estimates and judgements

Lease and service contracts

At inception of a contract, Management assesses whether the contract is or contains a lease. Management considers the substance of any service being rendered to classify the arrangement as either a lease or a service contract. Importance is whether fulfilment of the contract depends on the use of specific assets. The assessment involves judgement of whether the Group obtains substantially all the economic benefits from the use of the specified asset and whether it has the right to direct how and for what purpose the asset is used. If these criteria are satisfied at the commencement date, a right-of-use asset and a lease liability are recognised in the statement of financial position.

In determining the lease term, Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension or termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The term is reassessed if a significant change in circumstances occurs. The assessment of purchase options follows the same principles as those applied for extension options.

15 Deferred tax

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Deferred tax at 1 January	(112)	(125)	10	10
Addition from acquisition	(28)	(20)	-	-
Prior years adjustments	25	-	-	-
Foreign exchange adjustments	(3)	1	-	-
Effect of change in tax rate	1	(2)	-	-
Change in deferred tax	(7)	26	-	-
Valuation of tax asset	4	8	-	-
Deferred tax at 31 December	**(120)**	**(112)**	**10**	**10**

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Deferred tax relates to:				
Non-current assets	(173)	(188)	-	-
Current assets	(1)	(1)	-	-
Liabilities	26	45	-	-
Tax loss carry-forwards	28	32	10	10
Total	**(120)**	**(112)**	**10**	**10**
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	17	18	10	10
Deferred tax liabilities	(137)	(130)	-	-
Total	**(120)**	**(112)**	**10**	**10**

No deferred tax has been recognised on the difference between the cost of equity investments and the carrying amount. This is because the shareholdings in the equity investments are all considered to be "shares in a subsidiary", and any gain/loss is therefore not taxable.

The tax value of loss carry-forwards has been recognised as deferred tax assets in the companies where, based on budget and forecasts, it is considered very likely that this can be utilised in future earnings and a history of profit before tax within the last three to five years has been verified. A tax value of loss carry-forwards of DKK 22 million at 31 December 2021 (2020: DKK 27 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised. The carry-forward losses relate to Germany, Denmark and Sweden.

The parent company has special carried-forward losses related to sale of property and shares with limited possibilities of use with a taxable value of DKK 11 million (2020: DKK 11 million) which are not recognised.

Notes – Balance sheet

15 Deferred tax – continued

Accounting policies

Income tax and deferred tax: Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amount and tax base of assets and liabilities. However, the following temporary differences are not recognised: Goodwill not deductible for tax purposes and other items – apart from business combinations – where temporary differences have arisen at the date of acquisition that affect neither profit nor taxable income. Where alternative tax rules can be applied to compute the tax base, deferred tax is measured on the basis of Management's planned use of the asset or settlement of the liability respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the H+H Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously. Adjustment of deferred tax is made in respect of elimination of unrealised intra-group profits and losses.

Deferred tax is measured on the basis of the tax rules and at the tax rates that will apply under the legislation enacted at the balance sheet date in the respective countries when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Under the joint taxation rules, H+H International A/S, as the administration company, becomes liable to the tax authorities for the subsidiaries' income taxes as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable and receivable are recognised in the balance sheet under receivables from/payables to subsidiaries.

Critical accounting estimates and judgements

Recovery of deferred tax assets: Deferred tax assets are recognised for all unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The amount recognised for deferred tax assets is based on estimates of the likely date and size of future tax loss carry-forwards.

16 Investments in subsidiaries

	Parent company	
(DKK million)	**2021**	**2020**
Acquisition cost at 1 January	1,297	1,319
Additions	-	1
Disposals	-	(23)
Cost at 31 December	**1,297**	**1,297**
Impairment losses at 1 January	(67)	(67)
Reversal of previous write-down	-	-
Reversal in connection with disposals	-	-
Impairment losses at 31 December	**(67)**	**(67)**
Carrying amount at 31 December	**1,230**	**1,230**

For 2020, additions comprise of a capital injection for H+H Sverige AB of DKK 1 million and disposals of DKK 23 million related to a capital decrease for Hunziker Kalksandstein AG.

The cost of investments in subsidiaries was tested for impairment at the end of 2021. The recoverable amount of the equity investments at 31 December 2021 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2022-2027 and a WACC after tax of 6.9%-10.5% (2020: 7.2-8.9%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2027 has been estimated at 2.0% (2020: 2.0%). It is estimated that the growth rate will not exceed the long-term average growth rate in the respective company's markets; see note 13 for further information on the impairment tests.

Notes – Balance sheet

16 Investments in subsidiaries – continued

	Registered office	2021 Equity interest, %	2020 Equity interest, %
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH**	Germany	100	100
Hunziker Kalksandstein AG	Switzerland	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
H+H Sverige AB	Sweden	100	100
H+H Polska Sp. z o.o.***	Poland	100	100
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

* This activity comprises ownership of H+H UK Holding Limited and thus the activities of H+H UK Limited.

** This activity comprises ownership of H+H Kalksandstein GmbH, 51 % ownership of Baustoffwerke Dresden GmbH & Co. KG, 51% ownership of Porenbetonwerk Laussnitz GmbH & Co. KG. (acquired January 2020) and 52.5% ownership of DOMAPOR Baustoffwerke GmbH & Co. KG. (acquired December 2021)

*** This activity comprises ownership of Grupa Prefabet S.A.

The above list does not include indirectly owned companies without any activities.

Impairment of financial assets
Loans to related and other parties, lifetime expected credit losses (ECL) has been provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

In determining the expected credit losses for these assets, we have taken into account the historical default experience, the financial position of the counterparties and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Accounting policies
Equity investments in subsidiaries in the parent company's financial statements: Equity investments in subsidiaries are measured at cost. If there is any indication of impairment or reversal of prior year's impairment, an impairment test is carried out as described in note 13. Cost is written down to the recoverable amount whenever the carrying amount is higher.

17 Inventories/cost of goods sold

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Raw materials and consumables	114	92	-	-
Finished goods and goods for resale	207	190	-	-
Total	**321**	**282**	**-**	**-**
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	24	21	-	-
Foreign exchange adjustments	-	(1)	-	-
Write-downs for the year	10	5	-	-
Realised during the year	(2)	(1)	-	-
Reversals	(1)	-	-	-
Total	**31**	**24**	**-**	**-**
Cost of goods sold comprised:				
Direct costs	1,199	1,042	-	-
Wages and salaries	342	311	-	-
Overheads	216	180	-	-
Distribution	348	280	-	-
Write-downs for the year	10	5	-	-
Total	**2,115**	**1,818**	**-**	**-**

Accounting policies
Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value. In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

In the case of finished goods, cost comprises raw materials, consumables, direct labour and production overheads. Production overheads comprise indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process, and the cost of factory administration and management.

The net realisable value of inventories is determined as the selling price less any costs of completion and costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and developments in expected selling price.

Notes – Balance sheet

18 Trade and other receivables

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Trade receivables, gross	199	140	-	-
Rebates, bonusses and write-downs	(53)	(60)	-	-
Group debtors	-	-	72	56
Other receivables	37	29	1	1
Total	**183**	**109**	**73**	**57**

In the parent company, group debtors comprise of receivable management fee.

Other receivables include a fully impaired receivable from sale of land and property in Poland rent deposits, VAT, other indirect taxes etc. and fall due within one year of the balance sheet date.

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Age analysis of trade receivables (gross):				
Not past due	138	107	-	-
0-30 days	59	29	-	-
31-90 days	-	1	-	-
91-180 days	-	-	-	-
Over 180 days	2	3	-	-
Total trade receivables	199	140	-	-
Write-downs relating to receivables, year-end	**3**	**3**	**-**	**-**

The average credit period on sales of goods is approximately 30 days.

The expected credit losses on trade receivables are estimated using a provision matrix and the Group has recognised a loss allowance of 100% against all receivables over 180 days because historical experience has indicated that these receivables are generally not recoverable.

Receivables that are not past due are predominantly deemed to have a high credit quality and security is normally not required. The Group's customers are typically large well-consolidated builders' merchants and housebuilders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December 2021.

Write-downs of receivables

(DKK million)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Write-downs at 1 January	3	3	-	-
Write-downs for the year	-	1	-	-
Reversals	-	(1)	-	-
Write-downs relating to receivables at 31 December	3	3	-	-
Write-downs relating to receivables at 31 December	**3**	**3**	**-**	**-**

Accounting policies

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less a loss allowance equal expected credit loss. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Expected credit losses on receivables are recognised as other external expenses.

The expected credit losses on receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years. Prepayments are measured at amortised cost.

Notes – Balance sheet

19 Share capital and treasury shares

	Number		Nominal value, DKK million	
	2021	2020	2021	2020
Share capital at 1 January	17,983,365	17,983,365	180	180
Movements	-	-	-	-
Share capital at 31 December	**17,983,365**	**17,983,365**	**180**	**180**

On 22 June 2018, H+H International A/S increased its share capital by a nominal amount of DKK 71,933,460 from DKK 107,900,190 to DKK 179,833,650. H+H International A/S's total nominal share capital is DKK 179,833,650 divided into 17,983,365 shares of nominal DKK 10 each, corresponding to 17,983,365 votes.

There have been no movements in the share capital in the last five years except for the above.

Treasury shares

	Number	Nominal value, DKK million	% of share capital, year-end
Holding at 1 January 2020	105,099	1.05	(0.6)
Purchased during the year	30,000	0.30	(0.2)
Granted due to matching share programme in 2017	(37,153)	(0.37)	0.2
Holding at 31 December 2020	97,946	0.98	(0.6)
Purchased during the year	474,153	4.79	(2.7)
Granted due to matching share programme in 2018	(27,746)	(0.28)	0.2
Holding at 31 December 2021	**544,353**	**5.49**	**(3.1)**

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 2021, 474,153 treasury shares were purchased at a value of DKK 95 million.

All the treasury shares are owned by H+H International A/S. Treasury shares not related to the share buy-back program are acquired in order to hedge liabilities related to the share programmes. Refer to note 3 for further information on the share programmes.

Accounting policies

Equity: Proposed dividends are recognised as a liability at the date of adoption at the annual general meeting (declaration date).

Treasury shares: Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly in retained earnings under equity. Capital reductions as a result of cancellation of treasury shares reduce the share capital by an amount equivalent to the nominal value of the shares. Proceeds from the sale of treasury shares in H+H International A/S in connection with the exercise of share options are taken directly to equity.

20 Pension obligations

Under defined contribution plans, the employer is obliged to pay a specific contribution (e.g. a fixed amount or a fixed percentage of salary). Under such plans, the Group does not bear the risk associated with future developments in interest rates, inflation, mortality and disability.

Under defined benefit plans, the employer is obliged to pay a specific amount (e.g. a retirement pension as a fixed amount or a fixed percentage of final salary). Under such plans, the Group bears the risk associated with future developments in interest rates, inflation, mortality and disability.

The Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate the obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements, an amount of DKK 85 million (2020: DKK 147 million) has been recognised under liabilities in respect of the Group's obligations to existing and former employees after deduction of the assets associated with the plans.

In the UK, the actuarial valuation of the defined benefit plan at 31 December 2021 showed a net asset of DKK 17 million (GBP 2.0 million), consequently triggering IFRIC 14 for H+H UK to recognise future committed pension contributions of the scheme as they do not have unconditional right to a refund. Value recognised amounts to DKK 79 million (GBP 8.9 million).

In the consolidated income statement, an amount of DKK 7 million (2020: DKK 8 million) has been recognised in respect of expenses relating to insured plans (defined contribution plans). For non-insured plans (defined benefit plans), an amount of DKK 0 million (2020: DKK 3 million) has been recognised in the consolidated income statement as financial expenses.

The Group has defined benefit plans in the UK, Germany and Switzerland. The UK and Swiss pension plans are managed by a pension fund – legally separate from the Company – to which payments are made, whereas the German pension plans are unfunded. The board of the UK pension fund is composed of two representatives appointed by the employer, two elected by the pension fund members and two professional independent members.

The board of the UK pension fund is required by law and by articles of association to act in the interest of the pension fund members. The board of the UK pension fund is responsible for the investment policy with regard to the plan assets. Under the pension plan, employees are

Notes – Balance sheet

20 Pension obligations – continued

entitled to post-retirement annual payments amounting to 1/60 of the final pensionable salary for each year of service before the retirement age of 65. In addition, the service period is limited to 40 years, resulting in a maximum yearly entitlement (lifetime annuity) of 2/3 of the final pensionable salary.

The defined benefit pension fund in the UK typically exposes the Company to actuarial risks, such as investment, interest rate, inflation and longevity. H+H Celcon Pension Fund is supervised by an independent corporate trustee, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, the corporate trustee must ensure among other things that a limited actuarial calculation of the pension obligations is carried out each year.

Every 3 years a triennial valuation take place. This valuation is based on more prudent assumptions than used under IAS 19.

The updated triennial valuation, postponed from April 2020, was finally agreed on 27 January 2022, with the Actuarial certificate signed on 31 January 2021, replacing the triennial valuation from April 2017 (current). The updated triennial valuation showed a deficit of DKK 143 million (GBP 16.5 million), a decreased deficit compared to the triennial valuation from April 2017 of DKK 173 million (GBP 20.0 million).

The updated repayment schedule runs from April to April and H+H UK Limited is obliged to pay core contributions of DKK 35 million (GBP 4.00 million) in 2021/22, DKK 35 million (GBP 4.00 million) in 2022/23, DKK 28 million (GBP 3.21 million) in 2023/24 and DKK 26 million (GBP 3.03 million) in 2024/25.

The UK pension fund was closed to new entrants in June 2007 and to the accrual of future service benefits in December 2011.

The most recent actuarial valuations (based on IAS 19R) of plan assets and the present value of the defined benefit obligation in UK were carried out at 31 December 2021 by Mr Oscar Brown, Fellow of the UK Institute of Actuaries (Axis Actuarial Consulting Ltd.), in Germany by AON and in Switzerland by Swiss Life. The present value of the defined benefit obligation, and the related service and past service cost, were measured using the projected unit credit method.

The UK pension fund has been replaced by a defined contribution pension scheme where the Company is not subject to any ongoing investment, interest rate or mortality risk.

	Group	
(DKK million)	**2021**	**2020**
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	812	867
Fair value of plan assets	816	730
(Surplus)/Deficit	(4)	137
Present value of unfunded defined benefit plans recognised in the balance sheet	10	10
Future committed pension contribution (UK)	79	-
Net obligation recognised in the balance sheet	**85**	**147**
Development in present value of defined benefit obligation:		
Obligation at 1 January	877	742
Foreign exchange adjustments	65	(44)
Calculated interest on obligation	11	12
Past service costs	(1)	-
Service costs	2	2
Gains/losses as a result of changes in economic assumptions	(102)	122
Gains/losses as a result of changes in demographic assumptions	(2)	(12)
Empirical changes	(4)	82
Pension paid by employees	3	3
Pension paid	(27)	(30)
Obligation at 31 December	**822**	**877**
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	812	867
Present value of unfunded defined benefit obligations	10	10
Obligation at 31 December	**822**	**877**

Notes – Balance sheet

20 Pension obligations – continued

(DKK million)	Group 2021	Group 2020
Development in fair value of plan assets:		
Plan assets at 1 January	730	678
Foreign exchange adjustments	54	(40)
Calculated interest income	10	12
Return on plan assets over and above the calculated interest	17	81
The Group's contributions to plan assets	29	26
The employee's contributions to plan assets	3	3
Pensions paid	(27)	(30)
Plan assets at 31 December	**816**	**730**
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	7	8
Total pension costs	**7**	**8**
Financial costs relating to the defined benefit plans for the current year:		
Past service costs	(1)	-
Calculated interest on obligation	(11)	(12)
Calculated interest on plan assets	10	10
Net interest on defined benefit plans	**(2)**	**(2)**
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	102	(122)
Gains/losses as a result of change in demographic assumptions	2	13
Return on plan assets over and above the calculated interest	17	81
Future committed pension contribution	(79)	-
Changes due to empirical changes	4	(82)
Total	**47**	**(110)**

The cost has been recognised in the income statement under staff costs; see note 3. Costs recognised under production costs amount to DKK 3 million (2020: DKK 4 million), costs recognised under sales and distribution costs amount to DKK 0 million (2020: DKK 1 million) and costs recognised under administrative costs amount to DKK 4 million (2020: DKK 3 million).

(DKK million)	Group 2021	Group 2020
Plan assets can be broken down as follows:		
Diversified Growth Fund	499	506
Liability Driven Investment	284	196
Alternatives	30	28
Cash	3	-
Total	**816**	**730**

All plan assets in the UK, DKK 786 million (2020: DKK 703 million), are investments held in LGIM funds, which in turn invest directly in highly rated assets that are traded on a stock exchange. Asset of another DKK 30 million (2020: DKK 27 million) relates to the Swiss pension plan.

(DKK million)	Group 2021	Group 2020
Return on plan assets		
Actual return on plan assets	27	93
Calculated interest on plan assets	10	12
Actuarial gain (loss) on plan assets	**17**	**81**
The average assumptions used for the actuarial calculation related to the UK pension at the balance sheet date can be stated as follows:		
Discount rate (avg.)	1.9%	1.2%
Expected inflation rate	3.1%	3.0%
Members' life expectancy from retirement age (years)	23.0	23.0

Sensitivity analysis
The table below shows the sensitivity of the UK pension obligation to changes in the key assumptions for determination of the obligation on the balance sheet date. The H+H Group is also exposed to developments in the market value of the plan assets. The key actuarial assumptions in determination of the pension obligation relate to interest rate level, pay increases and mortality.

Notes – Balance sheet

20 Pension obligations – continued

The analysis is based on the reasonably likely changes which can be expected on the balance sheet date, provided that the other parameters in the calculations are unchanged and not subject to consequential changes:

	Group	
(DKK million)	**2021**	**2020**
Sensitivity relative to discount rate:		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	15	17
Sensitivity relative to inflation:		
If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	8	9
Sensitivity relative to life expectancy from retirement age:		
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	35	33

The Group expects to pay DKK 35 million into the defined benefit pension plan in 2022 (2021: DKK 27 million).

	Group	
(DKK million)	**2021**	**2020**
The pension obligation is expected to fall due as follows:		
0-1 year	28	30
1-5 years	112	119
Over 5 years	682	728
Total	**822**	**877**

Actuarial assumptions

Discount rate

The discount rate is based on high-quality corporate bonds, and an adjustment has been made to reflect the fact that the duration of the bonds does not correspond to the duration of the pension obligation

Price inflation

Inflation is based on market expectations for inflation over the duration of the pension liabilities and is calculated as a single equivalent rate.

Demographic assumptions are based on the latest available mortality projection model.

Accounting policies

Pension obligations: The H+H Group has entered into pension agreements and similar agreements with some of its employees. Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions concerning future trends in factors such as salary levels, interest rates, inflation and mortality.

The value in use is determined only for the benefits attributable to service already rendered to the H+H Group. The actuarially determined value in use less the fair value of any plan assets is recognised in the balance sheet under pension obligations.

The pension costs for the year is recognised in the income statement based on actuarial estimates and the financial outlook at the start of the year. Past service costs are recognised in the income as a financial item. Differences between the expected development in plan assets and obligations and the realised values determined at year-end are designated as actuarial gains or losses and recognised in other comprehensive income.

Critical accounting estimates

Defined benefit pension plans: The present value of pension obligations depends on the actuarial assumptions made. These assumptions comprise the discount rate, inflation rate, estimated return on plan assets, future salary increases, mortality and future developments in pension obligations.

All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations.

Notes – Balance sheet

21 Provisions

	Group	
(DKK million)	**2021**	**2020**
Provisions at 1 January	40	44
Foreign exchange adjustments	-	(1)
Additions from acquired companies	11	-
Provisions for the year	6	8
Utilised during the year	(11)	(10)
Reversals during the year	-	(1)
Provisions at 31 December	**46**	**40**
Breakdown of the provisions at 31 December:		
Warranty obligations	3	3
Obligations relating to restoration of sites	35	25
Onerous contracts	2	4
Restructuring	2	-
Other provisions	4	8
Total	**46**	**40**
Expected maturity of provisions:		
Non-current liabilities	41	34
Current liabilities	5	6
Total	**46**	**40**

H+H's subsidiaries provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs. At 31 December 2021, warranty obligations relate predominantly to Germany and Poland.

The obligation in respect of restoration of sites relates to H+H's sites in Germany and Poland. The obligation has been calculated on the basis of external assessments of the restoration costs. Additions from acquired companies also comprises restoration obligations.

Accounting policies

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the H+H Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

The measurement of provisions is based on Management's best estimate of the amount expected to be required to settle the obligation.

In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation. A pre-tax discount rate is applied that reflects the general interest rate level plus the specific risks attached to the provision. The changes in present values during the financial year are recognised under financial expenses.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

A provision for restructuring is recognised when a detailed formal plan for the restructuring has been made public, no later than the balance sheet date, to those affected by the plan.

A provision for onerous contracts is recognised when the benefits expected to be derived by the H+H Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

If the H+H Group has an obligation to dismantle or remove an asset or restore the site on which the asset has been used, a provision equivalent to the present value of the expected future expenses is recognised.

Notes – Balance sheet

22 Credit institutions

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Bank loans, non-current	744	611	647	574
Bank loans, current	-	-	-	-
Amortised borrowing costs	(1)	(2)	(1)	(2)
Total	**743**	**609**	**646**	**572**

Change in borrowings from financing activitites:

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Borrowings 1 January	609	558	572	545
Change in borrowings	134	51	74	27
Borrowings 31 December	**743**	**609**	**646**	**572**

Change in lease liabilities:

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Lease liabilities 1 January	102	111	6	7
Increase of lease liabilities	29	17	1	-
Repayment of lease liabilities	(26)	(20)	(1)	(1)
Foreign exchange adjustments	1	(6)	-	-
Lease borrowings 31 December	**106**	**102**	**6**	**6**

Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 26.

Accounting policies

Bank loans etc. are recognised at the date of borrowing at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

The lease liability is measured at the present value of the remaining lease payments at the reporting date, discounted using the incremental borrowing rate for similar assets, taking into account the terms of the leases. A remeasurement of the lease liability, for example a change in the assessment of an option to purchase, results in a corresponding adjustment of the related right-ofuse assets.

Extension or termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated. Consequently, all cash outflows that are reasonably certain to impact the future cash balances are recognised as lease liabilities at initial recognition of lease contracts. The Group reassesses the circumstances leading to it not recognising extension or termination options on an ongoing basis.

Notes – Supplementary information

23 Contingent liabilities

Taxes and duties
The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, the parent company is thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities, and to withhold corporation tax from 1 January 2013. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

Financial guarantee
The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's Global Cash Pool facility. Subsidiaries drawdowns at 31 December 2021 amounts to DKK 108 million (2020: DKK 66 million).

In addition hereto, third party guarantees provided by H+H International A/S and its subsidiaries amounts to DKK 65 million at 31 December 2021 (2020: DKK 84 million).

Domination and profit/loss transfer agreement
H+H International A/S' subsidiary H+H Deutschland GmbH has on 31 December 2021 entered into a Domination and profit/loss transfer agreement ("DPLTA") with Anacon Beteiligungs GmbH and LCB Beteiligungs GmbH. H+H Deutschland GmbH, and H+H International A/S ultimately as guarantor, are hereby for a 20 year's period obliged to pay an annual consideration of EUR 0.89 million for the first 10 years and EUR 0.82 million for the 10 years following, and for this, obtains the rights related to minority shareholding of 47.5% of DOMAPOR Baustoffwerke GmbH & Co. KG.

Other
The H+H Group is not a party of any material legal procedings.

Shares in some subsidiaries as well as some specific land and buildings have been pledged as security for a loan agreement with Nordea Danmark, branch of Nordea Abp, Finland.

24 Auditors' remuneration

	Group		Parent company	
(DKK million)	**2021**	**2020**	**2021**	**2020**
Total fees for the parent company's auditors elected at the annual general meeting:				
Deloitte	3.5	3.4	1.1	1.0
Total	**3.5**	**3.4**	**1.1**	**1.0**
The total fee can be broken down as follows:				
Statutory audit	1.8	1.7	0.7	0.7
Other assurance engagements	1.2	1.1	0.0	-
Tax and VAT services	0.3	0.3	0.0	-
Other services	0.2	0.3	0.4	0.3
Total	**3.5**	**3.4**	**1.1**	**1.0**

A few Group enterprises are not audited by the Parent's appointed auditors (Deloitte) or the auditors' foreign affiliates.

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0.3 million (2020: DKK 0.3 million) and consist of other assurance engagements related to the tax assistance and advisory, advisory services related to transfer pricing and sundry accounting advisory.

Notes – Supplementary information

25 Business combinations

H+H International A/S' subsidiary H+H Deutschland GmbH has on the 14 September 2021 made an agreement with Greisel Vertrieb GmbH and affiliated companies to acquire its aircrete factory located in Feuchtwangen in Bavaria, Germany. Furthermore, on 31 December 2021 H+H Deutschland GmbH acquired 52.5% of the shares in DOMAPOR Baustoffwerke GmbH & Co. KG ("DOMAPOR"), a manufacturer of aircrete and calcium silicate blocks located in Mecklenburg-West Pomerania, Germany.

The acquisitions are in line with H+H's strategy to expand its activities within the German wall-building materials market and further consolidate and restructure the industry.

Feuchtwangen
Cashflow related to the acquisition of Feuchtwangen amount to DKK 126 million which was paid in cash on the acquisition date. Transaction costs of DKK 3 million related to the acquisition have been expensed in 2021, recognised as other operating costs, and presented as special items in the income statement.

The purchase price allocation shows acquired net assets at a fair value of DKK 43 million and related goodwill of DKK 83 million.

DOMAPOR
Cashflow related to the acquisition DOMAPOR amount to DKK 112 million which was paid in cash on the acquisition date. Transaction costs of DKK 6 million related to the acquisition have been expensed in 2021, recognised as other operating costs, and presented as special items in the income statement.

The purchase price allocation shows acquired net assets at a fair value of DKK 79 million, including minorities' share of DKK 38 million, and related goodwill were consequently determined at DKK 70 million by applying the "Acquired goodwill method".

The PPA for the acquisition is considered provisional due to the fact that the transaction was closed on 31 December 2021, leaving limited time to identify and determine fair value of assets acquired and liabilities assumed. Adjustments may be applied to the purchase price allocation for a period of up to 12 months from the acquisition date.

Valuation method applied for acquisitions
The fair value of customer relations is determined through use of the Multi-Period Excess Earnings method (MEEM). Customer relations 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 11.50% has been applied.

The fair value of the acquired land and buildings is recognised on the basis of an internal property valuations.

The fair value of the acquired plant and machinery is estimated on the basis of the depreciated replacement value.

Receivables are valued at the present value of the amounts that are expected to be received less expected costs for collection.

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.

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.

Accounting effect of acquisitions
Goodwill in the H+H Group was DKK 211 million at the beginning of the year. Due to the acquisitions, additional goodwill of DKK 153 million was recognised, resulting in goodwill as of 31 December 2021 amount to DKK 364 million. Goodwill represents the value of the existing staff, access to new markets and expected synergies.

Notes – Supplementary information

25 Business combinations – continued

The table provides a summary of the purchase price for the two acquisitions and the allocation of the fair value of acquired assets and assumed liabilities on the acquisition dates.

	Feuchtwangen	DOMAPOR	Total	
(DKK million)	**14 September 2021**	**31 December 2021**	**2021**	**2020**
Customer relations and other intangible assets	-	52	52	50
Land and buildings	36	35	71	20
Plant and machinery	19	19	38	14
Financial assets	-	0	0	1
Receivables	-	17	17	6
Inventories	-	18	18	7
Cash	-	7	7	8
Acquired assets	**55**	**148**	**203**	**106**
Financial debt	-	28	28	15
Non-current provision	11	-	11	-
Trade payables	-	0	0	2
Tax payables	-	3	3	4
Other current liabilities	1	9	10	7
Deferred tax	-	28	28	19
Assumed liabilities	**12**	**68**	**80**	**47**
Total identifiable acquired net assets	43	80	123	59
Hereof minority interests' share	-	(38)	(38)	(29)
Goodwill in connection with the acquisition	83	70	153	17
Purchase price	**126**	**112**	**238**	**47**
Movements in cash flow in connection with the acquisition:				
Purchase price	126	112	238	47
Of which is cash acquired	-	7	7	8
Of which financial debt is acquired	-	(28)	(28)	(15)
Net cash flow in connection with the acquisitions	**126**	**91**	**217**	**40**

The fair value of the assets and liabilities acquired is not considered to be final until 12 months after the acquisition.

Business combinations in 2020 relates to the acquisition of Porenbetonwerk Laussnitz GmbH & Co. KG.

26 Financial instruments and financial risks

H+H's financial risk management policy
As a result of its activities, H+H is exposed to various financial risks i.e. foreign exchange risks, as well as capital structure and cash flow risks, bad debt exposure and financial covenants. It is H+H's policy not to speculate actively in financial risks.

H+H's financial risk management policy and procedures is thus aimed exclusively at managing the financial risks that are a direct consequence of H+H's activities. This note relates exclusively to financial risks directly associated with H+H's financial instruments.

Foreign exchange risks
H+H presents its consolidated financial statements in DKK. Most of H+H's products are produced and sold outside Denmark. Sales in markets outside Denmark account for approximately 90% of revenue, with the UK, Germany and Poland being the largest markets.

H+H's in- and outflows are denominated mainly in GBP, EUR and PLN, and its principal exposure is currently related to these currencies. Predominantly the group subsidiaries trade in their functional currency or in EUR. Currency exposure on transaction positions on ordinary activities is therefore contained within the Group.

H+H's foreign exchange hedging policy and procedures states that an individual group subsidiary must not take foreign exchange positions. Instead, Group Finance needs to be consulted, and if relevant, financial instruments in foreign currencies are entered into if the foreign exchange exposure exceeds certain thresholds, also depending on the character of exposure.

Due to the nature of H+H activities, financial instruments in foreign currencies are only limitedly used. H+H has for 2021 entered foreign contracts for purchase of EUR paid in CHF, GBP and PLN, these all related to flow of funds from group subsidiaries to Group.

Capital structure and cash flow risks
The H+H Group has significant net interest-bearing debt. An increase in the interest rate level will depress the Group's pre-tax profit. It is H+H's policy to hedge interest rate risks on H+H's loans if it is assessed that the interest payments can be hedged at a satisfactory level. Historically, the interest rate has only to a very limited extent been hedged and H+H has therefore benefited from lower short-term rates compared with long-term rates.

The H+H Group's liquidity risk is defined as the risk that the H+H Group will not, in a worst-case scenario, be able to meet its financial obligations due to insufficient liquidity. It is the H+H Group's policy that all surplus funds flow upwards to be managed centrally by the parent company.

H+H's capital structure contains a Global Cash Pool arrangement supported by individual loans. Most group subsidiaries participate in the Global Cash Pool arrangement and the parent company sets limits for all overdraft facilities included herein. H+H aims that financing of group subsidiaries are management within the Global Cash Pool arrangement, or via intercompany loans from the parent company to the relevant group subsidiary. If necessary, the parent company may decide to approve that financing of a group subsidiary is obtained externally.

H+H regularly evaluates the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

Notes – Supplementary information

26 Financial instruments and financial risks – continued

Bad debt exposure
As consequence of it's ordinary activities, H+H is exposed to the risk of bad debt. This risk is primarily related to receivables in respect of sales of H+H's products, which for the majority is invoiced through a number of builders' merchants across several countries. This reduces the H+H's risk of bad debt exposure towards contractors and house builders, but consequently increases it to builders' merchants.

In line with H+H's credit risk hedging procedures, all customers are subject to mitigating actions, i.e. credit rating, assessment of payment terms or credit limits etc., which all constitutes that H+H's risk of bad debt are at a very low level - which also is supported by the very modest bad debt losses realised in previous years. The maximum related credit risk corresponds to the carrying amounts recognised in the balance sheet. The H+H Group does not have any material risks relating to a single customer, business partner or country.

Loan agreements and financial covenants
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. These are monitored on a quarterly basis, calculated on basis of budget and updated financial forecasts data. They furthermore undergo sensitivity testing to ensure that management, if needed, can initiate mitigating actions to ensure compliance. The financial covenants have been fulfilled in 2021 and are also expected to be fulfilled for 2022.

Parent company's monetary items and sensitivity

(DKK million)	2021				2020			
	Position	Sensitivity			Position	Sensitivity		
	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity
EUR/DKK	1,028	1%	10	8	813	1%	8	6
GBP/DKK	(147)	5%	(7)	(6)	(94)	5%	(5)	(3)
			3	**2**			**3**	**3**

* The hypothetical impact on profit/loss and equity is significant to the parent company's financial statements but not necessarily to the consolidated financial statements.

The parent company has significant monetary items in currencies other than the functional currency in the form of loans to subsidiaries. The table above shows the parent company's key monetary positions broken down by currency and derived sensitivity.

Monetary items in foreign currency

(DKK million)	Group 2021						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	55	34	23	7	119	27	146
Other receivables	29	-	5	2	36	1	37
Cash	193	118	120	38	469	30	499
Trade payables	(64)	(113)	(56)	(10)	(243)	(8)	(251)
Other payables	(90)	(15)	(45)	(25)	(175)	(20)	(195)
Credit institutions	(195)	(12)	(2)	(12)	(221)	(522)	(743)
Gross exposure	(72)	12	45	0	(15)	(492)	(507)
Hedged via derivative financial instruments	-	-	-	-	-	-	-
Net exposure	**(72)**	**12**	**45**	**0**	**(15)**	**(492)**	**(507)**

(DKK million)	2020						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	4	43	17	5	69	11	80
Other receivables	18	1	8	1	28	1	29
Cash	198	81	150	30	459	22	481
Trade payables	(41)	(84)	(39)	(9)	(173)	(7)	(180)
Other payables	(57)	(15)	(46)	(20)	(138)	(24)	(162)
Credit institutions	(88)	(3)	(2)	(13)	(106)	(503)	(609)
Gross exposure	34	23	88	(6)	139	(500)	(361)
Hedged via derivative financial instruments	-	-	-	-	-	-	-
Net exposure	**34**	**23**	**88**	**(6)**	**139**	**(500)**	**(361)**

Notes – Supplementary information

26 Financial instruments and financial risks – continued

Sensitivity of profit and equity to market fluctuations

	Group			
(DKK million)	**2021**		**2020**	
	Profit	**Equity**	**Profit**	**Equity**
5% increase in GBP/DKK	6	16	4	11
5% increase in PLN/DKK	8	23	6	24
	14	**39**	**10**	**35**

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A decline in the GBP/DKK and PLN/ DKK exchange rates would result in a corresponding increase in profit/loss after tax and equity. The sensitivity analysis has been calculated at the balance sheet date on the basis of the exposure to the stated currencies at the balance sheet date. The calculations are based solely on the stated change in the exchange rate and do not take into account any knock-on effects on interest rates, other exchange rates etc.

Interest rate exposure

	Group							
(DKK million)	**2021**				**2020**			
	Net interest-bearing debt	**Interest hedged**	**Net position**	**Weighted time to maturity of hedging**	**Net interest-bearing debt**	**Interest hedged**	**Net position**	**Weighted time to maturity of hedging**
DKK	499	-	499	-	489	-	489	-
EUR	30	-	30	-	(93)	-	(93)	-
PLN	(66)	-	(66)	-	(92)	-	(92)	-
CHF	(31)	-	(31)	-	(25)	-	(25)	-
GBP	(88)	-	(88)	-	(59)	-	(59)	-
Other	6	-	6	-	10	-	10	-
Total	**350**	**-**	**350**	**-**	**230**	**-**	**230**	**-**

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2021, the Group was not involved in any interest rate swaps.

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level relative to the average interest rate level in 2021 would reduce profit/loss before tax by DKK 2 million (2020: DKK 4 million).

The interest rate is variable, changing in accordance with the performance relative to the covenants contained in the loan agreement.

H+H's financial liabilities fall due as follows:

	Group			
(DKK million)	**2021**			
	Carrying amount	**0-1 year**	**1-5 years**	**Over 5 years**
Non-derivative financial instruments:				
Credit institutions and banks	743	-	766	-
Lease liability	106	21	45	40
Trade payables	251	251	-	-
Other payables	195	195	-	-
Total	**1,295**	**467**	**810**	**40**

(DKK million)	**2020**			
	Carrying amount	**0-1 year**	**1-5 years**	**Over 5 years**
Non-derivative financial instruments:				
Credit institutions and banks	609	-	636	-
Lease liability	102	18	41	43
Trade payables	180	180	-	-
Other payables	162	162	-	-
Total	**1,053**	**360**	**677**	**43**

Notes – Supplementary information

26 Financial instruments and financial risks – continued

Other derivatives that do not qualify for hedge accounting
The fair value of those financial instruments that do not qualify for hedge accounting under IFRS 9 is recognised directly in the income statement. No contracts are entered as at 31 December 2021 (31 December 2020: DKK 0 million).

The fair value of derivative financial instruments to hedge future cash flows is based on observable data (level 2)

Categories of financial instruments

(DKK million)	Group 2021			
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	146	146	80	80
Other receivables	37	37	29	29
Cash and cash equivalents	499	499	481	481
Total receivables	**682**	**682**	**590**	**590**
Credit institutions and banks	743	743	609	609
Trade payables and other payables	446	446	342	342
Total financial liabilities measured at amortised cost	**1,189**	**1,189**	**951**	**951**

Classification and assumptions for the calculation of fair value
Current bank loans at variable interest rates are valued at a rate of 100. The fair value of long-term loans and finance leases is calculated using models that discount all estimated and fixed cash flows to net present value. The expected cash flows for the individual loan or lease are based on contractual cash flows. Financial instruments relating to sale and purchase of goods etc. with a short credit period are considered to have a fair value equal to the carrying amount. The methods are unchanged from last year.

27 Related parties

The Group's related parties are the Executive Board and the Board of Directors.

Apart from contracts of employment, no agreements or transactions have been entered into between the Company and the Executive Board. Remuneration to the Board of Directors and the Executive Board is disclosed in note 3.

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries; see note 16.

A management fee totaling DKK 52 million (2020: DKK 47 million) was received by the parent Company from the remainder of the Group.

Transactions between the parent company and subsidiaries also include deposits, loans and interest; these are shown in the parent company balance sheet and notes 7 and 8.

There were no material unsettled balances with related parties at the end of the year.

Trading with related parties is at arm's length.

28 Events after the balance sheet date

With reference to note 20 "Pension obligations", H+H has on 27 January 2022 agreed a new triennial valuation (postponed from April 2020), with the Actuarial certificate signed on 31 January 2021. Consequently, a new repayment schedule has been agreed for obligatory contributions, which does not impact H+H financial position significantly.

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.

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2021.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2021 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2021.

In our opinion, the management's review includes a fair review of the development in the parent company's and the Group's operations and financial conditions, the results for the year and the parent company's financial position, and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the more significant risks and uncertainty factors that the parent company and the Group face.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 3 March 2022

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

Independent auditors' report

To the shareholders of H+H International A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of H+H International A/S for the financial year 1 January to 31 December 2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2021, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of H+H International A/S for the first time on 18 April 2012 for the financial year 2012. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 10 years up to and including the financial year 2021.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
Revenue recognition relating to cut-off and provisions for quantum rebates and customer bonuses We have considered revenue recognition relating to appropriate cut-off including provisions for quantum rebates and customer bonuses as a key audit matter since revenue is the most material figure in the financial statements and because the audit of the risk involves extensive audit efforts compared to the other risks we have identified. Revenue including quantum rebates and customer bonuses. amounted to DKK 3,020 million for the financial year 1 January to 31 December 2021.	We have addressed the key audit matter by performing the following: • We discussed with Management and evaluated internal controls and procedures for revenue recognition, including provisions for quantum rebates and customer bonuses. • We evaluated the appropriateness of the methodology and key assumptions applied to revenue recognition, including the provision for quantum rebates and customer bonuses. • We tested revenue recognition, including quantum rebates and customer bonuses on a sample basis for consistency with terms and conditions of the underlying sales contracts. • We tested revenue recognised around year-end and the provisions for quantum rebates and customer bonuses for appropriate timing of recognition as well as calculation of rebates and bonuses to underlying sales contracts. • We evaluated Management's ability to calculate the provisions for quantum rebates and customer bonuses accurately by considering the retrospective accuracy of the provisions in previous year.

Statement on the management review
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence

the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of H+H International A/S we performed procedures to express an opinion on whether the annual report for the financial year 1 January to 31 December 2021, with the file name HH-2021-12-31-en.zip, is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of H+H International A/S for the financial year 1 January to 31 December 2021, with the file name HH-2021-12-31-en.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 3 March 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	**Yassir Iqbal**
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no mne21358	MNE no mne45103

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More than 100 years of experience

H+H as a conglomerate 1909–1998

1909
Henriksen & W. Kähler established joint gravel pit enterprise

1937
Business expanded with Danish Aircrete and Rockwool Partnership

1958
H+H enters the UK—joint venture with Celcon

1962
Henriksen & W. Kähler divided Rockwool activities from the other activities

1985
H+H's B shares listed on the Copenhagen Stock Exchange

H+H as a consolidator 1998–2021

2000
Focus on aircrete—expansion to Finland and Germany

2009
Opening of factory near St. Petersburg, Russia

2005
Expansion into Poland

2017
H+H enters the CSU markets through acquisitions in Germany, Switzerland and Poland

Turnaround 2011–2015

2011
Michael T. Andersen is appointed CEO of H+H

2013
Kent Arentoft is appointed Chairperson of the Board of Directors

Restructuring of the European white-stone markets 2015–2021

2015
Restructuring of the Polish aircrete market

2019
Divestment of the Russian business and acquisition of one CSU factory in Germany

2019
Peter Klovgaard-Jørgensen is appointed CFO

2020
Acquisition of one AAC factory in Germany

2021
Acquisitions of one AAC factory and one combined AAC and CSU factory in Germany

H+H as a Partner in Wall Building 2022

Design and production: Noted

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PARTNERS IN WALL BUILDING