

Company Announcement No. 502, 2022

H1 2022 Interim Financial Report: strong activity and sales price increases drove solid earnings in high-inflation environment



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Date:
18 August 2022

Today, the Board of Directors of H+H International A/S (hereinafter referred to as “H+H” or “the Company”) has adopted the Interim Financial Report for the second quarter (“Q2 2022”) and the first six months of 2022 (“H1 2022”).

CHIEF EXECUTIVE OFFICER MICHAEL T. ANDERSEN QUOTE

“This was an exceptionally strong quarter for H+H fuelled by continued high activity and customer demand. I am pleased with the solid performance across the business in the first half of 2022, which demonstrates our continued ability to negotiate sales price increases with customers to offset the continued inflationary pressure. While the current macroeconomic landscape is clearly causing uncertainties and is expected to weigh on future construction activity, we maintain our financial expectations for the full year. Our focus will remain on delivering strong operational performance and continuing to service customers across our footprint.”

PERFORMANCE HIGHLIGHTS FOR Q2 2022 (Q2 2021)

- Revenue increased by 20% to DKK 1,000 million (DKK 836 million).
- Revenue growth before acquisitions and divestments measured in local currencies (“organic growth”) was 13% (39%).
- Gross profit was DKK 320 million (DKK 251 million), corresponding to a gross margin of 32% (30%).
- EBIT before special items¹ was DKK 177 million (DKK 125 million), corresponding to an EBIT margin before special items of 18% (15%).
- Net profit of DKK 129 million (DKK 93 million).
- Free cash flow was DKK 165 million (DKK 172 million).
- Financial gearing was 0.5 times EBITDA at the end of Q2 2022 (0.3 times EBITDA at the end of Q2 2021).

¹ No special items were recognised in the period from 1 April 2021 to 30 June 2021

FINANCIAL HIGHLIGHTS FOR THE PERIOD 1 JANUARY 2022 TO 30 JUNE 2022

DKK million	Q2 2022	Q2 2021	H1 2022	H1 2021
Sales volume (thousand cubic metres)	1,182	1,192	2,269	2,152
Revenue	1,000	836	1,874	1,478
Organic growth	13%	39%	20%	14%
Gross margin before special items	32%	30%	30%	30%
EBITDA before special items	227	172	386	281
EBIT before special items	177	125	287	189
EBIT margin before special items	18%	15%	15%	13%
Special items	(9)	-	(19)	-
Return on Invested Capital (ROIC)	26%	21%	26%	21%
NIBD/EBITDA before special items ratio	0.5x	0.3x	0.5x	0.3x
Free cash flow	165	172	102	140

FINANCIAL OUTLOOK FOR 2022

The financial outlook for the full year 2022 is maintained:

- Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") is expected to be in the range of 15% to 20%.
- EBIT before special items is expected to be in the range of DKK 440 million to DKK 520 million.

The financial outlook for 2022 is based on the following specific assumptions:

- Exchange rates, primarily the British pound ("GBP"), the euro ("EUR") and the Polish zloty ("PLN"), are expected to remain at mid-August 2022 levels.
- Costs of energy costs and raw materials are expected to remain at current levels.

H1 2022 INTERIM FINANCIAL REPORT CONFERENCE CALL

In connection with the release of the H1 2022 Interim Financial Report, a conference call for investors and analysts is scheduled for Friday 19 August 2022, at 10:00 a.m. CEST. On the call, Chief Executive Officer ("CEO") Michael T. Andersen and Chief Financial Officer ("CFO") Peter Klovgaard-Jørgensen will present the interim financial report. The presentation will be followed by a Q&A session. Investors and analysts are invited to participate via phone (PIN code: 275042):

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UK: +44 2037696819
US: +1 6467870157

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

H+H's core activity is the manufacture and sale of wall-building materials with a revenue in 2021 of DKK 3.0 billion. The main product lines are aircrete blocks and calcium silicate units used for the residential new building segment. H+H has 31 factories in Northern and Central Europe with a total output of close to 4.5 million cubic metres of products annually and has a leading position in most of its markets. H+H has more than 1,600 employees and is listed on the Nasdaq Copenhagen stock exchange.

KEY FIGURES – H+H GROUP

	Q2	Q2	H1	H1	Full-year
Amounts in DKK million	2022	2021	2022	2021	2021
Income statement					
Revenue	1,000	836	1,874	1,478	3,020
Gross profit before special items	320	251	564	439	905
EBITDA before special items	227	172	386	281	591
EBITDA	218	172	367	281	567
EBIT before special items	177	125	287	189	408
EBIT	168	125	268	189	377
Profit before tax	164	120	259	179	356
Profit for the period	129	93	201	142	321
Balance sheet					
Assets	3,673	3,186	3,673	3,186	3,400
Invested capital*	1,983	1,839	1,983	1,839	1,852
Investments in property, plant and equipment**	42	34	84	61	197
Acquisition and divestment of enterprises	-	-	-	-	238
Net working capital	178	82	178	82	65
Equity	1,859	1,644	1,859	1,644	1,814
Net Interest-bearing debt (NIBD)	343	149	343	149	350
Cash flow					
Cash flow from operating activities	207	206	186	201	454
Cash flow from investing activities	(42)	(34)	(84)	(61)	(427)
Cash flow from financing activities	(70)	(16)	(70)	30	(25)
Free cash flow	165	172	102	140	27
Financial ratios					
Organic growth	13%	39%	20%	14%	13%
Gross margin before special items	32%	30%	30%	30%	30%
EBITDA margin before special items	23%	21%	21%	19%	20%
EBITDA margin	22%	21%	20%	19%	19%
EBIT margin before special items	18%	15%	15%	13%	14%
EBIT margin	17%	15%	14%	13%	12%
Return on invested capital (ROIC) (excl. Goodwill)	26%	21%	26%	21%	20%
Solvency ratio	48%	50%	48%	50%	50%
NIBD/EBITDA before special items ratio	0.5x	0.3x	0.5x	0.3x	0.6x
Share data					
Share price, end of period (DKK)	133	192	133	192	230
Book value per share, end of period (DKK)	106	92	106	92	102
Earnings per share	7.4	5.2	11.3	7.9	17.5
Diluted earnings per share	7.4	5.2	11.3	7.9	17.5

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

* Invested capital is measured on a rolling twelve-months basis.

** Investments in property, plant and equipment exclude effects from IFRS 16.

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE SECOND QUARTER OF 2022

Revenue

Total revenue increased by 20% to DKK 1,000 million in Q2 2022 compared to DKK 836 million in Q2 2021. Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") was 13% in Q2 2022 compared to 39% in Q2 2021.

The relatively higher organic growth was driven by the continued implementation of sales price increases to counter the continued high inflationary pressure, partly offset by lower sales volumes for the quarter as a result of lower production output primarily due to the planned upgrade of the Wittenborn factory in Germany.

Revenue, external				
	Q2		H1	
Amounts in DKK million	2022	2021	2022	2021
	Revenue			
Central Western Europe	440	403	836	695
United Kingdom	281	248	520	444
Poland	279	185	518	339
Total	1,000	836	1,874	1,478

Revenue in the Central Western Europe region increased by 9% to DKK 440 million compared to DKK 403 million in Q2 2021 driven by revenue from acquisitions. Organic growth in the region was negative 4% as a result of lower sales volumes for AAC, and to a lesser extent for CSU, partly offset by higher sales prices for both product categories.

Revenue in the United Kingdom increased by 13% to DKK 281 million compared to DKK 248 million in Q2 2022. Organic growth in the United Kingdom was 11%, mainly driven by higher sales prices.

Revenue in Poland increased by 51% to DKK 279 million compared to DKK 185 million in Q2 2021. Organic growth was 54%, primarily driven by higher sales prices and, to a lesser extent, higher sales volumes in both product categories.

Of the total revenue in Q2 2022 of DKK 1,000 million, AAC and CSU constituted 71% and 29%, respectively.

Production cost

Production cost remains impacted by increasing prices for raw materials as well as higher transport prices in the UK from a continued high demand pressure.

H+H has during the second quarter of 2022 continued the planned upgrades and maintenance of the German factories in Feuchtwangen and Wittenborn, respectively, resulting in relatively lower production output in the period.

Gross profit

Gross profit amounted to DKK 320 million compared to DKK 251 million in Q2 2021, corresponding to gross margins of 32% and 30%, respectively.

Gross profit in the AAC and CSU businesses amounted to DKK 220 million and DKK 100 million in Q2 2022, respectively. This corresponded to gross margins of 31% and 34% for AAC and CSU, respectively.

EBITDA before special items

EBITDA before special items amounted to DKK 227 million compared to DKK 172 million in Q2 2021, corresponding to EBITDA margins of 23% and 21%, respectively.

Depreciation and amortisation

Depreciation and amortisation in Q2 2022 amounted to DKK 50 million compared to DKK 47 million in Q2 2021. The increase related to companies acquired in 2021.

EBIT before special items

EBIT before special items amounted to DKK 177 million in Q2 2022, compared to DKK 125 million in Q2 2021, corresponding to EBIT margins before special items of 18% and 15%, respectively.

Special items

Special items of DKK 9 million for Q2 2022 comprise of additional transport cost as a result of an ongoing factory upgrade in Germany.

Net financials

Net financials totalled an expense of DKK 4 million in Q2 2022, compared to an expense of DKK 5 million in Q2 2021.

Profit before tax

Profit before tax amounted to DKK 164 million in Q2 2022, compared to DKK 120 million in Q2 2021.

Tax

Tax for the period amounted to a net expense of DKK 35 million compared to a net expense of DKK 27 million in Q2 2021. Please refer to Note 13 for more information about tax for the period.

Net profit

Net profit for the period amounted to DKK 129 million compared to DKK 93 million in Q2 2021.

Profit for the period is attributable to H+H International A/S' shareholders by DKK 129 million and to non-controlling interests by DKK 0 million compared to DKK 93 million and DKK 0 million, respectively, for Q2 2021.

Comprehensive income

Other comprehensive income for Q2 2022 totalled a loss of DKK 8 million compared to an income of DKK 30 million in Q2 2021. The year-on-year decrease was mainly driven by unfavourable foreign exchange rates.

INCOME STATEMENT FOR THE FIRST SIX MONTHS OF 2022

Revenue

Total revenue for the first six months of 2022 increased by 27% to DKK 1,874 million compared to DKK 1,478 million in the first half of 2021. Organic growth was 20% in the first six months of 2022 compared to 14% for the first half of 2021.

Of the total revenue of DKK 1,874 million, AAC and CSU constituted 71% and 29%, respectively.

Gross profit

Gross profit in the first half 2022 increased by 28% to DKK 564 million compared to DKK 439 million in 2021, corresponding to gross margins of 30% and 30%, respectively.

Gross profit in the AAC and CSU businesses amounted to DKK 399 million and DKK 165 million, respectively. This compares to DKK 331 million and DKK 108 million in the first half of 2021 for the AAC and CSU businesses, respectively.

EBITDA before special items

EBITDA before special items in the first six months of 2022 increased by 37% to DKK 386 million compared to DKK 281 million in 2021, corresponding to EBITDA margins of 21% and 19%, respectively.

Depreciation and amortisation

Depreciation and amortisation in the first half 2022 amounted to DKK 99 million compared to DKK 92 million in first half 2021. The increase relates to companies acquired in 2021.

EBIT before special items

EBIT for the first six months of 2022 increased by 52% to DKK 287 million compared to DKK 189 million in 2021, corresponding to EBIT margins of 15% and 13%, respectively.

Special items

Special items for the first half of 2022 comprise restructuring costs of DKK 19 million, comprising additional transport costs related to a factory upgrade in Germany, the acquired AAC factory located in Feuchtwangen in Bavaria, Germany as well as costs related to changes to Group Management.

Net financials

Net financials totalled an expense of DKK 9 million in first half 2022, compared to an expense of DKK 10 million in first half 2021.

Profit before tax

Profit before tax for the first half 2022 amounted to DKK 259 million, compared to DKK 179 million in first half 2021.

Tax

Tax for the period amounted to a net expense of DKK 58 million compared to a net expense of DKK 37 million in first half 2021. Please refer to Note 13 for more information about tax for the period.

Net profit

Profit in the first six months of 2022 increased by 42% to DKK 201 million, compared to DKK 142 million in 2021.

Profit for the period is attributable to H+H International A/S' shareholders by DKK 197 million and to non-controlling interest by DKK 4 million compared to DKK 142 million and DKK 0 million, respectively, for the first half of 2021.

Comprehensive income

Other comprehensive income for the first six months of 2022 was negative DKK 51 million compared to positive DKK 37 million in 2021, mainly driven by changes in actuarial losses net of deferred tax of DKK 63 million related to pension obligations as well as foreign exchange adjustments of DKK 25 million.

CASH FLOW

Operating activities

Cash flow from operating activities amounted to DKK 207 million in Q2 2022 compared to DKK 206 million in Q2 2021. This was mainly driven by relatively higher earnings for the quarter and changes in working capital.

Cash flow from operating activities in the first six months of 2022 was DKK 186 million against DKK 201 million in 2021 as the relatively higher earnings for the period were more than offset by a negative working capital development driven by an increased level of trade debtors as result of the relatively high market activity.

Investing activities

Cash flow from investing activities in Q2 2022 amounted to negative DKK 42 million compared to negative DKK 34 million in Q2 2021.

Cash flow from investing activities in first six months of 2022 was negative DKK 84 million, compared to negative DKK 61 million in the first half of 2021.

Financing activities

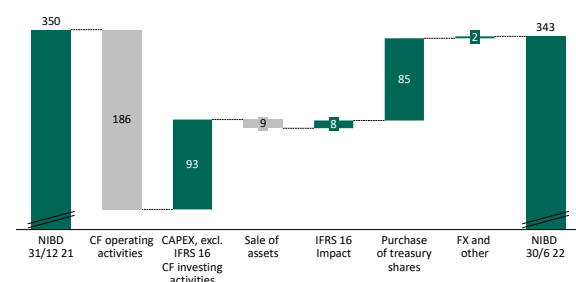
Cash flow from financing activities amounted to negative DKK 70 million in first half of 2022 compared to positive DKK 30 million in 2021. The year-on-year decrease was mainly driven by a change in borrowings of negative DKK 59 million and the purchase of treasury shares of DKK 50 million in connection with the ongoing share buy-back programme.

BALANCE SHEET

On 30 June 2022, the balance sheet total amounted to DKK 3,673 million compared to DKK 3,186 million on 30 June 2021.

Net interest-bearing debt

Net interest-bearing debt totalled DKK 343 million on 30 June 2022 corresponding to a decrease of DKK 7 million since 31 December 2021.



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

On 30 June 2022, the Company's financial gearing was 0.5 times net interest-bearing debt to EBITDA, which remains comfortably below the Company's long-term financial target of 1-2x EBITDA.

The Company's net interest-bearing debt excluding leasing totalled DKK 245 million on 30 June 2022, corresponding to an unused committed bank facility of DKK 0.8 billion.

Equity

The consolidated equity increased by DKK 45 million compared to 31 December 2021 and increased by DKK 215 million compared to 30 June 2021.

Equity	H1 2022	H1 2021
Amounts in DKK million	2022	2021
1 January	1,814	1,509
Profit for the period	201	142
Actuarial gains on pension plans	(36)	27
Foreign exchange adjustments	(15)	10
Dividend to non-controlling interests	-	(10)
Purchase of treasury shares	(85)	(36)
Adjustment to non-controlling interests arising from acquisition	(22)	-
Other adjustments	2	2
30 June	1,859	1,644

CURRENT MARKET ENVIRONMENT

The European housing market is still expected to grow, supported by a structural undersupply of housing, demographic growth, and urbanisation.

The high activity levels seen in the beginning of the year continued into the second quarter, but growing inflation, geopolitical instabilities and continued interest rate increases continue to weigh on visibility for the second half of the year as a continuation of such trends may adversely impact future customer demand.

In Germany, demand remains high, fuelled by a continued shortage of housing space—especially in the larger cities—from a growing number of smaller households.

However, the country faces growing inflation rates, in large part due to rising natural gas prices driven by uncertainties around future supply. This has hampered visibility for the remainder of the year, as consumers likely re-evaluate investment decisions based on the relatively higher cost of living and general economic uncertainties.

As a result thereof, the number of building permits issued has declined by 11% year-on-year. Further, the rising inflation is driving an increasing trend of postponements of construction starts.

While H+H continues to assume that there will be sufficient gas supplies available for the second half of the year, the Company has taken precautionary measures to ensure the continuous availability of energy to safeguard production in the exceptional event of limited availability of natural gas.

Currently, the majority of the factories in the Central Western Europe region have the capability to use oil as an alternative energy source if necessary. Potential uncertainties therefore relate to a limited share of H+H's production volume in the region.

While H+H has taken certain measures to safeguard its own production in the extraordinary event of limited availability of natural gas, major uncertainties still relate to the Company's supply chains and the continuous availability of relevant raw materials.

The upgrade of the Wittenborn factory continues as planned with support from the Feuchtwangen and the Domapor factories. Further, the integration of the Domapor factory into the wider German factory network continues in line with plans.

In the Nordics, the latest economic analyses point to a relatively more negative outlook for the construction industry due to high inflation and a shortage of labour and materials. However, current activity levels remain high, and the largest housebuilders are reporting strong forward sales for the remainder of 2022.

In both Switzerland and the Benelux countries, uncertainties from current geopolitical events continue to weigh on the expected economic growth for 2022.

In the United Kingdom ("UK"), the construction industry is still expected to continue growing, albeit

at slower rates than previously expected. The downward revision comes as a result of growing inflation arising from both local and global issues.

In the private housing segment, demand remains strong and resilient, but in combination with the growing inflation, rising interest rates are expected to adversely impact consumer confidence in the country. Nevertheless, housing sales rates remain high, and housebuilders continue to report strong forward sales for the remainder of the year.

The general expectation is therefore that the UK housing market will continue to provide favourable market conditions in the short term, but increased levels of uncertainty fuel the anticipation of tougher conditions in the medium term.

In Poland, demand remained solid in the second quarter and supported the implementation of significant sales price increases to counter the growing inflation on raw materials.

The number of building permits issued over the January to June period remains at a high level, and housing completions are continuing along an upward trend. However, growing inflation and rising interest rates have adversely impacted Polish purchasing power. This will likely influence investment decisions in the country and construction starts have already decreased by approximately 17% compared to the corresponding period in 2021.

It remains unclear to which extent the great number of refugees from Ukraine will impact the Polish housing markets, but the situation will likely add to the need for additional new-build construction activity due to the already significant shortage of housing space in the country.

The expansion of the Company's AAC factory in Reda with one additional CSU production line is continuing as planned. H+H expects that production will commence in September 2022.

H+H's diversified geographical footprint and strong factory networks provide a resilient market position. For the second half of the year, H+H expects continued positive market developments with a gradual stabilisation of demand levels.

These expectations are based on the assumptions of continuous availability of relevant energy sources and raw materials and neither escalations of the war

in Ukraine nor recessionary developments in any of the Company's current markets.

MOST MATERIAL RISKS AND UNCERTAINTIES

For most material risk and uncertainties, please refer to Note 6 "Significant accounting estimates and judgements" and to Note 13 "Risks Management".

EVENTS IN THE SECOND QUARTER OF 2022

At the annual general meeting held 31 March 2022, a reduction of the share capital by a nominal amount of DKK 4,833,650 was approved. The share capital decrease was registered with the Danish Business Authorities on 5 May 2022.

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 Company's financial position.

FINANCIAL OUTLOOK FOR 2022

The Company's financial expectations for the full year 2022 are maintained:

- Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") is expected to be in the range of 15% to 20%.
- EBIT before special items is expected to be in the range of DKK 440 million to DKK 520 million.

ASSUMPTIONS FOR THE FINANCIAL OUTLOOK FOR 2022

Specific assumptions

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

- Exchange rates, primarily the British pound ("GBP"), the euro ("EUR") and the Polish zloty ("PLN"), are expected to remain at mid-August 2022 levels.
- Costs of energy and raw materials are expected to remain at current levels.

General assumptions

The expectations for H+H's financial performance are also based on certain 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;
- macro-economic and geopolitical developments; and
- operational uptime at H+H's production plants, including the supply of relevant energy and raw materials.

FINANCIAL CALENDAR 2022

Q3 2022 Interim Financial Report 10 Nov. 2022

FORWARD-LOOKING STATEMENTS

The Interim Financial Report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H, may cause actual developments and results to differ materially from the expectations expressed in this document.

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

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first six months of 2022.

The interim financial report, which has not been audited or reviewed by the H+H's auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and the Danish disclosure requirements for the interim financial reports of listed companies.

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities, and financial position on 30 June 2022 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2022.

Furthermore, it is our opinion that management's review provides a fair account of developments in H+H's operations and financial conditions, the results for the period and H+H's overall financial position, as well as a description of the most significant risks and uncertainties that H+H faces.

Copenhagen, 18 August 2022

EXECUTIVE BOARD

Michael Troensegaard Andersen
CEO

Peter Klovgaard-Jørgensen
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Stewart Antony Baseley

Volker Christmann

Kajsa von Geijer

Miguel Kohlmann

Helen MacPhee

CONDENSED INCOME STATEMENT

	Group				
	Q2 2022	Q2 2021	H1 2022	H1 2021	Full-year 2021
Amounts in DKK million					
Revenue	1,000	836	1,874	1,478	3,020
Cost of goods sold	(680)	(585)	(1,310)	(1,039)	(2,115)
Gross profit before special items	320	251	564	439	905
Sales costs	(46)	(36)	(84)	(72)	(143)
Administrative costs	(55)	(43)	(104)	(89)	(186)
Other operating income and costs, net	8	0	10	3	15
EBITDA before special items	227	172	386	281	591
Depreciation and amortisation	(50)	(47)	(99)	(92)	(183)
EBIT before special items	177	125	287	189	408
Special items, net	(9)	-	(19)	-	(31)
EBIT	168	125	268	189	377
Financial income	1	0	2	1	4
Financial expenses	(5)	(5)	(11)	(11)	(25)
Profit before tax	164	120	259	179	356
Tax on profit	(35)	(27)	(58)	(37)	(35)
Profit for the period	129	93	201	142	321
Profit for the period attributable to:					
H+H International A/S' shareholders	129	93	197	142	310
Non-controlling interest	0	0	4	0	11
Profit for the period	129	93	201	142	321
Earnings per share (EPS-Basic)	7.4	5.2	11.3	7.9	17.5
Diluted earnings per share (EPS-D)	7.4	5.2	11.3	7.9	17.5

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q2 2022	Q2 2021	H1 2022	H1 2021	Full-year 2021
Amounts in DKK million					
Profit for the period	129	93	201	142	321
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign entities	(7)	16	(15)	10	9
	(7)	16	(15)	10	9
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	1	16	(40)	33	47
Tax on actuarial gains and losses	(2)	(2)	4	(6)	(11)
	(1)	14	(36)	27	36
Other comprehensive income after tax	(8)	30	(51)	37	45
Total comprehensive income for the period	121	123	150	179	366

CONDENSED BALANCE SHEET

Amounts in DKK million	Group		
	30 June 2022	31 Dec. 2021	30 June 2021
ASSETS			
Non-current assets			
Goodwill	453	364	211
Other intangible assets	265	296	248
Property, plant and equipment	1,727	1,707	1,552
Deferred tax assets	14	17	13
Financial assets	6	6	7
Total non-current assets	2,465	2,390	2,031
Current assets			
Inventories	365	321	247
Receivables	317	190	251
Cash	526	499	657
Total current assets	1,208	1,010	1,155
TOTAL ASSETS	3,673	3,400	3,186
EQUITY AND LIABILITIES			
Equity			
Share capital	175	180	180
Retained earnings	1,745	1,662	1,540
Other reserves	(153)	(138)	(137)
Equity attributable to H+H International A/S' shareholders	1,767	1,704	1,583
Equity attributable to non-controlling interests	92	110	61
Total equity	1,859	1,814	1,644
Non-current liabilities			
Pension obligations	101	85	112
Provisions	41	41	32
Deferred tax liability	125	137	135
Credit institutions	771	743	696
Deferred payments, acquisition of subsidiary	105	-	-
Lease liabilities	78	85	90
Total non-current liabilities	1,221	1,091	1,065
Current liabilities			
Lease liabilities	20	21	20
Trade payables	300	251	241
Income tax	57	23	35
Deferred payment, acquisition of subsidiary	7	-	-
Provisions	5	5	6
Other payables	204	195	175
Total current liabilities	593	495	477
Total liabilities	1,814	1,586	1,542
TOTAL EQUITY AND LIABILITIES	3,673	3,400	3,186
Net interest-bearing debt	343	350	149

CONDENSED CASH FLOW STATEMENT

	Q2	Q2	H1	H1
Amounts in DKK million	2022	2021	2022	2021
Operating profit (EBIT)	168	125	268	189
Financial income, received	1	0	2	1
Financial expenses, paid	(5)	(5)	(11)	(11)
Depreciation and amortisation	50	47	99	92
Gain and losses on sale of assets and other non-cash effects	(8)	0	(7)	-
Change in working capital	22	63	(111)	(29)
Change in provisions and pension contribution	(9)	(8)	(27)	(14)
Income tax paid	(12)	(16)	(27)	(27)
Operating activities	207	206	186	201
Acquisition of property, plant and equipment and intangible assets	(42)	(34)	(84)	(61)
Investing activities	(42)	(34)	(84)	(61)
Change in borrowings	(14)	21	28	87
Change in lease liabilities	(6)	(7)	(13)	(14)
Purchase of treasury shares	(50)	(23)	(85)	(36)
Dividend to non controlling interests	-	(7)	-	(7)
Financing activities	(70)	(16)	(70)	30
Total cash flow for the period	95	156	32	170
Cash and cash equivalents, opening	433	497	499	481
Foreign exchange adjustments of cash	(2)	4	(5)	6
Cash and cash equivalents at 30 June	526	657	526	657

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Retained earnings	H+H shareholders share	Non controlling interests' share	Total
Equity at 1 January 2022	180	(138)	1,662	1,704	110	1,814
Total changes in equity						
Profit for the period	-	-	197	197	4	201
Other comprehensive income	-	(15)	(36)	(51)	-	(51)
Total comprehensive income	-	(15)	161	146	4	150
Share-based payment	-	-	2	2	-	2
Purchase of treasury shares	-	-	(85)	(85)	-	(85)
Share capital decrease, note 16	(5)	-	5	-	-	-
Adjustment to non-controlling interests arising from acquisition	-	-	-	-	(22)	(22)
Total changes in equity in 2022	(5)	(15)	83	63	(18)	45
Equity at 30 June 2022	175	(153)	1,745	1,767	92	1,859
Equity at 1 January 2021	180	(147)	1,405	1,438	71	1,509
Total changes in equity						
Profit for the period	-	-	142	142	-	142
Other comprehensive income	-	10	27	37	-	37
Total comprehensive income	-	10	169	179	-	179
Share-based payment	-	-	2	2	-	2
Purchase of treasury shares	-	-	(36)	(36)	-	(36)
Dividend to non-controlling interests	-	-	-	-	(10)	(10)
Total changes in equity in 2021	-	10	135	145	(10)	135
Equity at 30 June 2021	180	(137)	1,540	1,583	61	1,644

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 June 2022 has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, but that the interim financial report complies with the recognition and measurement principles in the International Financial Reporting Standards (IFRS). The interim financial report has not been reviewed by H+H’s auditors.

The accounting policies are consistent with those applied in the 2021 Annual Report, which includes a full description of the accounting policies applied.

2. Adoption of new and revised IFRSs

H+H International A/S has adopted all new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2022. It is assessed that the revisions and amendments have not had a material impact on the consolidated financial statements.

3. Income statement classified by function

It is Company policy to prepare the income statement based on an adapted classification of costs by function in order to show EBIT before special items. Depreciation and amortisation of property, plant and equipment, and intangible assets are therefore classified by function and presented on separate lines.

Amounts in DKK million	Q2 2022	Q2 2021	H1 2022	H1 2021
Revenue	1,000	836	1,874	1,478
Cost of goods sold	(714)	(616)	(1,376)	(1,101)
Gross profit including depreciation and amortisation	286	220	498	377
Sales cost	(58)	(47)	(109)	(94)
Administrative costs	(59)	(48)	(112)	(97)
Other operating income and costs	8	-	10	3
EBIT before special items	177	125	287	189
Special items, net	(9)	-	(19)	-
EBIT	168	125	268	189
Depreciation and amortisation comprise:				
Depreciation of property, plant and equipment	36	38	75	74
Amortisation of intangible assets	14	9	24	18
Total	50	47	99	92
Depreciation, amortisation and impairment are allocated to:				
Production costs	34	31	66	62
Sales costs	12	11	25	22
Administration costs	4	5	8	8
Total	50	47	99	92

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

4. Geographical information

Amounts in DKK million	Q2 2022	Q2 2021	H1 2022	H1 2021
	Revenue			
Central Western Europe	440	403	836	695
United Kingdom	281	248	520	444
Poland	279	185	518	339
	1,000	836	1,874	1,478

When presenting information on geographical areas, information on revenue is based countries with the exception of the “Central Western Europe” region which comprises Germany, Switzerland, Denmark, Sweden, the Czech Republic, Netherlands and Belgium. Revenue for Germany for Q2 2022 amounted to DKK 304 million (2021: DKK 278 million) and to DKK 556 million for the first six months 2022 (2021: DKK 462 million).

5. Special items, net

Amounts in DKK million	Q2 2022	Q2 2021	H1 2022	H1 2021
Restructuring costs	9	-	19	-
Total	9	-	19	-
Impact of special items on EBIT				
Cost of goods sold	9	-	12	-
Administrative costs	-	-	7	-
EBIT before special items	9	-	19	-

Special items for the first six months of 2022 comprise restructuring costs of DKK 19 million corresponding to an increase of DKK 9 million compared to the first quarter 2022. Special items comprise additional transport costs related to a factory upgrade in Germany, the acquired AAC factory located in Feuchtwangen in Bavaria, Germany as well as costs related to changes to Group Management.

6. Significant accounting estimates and judgements

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

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

With reference to Note 8 “Pension obligations”, significant accounting estimates and judgements have been made in connection with the adjustment of the net defined-benefit pension obligation in the UK.

The estimates and judgements made are based on assumptions that Management assesses to be sound. However, they are inherently uncertain and unpredictable. The assumptions may be incomplete, and unforeseen future events or circumstances may occur.

Further details of H+H’s key accounting estimates and judgements that may affect the Company are provided in the 2021 Annual Report.

7. Seasonal fluctuations

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

8. Pension obligations

H+H has defined-benefit pension plans in the UK, Switzerland, and Germany. The UK and Swiss pension plans are managed by a pension fund to which payments are made, whereas the German pension plan is funded from current earnings. H+H’s pension obligations predominantly relate to the plans in the UK.

For interim periods, H+H’s defined-benefit pension obligations are based on valuations from external actuaries carried out at the end of prior financial year considering any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. Actuarial calculations are updated or extrapolated quarterly.

On 30 June 2022, an updated actuarial valuation of the defined benefit plan in H+H UK, based on the April 2020 valuation agreed in January 2022, showed a net asset of DKK 34 million (GBP 3.8 million), triggering IFRIC 14 recognition of future committed pension contributions of the scheme as H+H UK do not have unconditional right to a refund. Consequently, a net value of DKK 111 million (GBP 12.6 million) has been recognised as of 30 June 2022.

Compared to December 2021, and based on the above, a value adjustment (including the effects of IFRIC 14) has been made relating to the UK pension plan, affecting total comprehensive income negatively by DKK 36 million net of tax.

On 30 June 2022, the total pension obligation, including the recognition of future committed pension contributions, amounted to DKK 101 million compared to DKK 85 million on 31 December 2021. The increase is driven by payments, interest, value adjustment and currency adjustment.

9. Financial resources and cash flow

On 30 June 2022, net interest-bearing debt, totalled DKK 343 million, corresponding to a decrease of DKK 7 million since the beginning of the year. The decrease in net interest-bearing debt since the beginning of the year was primarily driven by earnings for the period, but partly offset by capital expenditures and the purchase of treasury shares.

H+H's financing is a committed credit facility with Nordea Danmark, a branch of Nordea Abp, Finland, maturing in April 2024.

H+H's financing is subject to usual financial covenants, which have been fulfilled in the second quarter of 2022 and are also expected to be fulfilled for the full year 2022.

10. Share buy-back programme

On 16 February 2022, the share buy-back programme initiated in 2021 was concluded with 569,853 shares acquired at total purchase price of DKK 115 million.

On 3 March 2022, 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"). The share buy-back programme is in full described in Company Announcement no. 469 of 3 March 2022.

The share buy-back programme is expected to be realised over a 12-month period, starting from 4 March 2022. Under the share buy-back programme, H+H may repurchase shares up to a maximum amount of DKK 150 million.

In first six months of 2022, a total of 494,400 shares were acquired at a total purchase price of DKK 85 million in connection with the share buy-back programme initiated 2022.

11. Share-based payment

The performance-share-units schemes for 2020 and 2021 are active and presented in the 2021 Annual Report.

In March 2022, the Board of Directors of H+H International A/S implemented a new long-term incentive programme ("LTIP") being a performance share unit ("PSU") programme similar to the LTIP PSU programme launched in 2020 and 2021. At initiation, a total of 43.989 PSUs were granted to the participants, including 8.789 PSUs to CFO, Peter Klovgaard-Jørgensen. Based on the average share price for H+H shares trading on the Nasdaq Copenhagen stock exchange during the first ten days after the release of the 2021 Annual Report on 3 March 2022, the theoretical value was DKK 182.81 per PSU, corresponding to a total theoretical value of DKK 8 million for the 2022 LTIP based on the current participants and their receipt of PSU grants. The vesting period for the PSUs is approximately three years, with vesting for the 2022 LTIP being in 2025 when the audited annual report for 2024 is publicly announced.

In the first six months of 2022, an expense of DKK 3 million was recognised under staff costs, on par with the same period in 2021.

12. Tax on profit

Amounts in DKK million	Q2 2022	Q2 2021	H1 2022	H1 2021
Current tax	37	21	61	33
Movement in deferred tax	(2)	6	(3)	4
Tax on profit	35	27	58	37

13. Risk Management

H+H's principal risks and the external factors that may affect H+H are provided in the 2021 Annual Report. These are unchanged for the first six months of 2022.

14. Related parties

Related parties of H+H with significant influence include the Board of Directors and the Executive Board of the Company and their close family members. Related parties also include companies in which the aforementioned persons have control or significant interests.

Transactions with related parties

H+H did not enter into any significant transactions with members of the Board of Directors or with members of the Executive Board, except for compensation and benefits received as a result of their membership of either the Board of Directors, employment with H+H or shareholdings in H+H.

15. Business combinations

In the consolidated financial statements for 2021, the accounting of the acquisition of DOMAPOR was 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. Therefore, adjustments may be made to the purchase price allocation for a period of up to 12 months from the acquisition date.

The initial purchase price allocation showed acquired net assets at fair value of DKK 80 million, and the minority interest was measured at DKK 38 million as the proportionate share of the fair value of acquired identifiable net assets. Consequently, related goodwill was determined at DKK 70 million ("the acquired goodwill method").

In addition to the cash payment of DKK 112 million made on the acquisition date, H+H Deutschland GmbH entered into a Domination and profit/loss transfer agreement ("DPLTA") with the sellers of DOMAPOR whereby H+H Deutschland GmbH for a 20-year period is obliged to pay an annual consideration of EUR 0.89 million for the first ten years and EUR 0.82 million for the following ten years, allowing H+H Deutschland GmbH to obtain the rights related to a minority shareholding of 47.5% in DOMAPOR, including the right to dividend paid out during this period. In the consolidated financial statements for 2021, this obligation was disclosed as contingent liabilities. In connection with determining the final purchase price, the obligation has been recognised as a liability as deferred payments related to the acquisition.

Furthermore, the minority interest has been recognised at fair value, measured as the fair value of 47.5% minority shareholding deducted by the discounted value of payments related to the DPLTA, a net amount of DKK 16 million, hence goodwill consequently amounts to DKK 160 million. Goodwill has been measured by applying the "full goodwill method" as the obligation related to the DPLTA represents a significant part of the fair value of the minority shareholding of 47.5% in DOMAPOR.

Compared to what was disclosed in the 2021 Annual Report, the use of above method has resulted in the recognition of additional goodwill of DKK 90 million, the recognition of deferred payments related to the acquisition of DKK 112 million and an adjustment of the minority interest on the acquisition date of DKK 22 million.

	DOMAPOR	Feuchtwangen	Total	Total
	30 June	30 June	30 June	31 December
(DKK million)	2022	2022	2022	2021
Customer relations and other intangible assets	52	-	52	52
Land and buildings	35	36	71	71
Plant and machinery	19	19	38	38
Financial assets	0	-	0	0
Receivables	17	-	17	17
Inventories	18	-	18	18
Cash	7	-	7	7
Acquired assets	148	55	203	203
Financial debt	28	-	28	28
Non-current provisions	-	11	11	11
Trade payables	0	-	0	0
Tax payables	3	-	3	3
Other current liabilities	9	1	10	10
Deferred tax	28	-	28	28
Assumed liabilities	68	12	80	80
Total identifiable acquired net assets	80	43	123	123
Hereof minority interests' share	(16)	-	(16)	(38)
Goodwill in connection with the acquisition	160	83	243	153
Purchase price	224	126	350	238
Movements in cash flow in connection with the acquisition:				
Purchase price	224	126	350	238
Of which is deferred payments	(112)	-	(112)	-
Of which cash is acquired	7	-	7	7
Of which financial debt is acquired	(28)	-	(28)	(28)
Net cash flow outflow in connection with the acquisition	91	126	217	217

Other than the abovementioned adjustments in respect of the accounting of the acquisition of DOMAPOR, the preliminary purchase price allocations for DOMAPOR and for the Feuchtwangen factory are unchanged compared to what is disclosed in Note 25 in the 2021 Annual Report.

The accounting of both business combinations in 2021 may be subject to subsequent changes, as they are still considered provisional.

16. Share capital

Amounts in DKK million	Number		Nominal value, DKK million	
	2022	2021	2022	2021
Share capital at 1 January	17,983,365	17,983,365	180	180
Movements	(483,365)	-	(5)	-
Share capital at 30 June	17,500,000	17,983,365	175	180

On 5 May 2022, and with reference to Company Announcement no. 479 of 31 March 2022 and Company Announcement no. 485 of 5 May 2022, the approved reduction of the share capital by a nominal amount of DKK 4,833,650 from 179,833,650 to DKK 175,000,000 through the cancellation of 483,365 shares of nominally DKK 10.00 each was registered at the Danish Business Authority.

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



17. 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 H+H's financial position.