

Company Announcement No. 486, 2022

Interim Financial Report Q1 2022: record start to the year in challenging market drives guidance upgrade



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Date:
6 May 2022

Today, the Board of Directors of H+H International A/S (hereinafter referred to as “H+H” or “the Group”) has adopted the Interim Financial Report for the first quarter of 2022 (“Q1 2022”).

CEO MICHAEL T. ANDERSEN QUOTE

“The first quarter showed solid financial performance with organic growth of 29 percent underpinning the successful implementation of sales price increases to counter the inflationary pressure on production cost and the negative impact on margins. This was further highlighted by a record-high EBIT before special items and a strong margin of 13 percent for the quarter. We expect the inflationary pressure to remain in place in the short-to-medium term, and we are ready to introduce further sales price increases to protect our earnings margins.”

PERFORMANCE HIGHLIGHTS FOR Q1 2022 (Q1 2021)

- Revenue increased by 36% to DKK 874 million (DKK 642 million). Revenue growth before acquisitions and divestments measured in local currencies (“organic growth”) was 29% (negative 9%).
- Gross profit was DKK 244 million (DKK 188 million), corresponding to a gross margin of 28% (29%).
- EBIT before special items¹ was DKK 110 million (DKK 64 million), corresponding to an EBIT margin before special items of 13% (10%).
- Net profit of DKK 72 million (DKK 49 million).
- Free cash flow was negative DKK 63 million (negative DKK 32 million).
- Financial gearing was 0.7 times EBITDA at the end of Q1 2022 (0.6 times at the end of Q1 2021).

¹ No special items were recognised in the period from 1 January 2021 to 31 March 2021

FINANCIAL HIGHLIGHTS FOR THE PERIOD 1 JANUARY 2022 TO 31 MARCH 2022

DKK million	Q1 2022	Q1 2021
Sales volume (thousand cubic metres)	1,087	960
Revenue	874	642
Organic growth	29%	(9)%
Gross margin before special items	28%	29%
EBITDA before special items	159	109
EBIT before special items	110	64
EBIT margin before special items	13%	10%
Special items	(10)	-
Return on Invested Capital (ROIC)	21%	16%
NIBD/EBITDA before special items ratio	0.7x	0.6x
Free cash flow	(63)	(32)

FINANCIAL OUTLOOK FOR 2022

The financial outlook for the full year 2022 is upgraded as follows:

- Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") is expected to be in the range of 15% to 20% (previously 10% to 15%).
- EBIT before special items is expected to be in the range of DKK 440 million to DKK 520 million (previously DKK 420 million to DKK 500 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"), remain at end-April 2022 levels.
- Energy costs are expected to remain at end-April 2022 levels.
- Raw material costs continue to be impacted by modest inflation from end-April levels.

Q1 2022 INTERIM FINANCIAL REPORT CONFERENCE CALL

In connection with the release of the Q1 2022 Interim Financial Report, a conference call for investors and analysts is scheduled for Monday 9 May 2022, at 10:00 a.m. CEST. On the call, CEO Michael T. Andersen and CFO Peter Klovgaard-Jørgensen will present the interim financial report. The presentation will be followed by a Q&A session. Investors and analysts are invited to participate via phone:

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- 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

Amounts in DKK million	Q1 2022	Q1 2021	Full-year 2021
Income statement			
Revenue	874	642	3,020
Gross profit before special items	244	188	905
EBITDA before special items	159	109	591
EBITDA	149	109	567
EBIT before special items	110	64	408
EBIT	100	64	377
Profit before tax	95	59	356
Profit for the period	72	49	321
Balance sheet			
Assets	3,461	3,045	3,400
Invested capital*	1,921	1,862	1,852
Investments in property, plant and equipment**	42	27	197
Acquisition and divestment of enterprises	-	-	238
Net working capital	198	146	65
Equity	1,808	1,553	1,814
Net Interest-bearing debt (NIBD)	452	277	350
Cash flow			
Cash flow from operating activities	(21)	(5)	454
Cash flow from investing activities	(42)	(27)	(427)
Cash flow from financing activities	0	46	(25)
Free cash flow	(63)	(32)	27
Financial ratios			
Organic growth	29%	(9)%	13%
Gross margin before special items	28%	29%	30%
EBITDA margin before special items	18%	17%	20%
EBITDA margin	17%	17%	19%
EBIT margin before special items	13%	10%	14%
EBIT margin	11%	10%	12%
Return on invested capital (ROIC) (excl. Goodwill)	21%	16%	20%
Solvency ratio	49%	49%	50%
NIBD/EBITDA before special items ratio	0.7x	0.6x	0.6x
Share data			
Share price, end of period (DKK)	184	168	132
Book value per share, end of period (DKK)	104	86	102
Earnings per share	3.9	2.7	17.5
Diluted earnings per share	3.9	2.7	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 12-months basis

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

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE FIRST QUARTER OF 2022

Revenue

Total revenue increased by 36% to DKK 874 million in Q1 2022 compared to DKK 642 million in Q1 2021. Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") was 29% in Q1 2022 compared to negative 9% in Q1 2021.

The relatively higher organic growth was in part driven by the successful implementation of significant sales price increases to counter the continued high inflationary pressure as well as higher sales volumes year-on-year as a result of a particularly harsh winter in the early months of 2021 causing a slow start to the year.

Revenue, external		
Q1		
Amounts in DKK million	2022	2021
	Revenue	
Central Western Europe	396	292
United Kingdom	239	196
Poland	239	154
Total	874	642

Revenue in the Central Western Europe region increased by 36% to DKK 396 million compared to DKK 292 million in Q1 2021. Organic growth in the region was 22%. The increase was primarily driven by higher sales prices for AAC and higher sales volumes for CSU and, to a lesser extent, higher sales volumes for AAC and higher sales prices for CSU.

Revenue in the United Kingdom increased by 22% to DKK 239 million compared to DKK 196 million in Q1 2021. Organic growth in the United Kingdom was 17% driven by higher sales prices.

Revenue in Poland increased by 55% to DKK 239 million compared to DKK 154 million in Q1 2021. Organic growth was 58%, primarily driven by higher sales prices, and to a lesser extent, higher sales volumes in both product categories.

Of the total revenue in Q1 2022 of DKK 874 million, AAC and CSU constituted 72% and 28%, respectively.

Production cost

Production cost remains impacted by increasing prices on raw materials, as well as higher transport

prices in the UK from a continued high demand pressure.

Moreover, H+H has during the first quarter of 2022 continued the planned upgrades and maintenance of the factory in Feuchtwangen, resulting in relatively lower production output in the period.

In Q1 2022, H+H also experienced minor production inefficiencies at certain factories in Germany which caused relatively higher usage of raw materials compared to normal production. These included inefficiencies from the preparations for the planned upgrade of the Wittenborn factory in Germany, which is scheduled to commence in May 2022 with expected completion in Q3 2022.

Gross profit

Gross profit was DKK 244 million compared to DKK 188 million in Q1 2021, corresponding to gross margins of 28% and 29%, respectively.

Gross profit in the AAC and CSU businesses was DKK 179 million and DKK 65 million in Q1 2022, respectively. This corresponds to gross margins of 28% and 27% for AAC and CSU, respectively.

EBITDA before special items

EBITDA before special items was DKK 159 million compared to DKK 109 million in Q1 2021, equalling EBITDA margins of 18% and 17%, respectively.

Depreciation and amortisation

Depreciation and amortisation in Q1 2022 amounted to DKK 49 million compared to DKK 45 million in Q1 2021. The increase relates to acquired companies in Q4 2021.

EBIT before special items

EBIT before special items was DKK 110 million in Q1 2022, compared to DKK 64 million in Q1 2021, corresponding to an EBIT margin before special items of 13% and 10%, respectively.

Special items

Special items for the first quarter comprise restructuring costs of DKK 10 million related to 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 5 million in Q1 2022, on par with Q1 2021.

Profit before tax

Profit before tax amounted to DKK 95 million in Q1 2022, compared to DKK 59 million in Q1 2021.

Tax

Tax for the period amounted to a net expense of DKK 23 million compared to a net expense of DKK 10 million in Q1 2021. Please refer to note 12 for more information about tax for the period.

Net profit

Net profit for the period amounted to DKK 72 million compared to DKK 49 million in Q1 2021. Profit for the period is attributable to H+H International A/S' shareholders by DKK 68 million and to non-controlling interests by DKK 4 million compared to DKK 49 million and DKK 0 million, respectively, for Q1 2021.

Comprehensive income

Other comprehensive income for Q1 2022 was a loss of DKK 43 million compared to an income of DKK 7 million in Q1 2021. The year-on-year decrease was mainly driven by an unfavourable change in actuarial gain and losses.

CASH FLOW

Operating activities

Cash flow from operating activities amounted to negative DKK 21 million compared to negative DKK 5 million in Q1 2021, mainly driven by normal seasonal negative working capital development of DKK 133 million, driven by an increased level of trade debtors as result of the relatively high market activity, partly offset by the relatively higher earnings for the period.

Investing activities

Cash flow from investing activities amounted to negative DKK 42 million compared to negative DKK 27 million in Q1 2021.

Financing activities

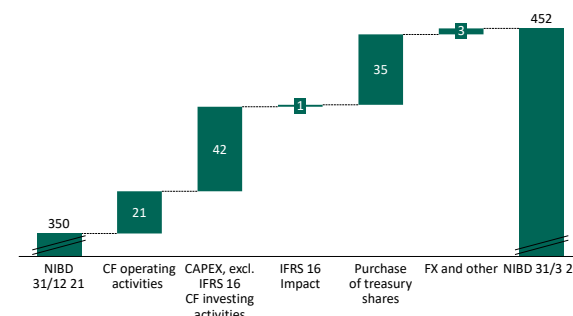
Cash flow from financing activities amounted to DKK 0 million in Q1 2022 compared to DKK 46 million in 2021. The year-on-year increase was driven by a change in borrowings of DKK 42 million, primarily driven by the purchase of treasury shares of DKK 35 million as part of the ongoing share buy-back programme.

BALANCE SHEET

The balance sheet total on 31 March 2022 was DKK 3,461 million, against DKK 3,045 million on 31 March 2021.

Net interest-bearing debt

Net interest-bearing debt totalled DKK 452 million on 31 March 2022 corresponding to an increase of DKK 102 million since 31 December 2021.



The increase in net interest-bearing debt since the beginning of the year was primarily driven by normal seasonal negative working capital development, capital expenditures, and the purchase of treasury shares, partly offset by earnings for the period.

On 31 March 2022, the Group's financial gearing was 0.7 times net interest-bearing debt to EBITDA before special items, which remains comfortably below the Group's long-term financial target of 1-2x EBITDA before special items.

The Group's net interest-bearing debt excluding leasing totalled DKK 352 million on 31 March 2022, corresponding to an unused committed bank facility of DKK 0.7 billion.

Equity

The consolidated equity decreased by DKK 6 million compared to 31 December 2021 and increased by DKK 255 million compared to 31 March 2021.

Equity	Q1	
	2022	2021
Amounts in DKK million		
1 January	1,814	1,509
Profit for the period	72	49
Actuarial gains on pension plans	(35)	13
Foreign exchange adjustments	(8)	(6)
Non-controlling interests arising from acquisition	-	(13)
Purchase of treasury shares	(35)	-
Other adjustments	-	1
31 March	1,808	1,553

CURRENT MARKET ENVIRONMENT

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

The positive trends seen during 2021 have continued into 2022, further supported by a relatively mild winter, which allowed for continued high activity across European construction industries.

However, while the underlying demand remains strong, the current geopolitical situation has adversely impacted growth visibility and driven inflation rates within the construction industry to exceptionally high levels. A continuation of such increases in inflation rates may adversely impact future customer demand.

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

Due to a continued lack of installation capacity and available land, the number of issued permits have consistently outnumbered completions of new buildings causing backlogs among house builders to grow considerably over the recent years.

However, current geopolitical events have caused increased uncertainties in the German markets for the remainder of 2022.

The continued high inflationary pressure has led to the announcement of large sales price increases to counter the negative impact on earnings margins, and H+H has recently announced further sales price increases which will come into effect in late-Q2 2022.

The integration of the Feuchtwangen factory and preparations for the upgrade of the Wittenborn factory caused certain production inefficiencies which led to a relatively higher usage of raw materials and relatively lower production in Q1 2022.

In the Nordics, economic outlook and expectations for the construction industry are relatively more negative due to high inflation and shortage of labour and materials. However, activity remains high, and the largest housebuilders are reporting very strong forward sales for the remainder of 2022.

In both Switzerland and the Benelux countries, uncertainties from current geopolitical events have resulted in relatively softer outlook for economic growth in 2022.

In the United Kingdom (“UK”), leading market indicators point to a continued strong demand and price growth, but the sharp rises in energy costs and general inflation have caused a slow-down in economic growth compared to previous expectations.

The continued strong demand has supported the implementation of significant sales price increases in the UK market to counter the growing inflation. As the prices for raw materials and energy continue to rise, H+H has notified customers of further sales price increases with effect from May 2022.

In line with the increasing focus on Modern Methods of Construction, H+H sees growing interest in and demand for element-based products. The nature of the demand does however remain project related.

In Poland, demand remains high which has supported the trend of significant sales price increases for both AAC and CSU products seen over the past 12 months.

It is expected that AAC sales prices and volumes will stabilise in line with market demand over the coming months due to lower activity among individual investors.

In the CSU business, further price increases are expected due to newly negotiated contracts coming into effect later in the year. In addition, potential market-driven price upsides may be seen towards the end of the year.

CSU volumes remain supported by the Company’s order backlog. Additional capacity was added to the Polish CSU market during the first quarter, but there are currently no indications that this will impact on market pricing.

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 FIRST QUARTER OF 2022

On 3 March 2022, the Board of Directors of H+H announced a share buy-back programme of up to DKK 150 million. Please refer to note 10 "Share buy-back programme".

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.

Furthermore, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was appointed as the company's new auditor.

CHANGE TO EXECUTIVE BOARD

As announced in Company Announcement no. 467 of 28 February 2022, Dr. Jörg Brinkmann will be appointed as new Chief Executive Officer, replacing Michael T. Andersen who will leave the H+H Group. The changes will come into effect no later than 1 October 2022, and Michael T. Andersen will remain in his position as CEO until Dr. Jörg Brinkmann joins the Company.

Following the changes, the Executive Board will consist of Dr. Jörg Brinkmann and Peter Klovgaard-Jørgensen.

EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the approved reduction of the share capital was registered at the Danish Business Authority. Please refer to note 16 "Events after the balance sheet date".

FINANCIAL OUTLOOK FOR 2022

The Company's financial expectations for the full year 2022 are upgraded as follows:

- Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") is expected to be in the range of 15% to 20% (previously 10% to 15%).
- EBIT before special items is expected to be in the range of DKK 440 million to DKK 520 million (previously DKK 420 million to DKK 500 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"), remain at end-April 2022 levels.
- Energy costs are expected to remain at end-April 2022 levels.
- Raw material costs continue to be impacted by modest inflation from end-April 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
- Macroeconomic and geopolitical developments
- Operational uptime at H+H's production plants

FINANCIAL CALENDAR 2022

H1 2022 Interim Financial Report	18 Aug. 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 quarter 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 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 31 March 2022 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 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, 6 May 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		
	Q1 2022	Q1 2021	Full-year 2021
Amounts in DKK million			
Revenue	874	642	3,020
Cost of goods sold	(630)	(454)	(2,115)
Gross profit before special items	244	188	905
Sales costs	(38)	(36)	(143)
Administrative costs	(49)	(46)	(186)
Other operating income and costs, net	2	3	15
EBITDA before special items	159	109	591
Depreciation and amortisation	(49)	(45)	(183)
EBIT before special items	110	64	408
Special items, net	(10)	-	(31)
EBIT	100	64	377
Financial income	1	1	4
Financial expenses	(6)	(6)	(25)
Profit before tax	95	59	356
Tax on profit	(23)	(10)	(35)
Profit for the period	72	49	321
Profit for the period attributable to:			
H+H International A/S' shareholders	68	49	310
Non-controlling interest	4	0	11
Profit for the period	72	49	321
Earnings per share (EPS-Basic)	3.9	2.7	17.5
Diluted earnings per share (EPS-D)	3.9	2.7	17.5

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1 2022	Q1 2021	Full-year 2021
Amounts in DKK million			
Profit for the period	72	49	321
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign entities	(8)	(6)	9
	(8)	(6)	9
Items that will not be reclassified subsequently to profit:			
Actuarial gains and losses	(41)	17	47
Tax on actuarial gains and losses	6	(4)	(11)
	(35)	13	36
Other comprehensive income after tax	(43)	7	45
Total comprehensive income for the period	29	56	366

CONDENSED BALANCE SHEET

	Group		
	31 March 2022	31 Dec. 2021	31 March 2021
Amounts in DKK million			
ASSETS			
Non-current assets			
Goodwill	363	364	211
Other intangible assets	276	296	252
Property, plant and equipment	1,717	1,707	1,534
Deferred tax assets	15	17	13
Financial assets	6	6	7
Total non-current assets	2,377	2,390	2,017
Current assets			
Inventories	335	321	297
Receivables	316	190	234
Cash	433	499	497
Total current assets	1,084	1,010	1,028
TOTAL ASSETS	3,461	3,400	3,045
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings	1,660	1,662	1,455
Other reserves	(146)	(138)	(153)
Equity attributable to H+H International A/S' shareholders	1,694	1,704	1,482
Equity attributable to non-controlling interests	114	110	71
Total equity	1,808	1,814	1,553
Non-current liabilities			
Pension obligations	112	85	134
Provisions	42	41	32
Deferred tax liability	127	137	127
Credit institutions	785	743	675
Lease liabilities	79	85	79
Total non-current liabilities	1,145	1,091	1,047
Current liabilities			
Lease liabilities	21	21	20
Trade payables	282	251	221
Income tax	32	23	34
Provisions	2	5	6
Other payables	171	195	164
Total current liabilities	508	495	445
Total liabilities	1,653	1,586	1,492
TOTAL EQUITY AND LIABILITIES	3,461	3,400	3,045
Net interest-bearing debt	452	350	277

CONDENSED CASH FLOW STATEMENT

	Q1 2022	Q1 2021
Amounts in DKK million		
Operating profit (EBIT)	100	64
Financial income, received	1	1
Financial expenses, paid	(6)	(6)
Depreciation and amortisation	49	45
Gain and losses on sale of assets and other non-cash effects	1	-
Change in working capital	(133)	(92)
Change in provisions and pension contribution	(18)	(6)
Income tax paid	(15)	(11)
Operating activities	(21)	(5)
Acquisition of property, plant and equipment and intangible assets	(42)	(27)
Investing activities	(42)	(27)
Change in borrowings	42	66
Change in lease liabilities	(7)	(7)
Purchase of treasury shares	(35)	(13)
Financing activities	0	46
Total cash flow for the period	(63)	14
Cash and cash equivalents, opening	499	481
Foreign exchange adjustments of cash	(3)	2
Cash and cash equivalents at 31 March	433	497

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	-	-	68	68	4	72
Other comprehensive income	-	(8)	(35)	(43)	-	(43)
Total comprehensive income	-	(8)	33	25	4	29
Share-based payment	-	-	-	-	-	-
Purchase of treasury shares	-	-	(35)	(35)	-	(35)
Total changes in equity in 2022	-	(8)	(2)	(10)	4	(6)
Equity at 31 March 2022	180	(146)	1,660	1,694	114	1,808
Equity at 1 January 2021	180	(147)	1,405	1,438	71	1,509
Total changes in equity						
Profit for the period	-	-	49	49	0	49
Other comprehensive income	-	(6)	13	7	-	7
Total comprehensive income	-	(6)	62	56	0	56
Share-based payment	-	-	1	1	-	1
Purchase of treasury shares	-	-	(13)	(13)	-	(13)
Total changes in equity in 2021	-	(6)	50	44	0	44
Equity at 31 March 2021	180	(153)	1,455	1,482	71	1,553

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 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 recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. The interim financial report has not been reviewed by H+H's auditors.

The accounting policies are consistent with those applied in the 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.

3. Income statement classified by function

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

Amounts in DKK million	Q1 2022	Q1 2021
Revenue	874	642
Cost of goods sold	(662)	(485)
Gross profit including depreciation and amortisation	212	157
Sales cost	(51)	(47)
Administrative costs	(53)	(49)
Other operating income and costs	2	3
EBIT before special items	110	64
Special items, net	(10)	-
EBIT	100	64
Depreciation and amortisation comprise:		
Depreciation of property, plant and equipment	39	36
Amortisation of intangible assets	10	9
Total	49	45
Depreciation, amortisation and impairment are allocated to:		
Production costs	32	31
Sales costs	13	11
Administration costs	4	3
Total	49	45

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	Q1 2022	Q1 2021
	Revenue	
Central Western Europe	396	292
United Kingdom	239	196
Poland	239	154
	874	642

When presenting information on geographical areas, information on revenue is based countries except for “Central Western Europe” which comprise Germany, Switzerland, Denmark, Sweden, Czech Republic, Netherlands and Belgium. Revenue for Germany for Q1 2022 amounts to DKK 265 million (2021: DKK 184 million).

5. Special items, net

Amounts in DKK million	Q1 2022	Q1 2021
Restructuring costs	10	-
Total	10	-
Impact of special items on EBIT		
Cost of goods sold	3	-
Administrative costs	7	-
EBIT before special items	10	-

Special items for the first quarter comprise restructuring costs of DKK 10 million related to 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 have a material effect on the carrying amounts of assets and liabilities.

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

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

The estimates and judgements made are based on assumptions that Management 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 H+H 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 H+H’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 relate predominantly 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 31 March 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 20 million (GBP 2.3 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 106 million (GBP 12.9 million) has been recognised as of 31 March 2022.

Compared to December 2021, and based on 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 35 million net of tax.

The total pension obligation, including the recognition of future committed pension contributions, on 31 March 2022 amounts to DKK 112 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

Net interest-bearing debt, totalled DKK 452 million on 31 March 2022, corresponding to an increase of DKK 102 million since the beginning of the year. The development since the beginning of the year is primary due to a seasonal negative working capital development of DKK 133 million, led by an increased level of trade debtors as result of the higher activity, partly offset by increased earnings for the period.

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

H+H Group's financing is subject to usual financial covenants, which have been fulfilled in the first quarter of 2022 and are 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 Q1 2022, a total of 182,800 shares were acquired at a total purchase price of DKK 35 million, of which DKK 17 million and DKK 18 million related to the share buy-back programmes initiated in 2021 and 2022, respectively.

11. Share-based payment

The matching share schemes for 2020 and the performance-share-units scheme for 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 2021. PSU grants under the LTIP 2022 are made as described in Company Announcement no. 476.

In the first quarter of 2022, an expense of DKK 2 million was recognised under staff costs compared to DKK 1 million in the same period in 2021.

12. Tax on profit

Amounts in DKK million	Q1 2022	Q1 2021
Current tax	24	12
Movement in deferred tax	(1)	(2)
Tax on profit	23	10

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 quarter of 2022.

14. Related parties

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

Transactions with related parties

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

15. Business combinations

Preliminary purchase price allocations for Feuchtwangen and DOMAPOR is unchanged compared to what is disclosed in note 25 in the 2021 annual report.

16. Events after the balance sheet date

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 a 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.

Other than above, 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.