Company Announcement No. 536, 2023

10 May 2023

Interim Financial Report Q1 2023: Challenging start to the year as expected.

CHIEF EXECUTIVE OFFICER JÖRG BRINKMANN QUOTE

"As expected, it was a challenging start to the year with very low newbuild activities across our markets. In response to the current market environment, we have adjusted our shift patterns and have also decided to accelerate the optimization of our factory network, which will involve closing three factories in Germany and two in Poland. Following recent investments in our factories, we have sufficient capacity for both present and future needs, which puts us in a favourable position for when the market improves. Despite uncertain market conditions and an expected challenge at the start of the year, we maintain the financial outlook for the full year, as we still expect the market to continue to improve during the year".

PERFORMANCE HIGHLIGHTS FOR Q1 2023 (Q1 2022)

- Sales volume (thousand cubic metres) decreased by 42% to 634 (1,087).
- Revenue decreased by 27% to DKK 641 million (DKK 874 million). Revenue growth measured in local currencies ("organic growth") was negative 25% (positive 29%).
- Gross profit before special items was DKK 154 million (DKK 244 million), corresponding to a gross margin of 24% (28%).
- EBIT before special items was DKK 21 million (DKK 110 million), corresponding to an EBIT margin before special items of 3% (13%).
- Net profit of DKK (7) million (DKK 72 million).
- Free cash flow was DKK (309) million (DKK (63) million).
- Financial gearing was 1.4 times EBITDA at the end of Q1 2023 (0.7 times EBITDA at the end of Q1 2022).

FINANCIAL HIGHLIGHTS FOR THE PERIOD 1 JANUARY 2023 TO 31 MARCH 2023

DKK million	Q1 2023	Q1 2022
Sales volume (thousand cubic metres)	634	1,087
Revenue	641	874
Organic growth	(25)%	29%
Gross margin before special items	24%	28%
EBITDA before special items	72	159
EBIT before special items	21	110
EBIT margin before special items	3%	13%
Special items	(9)	(10)
Return on Invested Capital (ROIC)	15%	21%
NIBD/EBITDA before special items ratio	1.4x	0.7x
Free cash flow	(309)	(63)

FINANCIAL OUTLOOK FOR 2023

The financial outlook for the full year 2023:

- Revenue growth measured in local currencies is expected to be around 0%.
- EBIT before special items is expected to be in the range of DKK 330 million to DKK 400 million.

The financial outlook for 2023 is based on the following specific assumptions:

- Sales volumes expected to decrease around 10-15% in aggregate mainly driven by Poland.
- Exchange rates, primarily GBP, EUR and PLN remain at end-April 2023 levels.

Q1 2023 INTERIM FINANCIAL REPORT CONFERENCE CALL

In connection with the release of the Q1 2023 Interim Financial Report, a conference call for investors and analysts is scheduled for Wednesday 10 May 2023, at 10:00 a.m. CEST. On the call, Chief Executive Officer ("CEO") Jörg Brinkmann 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):

DK: +45 78768490
UK: +44 203 769 6819
US: +1 646 787 0157

- 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 2022 of DKK 3.6 billion. The main product lines are aircrete blocks and calcium silicate units used for the residential new building segment. H+H has 32 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 1,700 employees and is listed on the Nasdaq Copenhagen stock exchange.

KEY FIGURES – H+H GROUP

Amounts in DKK million	Q1 2023	Q1 2022	Full-year 2022
Income statement			
Revenue	641	874	3,604
Gross profit before special items	154	244	1,020
EBITDA before special items	72	159	657
EBITDA	63	149	615
EBIT before special items	21	110	455
EBIT	12	100	413
Profit before tax	2	95	398
Profit for the period	(7)	72	317
Balance sheet			
Assets	3,873	3,461	3,750
Invested capital	2,223	1,921	2,142
Investments in property, plant and equipment	37	42	266
Net working capital	540	198	242
Equity	1,901	1,808	1,938
Net Interest-bearing debt (NIBD)	804	452	492
Cash flow			
Cash flow from operating activities	(272)	(21)	316
Cash flow from investing activities	(37)	(42)	(255)
Cash flow from financing activities	207	-	(19)
Free cash flow	(309)	(63)	61
Financial ratios			
Organic growth	(25)%	29%	14%
Gross margin before special items	24%	28%	28%
EBITDA margin before special items	11%	18%	18%
EBITDA margin	10%	17%	17%
EBIT margin before special items	3%	13%	13%
EBIT margin	2%	11%	11%
Return on invested capital (ROIC) (excl. Goodwill)	15%	21%	19%
Solvency ratio	47%	49%	49%
NIBD/EBITDA before special items ratio	1.4x	0.7x	0.7x
Share data			
Share price, end of period (DKK)	108	184	103
Book value per share, end of period (DKK)	117	104	110
Earnings per share	(0.3)	3.9	17.1
Diluted earnings per share	(0.3)	3.9	17.0

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

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE FIRST QUARTER OF 2023

Revenue
Total revenue decreased by 27% to DKK 641 million in Q1 2023 compared to DKK 874 million in Q1 2022. Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") was negative 25% in Q1 2023 compared to positive 29% in Q1 2022.

The lower revenue and organic growth were driven by decreasing demand in all regions as a result of the uncertainty in the housing market and higher interest rates.

Revenue, external		
	Q1	
Amounts in DKK million	2023	2022
	Revenue	
Central Western Europe	345	396
United Kingdom	146	239
Poland	150	239
Total	641	874

Revenue in the Central Western Europe region decreased by 13% to DKK 345 million compared to DKK 396 million in Q1 2022 driven by lower sales volumes. Organic growth in the region was negative 12% as a result of lower sales volumes for AAC, and to a lesser extend for CSU, partly offset by higher sales prices for both product categories.

Revenue in the United Kingdom decreased by 39% to DKK 146 million compared to DKK 239 million in Q1 2022. Organic growth in the United Kingdom was negative 36%, which is demand driven slightly offset by higher sales prices.

Revenue in Poland decreased by 37% to DKK 150 million compared to DKK 239 million in Q1 2022. Organic growth was negative 36% driven by decreasing demand, slightly offset by sales price increases.

Of the total revenue in Q1 2023 of DKK 641 million, AAC and CSU constituted 65% and 35%, respectively.

Production cost
Production cost decreased by 23% to DKK 487 million in Q1 2023 compared to DKK 630 million in Q1 2022.

During first quarter of 2023, H+H has adjusted production capacity due to the lower demand in the market. In addition, more maintenance shutdowns also impacted production costs compared to Q1 2022.

Gross profit
Gross profit amounted to DKK 154 million compared to DKK 244 million in Q1 2022, corresponding to gross margins of 24% and 28%, respectively.

Gross profit in the AAC and CSU businesses amounted to DKK 98 million and DKK 56 million in Q1 2023, respectively. This corresponded to gross margins of 24% and 25% for AAC and CSU, respectively.

EBITDA before special items
EBITDA before special items amounted to DKK 72 million compared to DKK 159 million in Q1 2022, corresponding to EBITDA margins of 10% and 17%, respectively.

Depreciation and amortisation
Depreciation and amortisation in Q1 2023 amounted to DKK 51 million compared to DKK 49 million in Q1 2022.

EBIT before special items
EBIT before special items amounted to DKK 21 million in Q1 2023, compared to DKK 110 million in Q1 2022, corresponding to EBIT margins before special items of 3% and 13%, respectively.

Special items
Special items of DKK 9 million for Q1 2023 comprise restructuring costs compared to DKK 10 million in Q1 2022. Please refer to Note 5 for more information about special items for the period.

Net financials
Net financials totalled an expense of DKK 10 million in Q1 2023, compared to an expense of DKK 5 million in Q1 2022. The development is mainly driven by increase in interest expenses driven by increased Net interest-bearing debt.

Profit before tax
Profit before tax amounted to DKK 2 million in Q1 2023, compared to DKK 95 million in Q1 2022.

Tax
Tax for the period amounted to a net expense of DKK 9 million compared to a net expense of DKK 23

million in Q1 2022. Please refer to Note 12 for more information about tax for the period.

Net profit
Net profit for the period amounted to a loss of DKK 7 million compared to a profit of DKK 72 million in Q1 2022.

Loss for the period is attributable to H+H International A/S' shareholders by DKK 5 million and to non-controlling interests by DKK 2 million compared to a profit of DKK 68 million and DKK 4 million, respectively, for Q1 2022.

Comprehensive income
Other comprehensive income for Q1 2023 totalled a loss of DKK 29 million compared to a loss of DKK 43 million in Q1 2022. The year-on-year increase was mainly driven by favourable foreign exchange rates.

CASH FLOW

Operating activities
Cash flow from operating activities amounted to DKK negative 272 million in Q1 2023 compared to negative DKK 21 million in Q1 2022. This was primarily driven by lower earnings due to a lower activity level as well as a negative working capital development led by planned stock build and inflation.

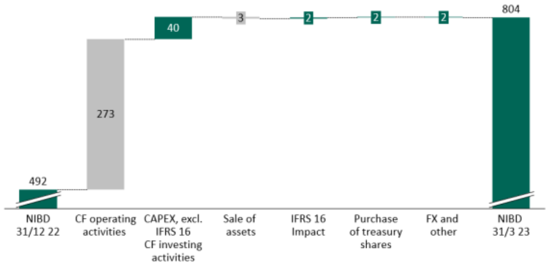
Investing activities
Cash flow from investing activities in Q1 2023 amounted to negative DKK 37 million compared to negative DKK 42 million in Q1 2022.

Financing activities
Cash flow from financing activities amounted to DKK 207 million in the first quarter of 2023 compared to DKK 0 million in 2022. The year-on-year increase was mainly driven by a change in borrowings of DKK 217 million related to the development in earnings and working capital in the first quarter of 2023.

BALANCE SHEET

On 31 March 2023, the balance sheet total amounted to DKK 3,873 million compared to DKK 3,461 million on 31 March 2022.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 804 million on 31 March 2023 corresponding to an increase of DKK 312 million since 31 December 2022.



The increase in net interest-bearing debt since the beginning of the year was primarily driven by planned stock build and inflationary impact on working capital for the period.

On 31 March 2023, the Company's financial gearing was 1.4 times net interest-bearing debt to EBITDA, which remains within the Company's long-term financial target of 1-2x EBITDA.

The Company's net interest-bearing debt excluding leasing totalled DKK 701 million on 31 March 2023, corresponding to an unused committed bank facility of DKK 0.3 billion.

Equity
The consolidated equity decreased by DKK 37 million compared to 31 December 2022 and increased by DKK 93 million compared to 31 March 2022.

Equity		
	Q1	Q1
Amounts in DKK million	2023	2022
1 January	1,938	1,814
Profit for the period	(7)	72
Actuarial gains on pension plans	(36)	(35)
Foreign exchange adjustments	7	(8)
Purchase of treasury shares	(2)	(35)
Share based payment	1	-
31 March	1,901	1,808

CURRENT MARKET ENVIRONMENT

Building activity during the first quarter of 2023 saw a notable decline, primarily driven by uncertainty that led to a decrease in the issuance of permits, delays in starts, and customer stock building in Q4 2022. Furthermore, unfavourable weather conditions also played a role in the decline of building activity during this period. In comparison, Q1 2022 was characterized by strong post COVID-19 demand and sales price development.

In response to the current market environment, we have decided to build resilience and mitigate the impact of the lower market demand by accelerating the planned optimisation of our factory network. Effective from July 1, 2023, we will be closing our German CSU factories in Demmin, Kronau and Niederrimsingen as well as our AAC plant in Warsaw and CSU plant in Pisz in Poland.
The optimisation plan involves transferring production to nearby sites, while maintaining our regional commercial presence. Our production network has sufficient capacity to continuously serve our customers.

We anticipate total restructuring cost classified as special items in the range of DKK 70-80 million for full-year 2023. In addition, net book value of equipment related to the closures of around DKK 130 million is subject to impairment and treated as special items. We expect this to be partly mitigated by sale from or reuse of assets in the existing factory network.

Despite declining markets, we were able to successfully implement the planned price increases throughout Q1 to cover inflation. Additionally, stock was built up during Q1 to maximize plant utilization before scaling back production in Q2.

In Germany, the number of building permits issued declined by 25-30% year-on-year as of January. In addition, high-interest rates have resulted in a reduction of new mortgage loans for private investors by approximately 35% since summer 2022. Although there is some reluctance to undertake new projects in multi-family houses before selling current portfolios, the rental market remains undersupplied.

However, the number of building permits issued continues to exceed the number of completions, adding further to the construction backlog. The German Association of Building Companies expect 245.000 completions of dwellings in 2023 equal to a less severe, but still substantial, 13% decrease from 2022.

Additionally, despite the market downturn we expect to benefit from our acquired AAC factory in Feuchtwangen (south Germany) and recently upgraded AAC factory in Wittenborn (north Germany) which were both only partly operating in 2022.

In the UK, housing activity witnessed a significant slowdown due to the prevailing high levels of uncertainty, interest rates, and poor weather conditions. However, consumer confidence is slowly recovering from a low level and volume housebuilder sales rates have improved in Q1 2023.

We continue to make progress in increasing AAC penetration through foundation blocks and new customers as planned. In the short term, we have initiated resilience actions, including managing our costs tightly. In the past our growth was capped by our capacity, so our plan remains to increase the capacity of our Borough Green plant during 2023, adding 10% more volume in total UK capacity starting from 2024 and thereby meeting future customer demand.

In Poland, the building industry is significantly affected by the high level of economic uncertainty. The building activity is further constrained by growing inflation and continued high interest rates, leading to reduced loan capabilities for individual investors.

The number of building permits has declined by 36% year-on-year in February, with developers being the most affected and the number of starts declined approximately 40% for both individual investors and developers. Despite this decline, the number of building permits issued continues to exceed the number of completions, which adds further to the construction backlog.

The market conditions in Poland lead to a highly competitive environment. However, we have implemented our price increases in Q1 as planned. Going forward we remain committed to pass on inflation while monitoring the market carefully.

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 QUARTER

At the annual general meeting held 30 March 2023, a reduction of the share capital by a nominal amount of DKK 10,000,000 was approved. The share capital decrease was registered with the Danish Business Authorities on 4 May 2023.

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 15 “Events after the balance sheet date”.

FINANCIAL OUTLOOK FOR 2023

The Company’s financial expectations for the full year 2023 is maintained:

- Revenue growth measured in local currencies is expected to be around 0%.
- EBIT before special items is expected to be in the range of DKK 330 million to DKK 400 million.

ASSUMPTIONS FOR THE FINANCIAL OUTLOOK FOR 2023

Specific assumptions
The expectations for H+H’s financial performance in 2023 are based on certain specific and general assumptions. Management believes that the most significant of these assumptions relate to the following items:

- Sales volumes expected to decrease around 10-15% in aggregate mainly driven by Poland.
- Exchange rates, primarily GBP, EUR and PLN remain at end-April 2023 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 2023

H1 2023 Interim Financial Report	16 Aug. 2023
Q3 2023 Interim Financial Report	17 Nov. 2023

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 2023.

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 31 March 2023 and of the results of H+H's operations and its cash flows for the period 1 January to 31 March 2023.

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, 10 May 2023

EXECUTIVE BOARD

Jörg Brinkmann
CEO

Peter Klovgaard-Jørgensen
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chair

Jens-Peter Saul
Vice chair

Stewart Antony Baseley

Volker Christmann

Kajsa von Geijer

Miguel Kohlmann

Helen MacPhee

CONDENSED INCOME STATEMENT

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2023	2022	2022
Revenue	641	874	3,604
Cost of goods sold	(487)	(630)	(2,584)
Gross profit before special items	**154**	**244**	**1,020**
Sales costs	(37)	(38)	(170)
Administrative costs	(46)	(49)	(222)
Other operating income and costs, net	1	2	29
EBITDA before special items	**72**	**159**	**657**
Depreciation and amortisation	(51)	(49)	(202)
EBIT before special items	**21**	**110**	**455**
Special items, net	(9)	(10)	(42)
EBIT	**12**	**100**	**413**
Financial income	2	1	6
Financial expenses	(12)	(6)	(21)
Profit before tax	**2**	**95**	**398**
Tax on profit	(9)	(23)	(81)
Profit for the period	**(7)**	**72**	**317**
Profit for the period attributable to:			
H+H International A/S' shareholders	(5)	68	303
Non-controlling interest	(2)	4	14
Profit for the period	**(7)**	**72**	**317**
Earnings per share (EPS-Basic)	(0.3)	3.9	17.1
Diluted earnings per share (EPS-D)	(0.3)	3.9	17.0

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1	Q1	Full-year
Amounts in DKK million	2023	2022	2022
Profit for the period	**(7)**	**72**	**317**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange adjustments, foreign entities	7	(8)	(17)
	7	(8)	(17)
Items that will not be reclassified subsequently to profit:			
Actuarial gains and losses	(45)	(41)	18
Tax on actuarial gains and losses	9	6	(1)
	(36)	(35)	17
Other comprehensive income after tax	**(29)**	**(43)**	**-**
Total comprehensive income for the period	**(36)**	**29**	**317**

CONDENSED BALANCE SHEET

	Group		
	31 March	31 December	31 March
Amounts in DKK million	2023	2022	2022
ASSETS			
Non-current assets			
Goodwill	420	419	363
Other intangible assets	259	253	276
Property, plant and equipment	1,814	1,822	1,717
Deferred tax assets	11	17	15
Financial assets	5	6	6
Total non-current assets	**2,509**	**2,517**	**2,377**
Current assets			
Inventories	686	523	335
Receivables	242	174	316
Cash	436	536	433
Total current assets	**1,364**	**1,233**	**1,084**
TOTAL ASSETS	**3,873**	**3,750**	**3,461**
EQUITY AND LIABILITIES			
Equity			
Share capital	175	175	180
Retained earnings	1,780	1,822	1,660
Other reserves	(148)	(155)	(146)
Equity attributable to H+H International A/S' shareholders	1,807	1,842	1,694
Equity attributable to non-controlling interests	94	96	114
Total equity	**1,901**	**1,938**	**1,808**
Non-current liabilities			
Pension obligations	60	23	112
Provisions	37	38	42
Deferred tax liability	95	110	127
Credit institutions	1,137	920	785
Deferred payments, acquisition of subsidiary	105	105	-
Lease liabilities	79	81	79
Total non-current liabilities	**1,513**	**1,277**	**1,145**
Current liabilities			
Lease liabilities	24	27	21
Trade payables	266	278	282
Income tax	34	37	32
Deferred payment, acquisition of subsidiary	7	7	-
Provisions	6	9	2
Other payables	122	177	171
Total current liabilities	**459**	**535**	**508**
Total liabilities	**1,972**	**1,812**	**1,653**
TOTAL EQUITY AND LIABILITIES	**3,873**	**3,750**	**3,461**
Net interest-bearing debt	804	492	452

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q1 2023	Q1 2022
Operating profit (EBIT)	12	100
Financial income, received	2	1
Financial expenses, paid	(12)	(6)
Depreciation and amortisation	51	49
Gain and losses on sale of assets and other non-cash effects	(2)	1
Change in working capital	(301)	(133)
Change in provisions and pension contribution	(8)	(18)
Income tax paid	(14)	(15)
Operating activities	**(272)**	**(21)**
Acquisition of property, plant and equipment and intangible assets	(37)	(42)
Investing activities	**(37)**	**(42)**
Change in borrowings	217	42
Change in lease liabilities	(8)	(7)
Purchase of treasury shares	(2)	(35)
Financing activities	**207**	**-**
Total cash flow for the period	**(102)**	**(63)**
Cash and cash equivalents, opening	536	499
Foreign exchange adjustments of cash	2	(3)
Cash and cash equivalents at 31 March	**436**	**433**

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Retained earnings	H+H shareholders share	Non con-trolling interests' share	Total
Equity at 1 January 2023	**175**	**(155)**	**1,822**	**1,842**	**96**	**1,938**
Total changes in equity						
Profit for the period	-	-	(5)	(5)	(2)	(7)
Other comprehensive income	-	7	(36)	(29)	-	(29)
Total comprehensive income	**-**	**7**	**(41)**	**(34)**	**(2)**	**(36)**
Share-based payment	-	-	1	1	-	1
Purchase of treasury shares	-	-	(2)	(2)	-	(2)
Total changes in equity in 2023	**-**	**7**	**(42)**	**(35)**	**(2)**	**(37)**
Equity at 31 March 2023	**175**	**(148)**	**1,780**	**1,807**	**94**	**1,901**
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**
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**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 31 March 2023 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 2022 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 2023. 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	**Q1 2023**	**Q1 2022**
Revenue	641	874
Cost of goods sold	(521)	(662)
Gross profit including depreciation and amortisation	**120**	**212**
Sales cost	(49)	(51)
Administrative costs	(51)	(53)
Other operating income and costs	1	2
EBIT before special items	**21**	**110**
Special items, net	(9)	(10)
EBIT	**12**	**100**
Depreciation and amortisation comprise:		
Depreciation of property, plant and equipment	40	39
Amortisation of intangible assets	11	10
Total	**51**	**49**
Depreciation, amortisation and impairment are allocated to:		
Production costs	34	32
Sales costs	12	13
Administration costs	5	4
Total	**51**	**49**

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 2023	Q1 2022
	Revenue	
Central Western Europe	345	396
United Kingdom	146	239
Poland	150	239
	641	**874**

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 Q1 2023 amounted to DKK 230 million (2022: DKK 265 million).

5. Special items, net

Amounts in DKK million	Q1 2023	Q1 2022
Restructuring costs	9	10
Total	**9**	**10**
Impact of special items on EBIT		
Cost of goods sold	5	3
Administrative costs	4	7
EBIT before special items	**9**	**10**

Special items for the first quarter of 2023 comprise restructuring costs of DKK 9 million compared to DKK 10 million in Q1 2022. Special items comprise restructuring costs in Central Western Europe and Poland.

6. Significant 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.

Further details of H+H’s significant estimates and judgements that may affect the Company are provided in note 2 in the 2022 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 31 March 2023, 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 6 million (GBP 0.8 million), triggering IFRIC 14 recognition of future committed pension contribution of the scheme, as H+H UK do not have unconditional right to refund. Consequently, a net value of DKK 57 million (GBP 6.7 million) has been recognised as of 31 March 2023.

Compared to December 2022, and based on the above, a value adjustment (including the effects of IFRIC 14), has been made relating to UK pension plan, affecting total comprehensive income negatively by DKK 36 million net of tax.

The total pension obligation, including the recognition of future committed pension contributions, on 31 March 2023 amounts to DKK 60 million, compared to DKK 23 million on 31 December 2022. The increase is driven by payments, interest, value adjustment and currency adjustment.

9. Financial resources and cash flow

On 31 March 2023, net interest-bearing debt, totalled DKK 804 million, corresponding to an increase of DKK 312 million since the beginning of the year. The increase in net interest-bearing debt since the beginning of the year was primarily driven by lower earnings due to a lower activity level as well as a negative working capital development led by planned stock build.

On 1 March 2023, a new committed credit facility was agreed with Nordea Danmark, branch of Nordea Abp, Finland, effectively in place 31 March 2023. The agreement has a duration of 3 years.

H+H's financing is subject to usual financial covenants, which have been fulfilled in the first quarter of 2023 and are also expected to be fulfilled for the full year 2023.

10. Share buy-back programme.

On 4 January 2023, the share buy-back programme initiated in 2022 was concluded with 1,118,800 shares acquired at total purchase price of DKK 150 million.

11. Share-based payment

The performance-share-units schemes for 2022 and 2021 are active and presented in the 2022 Annual Report.

In the first quarter of 2023, an expense of DKK 1 million was recognised under staff costs compared to an expense of DKK million in Q1 2022.

12. Tax on profit

Amounts in DKK million	**Q1 2023**	**Q1 2022**
Current tax	10	24
Movement in deferred tax	(1)	(1)
Tax on profit	**9**	**23**

13. Risk Management

H+H's principal risks and the external factors that may affect H+H are provided in the 2022 Annual Report. These are unchanged for the first quarter of 2023.

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. Events after the balance sheet date

On 4 May 2023, and with reference to Company Announcement no. 532 of 30 March 2023 the general meeting approved a reduction of the share capital by a nominal amount of DKK 10,000,000 from 175,000,000 to DKK 165,000,000, through cancellation of 1,000,000 shares of nominally DKK 10.00 each, corresponding to 5.71% of the total share capital.

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.