Company Announcement No. 540, 2023
Interim Financial Report H1 2023: H+H lowers financial outlook. Using the current environment to strengthen the company

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Date:
15 August 2023

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 2023") and the first six months of 2023 ("H1 2023").

CHIEF EXECUTIVE OFFICER JÖRG BRINKMANN QUOTE

"Despite a positive trend in Q2, we are trending behind our volume expectations in CWE and UK in July and August. On top of this, we are starting to see higher price competition in Germany. Consequently, our organic growth will be negatively impacted in H2, changing our guidance. We are using the current environment to improve our operations for the long-term. We are proactively driving the efficiency of our plant network by shifting volumes to higher efficient plants and increase their output. In parallel we are further streamlining our SG&A costs with a special focus on CWE and strengthening procurement to support the balance between price and cost. All these efforts will lead to an even stronger company for when the markets recover." says CEO Jörg Brinkmann.

PERFORMANCE HIGHLIGHTS FOR Q2 2023 (Q2 2022)

- Sales volume decreased by 39% to 723 thousand cubic metres (1,182 thousand cubic metres)
- Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") was negative 26% (positive 13%).
- Gross profit before special items was DKK 178 million (DKK 320 million), corresponding to a gross margin of 24% (32%).
- EBIT before special items was DKK 38 million (DKK 177 million), corresponding to an EBIT margin before special items of 5% (18%).
- Net profit of DKK (101) million (DKK 129 million).
- Free cash flow was DKK (68) million (DKK 165 million).
- Financial gearing was 2.0 times EBITDA at the end of Q2 2023 (0.5 times EBITDA at the end of Q2 2022).

FINANCIAL HIGHLIGHTS FOR THE PERIOD

DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022
Sales volume (thousand cubic metres)	723	1,182	1,357	2,269
Revenue	731	1,000	1,372	1,874
Organic growth	(26)%	13%	(26)%	20%
Gross margin before special items	24%	32%	24%	30%
EBITDA before special items	87	227	159	386
EBIT before special items	38	177	59	287
EBIT margin before special items	5%	18%	4%	15%
Special items	(165)	(9)	(174)	(19)
Return on Invested Capital (ROIC)	2%	26%	2%	26%
NIBD/EBITDA before special items ratio	2.0x	0.5x	2.0x	0.5x
Free cash flow	(68)	165	(377)	102

FINANCIAL OUTLOOK FOR 2023 IS LOWERED

- Revenue growth measured in local currencies is expected to be negative ranging from -20% to -25% (previously -15% to -20%)
- EBIT before special items is expected to be in the range of DKK 30 million to DKK 100 million (previously 100 to 175 DKKm)

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

- Sales volumes expected to decrease around -30% to -35%
- Exchange rates, primarily GBP, EUR and PLN remain at end-July 2023 levels.

H1 2023 INTERIM FINANCIAL REPORT CONFERENCE CALL

In connection with the release of the H1 2023 Interim Financial Report, a conference call for investors and analysts is scheduled for Wednesday 16 August 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 H1 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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- Other participants can follow the conference call via live webcast here.
- The presentation slides for the conference call will be made available beforehand here.
- After the conference call, you can access the replay and transcript 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 27 factories in Northern and Central Europe with a total output of close to 4 million cubic metres of products annually and has a leading position in most of its markets. H+H is listed on the Nasdaq Copenhagen stock exchange.

KEY FIGURES – H+H GROUP

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

Amounts in DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022	Full-year 2022
Income statement					
Revenue	731	1,000	1,372	1,874	3,604
Gross profit before special items	178	320	332	564	1,020
EBITDA before special items	87	227	159	386	657
EBITDA	19	218	82	376	615
EBIT before special items	38	177	59	287	455
EBIT	(127)	168	(115)	268	413
Profit before tax	(139)	164	(137)	259	398
Profit for the period	(101)	129	(108)	201	317
Balance sheet					
Assets	3,982	3,673	3,982	3,673	3,750
Invested capital	2,341	1,983	2,341	1,983	2,142
Net working capital	534	178	534	178	242
Equity	1,787	1,859	1,787	1,859	1,938
Net Interest-bearing debt (NIBD)	875	343	875	343	492
Cash flow					
Cash flow from operating activities	(23)	207	(295)	186	316
Cash flow from investing activities	(45)	(42)	(82)	(84)	(255)
Cash flow from financing activities	168	(70)	375	(70)	(19)
Free cash flow	(68)	165	(377)	102	61
Financial ratios					
Organic growth	(26)%	13%	(26)%	20%	14%
Gross margin before special items	24%	32%	24%	30%	28%
EBITDA margin before special items	12%	23%	12%	21%	18%
EBITDA margin	3%	22%	6%	20%	17%
EBIT margin before special items	5%	18%	4%	15%	13%
EBIT margin	(17)%	17%	(8)%	14%	11%
Return on invested capital (ROIC) (excl. Goodwill)	2%	26%	2%	26%	19%
Solvency ratio	42%	48%	42%	48%	49%
NIBD/EBITDA before special items ratio	2.0x	0.5x	2.0x	0.5x	0.7x
Share data					
Share price, end of period (DKK)	82	133	82	133	103
Book value per share, end of period (DKK)	102	106	102	106	110
Earnings per share	(5.8)	7.4	(6.2)	11.3	17.1
Diluted earnings per share	(5.8)	7.4	(6.2)	11.3	17.0

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE SECOND QUARTER OF 2023

Revenue
Total revenue decreased by 27% to DKK 731 million in Q2 2023 compared to DKK 1,000 million in Q2 2022. Revenue growth before acquisitions and divestments measured in local currencies ("organic growth") was negative 26% in Q2 2023 compared to positive 13% in Q2 2022.

The decline in revenue and organic growth was primarily caused by reduced market demand across all regions, with Poland being the main contributing factor.

Revenue, external				
	Q2		H1	
Amounts in DKK million	2023	2022	2023	2022
			Revenue	
Central Western Europe	355	440	700	836
United Kingdom	222	281	368	520
Poland	154	279	304	518
Total	731	1,000	1,372	1,874

Revenue in the Central Western Europe region decreased by 19% to DKK 355 million compared to DKK 440 million in Q2 2022 driven by lower sales volumes, slightly offset by price increases. Organic growth in the region was negative 20% as a result of lower sales volumes for both AAC and CSU, partly offset by higher sales prices for both product categories.

Revenue in the United Kingdom decreased by 21% to DKK 222 million compared to DKK 281 million in Q2 2022. This decline was driven by negative organic growth of 18%, due to decreased demand, partially offset by higher sales prices.

Revenue in Poland decreased by 45% to DKK 154 million compared to DKK 279 million in Q2 2022. Organic growth was negative 45% driven by decreasing demand, slightly offset by sales price increases.

Of the total revenue in Q2 2023 of DKK 731 million, AAC and CSU constituted 71% and 29%, respectively.

Production cost
Led by lower production volume, production cost decreased by 19% to DKK 553 million in Q2 2023 compared to DKK 680 million in Q2 2022.

In the second quarter of 2023, H+H made adjustments to its production capacity in response to reduced market demand. For further details, please see Note 8 and Note 9.

Gross profit before special items
Gross profit amounted to DKK 178 million compared to DKK 320 million in Q2 2022, corresponding to gross margins of 24% and 32%, respectively.

The lower gross profit margin is driven by overhead cost spread over lower volumes as well as increased production costs including cost of energy.

Gross profit in the AAC and CSU businesses amounted to DKK 124 million and DKK 54 million in Q2 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 87 million compared to DKK 227 million in Q2 2022, corresponding to EBITDA margins of 12% and 23%, respectively.

Depreciation and amortisation
Depreciation and amortisation in Q2 2023 amounted to DKK 49 million compared to DKK 50 million in Q2 2022.

EBIT before special items
EBIT before special items amounted to DKK 38 million in Q2 2023, compared to DKK 177 million in Q2 2022, corresponding to EBIT margins before special items of 5% and 18%, respectively.

Special items
Special items of DKK 165 million for Q2 2023 mainly comprise impairment of assets and restructuring costs associated to closed down factories.

Please refer to Note 9 and Note 11 for more information about special items for the period.

Net financials
Net financials totalled an expense of DKK 12 million in Q2 2023, compared to an expense of DKK 4 million in Q2 2022. The development is mainly driven by increase in interest expenses from an increased NIBD and interest rate.

Profit before tax
Profit before tax amounted to negative DKK 139 million in Q2 2023, compared to positive DKK 164 million in Q2 2022.

Tax
Tax for the period amounted to a net income of DKK 38 million compared to a net expense of DKK 35 million in Q2 2022. Please refer to Note 15 for more information about tax for the period.

Net profit
Net profit for the period amounted to a loss of DKK 101 million compared to a profit of DKK 129 million in Q2 2022.

Loss for the period is attributable to H+H International A/S' shareholders by DKK 101 million and to non-controlling interests by DKK 0 million compared to a profit of DKK 129 million and DKK 0 million, respectively, for Q2 2022.

Comprehensive income
Other comprehensive income for Q2 2023 amounted to a loss of DKK 10 million compared to a loss of DKK 8 million in Q2 2022. The year-on-year development was mainly driven by a loss in fair value adjustments of derivative financial instruments offset by a favourable foreign exchange rates.

INCOME STATEMENT FOR THE FIRST SIX MONTHS OF 2023

Revenue
Total revenue for the first six months of 2023 decreased by 27% to DKK 1,372 million compared to DKK 1,874 million in the first half of 2022. Organic growth was negative 26% in the first six months of 2023 compared to positive 13% for the first half of 2022.

Of the total revenue of DKK 1,371 million, AAC and CSU constituted 71% and 29%, respectively.

Gross profit before special items
Gross profit in the first half 2023 decreased by 41% to DKK 332 million compared to DKK 564 million in 2022, corresponding to gross margins of 24% and 30%, respectively. The decrease in gross profit margin is driven by overhead costs spread over lower volumes and increased production costs, including energy expenses.

Gross profit in the AAC and CSU businesses amounted to DKK 222 million and DKK 110 million, respectively. This compares to DKK 399 million and DKK 165 million in the first half of 2022 for the AAC and CSU businesses, respectively.

EBITDA before special items
EBITDA before special items in the first six months of 2023 decreased by 59% to DKK 159 million compared to DKK 386 million in 2022, corresponding to EBITDA margins of 12% and 21%, respectively.

Depreciation and amortisation
Depreciation and amortisation in the first half 2022 amounted to DKK 100 million compared to DKK 99 million in first half 2022.

EBIT before special items
EBIT for the first six months of 2023 decreased by DKK 228 million compared to the first half of 2022, corresponding to EBIT margins of 4% and 15%, respectively.

Special items
Special items of DKK 174 million for the first half 2023 mainly comprise impairment of assets and restructuring costs associated to closed down factories.

Please refer to Note 9 and Note 11 for more information about special items for the period.

Net financials
Net financials totalled an expense of DKK 22 million in first half 2023, compared to an expense of DKK 9 million in first half 2022. The development is mainly driven by increase in interest expenses from an increased NIBD and interest rates.

Profit before tax
Profit before tax for the first half 2023 amounted to a loss of DKK 137 million, compared to positive DKK 259 million in first half 2022.

Tax
Tax for the period amounted to a net income of DKK 29 million compared to a net expense of DKK 58 million in first half 2022. Please refer to Note 15 for more information about tax for the period.

Net profit
Profit in the first six months of 2023 decreased by DKK 309 million to a loss of DKK 108 million, compared to positive DKK 201 million in 2022.

Loss for the period is attributable to H+H International A/S' shareholders by DKK 108 million and to non-controlling interest by DKK 0 million compared to a profit of DKK 197 million and DKK 0 million, respectively, for the first half of 2022.

Comprehensive income
Other comprehensive income for the first six months of 2023 was negative DKK 39 million compared to negative DKK 51 million for the first half 2022, mainly driven by a loss in fair value adjustments of derivative financial instruments of DKK 43 million offset by a positive development in foreign exchange rates of DKK 57 million.

CASH FLOW

Operating activities
Cash flow from operating activities amounted to DKK negative 23 million in Q2 2023 compared to positive DKK 207 million in Q2 2022.

Cash flow from operating activities in the first six months of 2023 was negative DKK 295 million against positive DKK 186 million in 2022.

Development in operating cash flow is led by lower earnings for the period and a negative working capital development driven by stock build in Q1 due to capacity adjustments.

Investing activities
Cash flow from investing activities in Q2 2023 amounted to negative DKK 45 million compared to negative DKK 42 million in Q2 2022.

Cash flow from investing activities in first six months of 2023 was negative DKK 82 million, compared to negative DKK 84 million in the first half of 2022.

Financing activities
Cash flow from financing activities amounted to positive DKK 168 million in the second quarter of 2023 compared to negative DKK 70 million in Q2 2022.

Cash flow from financing activities amounted to positive DKK 375 million in first half of 2023 compared to negative DKK 70 million in 2022.

The year-on-year increase, both for the quarter and first half, was mainly driven by a change in borrowings due to the development in earnings and working capital, and the purchase of treasury shares of negative DKK 50 million and DKK 85 million in the second quarter and first half 2022, respectively, this in connection with the share buy-back programme.

BALANCE SHEET

On 30 June 2023, the balance sheet total amounted to DKK 3,982 million compared to DKK 3,673 million on 30 June 2022 mainly driven by an increase in inventories of DKK 356 million.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 875 million on 30 June 2023 corresponding to an increase of DKK 383 million since 31 December 2022.

The increase in net interest-bearing debt since the beginning of the year was primary driven by negative working capital development for the period.

On 30 June 2023, the Company's financial gearing was 2.0 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 0.8 billion on 30 June 2023, corresponding to an unused committed bank facility of DKK 0.2 billion.

Equity
The consolidated equity decreased by DKK 102 million compared to 31 December 2022 and decreased by DKK 23 million compared to 30 June 2022.

Equity

	H1	H1
Amounts in DKK million	2023	2022
1 January	1,938	1,814
Profit for the period	(108)	201
Actuarial gains/losses on pension plans	(38)	(36)
Value adjustments of derivative financial instruments	(43)	-
Foreign exchange adjustments	42	(15)
Purchase of treasury shares	(2)	(85)
Adjustment to non-controlling interests arising from acquisition	-	(22)
Share based payment	(2)	2
30 June	1,787	1,859

CURRENT BUSINESS DEVELOPMENT

Low building activity across all our markets
In the second quarter of 2023, the slow recovery seen in sales volumes from first quarter continued, though heavily impacted by uncertainty and very low residential newbuild activity across all our markets. For the first six months of 2023 our sales volumes are 40% lower compared to the same period last year. The positive trend observed in Q2 has not followed during beginning of Q3 as both the CWE and UK regions have experienced a significant decline in summer activity.

Permissions for new buildings in Germany decreased by 33% from January to May 2023 compared to last year, and continued high interest rates levels has led to a reduction of new mortgage loans for private investors. Institutional investors of multi-family houses are very reluctant to realize new projects before they have sold the flats to their customers and the demand for 1-2-family houses by private investors decreased compared to last year.

A notable housing shortage still persists in Germany, especially within the rental market and agglomeration areas. This undersupply is increasing due to a growing population on one side and a significant reduction in completions on the other side, which contributes to the construction backlog.

In Germany, we are witnessing a changing competitive landscape that is driving prices downward. Despite the challenges posed by a tougher market, we achieved -20% organic growth in Q2 and negative 14% for the first six month compared to last year in the CWE region as we were able to expand our market position while maintaining prices and pass on inflation.

In the UK, the number of new home registrations fell by 42% in the second quarter of 2023 compared to the same period last year. Market demand continues to be supressed due to high interest rates affecting mortgage affordability and high inflation, which is hampering consumer spending. Also, in the UK we were able to maintain prices and pass on inflation which resulted in negative 18% organic growth in Q2 and negative 26% for the first six months.

The UK government has made an announcement to fulfil its manifesto commitment to construct one million homes during this parliamentary term, however, creating a more favourable environment will depend on a decline in inflation and the easing of mortgage rates.

In Poland, the number of building permits decreased by 35% from January to June 2023 compared to last year. In Poland we are starting to see some price pressure and our key focus remains to safeguard our margins, as we closely monitor the market. In a tough price environment, we delivered negative 45% organic growth in Q2 and negative 40% for the first six months.

In an attempt to stimulate new investments, the "Safe Credit" 2 percent program has been introduced in Poland. This allows first time buyers to seek financing with subsidies for 10 years.

Pro-actively improving our operations
The market recovery will be highly dependent on the development of interest rates or the effectiveness of government support programs. As we do not expect a short-term recovery of our markets, we are proactively improving our operations.

A major element is the efficiency improvement of our plant network. As a first step we have decided to close 5 plants and shift volumes to bigger and more efficient plants. In total we have adjusted our workforce by around 20% in operations. For all regions we have identified enough capacity to service our customers not only this year, but also when the markets will start picking up again. Beyond that, we are further improving efficiency through lean manufacturing principles.

We have also adjusted our SG&A cost base. This is mainly achieved through better and standardized business processes, using digital tools. The biggest potential for the group exists in our CWE region, where we are further integrating the businesses.

On top of fix costs, we have also strengthened our group procurement function and announced a central role for this.

These initiatives will help to support our performance this year. But even more, we are building an even stronger company for when the markets will recover with lean manufacturing and businesses processes, driving both a great customer experience and better results.

Restructuring cost and special items
As a result of the restructuring, a comprehensive evaluation of the recoverable amounts of production and related equipment was conducted, leading to the acknowledgment of impairment losses amounting to DKK 100 million.

The cost savings program includes restructuring of production costs and SG&A expenses. Total restructuring costs are estimated to be around 100 million with a payback of less than one year. In the current quarter, DKK 45 million in restructuring costs related to the program have been recognized as special items, resulting in a total of DKK 55 million for the first six months.

During the second quarter of the year, gas contracts dating back to the first half of 2022 led to the sale of unused gas in the market, resulting in financial losses amounting to DKK 16 million as the fixed gas prices of the gas being sold off exceeds current market price. In addition, financial losses of DKK 6 million has also been recognised related to a fair value adjustment of the gas commodity forward contracts in the quarter.

MOST MATERIAL RISKS AND UNCERTAINTIES

For most material risk and uncertainties, please refer to Note 3 “Risks Management” and to Note 4 “Significant accounting estimates and judgements”.

EVENTS IN THE QUARTER

For significant events in the quarter, please refer to Note 8 “Impairment testing of goodwill and non-current assets”, Note 9 “Special items, net”, Note 10 “Pension obligations” and note 11 “Derivative financial instruments”.

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 2023

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

- Revenue growth measured in local currencies ranging from -20% to -25%. (Previous -15% to -20%)
- EBIT before special items is expected in the range of DKK 30-100 million (Previously 100-175)

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 to decrease around -30% to -35%
- Exchange rates, primarily GBP, EUR and PLN remain at end-July 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

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 six months 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 30 June 2023 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 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, 15 August 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				
Amounts in DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022	Full-year 2022
Revenue	731	1,000	1,372	1,874	3,604
Cost of goods sold	(553)	(680)	(1,040)	(1,310)	(2,584)
Gross profit before special items	**178**	**320**	**332**	**564**	**1,020**
Sales costs	(41)	(46)	(78)	(84)	(170)
Administrative costs	(57)	(55)	(103)	(104)	(222)
Other operating income and costs, net	7	8	8	10	29
EBITDA before special items	**87**	**227**	**159**	**386**	**657**
Depreciation, amortisation and impairments	(49)	(50)	(100)	(99)	(202)
EBIT before special items	**38**	**177**	**59**	**287**	**455**
Special items, net	(165)	(9)	(174)	(19)	(42)
EBIT	**(127)**	**168**	**(115)**	**268**	**413**
Financial income	3	1	5	2	6
Financial expenses	(15)	(5)	(27)	(11)	(21)
Profit before tax	**(139)**	**164**	**(137)**	**259**	**398**
Tax on profit	38	(35)	29	(58)	(81)
Profit for the period	**(101)**	**129**	**(108)**	**201**	**317**
Profit for the period attributable to:					
H+H International A/S' shareholders	(101)	129	(108)	197	303
Non-controlling interest	-	-	-	4	14
Profit for the period	**(101)**	**129**	**(108)**	**201**	**317**
Earnings per share (EPS-Basic)	(5.8)	7.4	(6.2)	11.3	17.1
Diluted earnings per share (EPS-D)	(5.8)	7.4	(6.2)	11.3	17.0

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group				
Amounts in DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022	Full-year 2022
Profit for the period	**(101)**	**129**	**(108)**	**201**	**317**
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments of derivative financial instruments	(43)	-	(43)	-	-
Foreign exchange adjustments, foreign entities	35	(7)	42	(15)	(17)
	(8)	(7)	(1)	(15)	(17)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	(1)	1	(46)	(40)	18
Tax on actuarial gains and losses	(1)	(2)	8	4	(1)
	(2)	(1)	(38)	(36)	17
Other comprehensive income after tax	**(10)**	**(8)**	**(39)**	**(51)**	**-**
Total comprehensive income for the period	**(111)**	**121**	**(147)**	**150**	**317**

CONDENSED BALANCE SHEET

	Group		
Amounts in DKK million	30 June 2023	31 December 2022	30 June 2022
ASSETS			
Non-current assets			
Goodwill	421	419	453
Other intangible assets	253	253	265
Property, plant and equipment	1,740	1,822	1,727
Deferred tax assets	14	17	14
Financial assets	5	6	6
Total non-current assets	**2,433**	**2,517**	**2,465**
Current assets			
Inventories	721	523	365
Receivables	288	174	317
Cash	540	536	526
Total current assets	**1,549**	**1,233**	**1,208**
TOTAL ASSETS	**3,982**	**3,750**	**3,673**
EQUITY AND LIABILITIES			
Equity			
Share capital	165	175	175
Retained earnings	1,682	1,822	1,745
Other reserves	(156)	(155)	(153)
Equity attributable to H+H International A/S' shareholders	1,691	1,842	1,767
Equity attributable to non-controlling interests	96	96	92
Total equity	**1,787**	**1,938**	**1,859**
Non-current liabilities			
Pension obligations	55	23	101
Provisions	38	38	41
Deferred tax liability	65	110	125
Credit institutions	1,312	920	771
Deferred payments, acquisition of subsidiary	99	105	105
Lease liabilities	78	81	78
Total non-current liabilities	**1,647**	**1,277**	**1,221**
Current liabilities			
Lease liabilities	25	27	20
Trade payables	278	278	300
Income tax	10	37	57
Deferred payment, acquisition of subsidiary	7	7	7
Provisions	31	9	5
Other payables	197	177	204
Total current liabilities	**548**	**535**	**593**
Total liabilities	**2,195**	**1,812**	**1,814**
TOTAL EQUITY AND LIABILITIES	**3,982**	**3,750**	**3,673**
Net interest-bearing debt	875	492	343

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022
Operating profit (EBIT)	(127)	168	(115)	268
Financial income, received	3	1	5	2
Financial expenses, paid	(15)	(5)	(27)	(11)
Depreciation and amortisation	49	50	100	99
Impairment of assets associated with closed down factories	97	-	97	-
Gain and losses on sale of assets and other non-cash effects	9	(8)	7	(7)
Change in working capital	(8)	22	(309)	(111)
Change in provisions and pension contribution	(10)	(9)	(18)	(27)
Income tax paid	(21)	(12)	(35)	(27)
Operating activities	**(23)**	**207**	**(295)**	**186**
Acquisition of enterprises	(7)	-	(7)	-
Acquisition of property, plant and equipment and intangible assets	(38)	(42)	(75)	(84)
Investing activities	**(45)**	**(42)**	**(82)**	**(84)**
Change in borrowings	175	(14)	392	28
Change in lease liabilities	(7)	(6)	(15)	(13)
Purchase of treasury shares	-	(50)	(2)	(85)
Financing activities	**168**	**(70)**	**375**	**(70)**
Total cash flow for the period	**100**	**95**	**(2)**	**32**
Cash and cash equivalents, opening	436	433	536	499
Foreign exchange adjustments of cash	4	(2)	6	(5)
Cash and cash equivalents at 30 June	**540**	**526**	**540**	**526**

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Hedging reserve	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	-		-	(108)	(108)	-	(108)
Other comprehensive income	-	(43)	42	(38)	(39)	-	(39)
Total comprehensive income	**-**	**(43)**	**42**	**(146)**	**(147)**	**-**	**(147)**
Share-based payment	-	-	-	(2)	(2)	-	(2)
Purchase of treasury shares	-	-	-	(2)	(2)	-	(2)
Share capital decrease	(10)	-	-	10	-	-	-
Total changes in equity in 2023	**(10)**	**(43)**	**42**	**(140)**	**(151)**	**-**	**(151)**
Equity at 30 June 2023	**165**	**(43)**	**(113)**	**1,682**	**1,691**	**96**	**1,787**
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	(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**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 June 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.

With reference to Note 11 "Derivative financial instruments", H+H has introduced the accounting principles below.

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are included as other receivables and other payables, respectively.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of recognised asset or liability are recognised in the income statement as are any changes in the value of the hedged asset or liability.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of future cash flows are recognised in other comprehensive income. Income and expenses relating to such hedging transactions are transferred from other comprehensive income on realisation of the hedged item to the income statement.

Other than above, 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. 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 half year of 2023.

4. 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.

In the case of 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 (reference made to note 8), special items, net (reference made to note 9), pension obligations (reference made to note 10) and derivative financial instruments (reference made to note 11).

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.

5. Seasonal fluctuations

The sales pattern for H+H's products is seasonal. Sales in the second and third quarters are traditionally 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.

6. 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 2023	Q2 2022	H1 2023	H1 2022
Revenue	731	1,000	1,372	1,874
Cost of goods sold	(584)	(714)	(1,105)	(1,376)
Gross profit including depreciation and amortisation	**147**	**286**	**267**	**498**
Sales cost	(53)	(58)	(102)	(109)
Administrative costs	(63)	(59)	(114)	(112)
Other operating income and costs	7	8	8	10
EBIT before special items	**38**	**177**	**59**	**287**
Special items, net	(165)	(9)	(174)	(19)
EBIT	**(127)**	**168**	**(115)**	**268**
Depreciation and amortisation comprise:				
Depreciation of property, plant and equipment	40	36	80	75
Amortisation of intangible assets	9	14	20	24
Total	**49**	**50**	**100**	**99**
Depreciation, amortisation and impairment are allocated to:				
Production costs	31	34	65	66
Sales costs	12	12	24	25
Administration costs	6	4	11	8
Total	**49**	**50**	**100**	**99**

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

7. Geographical information

Amounts in DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022
		Revenue		
Central Western Europe	355	440	700	836
United Kingdom	222	281	368	520
Poland	154	279	304	518
	731	**1,000**	**1,372**	**1,874**

When presenting information on geographical areas, information on revenue is based on 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 2023 amounted to DKK 235 million (2022: DKK 304 million) and to DKK 465 million for the first six months of 2023 (2022: DKK 556 million).

8. Impairment testing of goodwill and non-current assets

Due to the significant decrease in earnings, Management has tested goodwill for impairment in each of the cash-generating units (CGU's) to which such assets have been allocated.

Management have reassessed identified CGU's. Compared to 31 December 2022, the two CGU's CWE AAC and CWE CSU have been combined into one CGU, this due to changes in the internal reporting structure. Associated values of goodwill for the CGU's amount to; Central Western Europe AAC & CSU DKK 398 million and Poland AAC & CSU DKK 23 million. Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in each CGU.

Factories closed down in Germany comprise three CSU factories included in the CGU for "Central Western Europe AAC & CSU", and factories closed down in Poland comprised two factories, one AAC and one CSU, both included in the CGU for "Poland AAC and CSU". It is Management assessment, that the factory close downs will not negatively affect the expected future cash flows to be generated from each of the CGUs as the remaining factories within each of the CGUs has sufficient capacity to supply existing markets both on short, mid- and long term.

For the purpose of impairment testing the recoverable amount was defined as the value in use. The impairment tests were based on financial forecasts prepared by the Management and the updated plan for the years 2023 - 2028.

The market decline materialised in 2023 was more severe than initially anticipated, this driven by the continued interest rate increases for mortgages as a consequence of the central banks effort to lower inflation. The market is expected reach it's low in 2023, and furthermore expected to remain on this lower activity level throughout 2024, for then to pick-up from 2025 and onwards. Assumptions are based historic trends as well as external benchmarked data. The most material key assumptions for the impairment test are growth in terminal period and WACC, but also annual growth in revenue (CAGR) and gross margins. Annual growth in revenue is to a large extent volume driven.

Assumptions applied for both CGU's on growth in terminal period was 2.0%, unchanged compared to what was applied in the 2022 Annual Report. An WACC after tax of 8.7% (2022: 8.2%) was applied for the CWE AAC and CSU CGU, and 11.7% (2022: 13.0%) was applied for the PL AAC and CSU CGU.

Management believes that any likely changes in the key assumptions will not cause the carrying amount of goodwill and non-current assets to exceed the recoverable amounts. Sensitivity analysis of impairment tests focuses on changes in discount rate (WACC) and long-term growth rate. All other factors are unchanged in the sensitivity analysis. Based on the above and the sensitivity analyses, it is Management's opinion that no probable change in any key assumptions would cause the carrying amounts of CGUs to exceed the recoverable amount as at 30 June 2023.

9. Special items, net

Amounts in DKK million	Q2 2023	Q2 2022	H1 2023	H1 2022
Impairment of assets, closed down factories	97	-	97	-
Restructuring costs	46	9	55	19
Unfavorable part of gas hedges	22	-	22	
Total	**165**	**9**	**174**	**19**
Impact of special items on EBIT				
Cost of goods sold	43	9	48	12
Sales and administrative costs	25	-	29	7
Depreciation, amortisation and impairments	97	-	97	-
EBIT before special items	**165**	**9**	**174**	**19**

During the second quarter of 2023, three factories in Germany and two in Poland has been closed down. As required, an assessment of the recoverable amounts of production and related equipment has been carried out.

The assessment has led to the recognition of impairment losses of DKK 97 million which have been recognised in the profit and loss statement as a special item.

The review has comprised an assessment of estimated fair value less cost of disposal, which has been based on observable market prices of similar assets, Level 1 of the fair value hierarchy, as well as internal knowledge. Also taken into consideration has been an assessment of the Company's ability to reuse equipment on other locations.

Further to this, restructuring costs of DKK 46 million has also been recognised as special items in the quarter. Restructuring costs has been recognised in accordance with IAS 37, and mainly comprise directly associated costs to factory close downs in Germany and Poland as well as general restructuring costs including costs related to termination of employees, incremental costs of the closed factories including service costs, tax, penalties, additional transportation costs to relocation of stock etc.

With reference to note 11, in Q2 2023, unused gas has been sold off to the market, resulting in financial losses of DKK 16 million as the fixed prices of the gas being sold off exceeds current market prices. In addition to this, an adjustment of the currently ineffective part of the commodity forward contracts hedges of DKK 6 million has also been recognised, both effects as special items.

10. 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 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 4 million (GBP 0.4 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 45 million (GBP 5.3 million) has been recognised as of 30 June 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 38 million net of tax.

The total pension obligation, including the recognition of future committed pension contributions, on 30 June 2023 amounts to DKK 55 million, compared to DKK 23 million on 31 December 2022. The increase is driven by payments, interest, value adjustment and currency adjustment.

11. Derivative financial instruments

Derivative financial instruments recognised contain commodity forward contracts which are measured at fair value using generally accepted valuation techniques based on observable market prices and forward rates and are categorised as Level 2 in the fair value hierarchy.

During 2022, H+H has entered into fixed volume and price gas contracts covering the period 2023 to 2026. Due to a significantly lower demand, not all gas for the period 1 April 2023 to 31 March 2024 is expected to be used in production and consequently the excess will be sold off to the market at spot prices, on a monthly basis, effectively falling outside the exemption of "own use" recognition in accordance with IFRS 9.

At initial recognition as of 1 April 2023, commodity forward contracts were recognised as other payables in the balance sheet, offset by an equal asset value, containing of the market value of the forward contracts and an associated day one loss.

Subsequent revaluation of the asset value for the second quarter has two impacts;

i) recognition of production cost for that part of the gas which was consumed through production and cost of DKK 16 million recognised as special items for that part of the gas which is unused and effectively sold off to the market.

ii) a fair value remeasurement of the forward contracts was made as of 30 June 2023 which resulted in a loss of DKK 49 million, an effective part of DKK 43 million recognised in Other Comprehensive Income and an ineffective part of DKK 6 million recognised as special items.

12. Financial resources and cash flow

On 30 June 2023, net interest-bearing debt, totalled DKK 875 million, corresponding to an increase of DKK 383 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 stock build due to capacity adjustments.

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 half of 2023 and are also expected to be fulfilled for the full year 2023.

13. 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.

14. Share-based payment

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

In the first half of 2023, a net income of DKK 2 million was recognised under staff costs compared to a net expense of DKK 2 million in first half of 2022.

15. Tax on profit

Amounts in DKK million	**Q2 2023**	**Q2 2022**	**H1 2023**	**H1 2022**
Current tax	6	37	16	61
Movement in deferred tax	(44)	(2)	(45)	(3)
Tax on profit	**(38)**	**35**	**(29)**	**58**

16. 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.

17. Share capital

	Number		Nominal value, DKK million	
Amounts in DKK million	**2023**	**2022**	**2023**	**2022**
Share capital at 1 January	17,500,000	17,983,365	175	180
Movements	(1,000,000)	(483,365)	(10)	(5)
Share capital at 30 June	**16,500,000**	**17,500,000**	**165**	**175**

On 4 May 2023, and with reference to Company Announcement no. 433 of 30 March 2023, the approved reduction of the share capital by a nominal amount of DKK 10,000,000 from 175,000,000 to DKK 165,000,000 through the cancellation of 1,000,000 shares of nominally DKK 10.00 each was registered at the Danish Business Authority.

Similarly, on 5 May 2022, and with reference to 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.

18. Events after the balance sheet date

No events have occurred after the balance sheet date that will have a material effect on the parent company's or the H+H Group's financial position.