

Company announcement No. 565, 2024

13 August 2024

Interim Financial Report, H1 2024

CHIEF EXECUTIVE OFFICER JÖRG BRINKMANN QUOTE

“Second quarter confirmed the positive market trends in the UK and Poland leading to strong organic growth in both countries in line with expectations. As a consequence, we are reinstalling capacity and will reopen our mothballed plant in Pollington (UK) to be prepared for future market growth. In Germany we are not seeing a recovery and new build activity is again significantly below last year. Consequently, we are not seeing the full potential of our business improvement results yet. The likely sale of land in Warsaw will bring our financial gearing closer to our long-term financial target” says CEO Jörg Brinkmann.

PERFORMANCE HIGHLIGHTS FOR Q2 2024 (Q2 2023)

- Sales volume increased by 8% to 779k m³ (723 k m³), driven by growth in the UK and Poland, offset by the German market, which is weaker than last year.
- Revenue growth measured in local currencies (“organic growth”) was negative 3% (negative 26%). We see stable pricing across our markets compared to Q1 2024.
- Gross profit before special items was DKK 132 million (DKK 178 million), corresponding to a gross margin of 18% (24%). The decrease in gross margin is driven by de-stocking and excess gas costs.
- EBIT before special items was negative DKK 5 million (positive DKK 38 million), corresponding to an EBIT margin before special items of negative 1% (positive 5%).
- Financial gearing was 6.5 times EBITDA before special items at the end of Q2 2024 (2.0 times EBITDA at the end of Q2 2023), which aligns with our expectations, and anticipated to decrease over the upcoming quarters. Additionally, the potential land sale in Warsaw will further improve the financial gearing.

OTHER KEY EVENTS

- Temporary closure of the Borough Green plant in the UK during July. Until now and during the coming ramp-up phase the expected financial loss (EBIT before special items) of the lost production and directly related costs are in the region of DKK 10-15 million.
- Decision on re-opening the mothballed plant in Pollington to secure future supply in 2025.
- H+H has agreed on a conditional sale of land and buildings of its closed down factory in Warsaw to Polish residential developer ROBYG Group for a price of PLN 110 million (approximately DKK 190 million).

FINANCIAL OUTLOOK FOR 2024 NARROWED

The German market situation and the temporary closure of the Borough Green plant in the UK during July are leading us to narrow our guidance. Potential land sale in Warsaw will be made in cash and be treated as a special item, having no impact on full-year guidance expectations and will reduce net debt by approximately DKK 190 million.

- Revenue growth measured in local currencies is expected to around 0% (from -5% to +5%)
- EBIT before special items is expected to be in the range of DKK million 50 to 100 (from 50 to 150)

H1 2024 INTERIM FINANCIAL REPORT CONFERENCE CALL

In connection with the release of the H1 2024 Interim Financial Report, a conference call for investors and analysts is scheduled for Wednesday 14 August 2024, at 10:00 p.m. CEST. The presentation will be followed by a Q&A session. Participants can follow the conference call via live webcast [here](#).

KEY FIGURES – H+H GROUP

Amounts in DKK million	Q2 2024	Q2 2023	H1 2024	H1 2023	Full-year 2023
Income statement					
Revenue	725	731	1,369	1,372	2,672
Gross profit before special items	132	178	241	332	564
EBITDA before special items	41	87	67	159	244
EBITDA	28	78	(75)	150	58
EBIT before special items	(5)	38	(26)	59	57
EBIT	(18)	(127)	(168)	(115)	(230)
Result before tax	(39)	(139)	(206)	(137)	(283)
Result for the period	(29)	(101)	(159)	(108)	(246)
Balance sheet					
Assets	3,424	3,764	3,424	3,764	3,454
Invested capital	2,330	2,341	2,330	2,341	2,435
Net working capital	287	534	287	534	359
Equity	1,543	1,787	1,543	1,787	1,678
Net Interest-bearing debt (NIBD)	993	875	993	875	887
Cash flow					
Cash flow from operating activities	56	(116)	(9)	(295)	(209)
Cash flow from investing activities	(34)	(45)	(60)	(82)	(137)
Free cash flow	22	(161)	(69)	(377)	(346)
Cash flow from financing activities	(30)	264	92	340	131
Financial ratios					
Organic growth	(3)%	(26)%	(4)%	(26)%	(25)%
Gross margin before special items	18%	24%	18%	24%	21%
EBITDA margin before special items	6%	12%	5%	12%	9%
EBITDA margin	4%	11%	(5)%	11%	2%
EBIT margin before special items	(1)%	5%	(2)%	4%	2%
EBIT margin	(2)%	(17)%	(12)%	(8)%	(9)%
Return on invested capital (ROIC) (excl. Goodwill)	(12)%	2%	(12)%	2%	(9)%
Solvency ratio	42%	45%	42%	45%	46%
Financial gearing before special items ratio	6.5x	2.0x	6.5x	2.0x	3.6x
Share data					
Share price, end of period (DKK)	100	82	100	82	89
Book value per share, end of period (DKK)	94	102	94	102	102
Earnings per share	(1.7)	(5.8)	(9.8)	(6.2)	(15.0)
Diluted earnings per share	(1.7)	(5.8)	(9.8)	(6.2)	(15.0)

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

MANAGEMENT'S REVIEW

CURRENT BUSINESS DEVELOPMENT

Volumes and prices

In the second quarter, the trends from the first quarter were confirmed in Poland and UK where we are growing. Conversely, Germany shows no signs of recovery in the short to mid-term.

The overall price development met our expectations. In Germany, the price increases implemented at the start of the year held steady through the second quarter. Prices in the UK have remained stable since the beginning of the year, while in Poland, we managed to increase price in the second quarter over first quarter. However, compared to last year, our overall prices are lower following a significant drop in input costs since the beginning of last year.

During this quarter, our sales volumes grew by 8%, and we achieved -3% organic growth. This was partly driven by country mix of -5% and negative price growth of -5%.

Regional market development

UK

In the UK, mortgage approvals have been stable since the start of the year and building registrations have been increasing. We remain optimistic on the overall outlook in the UK following the recent election with a victory for the Labour Party. Labour's flagship policy, "Get Britain Building Again," aims to construct over 1.5 million homes over 5 years.

Poland

In Poland, building starts and permits continues to increase. However, the demand for home loans has slowed following the conclusion of applications under the "2% Safe Credit" program. Excluding the impact of the 2% loan program, mortgage issuance remains stable.

The successor program "Kredyt na Start / Loan for Start" is set to launch at the beginning of 2025, with a potential allocation of up to PLN 11 billion over five years. The program is still under negotiation and will require approval from ruling coalition partners.

Germany

The outlook in Germany continues to show no signs of recovery in the short to mid-term. On top of higher interest rates, high construction costs resulting from regulation and the absence of effective government support programs has further deteriorated the investment climate and building

permits and mortgage loans are on a downward trend.

OTHER KEY EVENTS

Operations resumed at Borough Green

As stated in company announcement no. 560 on July 5, 2024, production at H+H UK Limited's Borough Green facility was temporarily closed and the plant is now back in operations and consequently, is being gradually ramped up. Until now and during the coming ramp-up phase the expected financial loss (EBIT before special items) of the lost production and directly related costs are in the region of DKK 10-15 million.

To support the market in the UK and because of the Borough Green closure, we will reopen the mothballed Pollington factory to ensure future supply. The factory is expected to ramp up operations during Q4 2024.

Further restructuring needed in Germany

In the current environment, we are concentrating on our business improvement programme, "Project One," with the strategic objective of integrating CWE into a single business. This involves presenting one face to the customer, simplifying and streamlining our product portfolio, and enhancing plant utilisation and uptime to achieve higher efficiency. These efforts will position us well for when the market recovers.

To support the further restructuring, we expect to spend up to additional DKK 20 million in special items. The restructuring primarily relates to sales and administration.

Sale of land in Warsaw

H+H has agreed to a conditional sale of land and buildings from its closed factory in Warsaw to Polish residential developer ROBYG Group for a price of PLN 110 million net of tax (approximately DKK 190 million). The factory was closed as part of the factory network restructuring program carried out in 2023. We remain committed to the Polish market, with the Warsaw market now being supplied from other nearby factories. The completion of the transaction is contingent upon a tax ruling and statutory pre-emption rights of the City of Warsaw. Completion is expected to take place no later than November 2024. For more information, please see company announcement no. 564.

INCOME STATEMENT FOR THE SECOND QUARTER OF 2024

Revenue

Total revenue amounted to DKK 725 million for Q2 2024 which is at a similar level as Q2 2023 (DKK 731 million).

Revenue growth measured in local currencies ("organic growth") was negative 3% in Q2 2024 compared to negative 26% in Q2 2023.

Revenue, external				
Amounts in DKK million	Q2		H1	
	2024	2023	2024	2023
			Revenue	
Central Western Europe	268	355	513	700
United Kingdom	247	222	431	368
Poland	210	154	425	304
Total	725	731	1,369	1,372

Revenue in the CWE region decreased by 25% to DKK 268 million compared to DKK 355 million in Q2 2023. Organic growth in the region was negative 25% as a result of lower sales volumes and slightly lower prices vs. same period last year.

Revenue in the United Kingdom increased by 11% to DKK 247 million compared to DKK 222 million in Q2 2023. Organic growth of 9% in Q2 2024 was driven by higher volumes partly offset by lower prices vs. same period last year.

Sales in Poland continued to be strong in Q2 2024 and revenue increased by 36% to DKK 210 million compared to DKK 154 million in Q2 2023. Organic growth was 30% driven by increased volumes, with prices on par with same period last year.

Gross profit before special items

Gross profit amounted to DKK 132 million compared to DKK 178 million in Q2 2023, corresponding to gross margins of 18% and 24%, respectively.

The decrease in gross margin is driven by de-stocking and excess gas costs. At the end of the quarter, there are no more stock with excess gas costs and gas is purchased at normal market rates.

At the end of the quarter stock levels are now at levels where no further reductions are expected.

EBITDA before special items

EBITDA before special items amounted to DKK 41 million compared to DKK 87 million in Q2 2023, corresponding to EBITDA before special items margins of 6% and 12%, respectively.

Depreciation and amortisation

Depreciation and amortisation in Q2 2024 amounted to DKK 46 million compared to DKK 49 million in Q2 2023. The decline in depreciation is mainly due to the closure of plants in 2023.

EBIT before special items

EBIT before special items amounted to negative DKK 5 million in Q2 2024, compared to positive DKK 38 million in Q2 2023, corresponding to EBIT margins before special items of negative 1% and positive 5%, respectively.

Special items

Special items of DKK 13 million for Q2 2024 relates to restructuring costs. Please refer to Note 8 for more information about special items for the period.

Net financials

Net financials amount to an expense of DKK 21 million in Q2 2024, compared to an expense of DKK 12 million in Q2 2023. The development is mainly driven by higher net interest-bearing debt and higher interest rates.

Result before tax

Result before tax amounted to negative DKK 39 million in Q2 2024, compared to negative DKK 139 million in Q2 2023.

Tax

Tax for Q2 2024 amounted to a income of DKK 10 million compared to a net income of DKK 38 million in Q2 2023.

Result for the period

Loss for the period is attributable to H+H International A/S' shareholders by DKK 28 million and to non-controlling interests by DKK 1 million compared to a loss of DKK 101 million and DKK 0 million, respectively, for Q2 2023.

Comprehensive income

Other comprehensive income for Q2 2024 amounted to a profit of DKK 12 million compared to a loss of DKK 10 million in Q2 2023. The year-on-year development was mainly driven by the development in foreign exchange adjustment and actuarial gains offset by the fair value adjustment recognised in 2023.

INCOME STATEMENT FOR THE FIRST SIX MONTHS OF 2024

Revenue

Total revenue for the first six months of 2024 amounts to DKK 1,369 million compared to DKK 1,372 million in the first six months of 2023. Organic growth was negative 4% in the first six months of 2024 compared to negative 26% for the first six months of 2023.

Gross profit before special items

Gross profit in the first six months of 2024 decreased by 27% to DKK 241 million compared to DKK 332 million in 2023, corresponding to gross margins of 18% and 24%, respectively. The decrease in gross margin is driven by de-stocking and excess gas costs.

EBITDA before special items

EBITDA before special items in the first six months of 2024 decreased by 58% to DKK 67 million compared to DKK 159 million in 2023, corresponding to EBITDA margins of 5% and 12%, respectively.

Depreciation and amortisation

Depreciation and amortisation in the first six months of 2024 amounted to DKK 93 million compared to DKK 100 million in first six months of 2023. The decrease is mainly due to closure of plants in 2023.

EBIT before special items

EBIT for the first six months of 2024 decreased by DKK 85 million compared to the first six months of 2023, corresponding to EBIT margins of negative 2% and positive 4%, respectively.

Special items

Special items of DKK 142 million for the first six months in 2024 relates to the difference between the fixed price and the market price for the remaining contract period for the settled gas contracts, DKK 93 million, loss of unused gas sold, DKK 17 million and restructuring costs of DKK 32 million. Please refer to Note 8 for more information about special items for the period.

Net financials

Net financials amounted to an expense of DKK 38 million in first six months 2024, compared to an expense of DKK 22 million in first six months of 2023. The development is mainly driven by increase in interest expenses from an increased debt position and interest rates.

Result before tax

Result before tax for the first six months of 2024 amounted to a loss of DKK 206 million, compared to a loss of DKK 137 million in first six months of 2023.

Tax

Tax for the period amounted to a net income of DKK 47 million compared to a net income of DKK 29 million in first six months of 2023.

Result for the period

Result for the first six months of 2024 decreased by DKK 51 million to a loss of DKK 159 million, compared to a loss of DKK 108 million in 2023.

Loss for the period is attributable to H+H International A/S' shareholders by DKK 161 million and a profit to non-controlling interest by DKK 2 million compared to a loss of DKK 108 million and DKK 0 million, respectively, for the first six months of 2023.

Comprehensive income

Other comprehensive income for the first six months of 2024 was positive DKK 23 million compared to negative DKK 39 million for the first six months of 2023.

CASH FLOW

Operating activities

Cash flow from operating activities amounted to DKK 56 million in Q2 2024 compared to DKK negative 116 million in Q2 2023.

This improvement compared to same period 2023 is driven by positive net working capital development, resulting primarily from de-stocking as our stock level has been reduced with more than DKK 250 million since June 2023.

Cash flow from operating activities in the first six months of 2024 was negative DKK 9 million compared to negative DKK 295 million in H1 2023 due to the positive development in net working capital.

Investing activities

Cash flow from investing activities in Q2 2024 amounted to negative DKK 34 million compared to negative DKK 45 million in Q2 2023.

Cash flow from investing activities in first six months of 2024 was negative DKK 60 million, compared to negative DKK 82 million in the first half of 2023.

Financing activities

Cash flow from financing activities amounted to negative DKK 30 million in the second quarter of 2024 compared to DKK 264 million in Q2 2023.

Cash flow from financing activities amounted to DKK 92 million in first half of 2024 compared to DKK 340 million in 2023 where H+H drew on credit facilities, due to the development in earnings and working capital.

BALANCE SHEET

On 30 June 2024, the balance sheet total amounted to DKK 3,424 million compared to DKK 3,764 million on 30 June 2023 mainly driven by a decrease in inventories of DKK 263 million.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 993 million as of 30 June 2024 corresponding to an increase of DKK 106 million since 31 December 2023 which is driven by negative operating results, capex and new leases partly off-set by positive NWC impact.

Equity

The consolidated equity decreased by DKK 135 million compared to 31 December 2023 and decreased by DKK 244 million compared to 30 June 2023.

Equity		
	H1	H1
Amounts in DKK million	2024	2023
1 January	1,678	1,938
Result for the period	(159)	(108)
Actuarial gains/losses on pension plans	22	(38)
Value adjustments of derivative financial instruments	(7)	(43)
Foreign exchange adjustments	8	42
Purchase of treasury shares	-	(2)
Share based payment	1	(2)
30 June	1,543	1,787

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 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 except for the two events described on page 3 and Note 15 in relation to sale of land in Warsaw and temporary production stop at the Borough Green production facility.

FINANCIAL OUTLOOK FOR 2024

- 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 50 million to DKK 100 million

ASSUMPTIONS FOR THE FINANCIAL OUTLOOK FOR 2024

Specific assumptions

The expectations for H+H's financial performance in 2024 are based on certain specific and general assumptions. Management believes that the most significant of these assumptions relate to the following items:

- Building activity in line with 2023 level
- Price discipline maintained in our key markets
- Exchange rates, primarily GBP, EUR and PLN remain at mid-May 2024 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 2024

Q3 2024 Interim Financial Report

19 Nov 2024

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 2024.

The interim financial report, which has not been audited or reviewed by 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 2024 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2024.

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, 13 August 2024

EXECUTIVE BOARD

Jörg Brinkmann
CEO

Bjarne Pedersen
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

Amounts in DKK million	Group				
	Q2 2024	Q2 2023	H1 2024	H1 2023	Full-year 2023
Revenue	725	731	1,369	1,372	2,672
Cost of goods sold	(593)	(553)	(1,128)	(1,040)	(2,108)
Gross profit before special items	132	178	241	332	564
Sales costs	(28)	(41)	(63)	(78)	(149)
Administrative costs	(57)	(57)	(103)	(103)	(197)
Other operating income and costs, net	(6)	7	(8)	8	26
EBITDA before special items	41	87	67	159	244
Depreciation, amortisation and impairments	(46)	(49)	(93)	(100)	(187)
EBIT before special items	(5)	38	(26)	59	57
Special items, net	(13)	(165)	(142)	(174)	(287)
EBIT	(18)	(127)	(168)	(115)	(230)
Financial income	7	3	11	5	24
Financial expenses	(28)	(15)	(49)	(27)	(77)
Result before tax	(39)	(139)	(206)	(137)	(283)
Tax	10	38	47	29	37
Result for the period	(29)	(101)	(159)	(108)	(246)
Result for the period attributable to:					
H+H International A/S' shareholders	(28)	(101)	(161)	(108)	(248)
Non-controlling interest	(1)	-	2	-	2
Result for the period	(29)	(101)	(159)	(108)	(246)
Earnings per share (EPS-Basic)	(1.7)	(5.8)	(9.8)	(6.2)	(15.0)
Diluted earnings per share (EPS-D)	(1.7)	(5.8)	(9.8)	(6.2)	(15.0)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Amounts in DKK million	Group				
	Q2 2024	Q2 2023	H1 2024	H1 2023	Full-year 2023
Result for the period	(29)	(101)	(159)	(108)	(246)
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments of derivative financial instruments	-	(43)	(12)	(43)	(20)
Gain/(loss) on derivative financial instruments transferred to the income statements	3	-	5	-	10
Tax on fair value adjustment	-	-	-	-	3
Foreign exchange adjustments, foreign entities	2	35	8	42	63
	5	(8)	1	(1)	56
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains and losses	9	(1)	28	(46)	(68)
Tax on actuarial gains and losses	(2)	(1)	(6)	8	15
	7	(2)	22	(38)	(53)
Other comprehensive income after tax	12	(10)	23	(39)	3
Total comprehensive income for the period	(17)	(111)	(136)	(147)	(243)

CONDENSED BALANCE SHEET

	Group		
	30 June 2024	31 December 2023	30 June 2023
Amounts in DKK million			
ASSETS			
Non-current assets			
Goodwill	422	422	421
Other intangible assets	224	240	253
Property, plant and equipment	1,791	1,773	1,740
Deferred tax assets	93	31	14
Financial assets	2	2	5
Total non-current assets	2,532	2,468	2,433
Current assets			
Inventories	458	657	721
Receivables	269	190	288
Cash	165	139	322
Total current assets	892	986	1,331
TOTAL ASSETS	3,424	3,454	3,764
EQUITY AND LIABILITIES			
Equity			
Share capital	165	165	165
Retained earnings	1,388	1,526	1,682
Other reserves	(98)	(99)	(156)
Equity attributable to H+H International A/S' shareholders	1,455	1,592	1,691
Equity attributable to non-controlling interests	88	86	96
Total equity	1,543	1,678	1,787
Non-current liabilities			
Pension obligations	13	59	55
Provisions	57	31	38
Deferred tax liability	44	54	65
Credit institutions	1,015	907	1,094
Deferred payments, acquisition of subsidiary	92	99	99
Lease liabilities	117	95	78
Total non-current liabilities	1,338	1,245	1,429
Current liabilities			
Lease liabilities	26	24	25
Trade payables	271	278	278
Income tax	3	5	10
Deferred payment, acquisition of subsidiary	6	7	7
Provisions	68	7	31
Other payables	169	210	197
Total current liabilities	543	531	548
Total liabilities	1,881	1,776	1,977
TOTAL EQUITY AND LIABILITIES	3,424	3,454	3,764
Net interest-bearing debt	993	887	875

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q2	Q2	H1	H1
	2024	2023	2024	2023
Operating result (EBIT)	(18)	(127)	(168)	(115)
Depreciation, amortisation and impairment	46	49	93	197
Change in working capital	100	(4)	66	(309)
Change in provisions and pension contribution	(45)	(10)	46	(18)
Other non-cash adjustments	(3)	9	1	7
Operating activities before financial items and tax	80	(83)	38	(238)
Financial items, net	(21)	(12)	(38)	(22)
Income tax paid	(3)	(21)	(9)	(35)
Operating activities	56	(116)	(9)	(295)
Acquisition of property, plant and equipment and intangible assets	(34)	(45)	(60)	(82)
Investing activities	(34)	(45)	(60)	(82)
Proceeds from borrowings	-	-	-	150
Bank overdraft and other debt	(24)	271	108	207
Payment of lease liabilities	(6)	(7)	(16)	(15)
Purchase of treasury shares	-	-	-	(2)
Financing activities	(30)	264	92	340
Total cash flow for the period	(8)	103	23	(37)
Cash and cash equivalents, opening	174	218	139	358
Foreign exchange adjustments of cash	(1)	1	3	1
Cash and cash equivalents at 30 June	165	322	165	322

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	H+H shareholders share	Non-controlling interests' share	Total
Equity at 1 January 2024	165	(7)	(92)	1,526	1,592	86	1,678
Total changes in equity							
Result for the period	-	-	-	(161)	(161)	2	(159)
Other comprehensive income	-	(7)	8	22	23	-	23
Total comprehensive income	-	(7)	8	(139)	(138)	2	(136)
Share-based payment	-	-	-	1	1	-	1
Total changes in equity in 2024	-	(7)	8	(138)	(137)	2	(135)
Equity at 30 June 2024	165	(14)	(84)	1,388	1,455	88	1,543
Equity at 1 January 2023	175	-	(155)	1,822	1,842	96	1,938
Total changes in equity							
Result 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)	-	42	(140)	(151)	-	(151)
Equity at 30 June 2023	165	(43)	(113)	1,682	1,691	96	1,787

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 June 2024 has been prepared in accordance with the 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 2023 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 2024. 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 2023 Annual Report. These are unchanged as of 30 June 2024.

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. Financial statement items in which more significant accounting estimates and judgements are applied are listed in Note 2 of the 2023 Annual report for H+H International A/S.

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 vary 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

Amounts in DKK million	Q2 2024	Q2 2023	H1 2024	H1 2023
Revenue	725	731	1,369	1,372
Cost of goods sold	(622)	(584)	(1,187)	(1,105)
Gross profit including depreciation and amortisation	103	147	182	267
Sales cost	(40)	(53)	(86)	(102)
Administrative costs	(62)	(63)	(114)	(114)
Other operating income and costs	(6)	7	(8)	8
EBIT before special items	(5)	38	(26)	59
Special items, net	(13)	(165)	(142)	(174)
EBIT	(18)	(127)	(168)	(115)
Depreciation and amortisation comprise:				
Depreciation of property, plant and equipment	38	40	64	80
Amortisation of intangible assets	8	9	29	20
Total	46	49	93	100
Depreciation, amortisation and impairment are allocated to:				
Production costs	29	31	59	65
Sales costs	12	12	23	24
Administration costs	5	6	11	11
Total	46	49	93	100

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		H1	
	2024	2023	2024	2023
Revenue				
Central Western Europe	268	355	513	700
United Kingdom	247	222	431	368
Poland	210	154	425	304
Total	725	731	1,369	1,372

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 2024 amounted to DKK 164 million (2023: DKK 235 million) and DKK 314 million for the first six months of 2024 (2023: DKK 465 million).

8. Special items, net

SPECIAL ITEMS, NET

Amounts in DKK million	Q2 2024	Q2 2023	H1 2024	H1 2023
Impairment of assets, closed down factories	-	97	-	97
Restructuring costs	13	46	32	55
Inefficient part of gas hedges, including settlement	-	22	110	22
Total	13	165	142	174
Impact of special items on EBIT				
Cost of goods sold	1	43	116	48
Sales and administrative costs	12	25	26	29
Depreciation, amortisation and impairments	-	-	-	97
EBIT before special items	13	68	142	174

As disclosed in the 2023 annual report H+H has decided to settle the remaining gas contracts entered in the summer of 2022. As a consequence the day one loss, reflecting the loss at the time of falling outside the own-use exemption has been recognised as special items in Q1 2024 amounting to DKK 93 million. In addition, a loss of gas sold back to the market in Q1 2024 has been recognised as special items amounting to DKK 17 million.

Other special items for the first six months of 2024 comprise restructuring costs of DKK 32 million.

9. 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.

The UK net pension obligation on 30 June 2024 amounts to DKK 1 million, compared to DKK 47 million on 31 December 2023. The decrease is driven by payments, interest, value adjustment and currency adjustment.

10. Derivative financial instruments

In Q1 2024, H+H settled its commodity forward gas contracts, and therefore no assets or liabilities are measured at fair value as of 30 June 2024. The fair value adjustment related to the forward gas contracts with the underlying hedged item not realised as of 30 June 2024 amounts to DKK 14 million and are recognised in Equity and will be transferred to the profit & loss statement upon utilisation.

11. Financial resources and cash flow

On 30 June 2024, net interest-bearing debt, totalled DKK 993 million, corresponding to an increase of DKK 106 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, new leases and upgrades of certain plants.

H+H's financing is subject to usual financial covenants, which have been fulfilled in the first six months of 2024 and are also expected to be fulfilled for the full year 2024.

12. Share-based payment

The performance-share-units schemes for 2023, 2022 and 2021 are active and presented in the 2023 Annual Report.

In April 2024, the Board of Directors of H+H International A/S implemented a new long-term incentive programme (“LTIP”) being a performance share unit (“PSU”) program. At initiation, a total of approximately 160,300 PSUs were granted to the participants, including 47,850 PSUs to CEO Jörg Brinkmann and 17,600 PSUs to CFO Bjarne Pedersen. Based on the average share price for H+H shares trading on the Nasdaq Copenhagen stock exchange during the first ten days after the release of the 2023 Annual Report on 5 March 2024, the theoretical value per PSU is DKK 68.02, corresponding to a total theoretical value of DKK 10.9 million if all 160,300 were to vest. The vesting period for the PSUs is approximately three years, with vesting being in 2027 when the audited annual report for 2026 is published.

13. Tax

Amounts in DKK million	Q2 2024	Q2 2023	H1 2024	H1 2023
Current tax	(5)	(6)	(9)	(16)
Movement in deferred tax	15	44	56	45
Tax	10	38	47	29

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. Share capital

There have been no movements in the share capital in the last five years except for the changes stated in Note 19 “Share capital and treasury shares” of the 2023 Annual Report.

16. Events after the balance sheet date

H+H has agreed to a conditional sale of land and buildings from its closed factory in Warsaw to Polish residential developer ROBYG Group for a price of PLN 110 million net of tax (approximately DKK 190 million). The factory was closed as part of the factory network restructuring program carried out in 2023. The completion of the transaction is contingent upon a tax ruling and statutory pre-emption rights of the City of Warsaw. Completion is expected to take place no later than November 2024.

Production at H+H UK Limited’s Borough Green facility was temporarily closed and the plant is now back in operations and consequently, is being gradually ramped up. Until now and during the coming ramp-up phase the expected financial loss (EBIT before special items) of the lost production and directly related costs are in the region of DKK 10-15 million.