



ABG Sundal Collier Small & Mid-Cap Seminar

16 April 2015



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Agenda

- Highlights Q4 and full year 2014
- Financial performance Q4 and full year 2014
- Grupa Prefabet
- Balance sheet items
- Outlook for 2015
- Long-term financial targets
- Q&A



Highlights Q4 and full year 2014

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Highlights Q4 and full year 2014

- Fourth-quarter revenue was DKK 325 million (2013: DKK 282 million). Revenue full year of DKK 1,380 million (2013: DKK 1,260 million) and organic growth of 9.4% against a guidance of 6-8%
- Fourth-quarter EBITDA was DKK 29 million (2013: DKK 20 million). EBITDA full year of DKK 137 million (2013: DKK 94 million). This includes costs of DKK 3 million for the acquisition of Grupa Prefabet so full year EBITDA before special items is DKK 140 million in line with the top end of our upgraded guidance
- Operational excellence programme continued to deliver significant savings of approx. DKK 20 million. New enhanced sales and marketing set-up implemented with overall target of creating a higher growth than our competitors and penetrating new market segments
- Fourth-quarter EBIT was DKK 2 million, EBIT full year of DKK 45 million equal to a EBIT margin of 3.3% (2013: EBIT of DKK 6 million equal to a EBIT margin of 0.5%)
- The fourth quarter result before tax was a loss of DKK 9 million (2013: loss of DKK 14 million) and full year profit of DKK 1 million (2013: loss of DKK 37 million)
- ROIC was 6.7% for 2014 against 0.7% for 2013

Highlights Q4 and full year 2014

- Net interest-bearing debt at 31 December 2014 was DKK 517 million (2013: DKK 531 million). Credit facility of DKK 712 million with Danske Bank, committed until 15 February 2018
- The NIBD/EBITDA ratio of 3.7 at the end of 2014 against a ratio of 5.7 at the end of 2013
- Free cash flow at 31 December 2014 was DKK 60 million (2013: DKK 28 million)
- Equity on 31 December 2014 of DKK 152 million, adversely impacted by exchange rates and adjustments to UK pension obligations
- After the balance sheet date the acquisition of Grupa Prefabet was closed and the integration is progressing as planned.
- Evaluation of the acquired assets has resulted in a badwill of DKK 56 million



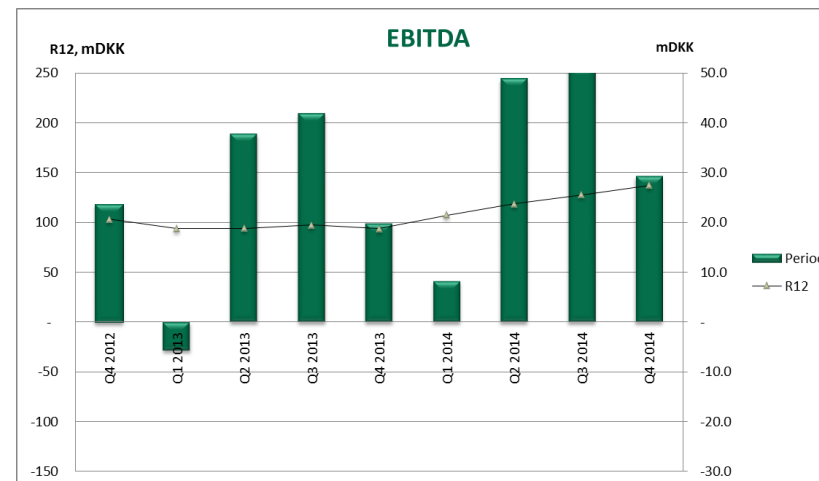
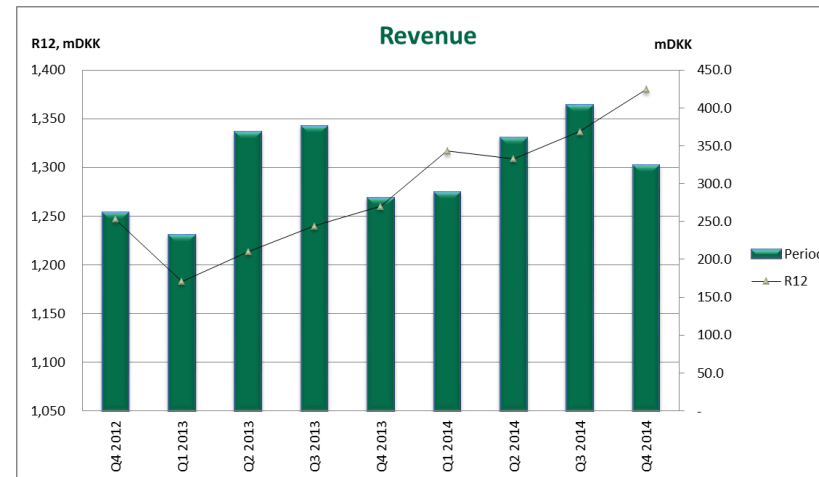
Financial performance Q4 and full year 2014



Group financial performance

Q4 2014

- Revenue up 15.3% in DKK and up 14.6% in local currencies on Q4 2013
- The RUB exchange rate had a negative effect on revenue of DKK 7.6 million, while the GBP exchange rate had a positive effect of DKK 10.0 million. Other currencies had nearly no fluctuations since last year
- EBITDA was DKK 29.3 million, against DKK 19.8 million in Q4 2013
- EBIT was DKK 1.8 million, against DKK -3.5 million in Q4 2013
- Profit before tax for the period of DKK -8.8 million, against DKK -14.6 million in Q4 2013



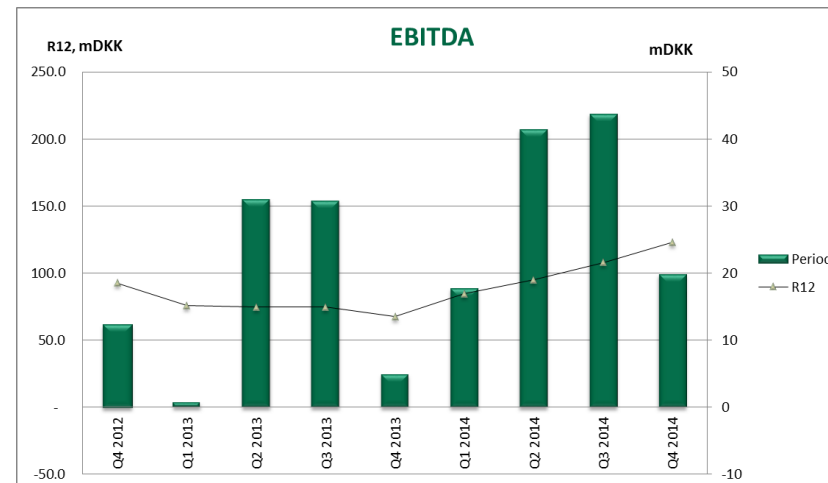
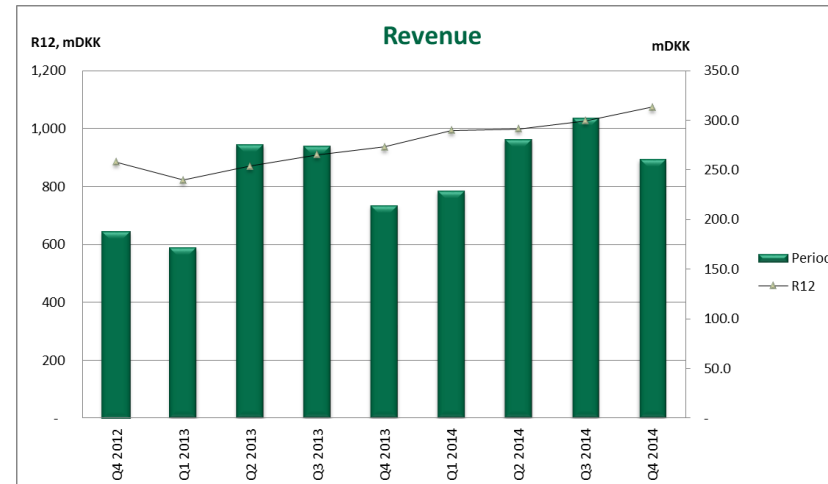
Full year 2014

- Revenue up 9.5 % in DKK and up 9.4% in local currencies on full year 2013
- The RUB exchange rate had a negative effect on revenue of DKK 32 million, while the GBP exchange rate had a positive effect of DKK 35 million
- Gross margin was 24.7% against 20.8% in 2013 due to our excellence programs and market development
- EBITDA was DKK 137.4 million, against DKK 93.6 million in 2013
- EBIT was DKK 45.0 million giving an EBIT margin of 3.3%, against DKK 5.9 million giving an EBIT margin of 0.5% in 2013
- Profit before tax from continuing operations of DKK 0.7 million against DKK -36.6 in 2013

Segments – Western Europe

Q4 2014

- Revenue up 21.5% in DKK, up 17.2% in local currencies on Q4 2013
- Revenue growth was primarily driven by higher revenue in the UK where both prices and volumes have increased. The Nordic and Benelux countries also increased, but revenue was lower in Germany due to a weak market and a lack of sales to Africa
- EBITDA of DKK 19.8 million, against DKK 5 million in Q4 2013
- Profit before tax of DKK -0.5 million, against DKK -20.6 million in Q4 2013



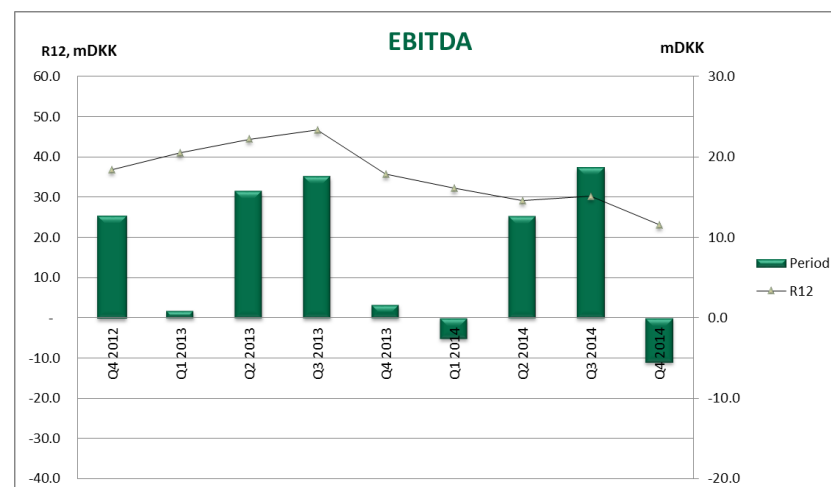
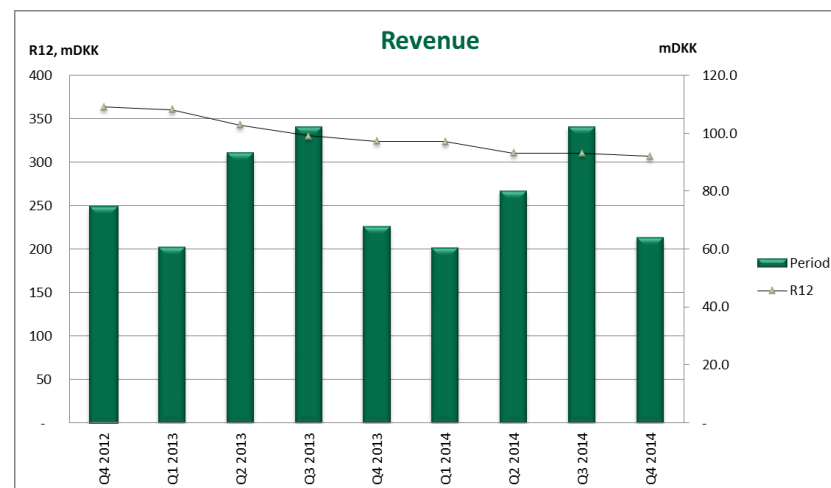
Full year 2014

- Revenue up 14.6 % in DKK, up 11.1% in local currencies on full year 2013
- For the individual countries, same trend applies as for Q4
- EBITDA of DKK 122.8 million, against DKK 67.4 million in 2013
- Profit before tax of DKK 44.1 million, against DKK 11.0 million in 2013

Segments – Eastern Europe

Q4 2014

- Revenue down 5.7% in DKK, up 5.1% in local currencies on Q4 2013
- Revenue decrease measured in DKK due to the unfavourable exchange rate on RUB. In local currencies revenue growth was primarily driven by higher revenue and sales volumes in Russia
- The acquisition of Grupa Prefabet lead to very low prices from Grupa Prefabet in the last months of 2014 in order to absorb their indirect production costs
- EBITDA of negative DKK 5.7 million, against positive of DKK 1.6 million in Q4 2013
- Profit before tax of DKK -23.7 million, against DKK -12.6 million in Q4 2013



Full year 2014

- Revenue down 5.2% in DKK, while up 4.6% in local currencies on full year 2013
- Russia saw higher sales volumes and revenue in local currency. In Poland, sales volumes and revenue were lower than last year. H+H shut down production temporarily in Skawina and increased prices, which had a negative effect on volumes
- EBITDA of DKK 23.1 million, against DKK 35.7 million in 2013
- Profit before tax of DKK -32.5 million, against DKK -15.4 million in 2013



Grupa Prefabet

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Acquisition of Grupa Prefabet

- The Polish aircrete market is the biggest in Europe but activity levels have dropped significantly in recent years due to the economic slowdown, leading to extensive overcapacity, very low selling prices and, in consequence, a lack of profitability among producers
- H+H's Polish activities has been loss making since 2009 although improving during 2014
- Acquisition of Grupa Prefabet S.A. in Poland supports our strategic plan *Creating value through profitable growth*
- Closing of the deal took place 5 February 2015
- The purchase price was DKK 108 million (enterprise value). The purchase price will be paid according to an agreed payment schedule where approximately DKK 40 million will be paid at closing and the remaining amount will be payable in two instalments by mid-2016 (DKK 32 million) and by mid-2017 (DKK 36 million), respectively
- The acquisition will result in recognition of goodwill estimated at DKK 56 million

Integration of Grupa Prefabet

- Integration plan is in progress and running according to plan
- EBITDA, excluding special items, is expected to increase by approximately DKK 10 million in 2015, partly due to planned synergies
- Redundancies of 200 FTE and higher sourcing concentration will contribute to harvest synergies
- Integration costs, recognised as special items, will be approximately DKK 20 million
- Over the next four years, the ambition is to increase the EBIT margin for the combined Polish activities to a level in line with H+H's long-term EBIT margin target of over 6%, assuming that conditions in the Polish market improve and the restructuring plan progresses as scheduled
- Over the next two to three years H+H expects to be able to sell off assets (land, buildings, equipment and scrapped steel) at a total sales price exceeding DKK 70 million



Balance sheet items

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Investments and free cash flow

- Investments of DKK 15.4 million were made during the fourth quarter, against DKK 17.8 million in 2013. Total investment in of DKK 42.6 million were made during 2014, against DKK 35.5 million in 2013
- The acquisition of Grupa Prefabet S.A. closed at 5 February 2015, investment of DKK 40 million will incurred in 2015 figures
- Free cash flow for Q4 was DKK 21.4 million and for the full year DKK 60.3 million

	Q4		Full year	
Amounts in DKK million	2014	2013	2014	2013
Western Europe	13.6	13.5	34.5	25.5
Eastern Europe	1.8	4.0	7.5	9.6
Unallocated items	0.0	0.3	0.6	0.4
Total	15.4	17.8	42.6	35.5

Net interest-bearing debt

- Net interest-bearing debt totalled DKK 517.3 million on 31 December 2014, down DKK 14.3 million on 31 December 2013
- Credit facility of DKK 712 million with Danske Bank, committed until 15 February 2018. H+H will continue to be dependent on debt financing the coming years
- The ratio of net working capital to sales improved from 6.8% on 31 December 2013 to 4.0% on 31 December 2014, mainly driven by higher creditors

Equity

- Equity decreased by DKK 142.2 million in 2014. The result for the period decreased equity by DKK 23.1 million
- Foreign exchange adjustments decreased equity by DKK 91.5 million, largely driven by the decrease in the RUB
- Decline in corporate bonds yield in November and December lead to increase in the calculated underfunding of the UK pension scheme and impacted the equity negatively by DKK 28.6 million
- New shares completed 18 March 2015 – 9.99% of the existing shares, i.e. 980,019 shares
- Gross proceeds of DKK 45 million



Outlook for 2015

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Outlook for 2015

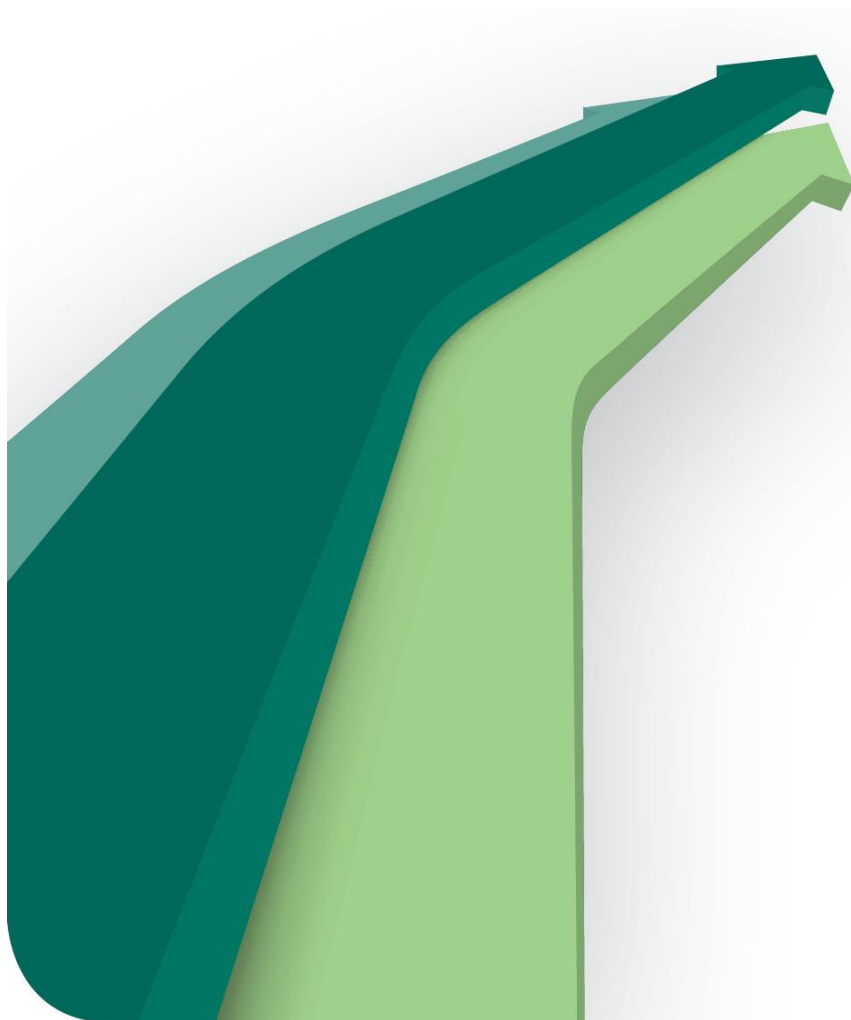
- Organic revenue growth is expected to be 6-8%
- EBITDA before special items is expected to be DKK 150-170 million
- EBIT margin of 3-4%
- Investments excluding acquisitions and divestments are expected to be DKK 60 million, including the DKK 20 million to support the restructuring in Poland.
- Special items includes estimated goodwill and the restructuring costs in Poland as earlier announced

Comments to outlook for 2015

The expectations for H+H's financial performance in 2015 are based partly on the following specific assumptions:

- Economic growth of around 0-3% in our geographical footprint.
- The operational excellence programme continues and reduces production costs further.
- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold at their mid-March 2015 levels.
- Energy and raw material prices rise only in line with inflation from their mid-March 2015 levels.
- Lower sales volume and lower margins in Russia due to the uncertainty about the economy and expectation of increasing inflation, but still a profit after tax for the Russian subsidiary.
- Market conditions in Poland improve and the restructuring plan runs according to plan.
- For other markets the geopolitical situation does not result in changed market conditions.

Long-term financial targets



EBIT margin
(operating margin)
Min. 6%

ROIC
(return on invested capital)
Min. 10%

NIBD
(net interest-bearing debt)
Max. 2-3 times EBITDA

Q & A