

A photograph of two construction workers in a large industrial building under construction. One worker on the left is operating a green hydraulic crane with a long boom. The crane has 'Max last 300 KG' and 'H+H' printed on it. The worker on the right is standing on a platform, looking at a vertical concrete pillar. The background shows the concrete structure of the building with a corrugated metal ceiling.

# Copenhagen Winter Seminar Danske Bank Markets

3 December 2015

**H+H**

## Forward-looking statement

The statements on the future in this presentation, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution related issues, breach of contract or unexpected termination of contract, price reductions due to market driven price reductions, launches of competitive products and other unforeseen factors.

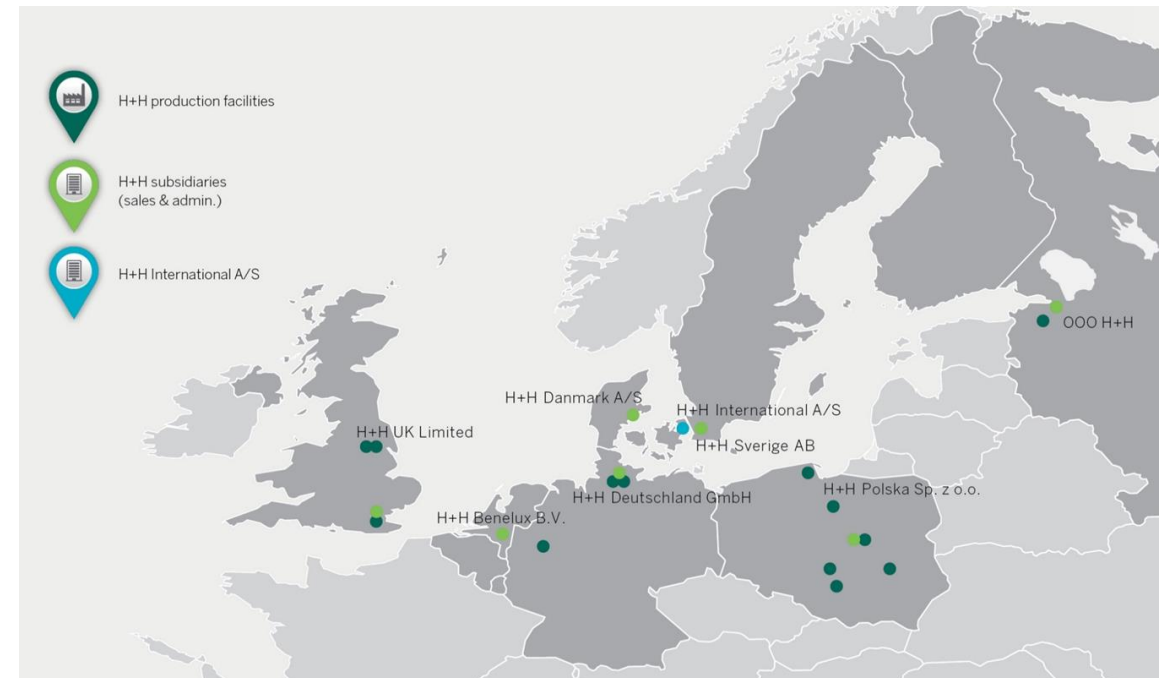
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# Agenda

- Introduction to H+H
- Highlights Q3 2015
- Financial performance Q1-Q3 2015
- Grupa Prefabet acquisition
- Balance sheet items
- Outlook for 2015
- Q&A

## H+H in short

- H+H develops, manufactures and sells aircrete in standard blocks and reinforced products for the building industry in Northern and Eastern Europe and in the UK.
- H+H is Europe's second-largest manufacturer of aircrete and holds a substantial market position relative to the size of the overall market for aircrete.
- In the financial year 2014, the Group generated a revenue of DKK 1,380 million and had on average 866 employees in 9 countries.
- In 2015 the company acquired Grupa Prefabet in Poland in order to restructure the market for a total consideration of DKK 108 million (enterprise value).



# Aircrete – the product

- Examples of products which are handled manually without any use of lifting gear

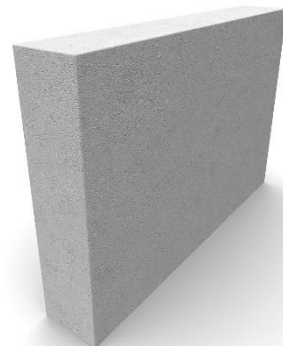
## Thermo-block

Block product with integrated insulation used in the construction of external solid walls



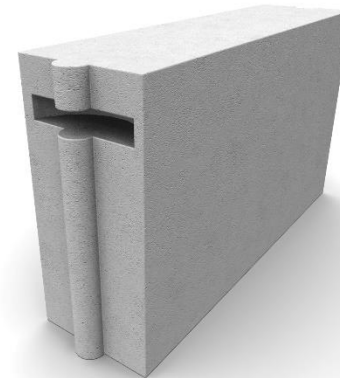
## Multi plates

Mainly used in the construction of non-loadbearing internal partition walls



## Tempoblock

Used in the construction of both inner and outer leaves of cavity walls



## Standing wall panel

Used in the construction of both inner and outer leaves of cavity walls as well as internal partition walls



# How the products can be applied

*Terraced housing projects*



*Partition walls in block of flats*



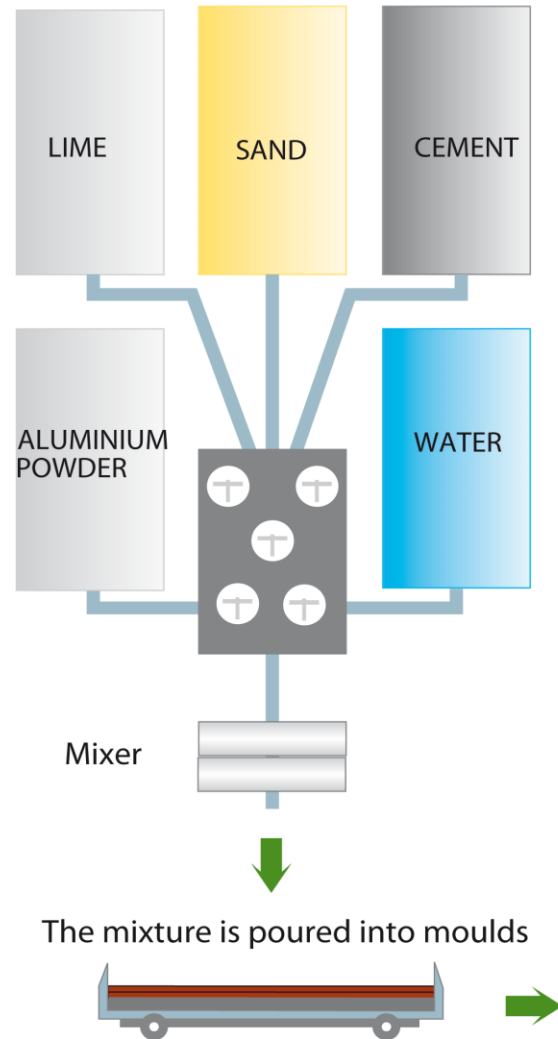
*Multi-storey housing projects*



*Industrial hall*



# Production of aircrete – the process



The mixture is poured into moulds

The mixture rests for 6-8 hours in the moulds



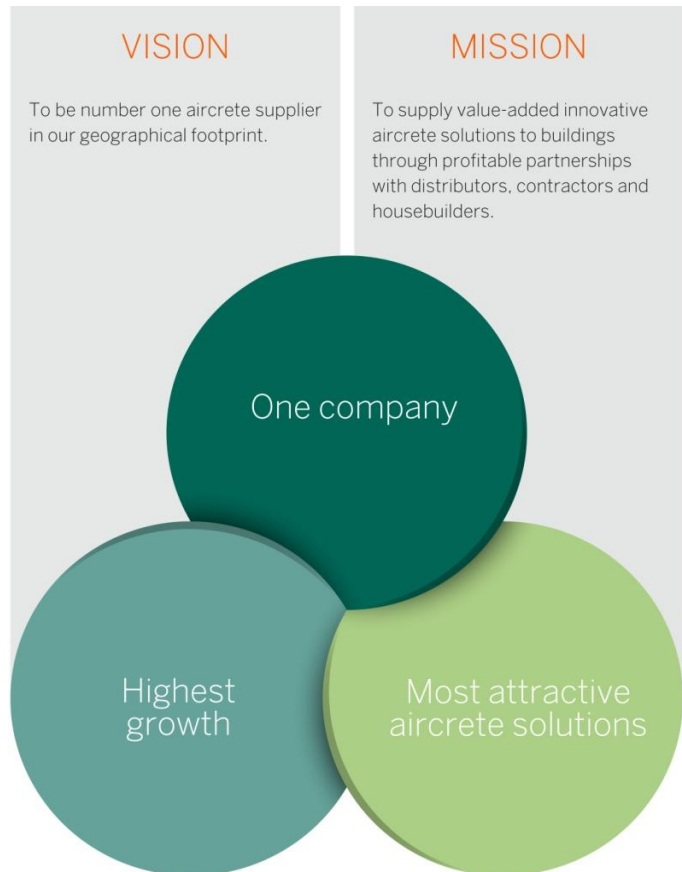
The resultant 'cakes' are wire-cut



The 'cakes' are transferred to autoclaves for high pressure steam curing



# Shareholder value and targets, mission, vision and strategic ambition



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## Highest growth rate in the market

- Benefit from strong position in high growth areas
- Increased market share from sales efficiency
- Penetration of residential high-rise segment across the footprint
- Local initiatives to capture market shares from local competitors

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## One company for improved profitability utilising synergies and best practice:

- Sales excellence
- Optimised pricing
- Common branding and marketing
- Implementation of group-wide LEAN and enhancement of OEE
- Common approach to health and safety
- One common IT platform

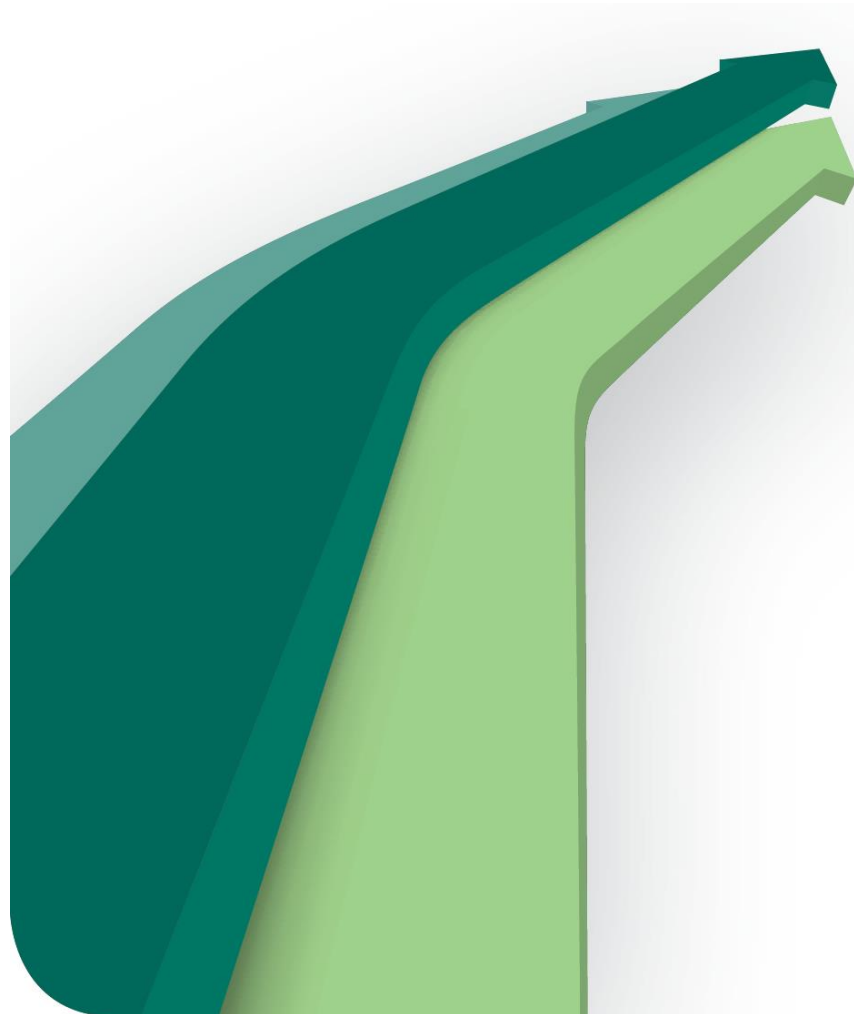
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## Most attractive aircrete solutions

- Competitive solutions for residential high-rise segment
- Improved product properties
- Local initiatives for better penetration
- More competitive offer in reinforced



# Long-term financial targets



**EBIT margin**  
(operating margin)  
Min. 6%

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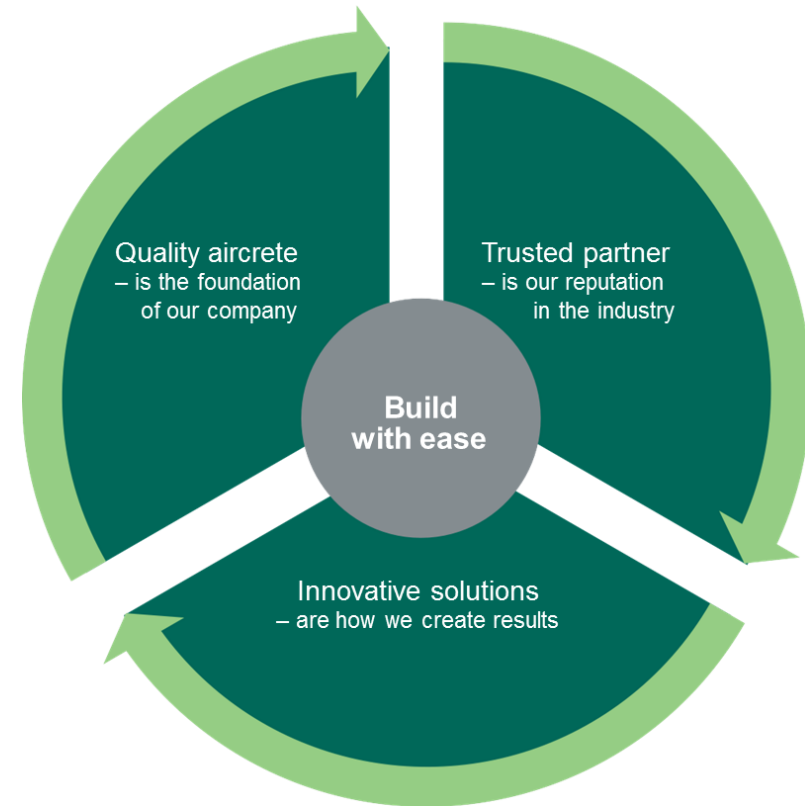
**ROIC**  
(return on invested capital)  
Min. 10%

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

# Value proposition and customer segments

- **Build with ease is the corner stone in our value proposition toward our core customer segments**



## What have we done to improve earnings since 2011

- SGA costs reduced by more than 20%.
- Annual gross savings from excellence in production DKK 20 million.
- NWC improvements of more than 20% of sales equal more than DKK 200 million.
- Asset and activity divestments of more than DKK 160 million (further potential of around DKK 70 million).
- Acquisition of Grupa Prefabet.
- Closedown of loss-making activities in Finland, Baltic countries, Norway, Ukraine, Slovakia. Total staff reduction of 400 employees ex. restructuring in Poland.
- Implemented new organisation set-up, new ERP and a new performance management system to support the new organisation



# Highlights Q3 2015

3 December 2015



## Highlights Q3 2015

- Organic growth in the third quarter was 6% (adjusted for acquisitions and measured in local currency).
- Increase in sales compared to last year was driven by growth in all markets except for Russia.
- EBIT margin before special items was 8.1% in the third quarter and 5.5% YTD.
- The debt gearing is now in line with the long-term financial targets.
- The integration of Grupa Prefabet is running to schedule.
- H+H updates its outlook for 2015. EBITDA before special items is expected to be DKK 170-180 million, against the previously announced DKK 160-180 million.



# Financial performance Q1-Q3 2015

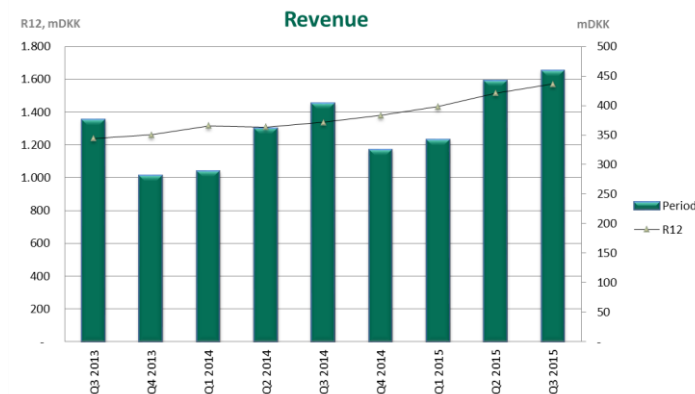
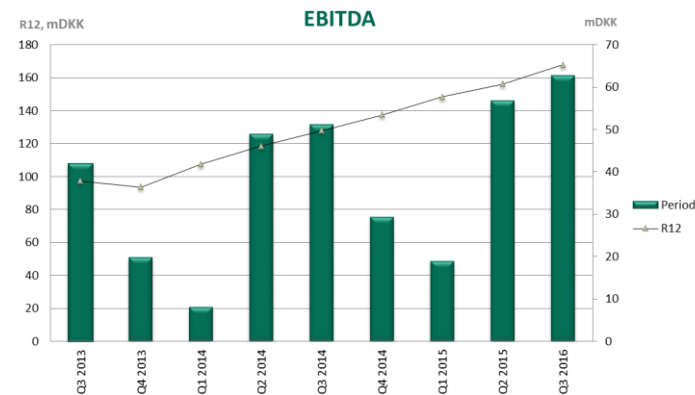
3 December 2015



# Group financial performance

## Q3 2015

- Revenue was up 14%. Growth in all markets except for Russia. Organic growth of 6%.
- Gross margin was 24.3%, against 25.1% in 2014. Average selling prices were up on last year. The decline in the gross margin was a result of an unfavourable geographical sales mix.
- EBITDA was DKK 63 million before special items against DKK 52 million in 2014.
- Profit before tax from continuing operations DKK 28 million against profit of DKK 18 million in 2014.



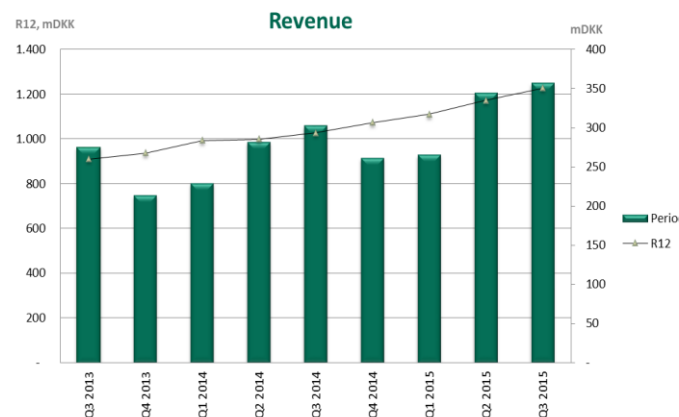
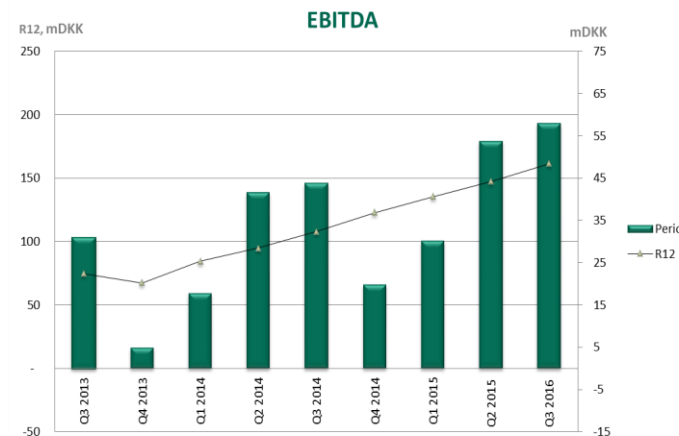
## Year to date

- Revenue up 18% due to the combination of a strong organic growth in the Western European segment and the acquisition of Grupa Prefabet. Organic growth was 9%.
- Gross margin was 23.6% on par with 2014. Average selling prices were higher.
- EBITDA was DKK 141 million before special items against DKK 110 million in 2014.
- Special items were a positive DKK 28 million and consist primarily of badwill and restructuring costs mainly related to the Grupa Prefabet acquisition.
- Profit before tax from continuing operations was DKK 68 million against loss of DKK 10 million in 2014.

# Segments – Western Europe

## Q3 2015

- Revenue up 18% on 2014. This is based on growth in all the markets and the UK market made a particularly strong contribution.
- EBITDA was DKK 58 million before special items, against DKK 44 million in 2014.
- Profit before tax of DKK 41 million, against profit of DKK 25 million in 2014.
- Significant positive result impact from the GBP increase against same period last year.



## Year to date

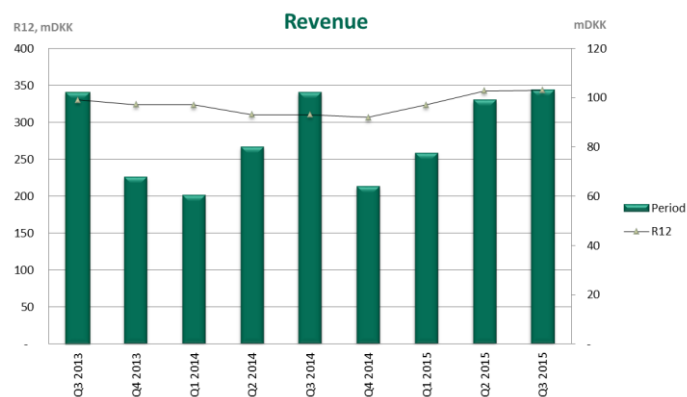
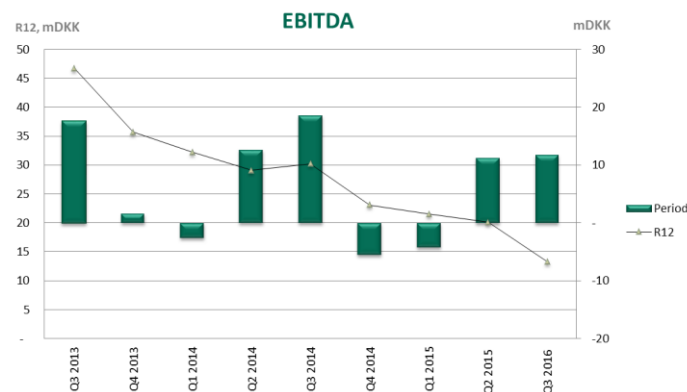
- Revenue up 19% in the first three quarters of 2014. This is based on growth in all the markets and the UK market made a particularly strong contribution.
- EBITDA was DKK 142 million before special items, against DKK 103 million in 2014.
- Profit before tax of DKK 88 million, against profit of DKK 45 million in 2014.
- Significant positive result impact from the GBP increase against same period last year.



# Segments – Eastern Europe

## Q3 2015

- In third quarter the revenue was up by 1% compared to 2014. Revenue grew in Poland due to the acquisition of Grupa Prefabet, but there was a decline in revenue in Russia. Negative organic growth of 5% on last year.
- EBITDA was DKK 12 million before special items, against DKK 19 million in 2014.
- Loss before tax of DKK 5 million, against profit of DKK 6 million in Q3 2014.
- Negative result impact from the RUB decrease against same period last year.



## Year to date

- Revenue up 15% in the first three quarters of 2015, mainly due to the acquisition of Grupa Prefabet.
- EBITDA was DKK 20 million before special items, against DKK 29 million in 2014.
- Profit before tax of DKK 11 million, against loss of DKK 9 million in the first three quarters of 2014.
- Negative result impact from the RUB decrease against same period last year.
- After a strong start to the year, activity in Russia has decreased significantly, and there are no signs of improvement.
- The Polish market was impacted by the Grupa Prefabet transaction.



# Grupa Prefabet

3 December 2015



## Restructuring plan – goals set out and achievements

- ✓ Closedown of four factories – done.
- ✓ Reduce net working capital by DKK 20 million in 2015 – done.
- Integration costs of DKK 20 million in 2015 – is running to schedule.
- EBITDA before special items to improve by DKK 10 million in 2015 – is included in outlook for 2015.
- Investments of DKK 20 million in 2015 and 2016 – various investment plans are being evaluated and some of them have been carried through. The financial projections are unchanged.
- Sale of assets for DKK 70 million in 2015-2017 – DKK 22 million conditional sale expected to be finalised in Q4 2015.
- 6% EBIT margin in 2018.

## Capacity situation in the Polish market

- Until 30 September the volume sold by the combined business was approx. 10% lower than the volume sold by the two stand-alone companies in the same period last year which is in line with the original expectations.
- We have been able to increase prices since takeover.
- From 30 September the stocks acquired from Grupa Prefabet should not affect the market anymore.
- We will carefully observe how competitors' pricing policy is affected by the new volume situation.





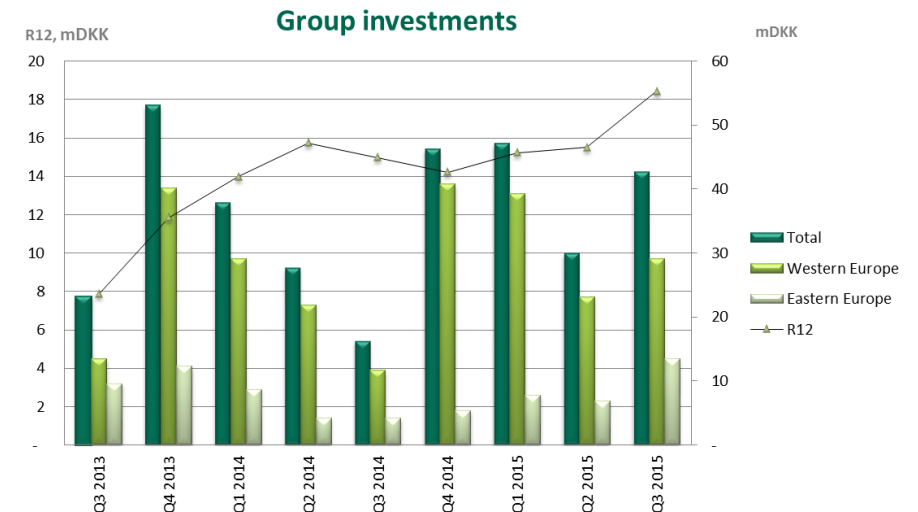
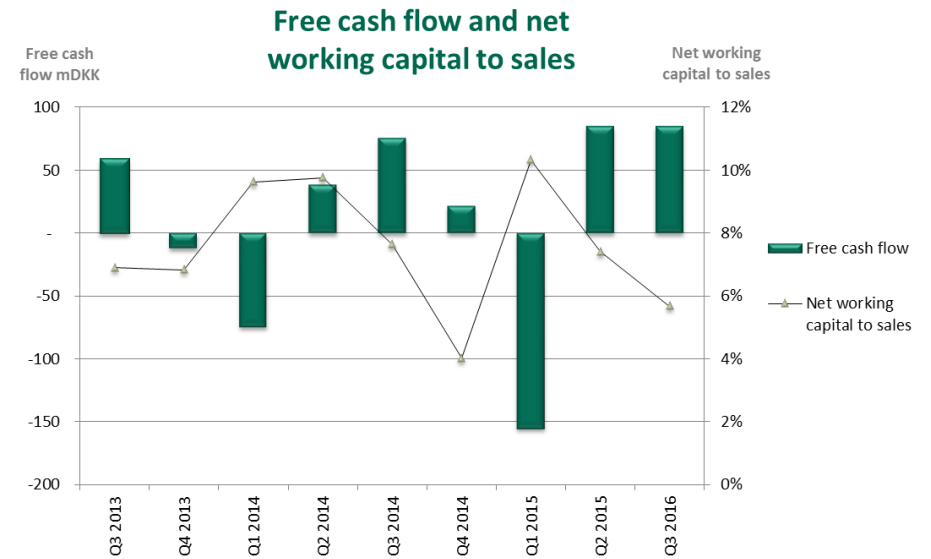
# Balance sheet items

3 December 2015

**H+H**

# Free cash flow and investments

- Free cash flow was DKK 84 million, against DKK 75 million in Q3 2014.
- Free cash flow improved due to a combination of operational profits and lower net working capital.
- Investments of DKK 14 million, against DKK 5 million in Q3 2014.
- The investments were primarily related to secure production output in the UK and productivity improvements in Germany.



## Net interest-bearing debt (NIBD) and equity

- NIBD was DKK 476 million at 30 September 2015, down DKK 47 million on 30 September 2014.
- NIBD over EBITDA ratio was 2.4, adjusted for special items the ratio was 2.8 which is in line with our long-term financial targets.
- 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.
- Equity was DKK 219 million at 30 September 2015, up DKK 67 million since beginning of the year.
- Return on invested capital (ROIC) was 14.9%, adjusted for special items ROIC was 10.2%.

# Outlook for 2015

3 December 2015





# Outlook for 2015

H+H updates its outlook for 2015:

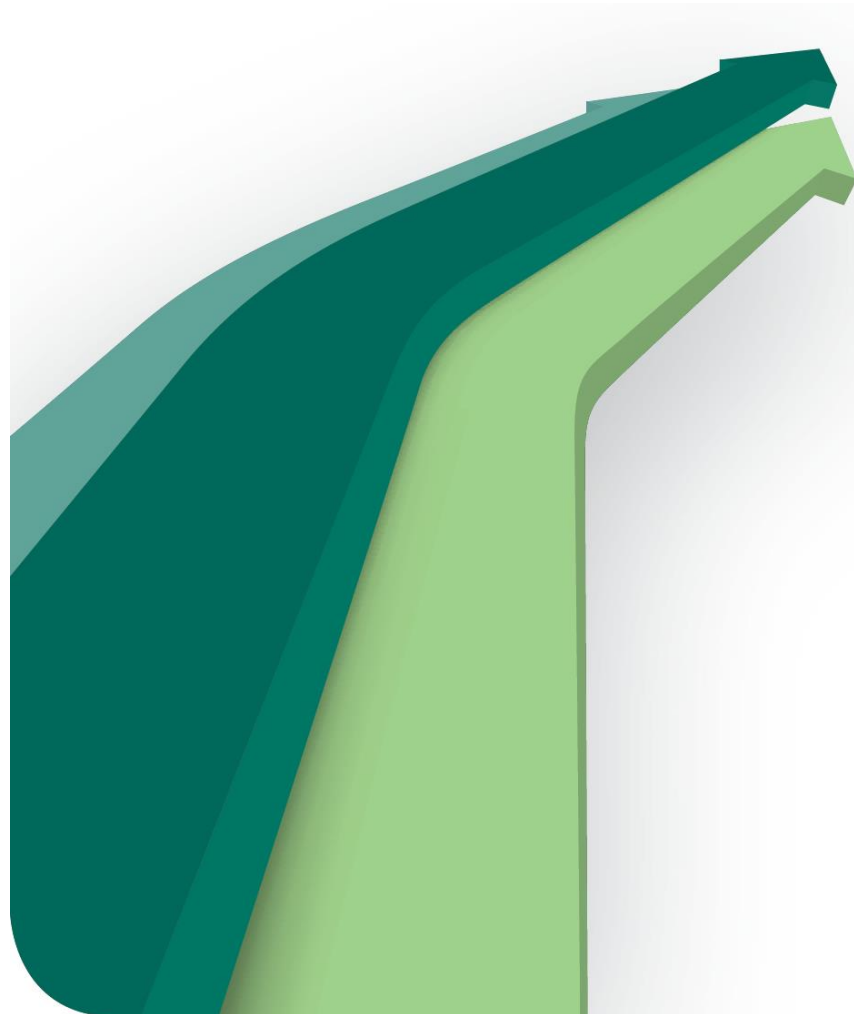
- Organic revenue growth is expected to be in the region of 10%, as previously announced.
- EBITDA before special items is expected to be DKK 170-180, against the previously announced DKK 160-180 million.
- EBIT margin is expected to be in the region of 5%, against the previously announced 4-5%.
- Investments excluding acquisitions and divestments are expected to be DKK 60 million, including DKK 20 million to support the restructuring in Poland, as previously 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-November 2015 levels.
- Energy and raw material prices rise only in line with inflation from their mid-November 2015 levels.
- Lower sales volume and lower margins in Russia due to the uncertainty about the economy and expectation of increasing inflation.
- For other markets the geopolitical situation does not result in changed market conditions.

# Long-term financial targets



**EBIT margin**  
(operating margin)  
Min. 6%

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**ROIC**  
(return on invested capital)  
Min. 10%

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

# Q & A