

Investor presentation Full year and Q4 2016

17 March 2017

The H+H logo is displayed in a bold, green, sans-serif font. It consists of the letters 'H', a plus sign '+', and another 'H'.The H+H logo is printed in green on a white concrete panel. The panel is part of a larger structure, possibly a wall or a large block, and is set against a background of trees and a clear blue sky.

Porenbeton • Porebeton • Lättbetong
Cellenbeton • Beton cellulaire

Introduction

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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All presented numbers are after special items unless otherwise stated.

Agenda

- Highlights
- Financial performance
- Outlook and updated long-term financial targets
- Segments and market development
- Q&A

Highlights

Organic growth

- Negative 0.3% organic growth in the fourth quarter.
- 6.4% organic growth full year vs. guidance of 5-6%.

EBITDA*

- DKK 45 million in the fourth quarter against DKK 41 million in Q4 2015.
- DKK 211 million full year against DKK 182 million last year. Guidance was DKK 190-210 million.

Investments

- DKK 45.1 million in the fourth quarter.
- DKK 83.3 million full year vs. guidance in the region of DKK 80 million.
- Borough Green project running to schedule.

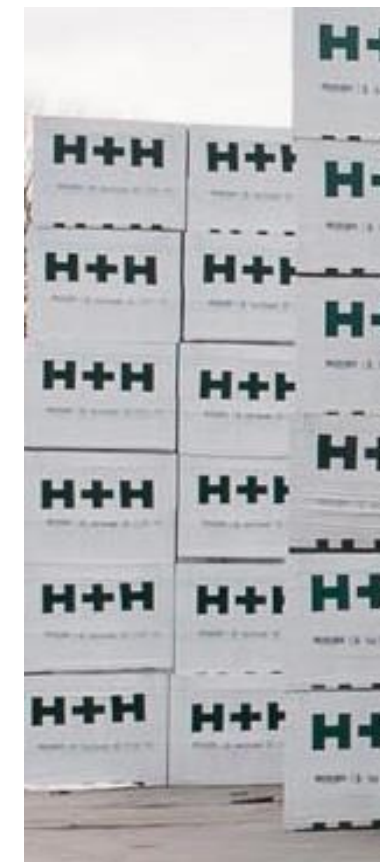
Long-term targets 2016 follow up

- EBIT-margin before special items for 2016 7.6% vs. target of min. 6-8%.
- ROIC for 2016 15.5% vs. target of min. 12%.

* Before special items

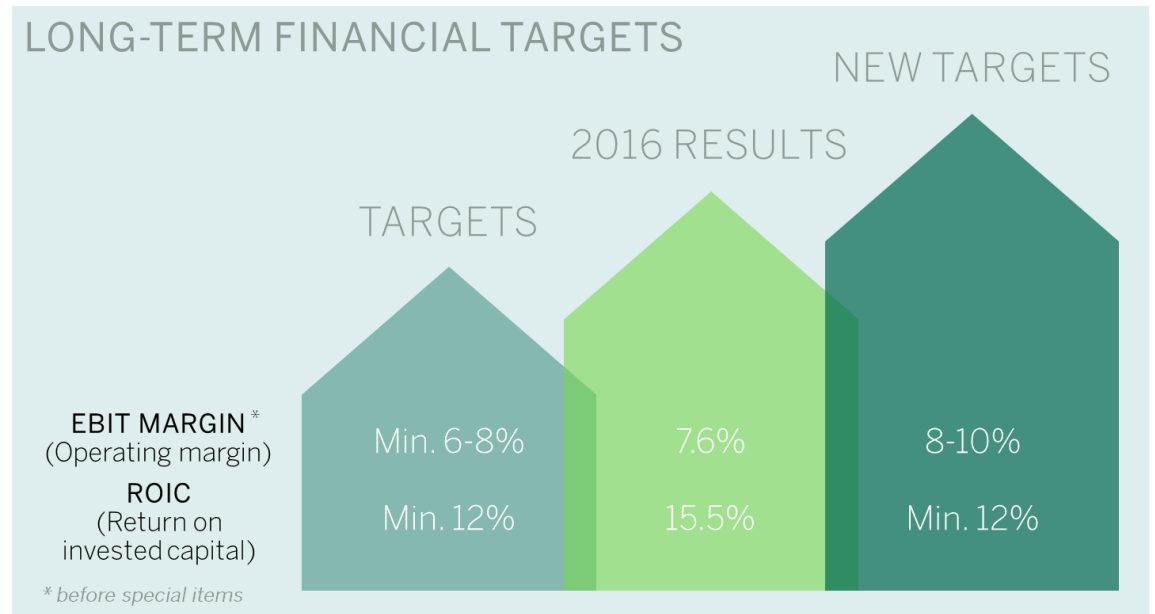
Financial performance

DKK million		Q4			Q1 - Q4		
		2016	2015	Variance	2016	2015	Variance
Revenue	Actual	347	375	(8%)	1.611	1.621	(1%)
	Organic	374	375	(0%)	1.725	1.621	6%
Gross margin		25%	31%	(6%)	25%	25%	0%
EBITDA	Before special items	45	41	4	211	182	29
	After special items	51	63	(12)	214	232	(18)
EBIT margin	Before special items	5%	3%	2%	8%	5%	3%
	After special items	7%	9%	(2%)	8%	8%	(0%)
Return on invested capital					16%	16%	0%
Investments		45	21	24	83	61	22
Free cash flow		(10)	44	(54)	76	58	18
Net interest-bearing debt	DKK million				387	445	(58)
	Debt gearing				1.8x	2.4x	
Equity					278	255	23



Outlook 2017 and updated long-term financial targets

DKK million	Outlook
Organic growth	5-7%
EBITDA before special items	220-240
Investments excluding mergers, acquisitions and divestments	~ 120

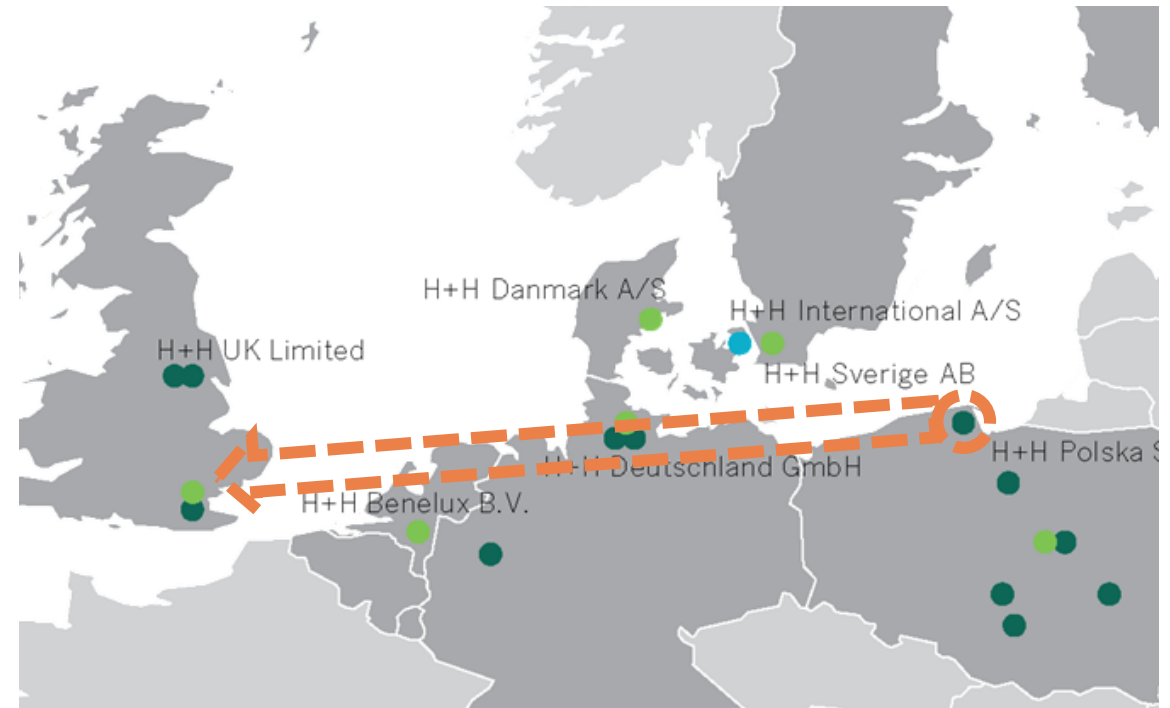


Update on the UK

- We expect continuous growth from the UK, despite Brexit for following reasons;
 - Structural undersupply of houses
 - Government support
 - Availability of financing
- House builders report activity on par or higher than last year.
- As a result, Brexit has not changed our upgrade of the Borough Green factory.
- The Borough Green factory upgrade will make it the most advanced aircrete facility in the UK.
- We are planning the upgrade to be completed in the first half of 2018.
- Production output will be lower in 2018.
- In 2017 we will substitute production of products with higher complexity in the UK with Polish products in order to produce standard product to stock to supply the market during the first half of 2018.

Special items 2017

- Special items of approximately DKK 25 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from Poland.
- The increased transportation cost will be expensed at the point of sale and treated as a special item.



Specific assumptions for outlook for 2017



- Economic growth of around 1-3% in our geographical footprint.



- The commercial and operational excellence programmes continue to deliver improvements.



- Exchange rates, primarily for GBP, EUR PLN and RUB, hold at their mid-March 2017 levels.



- Energy and raw material prices rise only in line than inflation from their March 2017 levels.



- The geopolitical situation does not result in changed market conditions.

Other selected items

Investments

- Investments in 2017 is expected to be the highest since 2008 of around DKK 120 million. The main part is allocated to the Borough Green.

Asset sales

- Total asset sales now DKK 77 million.
- Target was DKK 70 million until the end of 2017 – programme completed!

Free cash flow

- 2016 positively impacted by asset sale less installments for Grupa Prefabet.
- Final installment for acquisition of Grupa Prefabet due mid-2017.

Credit facility

- New three year credit facility in place until March 2020.

Pension obligation

- Defined contribution obligation increased approx. DKK 60 million in 2016.
- Cash flow impact approx. DKK 20 million per annum in 2016 and 2017.

Solvency

- Equity increased slightly due to profit for the year offset by the increase in the pension obligation.
- Solvency ratio 23%.

Western European segment

DKK million		Q4			Q1 - Q4		
		2016	2015	Variance	2016	2015	Variance
Revenue	Actual	280	306	(8%)	1,260	1,272	(1%)
	Organic	311	306	2%	1,358	1,272	7%
EBITDA	Before special items	32	28	4	191	174	17
	After special items	27	28	(1)	186	169	17
Investments		34	12	22	64	43	21

- Decrease in sales volumes in the quarter vs. same period last year mainly due to firm execution of price increases over the summer in Germany.
- Continued growth in the UK and good development in the Danish market.
- Adverse exchange rate impact from the GBP.
- Cost and production output issues due to the PFA situation in the UK as previously announced.



Eastern European segment

DKK million		Q4			Q1 - Q4		
		2016	2015	Variance	2016	2015	Variance
Revenue	Actual	66	71	(7%)	350	351	(0%)
	Organic	65	71	(8%)	369	351	5%
EBITDA	Before special items	(5)	(6)	1	26	13	13
	After special items	2	17	(15)	29	72	(43)
Investments		11	9	2	19	18	1



- Lower volumes and higher sales prices both in Poland and Russia for the quarter.
- Russia realised flat price development but lower volumes for the year.
- Good development in Poland throughout 2016, harvesting synergies from the Grupa Prefabet acquisition. Increasing prices, but also better production performance, are key contributors to the full year result improvement.

Q & A

Thank you



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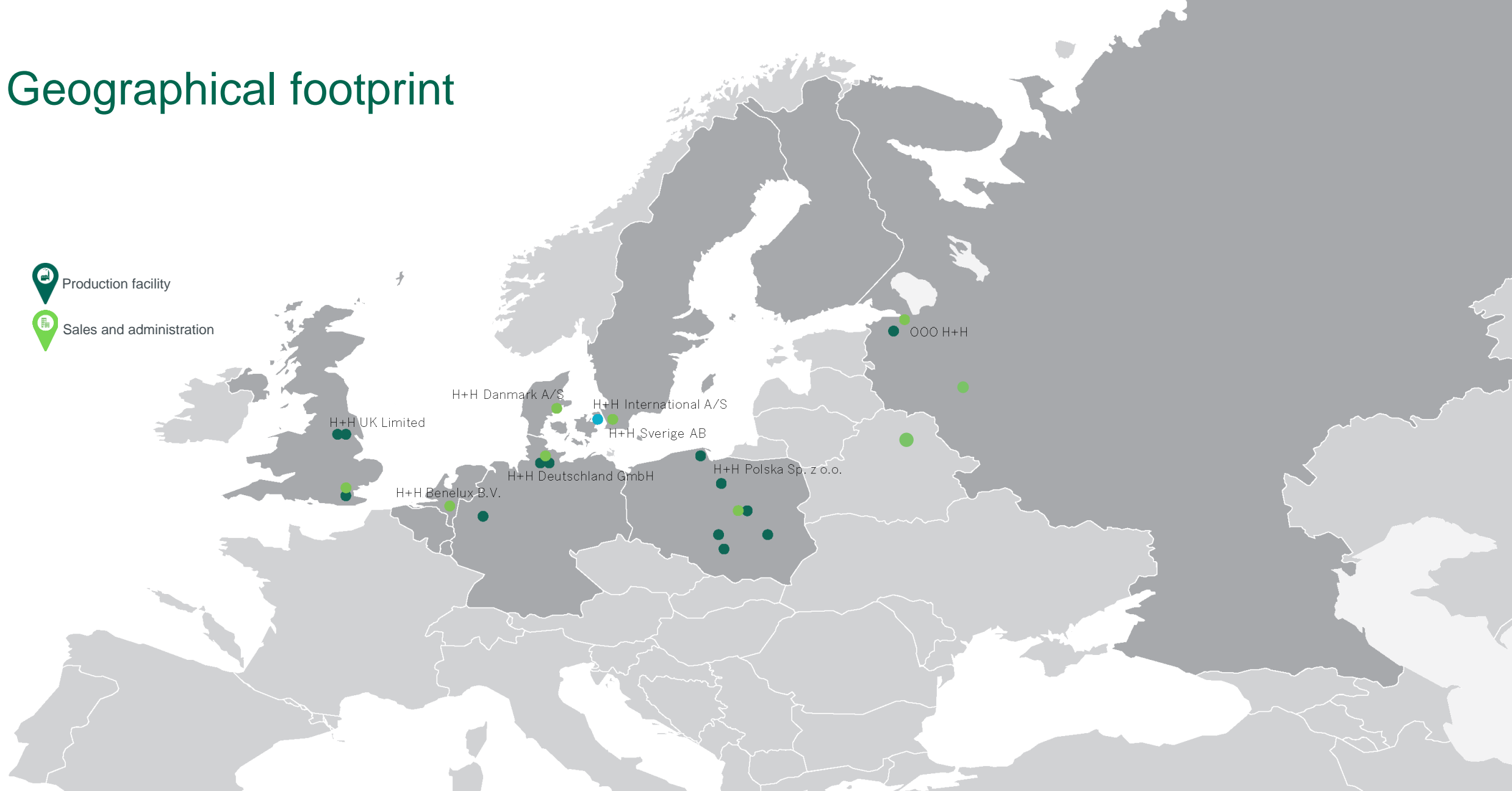
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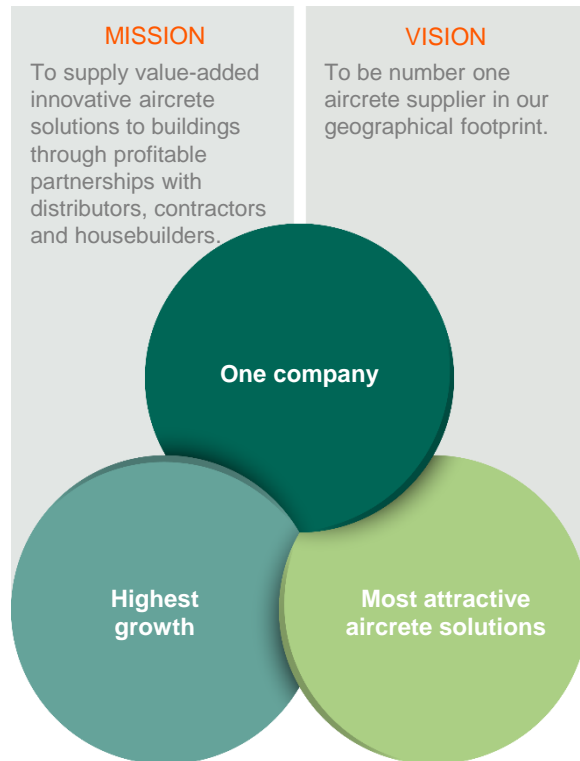
Appendices

Geographical footprint

-  Production facility
-  Sales and administration



Strategy and external growth drivers



- GDP growth
- Inflation
- Governmental stimuli of housebuilding



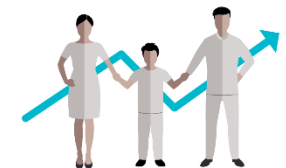
MACROECONOMIC DEVELOPMENT

- Capacity utilisation in the aircrete industry
- Capacity utilisation in the building materials industry
- High entry barriers



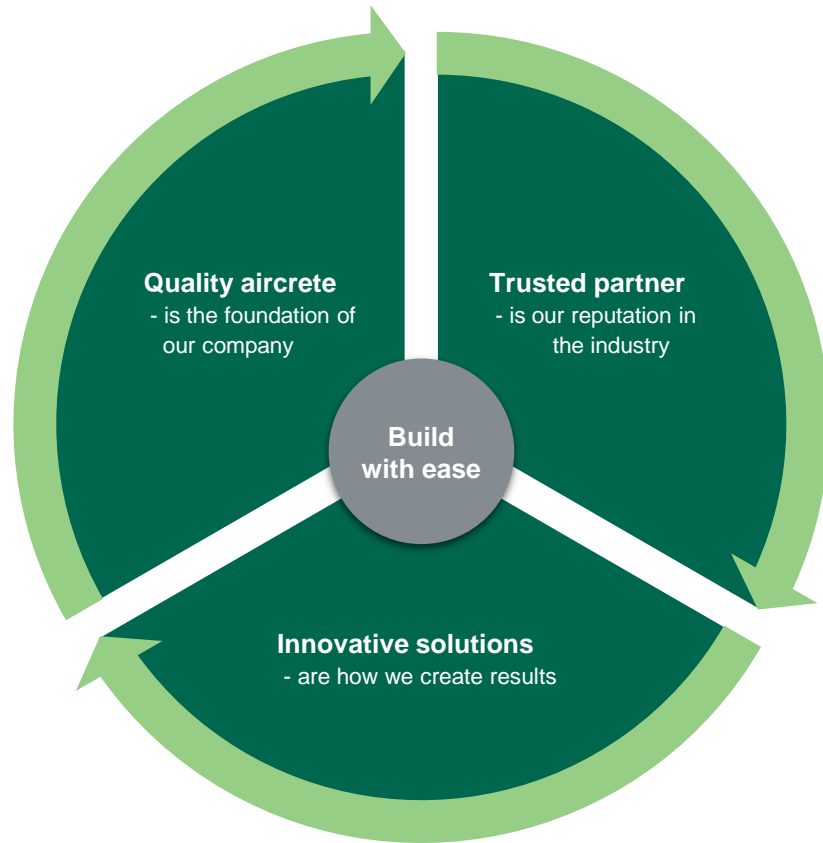
CAPACITY UTILISATION

- Urbanisation
- Housing stock
- Demand for high-rise/low-rise

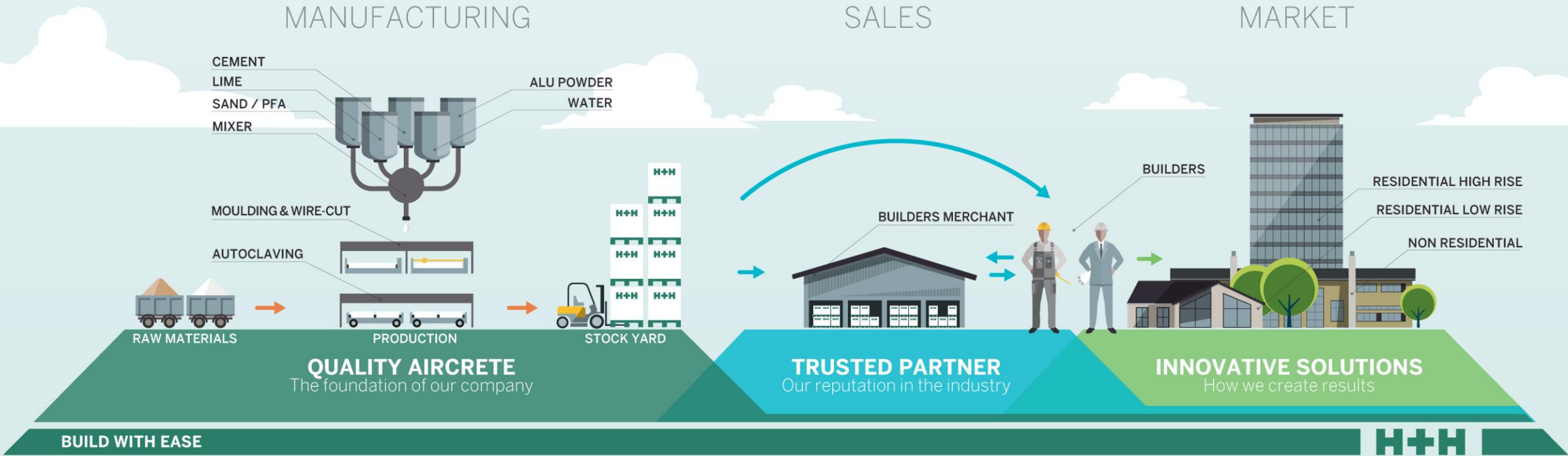


DEMOGRAPHY

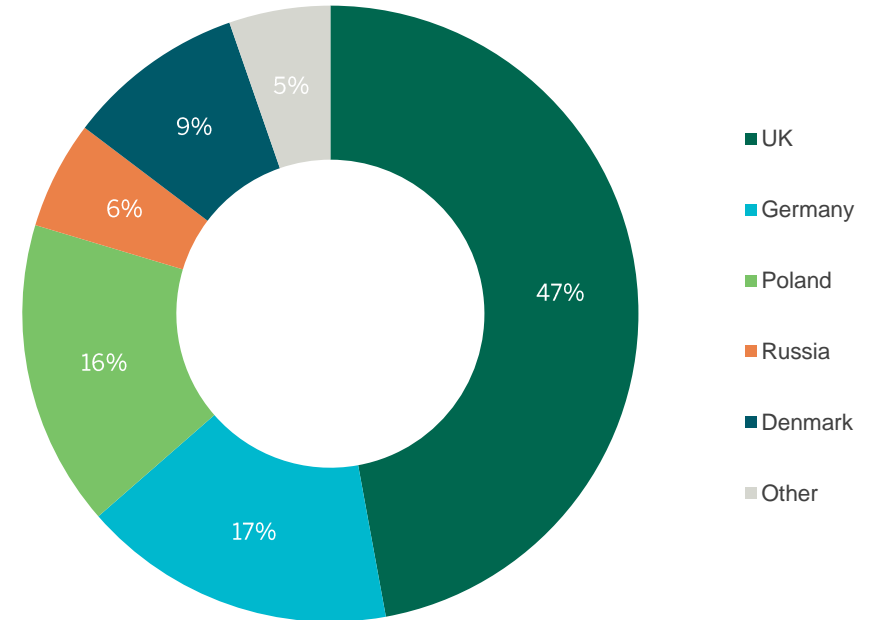
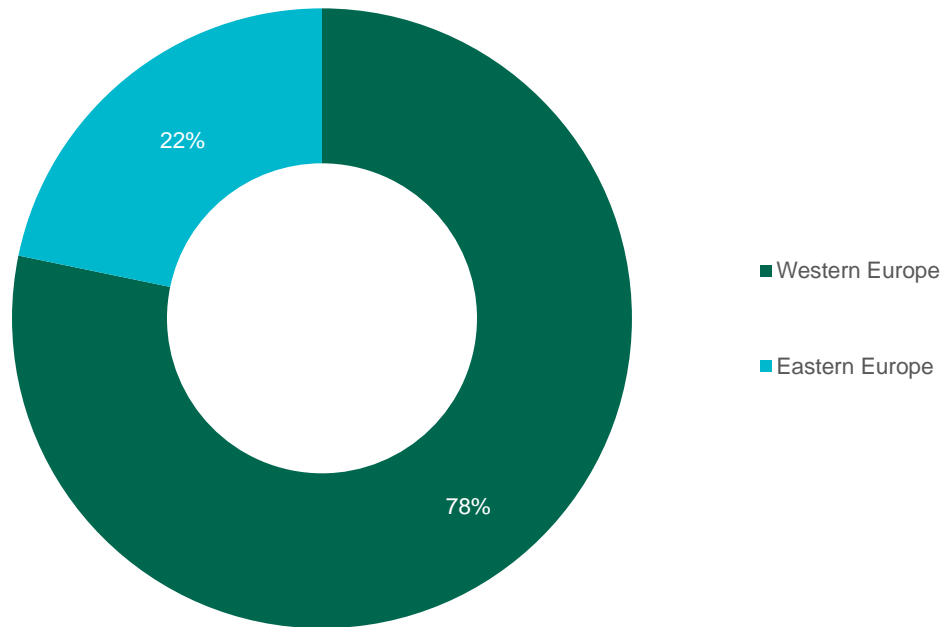
Commercial approach



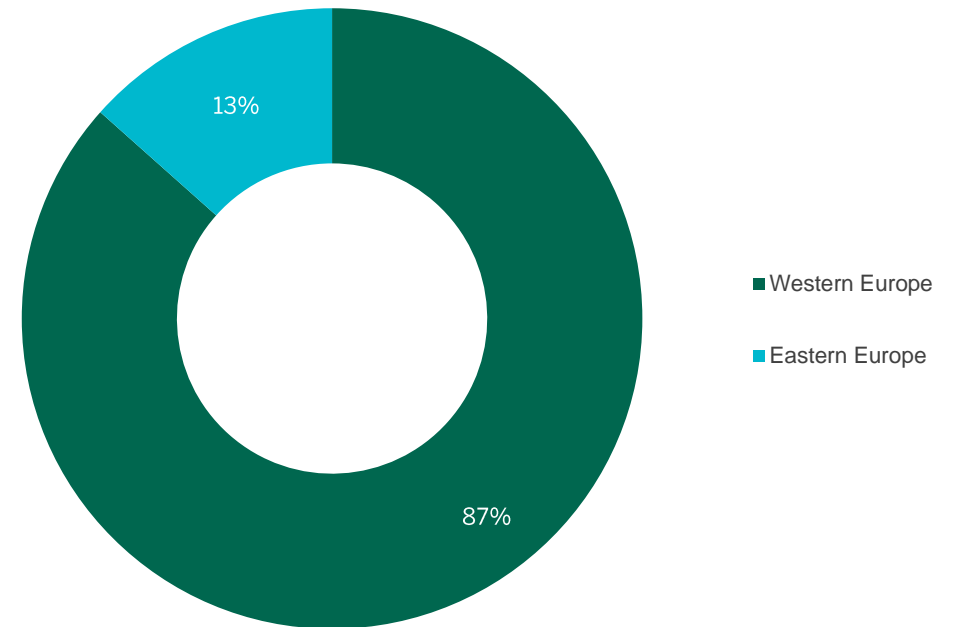
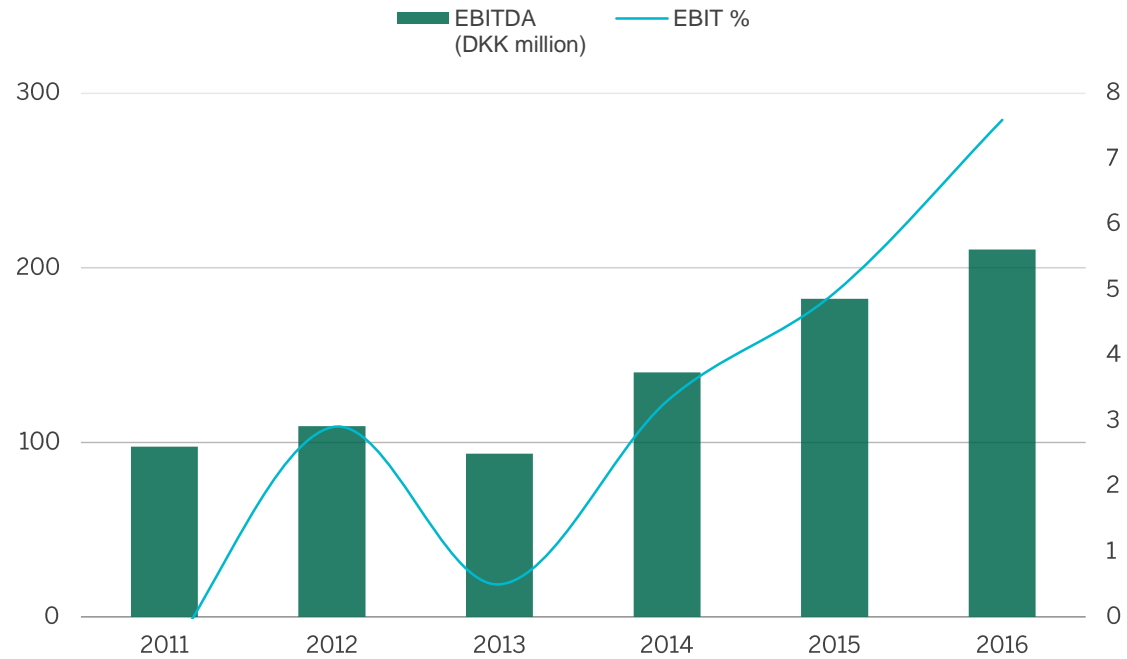
Business model



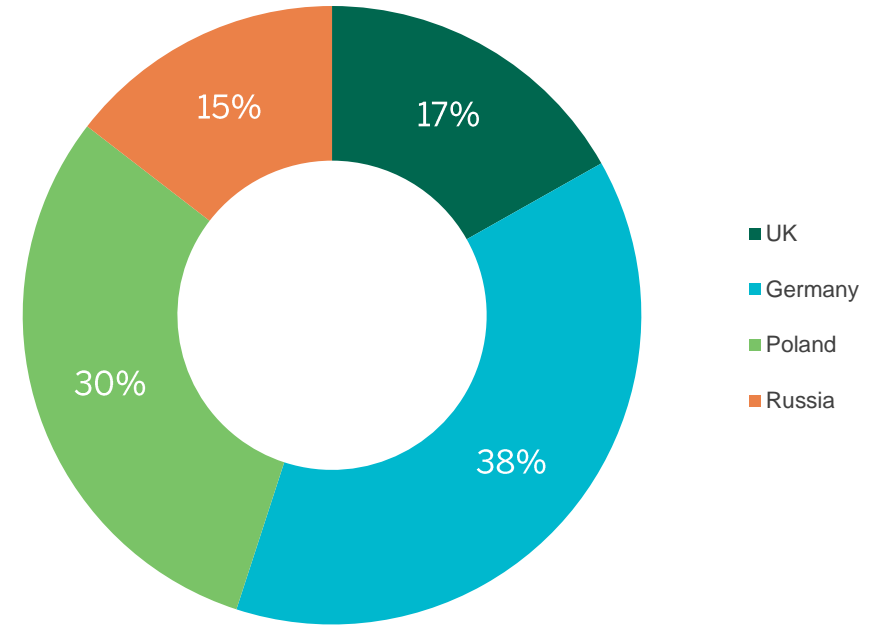
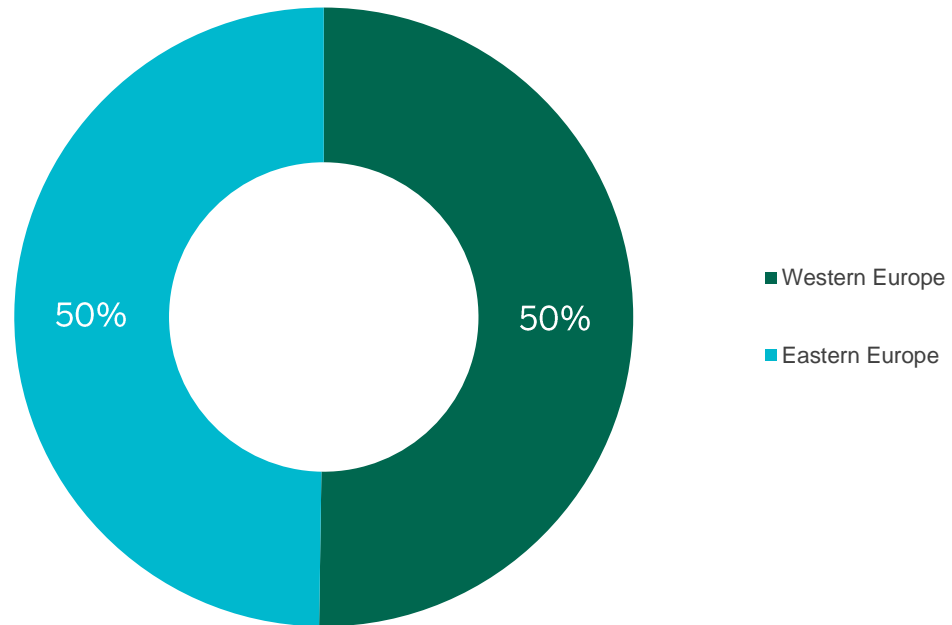
Revenue allocation 2016



EBITDA and EBIT margin development and EBITDA allocation 2016



Non-current asset allocation as of 31 December 2016



Net interest-bearing debt development and allocation as of 31 December 2016

