

Investor presentation Q3 2017

15 November 2017

H+H

Porenbeton • Porebeton • Lättbetong
Cellenbeton • Beton cellulaire

H+H

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.

In no event shall H+H International A/S 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 presentation.

All presented numbers includes special items unless otherwise stated.

Agenda

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

ABOUT H+H

H+H's core activity is the manufacture and sale of aircrete, with a revenue in 2016 of DKK 1.6 billion. The main product is blocks used for building new houses, mainly in the low-rise segment. H+H has 13 aircrete factories in Northern and Central Europe and Northwest Russia with a total output of more than 3 million cubic metres of aircrete a year and has a leading position in most of its markets. H+H has around 1,000 employees and is listed on Nasdaq Copenhagen.

Highlights

Organic growth

- Revenue in local currency was on par with last year for the third quarter.
- Organic growth of 2% year-to-date.

Russia

- Market conditions did not meet expectations and no recovery in sight.
- Cost has been adjusted and production for export started to utilise capacity.

EBITDA*

- DKK 71 million in the third quarter against DKK 64 million last year.
- DKK 181 million year-to-date against DKK 166 million last year.

Changes to outlook for 2017

- Organic growth now around 4%.
- EBITDA* DKK 230-240 million.

* Before special items

Financial performance

DKK million		Q3			Q1 - Q3		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	430	439	(2%)	1.252	1.264	(1%)
	Organic	438	439	(0%)	1.286	1.264	2%
Gross margin *		27%	26%	1%	26%	25%	1%
EBITDA	Before special items	71	64	7	182	167	15
	After special items	66	63	3	162	164	(2)
EBIT margin	Before special items	12%	10%	2%	10%	8%	2%
	After special items	11%	10%	1%	8%	8%	0%
Return on invested capital					16%	18%	(2%)
Investments		8	23	(15)	38	40	(2)
Free cash flow		45	51	(6)	(43)	76	(119)
Net interest-bearing debt	DKK million				434	385	49
	Debt gearing				2.0x	1.7x	
Equity					355	233	122



* adjusted for special items gross margin was 27% for Q3 and 27% year-to-date.

Outlook and long-term financial targets

Outlook 2017 and long-term financial targets

- H+H updates its outlook for 2017

DKK million	Outlook		Long-term financial targets
	Current	Previous	
Organic growth	~ 4%	5-7%	
EBITDA	230-240	220-240	
Investments	~ 120	~ 120	
EBIT margin			8-10%
Return on invested capital			Min. 12%

- There are no changes to the long-term financial targets.

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-November 2017 levels.
- Energy and raw material prices rise only in line with inflation from their mid-November 2017 levels.
- The geopolitical situation does not result in changed market conditions.

Other selected items

Free cash flow

- Free cash flow negatively influenced by increase in working capital due to building stock in the UK.
- Positive impact from sale of assets in 2016.

Grupa Silikaty

- Acquisition of silicate lime business in Poland pending customary approval from the Polish authorities.
- Closing expected no later than Q1 2018.

Excellence programs

- Commercial excellence, continuous improvement program in operations and procurement support positive margin development.

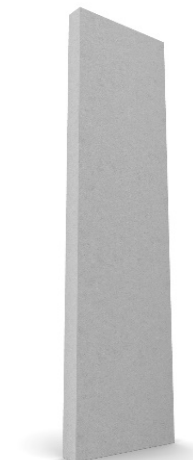
Pension obligation

- Defined contribution obligation less deferred tax amount to DKK 128 million.
- The obligation increased by approx. DKK 18 million in Q3.

Western European segment

DKK million		Q3			Q1 - Q3		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	319	325	(2%)	943	980	(4%)
	Organic	331	325	2%	991	980	1%
EBITDA	Before special items	56	54	2	165	163	2
	After special items	53	54	(1)	151	163	(12)
Investments		5	20	(15)	28	30	(2)

- Growth in local currencies driven by prices.
- Continuous increase in EBITDA despite adverse exchange rate impact of DKK 2 million in the quarter and DKK 12 million year-to-date.
- Market growth in all regions except Germany.
- Volume decline in the UK for the quarter due to:
 - a) De-stocking in the sales channels
 - b) Longer than anticipated penetration of foundation blocks
 - c) Managing stocks for the BG upgrade
- Volume decline in Germany in line with market.



Borough Green factory upgrade

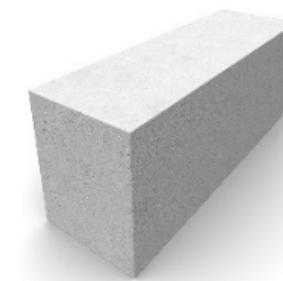
- The Borough Green factory upgrade is running to schedule.
- We are planning the upgrade to be completed in the first half of 2018.
- Special items of approximately DKK 25 million cost are expected to be incurred in 2017 as a result of the Borough Green factory upgrade and resulting need to import products from Poland.



- The increased transportation costs are expensed in production costs at the point of sale and treated as a special item.
- Special items related to import of DKK 3.8 million in the second quarter and DKK 14.1 million for 9 months of 2017.

Eastern European segment

DKK million		Q3			Q1 - Q3		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	111	113	(2%)	309	284	9%
	Organic	108	113	(4%)	295	284	4%
EBITDA	Before special items	21	20	1	45	30	15
	After special items	20	19	1	42	27	15
Investments		3	3	0	10	8	2



- Continuous growth in the Polish market and both price and volume development is favorable.
- The Russian market did not meet expectations. A significant volume drop has been recognised and no improvements expected this year.
- UK imports for the stock build redirected from Poland to Russia to optimise capacity utilisation.
- Continuous increase in EBITDA helped by exchange rate impact of DKK 1 million in the quarter and DKK 2 million year-to-date.

H+H acquires silicate lime business in Poland

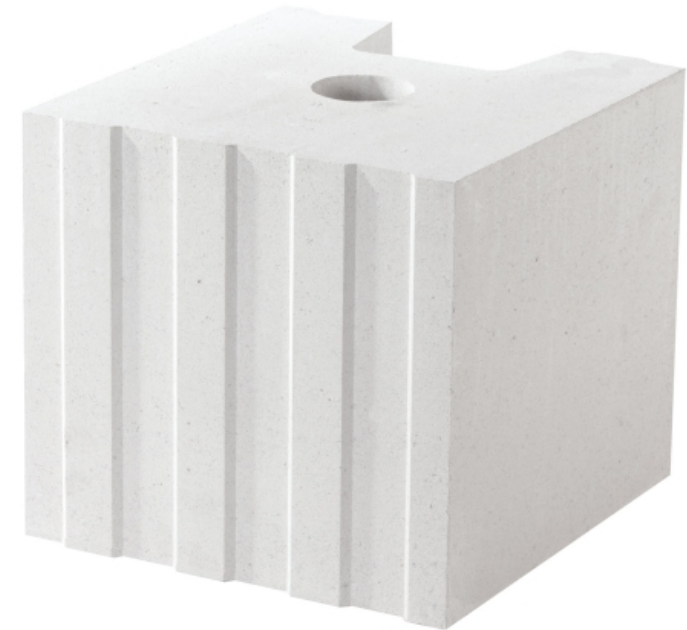
- H+H Polska buys Grupa Silikaty from Grupa Ożarów.
- Purchase price approx. DKK 64 million.
- Payment schedule agreed:
 - On closing – approx. DKK 14 million
 - January 2019 – approx. DKK 25 million
 - January 2020 – approx. DKK 25 million

Facts about Grupa Silikaty

- Second largest producer of CSU in Poland with seven plants.
- Revenue in 2016 of around DKK 157 million.
- EBITDA in 2016 was around DKK 11 million.
- Market share of around 30% in the calcium-silicate market.
- Around 300 employees.

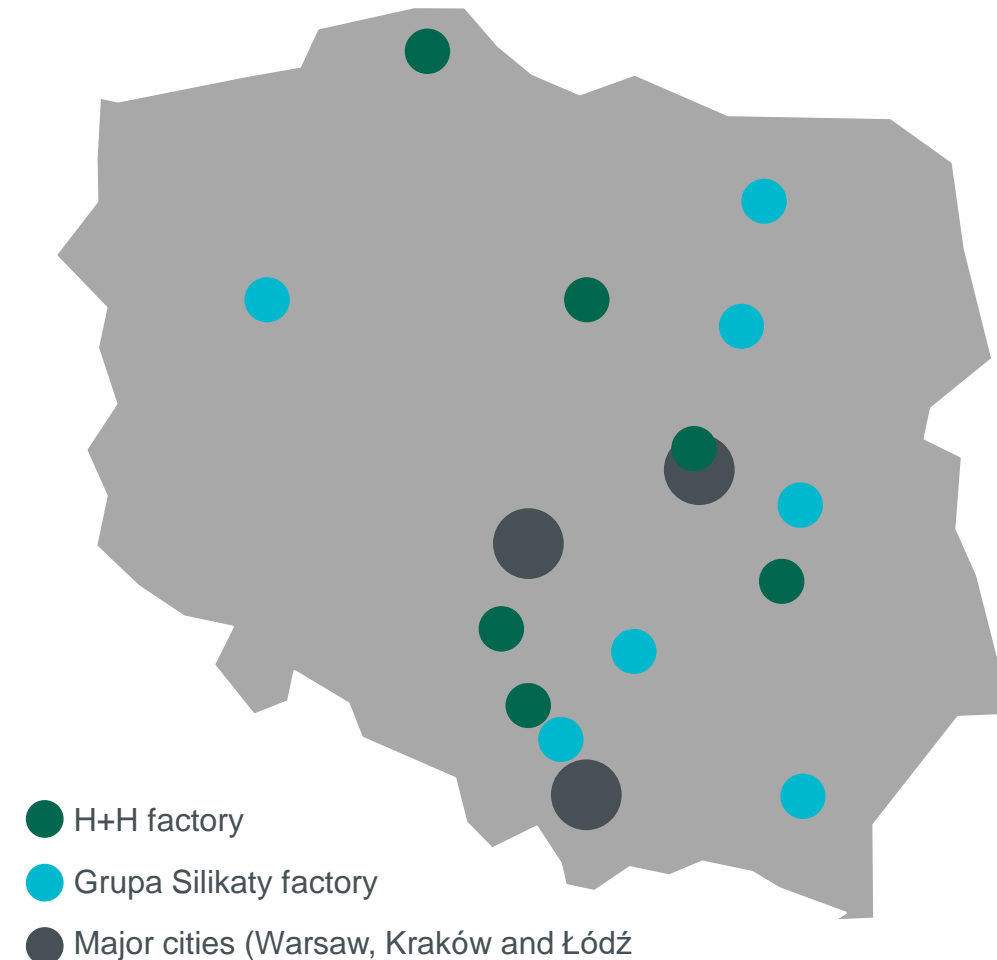
Product

- Calcium silicate units (CSU) is a building block / element made of:
 - 90% sand
 - 7% lime
 - 3% water
- The blocks are pressed together and then autoclaved in 8 hours at around 200 °C.
- Sound insulation and the load bearing ability are the predominant attributes of the product.
- The product is more heavy than aircrete (AAC), i.e. distribution range from the factories is shorter.



Market

- Installed capacity in Poland is approx. 1,800 tm³ distributed over 30 factories.
- Most factories running close to capacity ceiling.
- Grupa Silikaty has seven factories.
- Main competitors are Xella and SILPRO, further there are many smaller producers
- Predominantly pull sales into the residential high-rise segment



Rationale

- CSU enjoys a strong position in residential high-rise.
- Strengthening of our overall position and brand in the Polish wall building industry.
- Synergies predominantly from cross selling.
- H+H aim at maximizing output to take advantage of the current market situation.
- If H+H's cross selling approach is successful H+H can target similar product combinations in other countries.



Q & A

Thank you

H+H International A/S
Lautrupsgade 7, 6th Floor
2100 Copenhagen Ø
Denmark

+45 35 27 02 00

info@hplush.com
www.hplush.com

Appendices

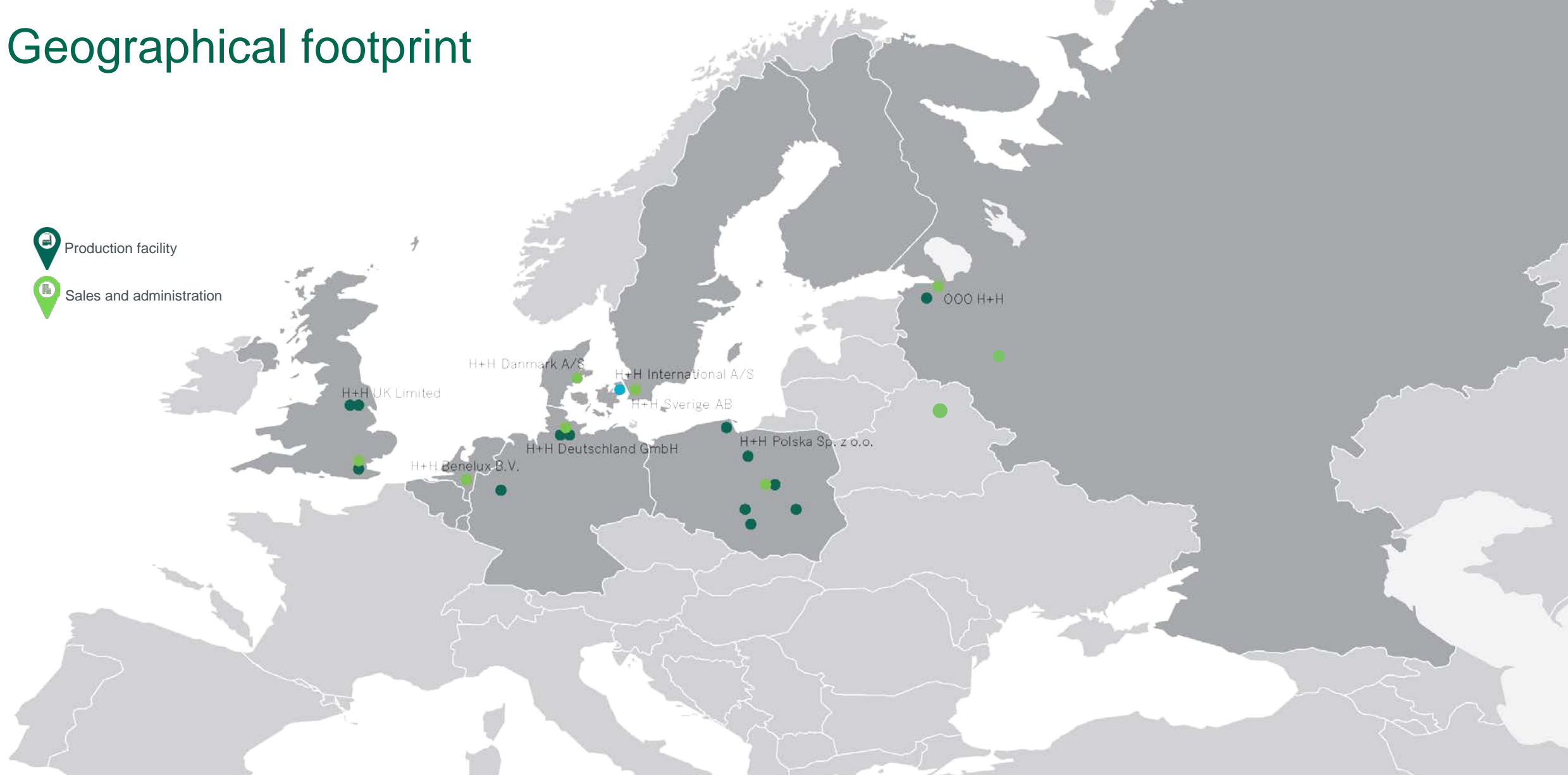
Geographical footprint



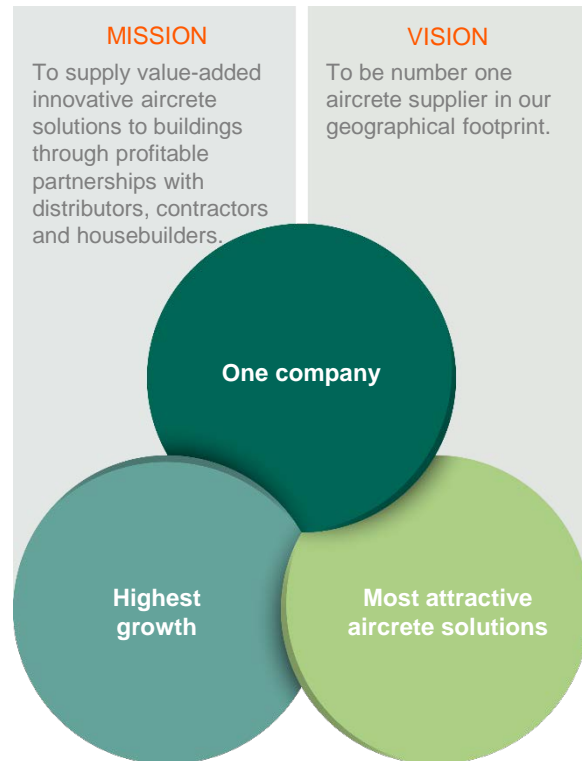
Production facility



Sales and administration



Strategy and external growth drivers



- GDP growth
- Inflation
- Governmental stimuli of housebuilding



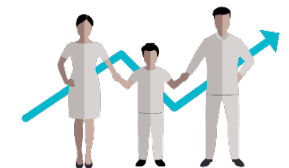
MACROECONOMIC DEVELOPMENT

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



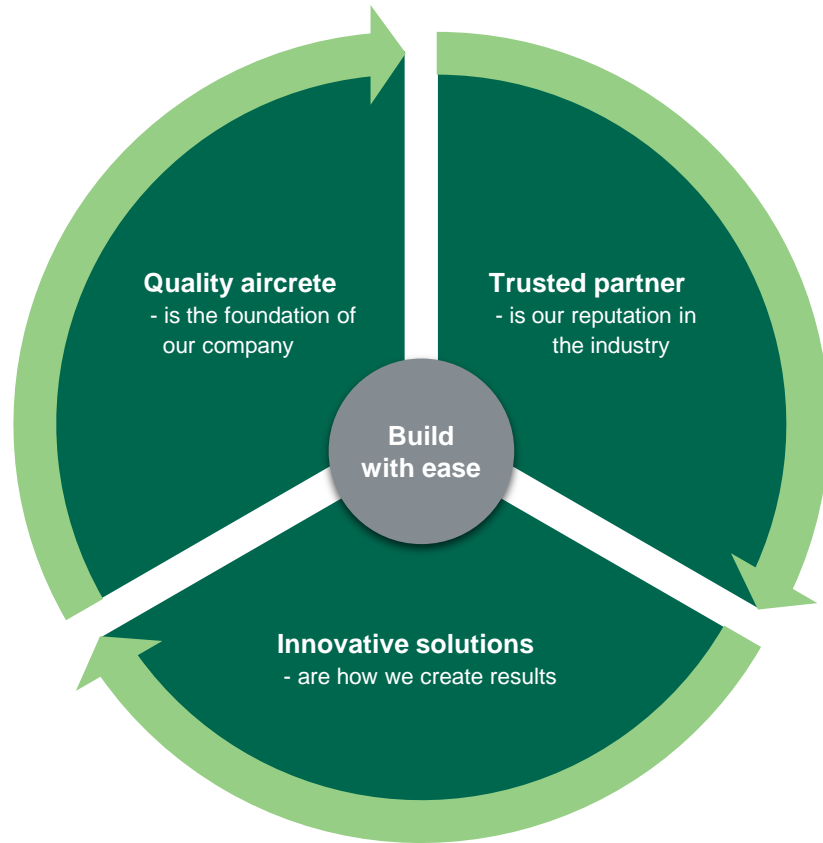
CAPACITY UTILISATION

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

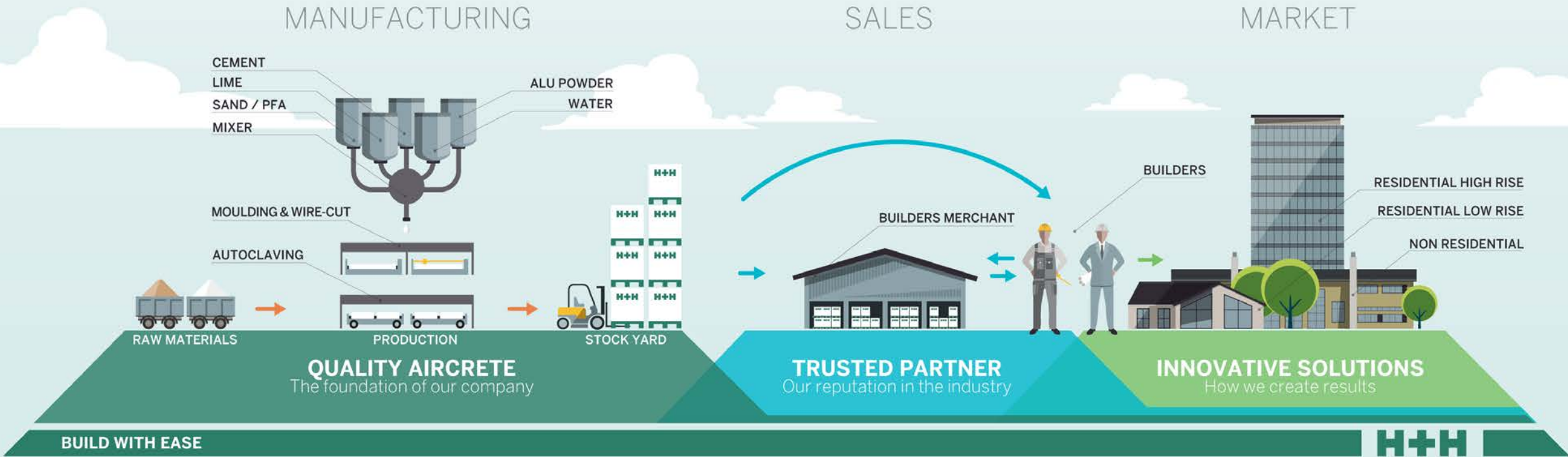


DEMOGRAPHY

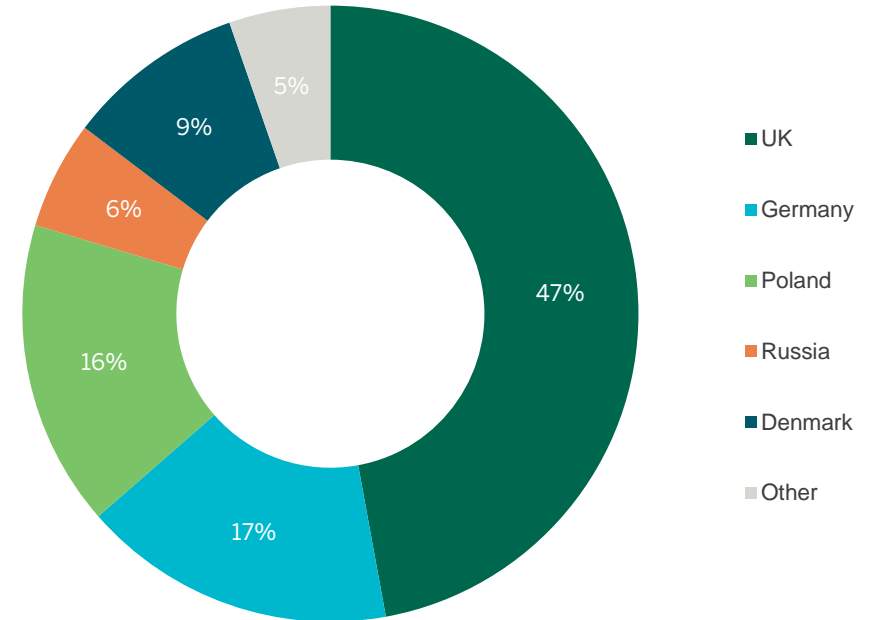
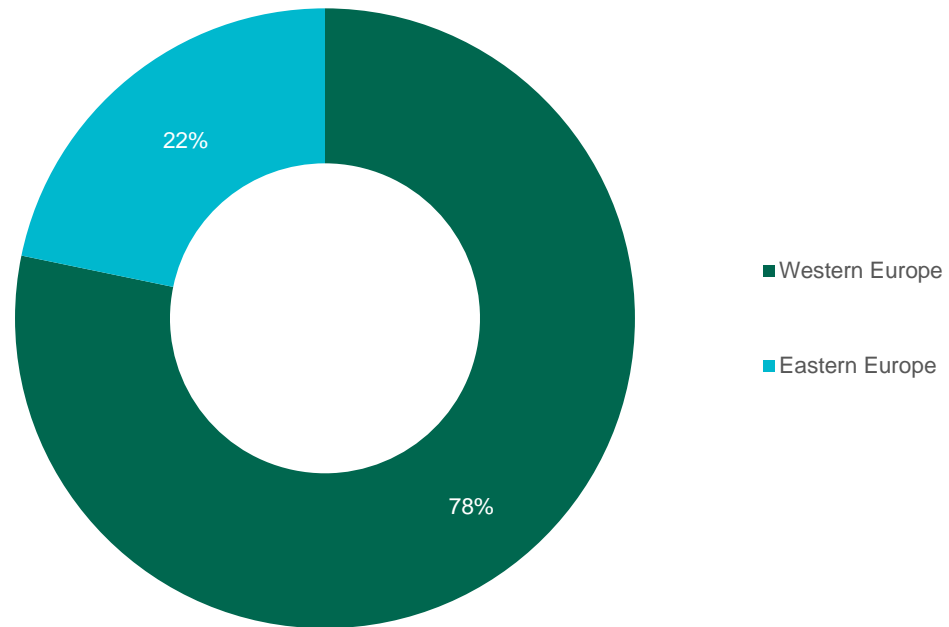
Commercial approach



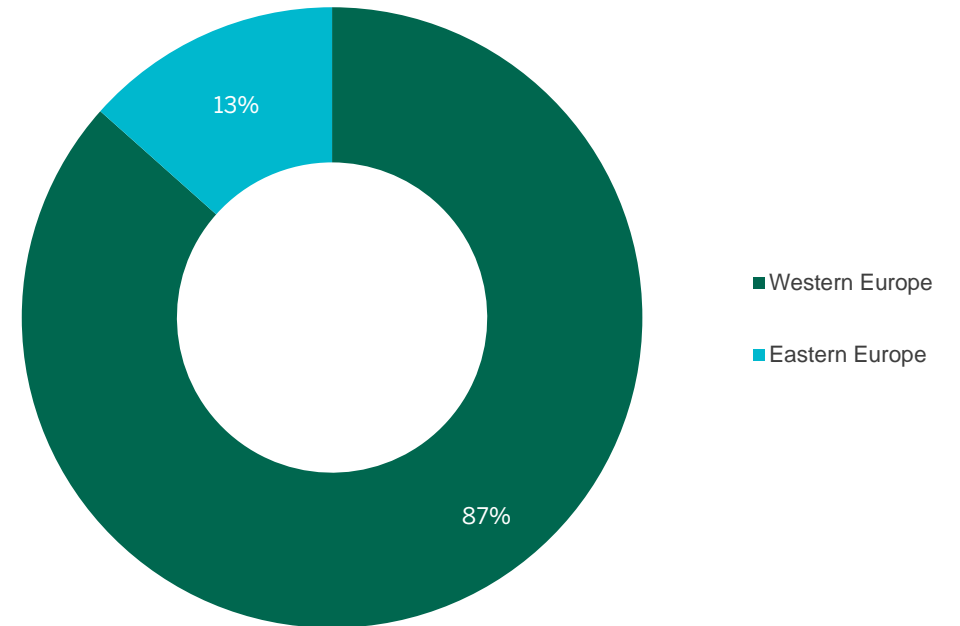
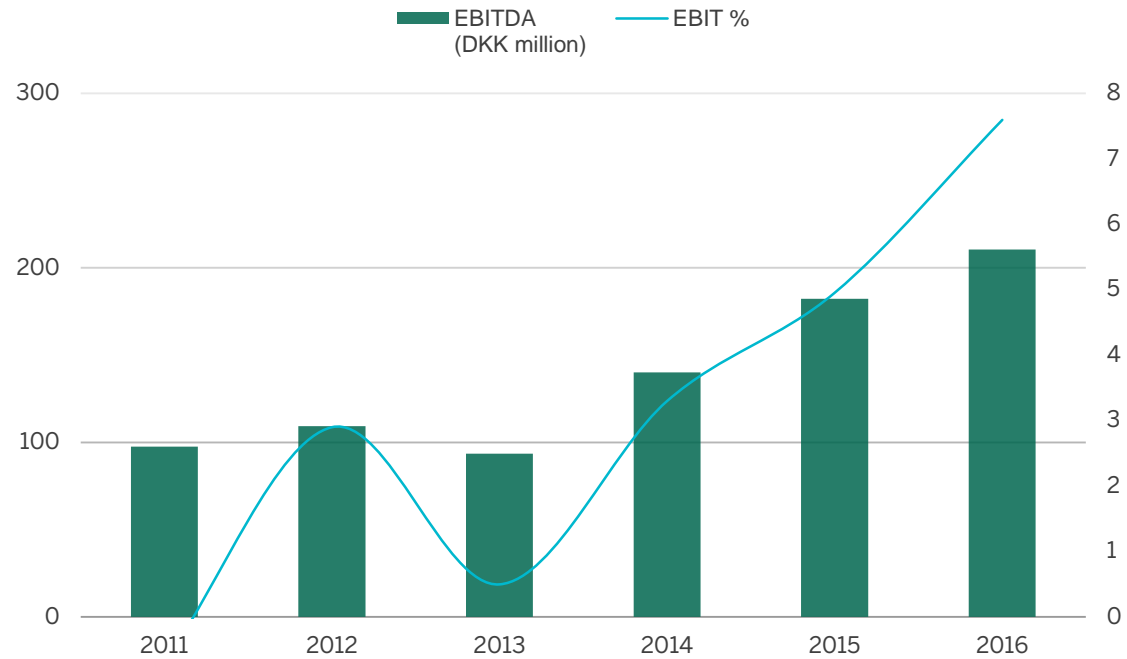
Business model



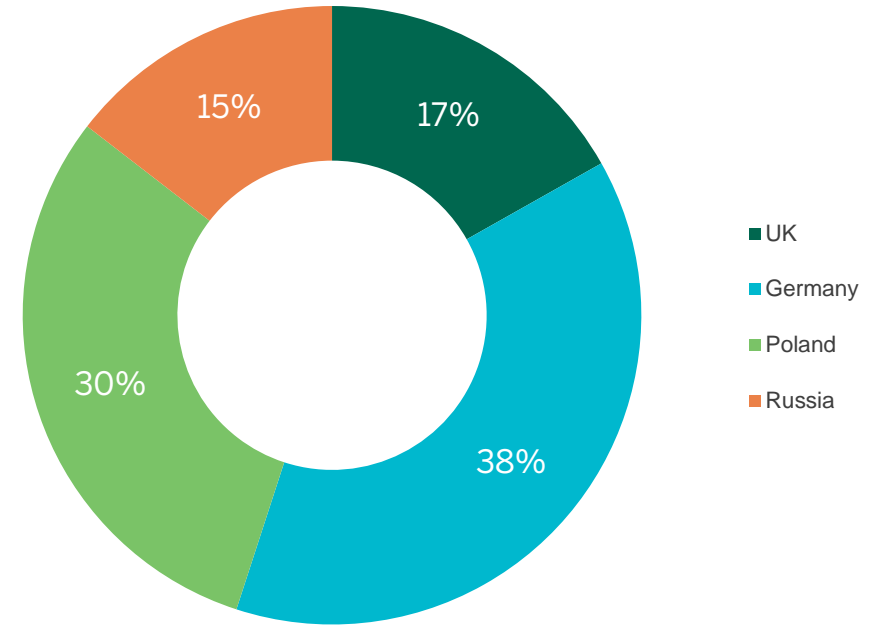
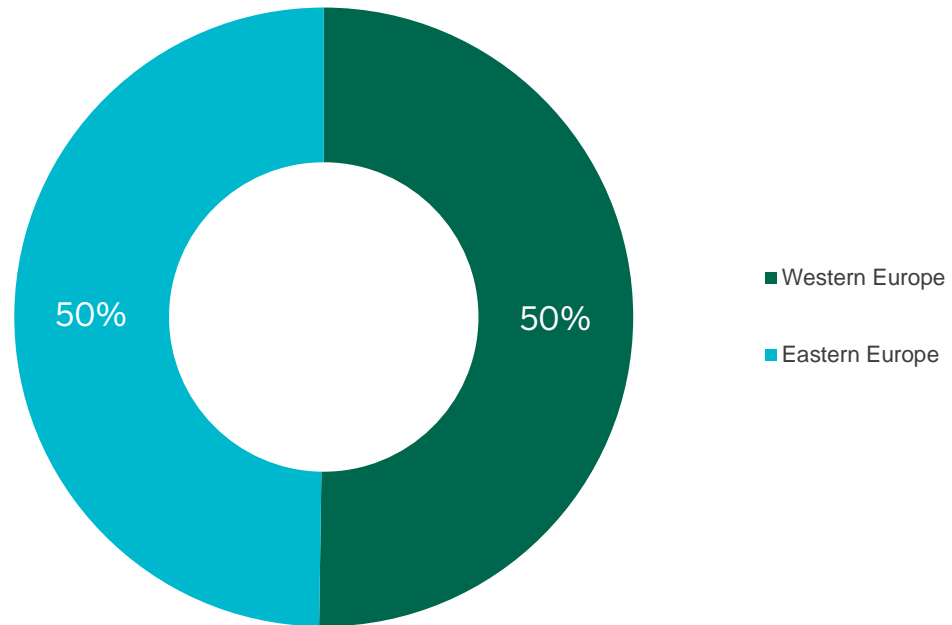
Revenue allocation 2016



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

