Investor presentation Q2 2018

16 August 2018

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 wall building materials, with a revenue in 2017 of DKK 1.6 billion before acquisition of the calcium silicate product line. The main product lines are aircrete blocks and since 2018 calcium silicate units used for the residential new building segment. H+H has 28 factories in Northern and Central Europe and Northwest Russia with a total output of more than 4 million cubic metres of products annually and has a leading position in most of its markets. H+H has around 1,600 employees and is listed on Nasdaq Copenhagen.

Highlights

Organic growth

- Organic growth of 16% in the second quarter of 2018.
- Organic growth of 11% for the first half of 2018.

EBITDA before special items

- DKK 117 million in the second quarter of 2018 against DKK 74 million last year
- DKK 157 million for the first half of 2018 against DKK 111 million last year

Integration of acquired businesses

- Closing of the Grupa Silikaty transaction 4 April 2018
- Integration of acquired businesses running to schedule

Capital structure

- Offering of new shares was fully subscribed and closed on 20 June 2018
- Net proceeds amounted to DKK 504 million

Commission of the Borough Green factory as planned

- On-site upgrade work started in Q4 2017
- No production in Q1 2018 to allow new equipment to be installed
- Ramp-up during Q2 2018
- Commissioned as planned
- Continuous optimisation on-going

Financial performance

DKK million		Q2 2018	Q2 2017	Q2 Variance	Q1-Q2 2018	Q1-Q2 2017	Q1-Q2 Variance
Revenue	Actual	709	445	59%	1 143	822	39%
	Organic	517	445	16%	913	822	11%
Gross margin*		26%	28%	(2%)	24%	26%	(2%)
EBITDA	Before special items	117	74	43	157	111	46
	After special items	110	65	45	134	96	38
EBIT margin	Before special items	10%	12%	(2%)	7%	9%	(2%)
	After special items	9%	10%	(1%)	5%	7%	(2%)
Return on invested capital					11%	15%	(4%)
Investments		31	7	24	61	30	31
Free cash flow**		125	6	119	26	(88)	114
Net interest-bearing debt	DKK million				723	477	246
	Financial gearing				2.9x	2.3x	
Equity					926	343	583

- *adjusted for special items and the planned standstill of the Borough Green factory the gross margin was 28% for Q2 2018 vs. 29% last year and 27% for the half year on par with last year*

** *excluding cash payments for acquisitions and divestments*

Outlook 2018
– updated for organic growth and EBITDA before special items

Outlook 2018

- Growth before acquisitions and measured in local currencies is expected to be around 11% (previously around 5%)
- EBITDA before special items is expected to be DKK 370-410 million (previously DKK 350-390 million)
- Approximately DKK 25-30 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from sister companies (unchanged)
- Approximately DKK 40 million for transaction and integration costs for HDKS and Grupa Silikaty will be expensed as special items (unchanged)
- Investments excluding the acquisition of enterprises and related land, property and related deferred payments are expected to be in the region of DKK 150 million of which approximately DKK 35 million relates to an investment required at one of the HDKS plants damaged by fire during the acquisition process (unchanged)

Specific assumptions for outlook 2018

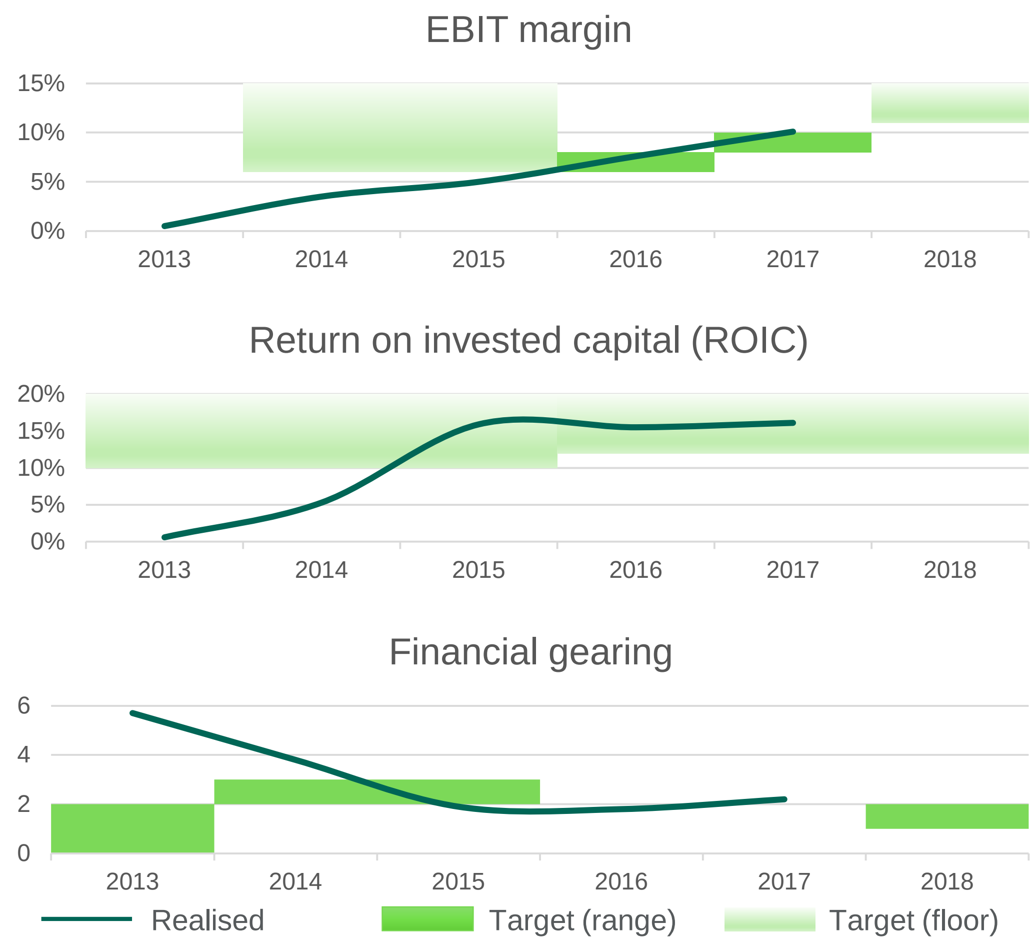
- Continuous economic growth in our geographical footprint
- The commercial and operational excellence programmes continue to deliver improvements
- Exchange rates, primarily for GBP, EUR, CHF, PLN and RUB, hold at their mid-August 2018 levels
- Energy and raw material prices rise only in line with current expectations based on inflation and current agreements from their mid-August 2018 levels
- The geopolitical situation does not result in changed market conditions, and that in particular Brexit has no material impact
- Integration of the calcium silicate business according to schedule

Long-term trends

Long-term financial targets

EBIT MARGIN (Operating margin before special items)	Min. 11%
ROIC (Return on invested capital)	Min. 12%
FINANCIAL GEARING (Net interest-bearing debt / EBITDA before special items)	1-2

Long-term financial performance



Other selected items

Special items

- DKK 19 million of costs related to UK imports and acquisitions in the quarter
- DKK 12 million income related to badwill in connection with the Grupa Silikaty acquisition

Rights issue

- Gross proceeds of DKK 525 million
- Net proceeds was DKK 504 million

Solvency ratio

- Solvency ratio at 35% at 30 June 2018
- Increase over previous periods due to retained earnings and share capital increase

Pension obligation

- The pension obligation amounts to DKK 150 million at 30 June 2018 including the acquired businesses
- The obligation has not changed during Q2 2018

Western European segment

DKK million		Q2			Q1-Q2		
		2018	2017	Variance	2018	2017	Variance
Revenue	Actual	517	336	54%	824	624	32%
	Organic	375	336	11%	645	624	3%
EBITDA	Before special items	87	53	34	117	106	11
	After special items	78	48	30	97	96	1
Investments		29	4	25	58	23	35

- Organic growth in the quarter predominantly driven by higher sales volume
- Prices are higher than same period last year in all markets
- EBITDA impacted by lack of overhead recovery due to ramp-up of the Borough Green factory
- Increasing cost pressure, partly due to internal transfer of products
- Integration of the HDKS business running to schedule
- Delay in restoration of the Kavelstorf (CSU) factory following the fire incident

Eastern European segment

DKK million		Q2 2018	Q2 2017	Q2 Variance	Q1-Q2 2018	Q1-Q2 2017	Q1-Q2 Variance
Revenue	Actual	192	109	77%	319	198	61%
	Organic	142	109	31%	268	198	35%
EBITDA	Before special items	40	18	22	62	25	37
	After special items	48	14	34	69	21	48
Investments		2	3	(1)	3	7	(4)

- Strong market demand in Poland leading to higher sales volumes and higher prices
- Sales volumes in Poland limited by production output
- Additional capacity expected from competition
- Fast integration of the acquired Grupa Silikaty business into one company, e.g. one joint sales force in place
- Immediate increase in CSU production volumes
- Minor improvements in Russia

Q & A

Thank you

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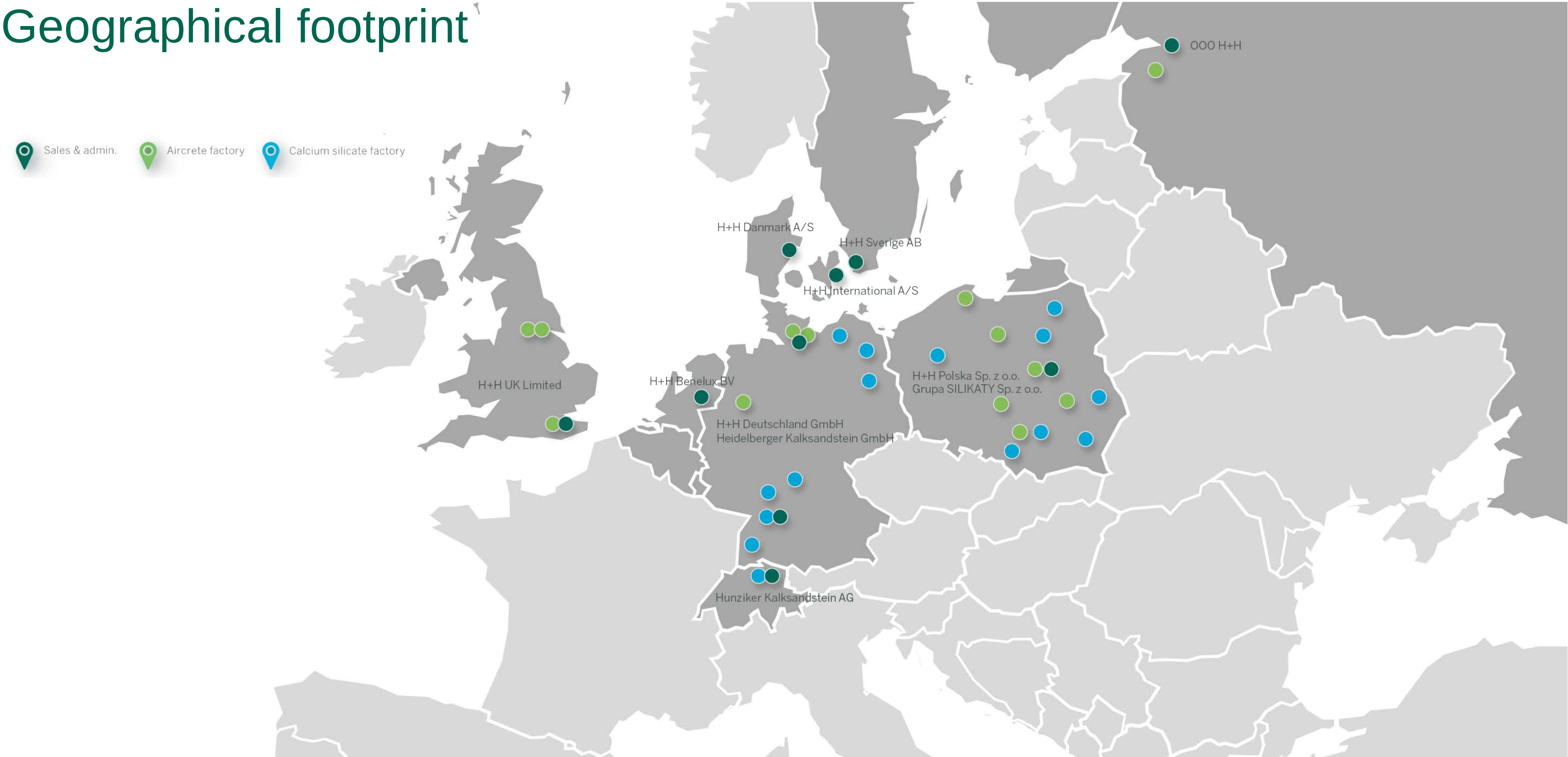
Appendices

Geographical footprint



External growth drivers

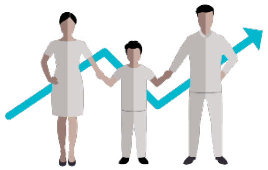
- GDP growth
- Inflation
- Governmental stimuli of housebuilding

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

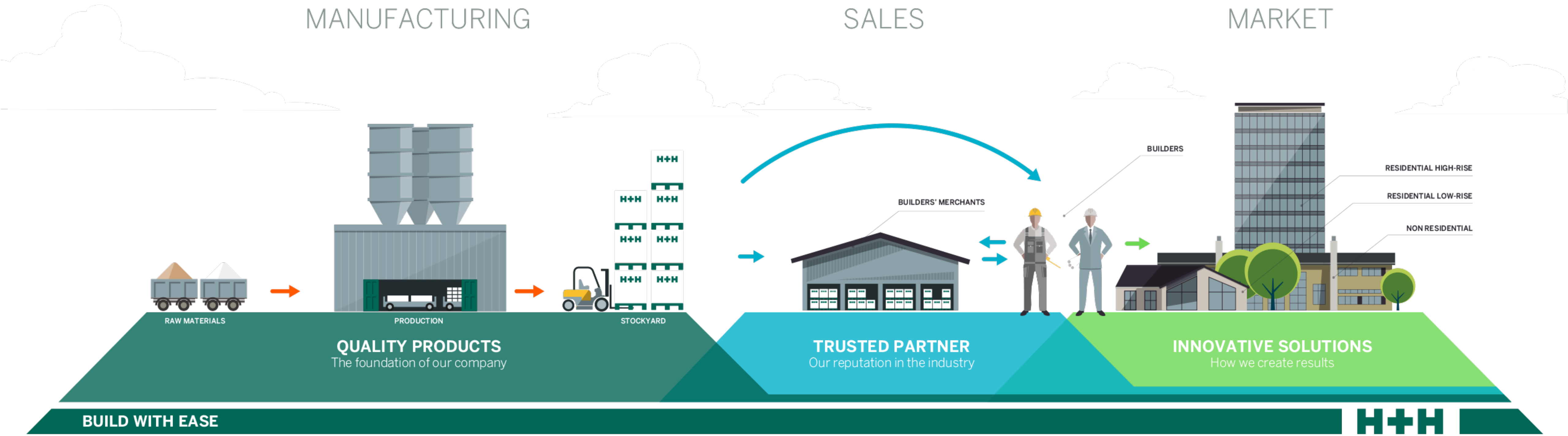


DEMOGRAPHY

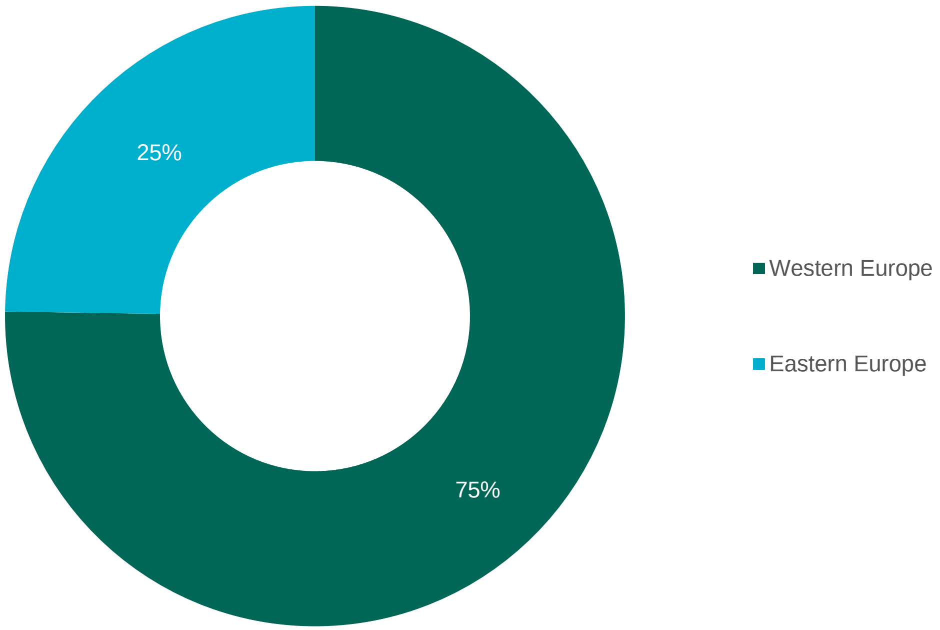
Risk factors

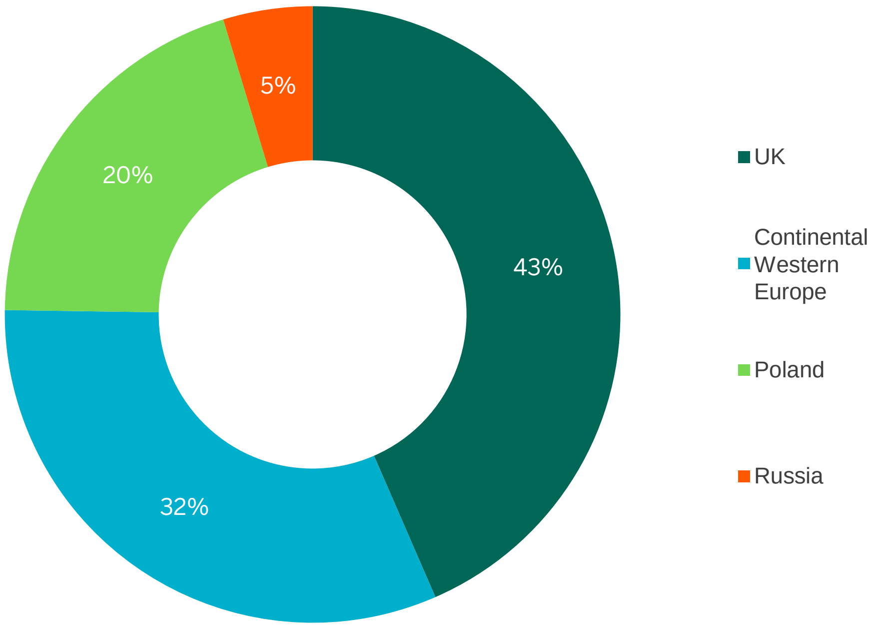
Risk	Impact / Probability	Scenario
Market		With significant operational gearing and fixed costs, demand has a noticeable effect on H+H's financial performance. Developments in the global economy and especially the construction sector, as well as political risks such as Brexit, initiatives such as taxes or tax deductions targeting the building industry or home owners, or changes to the mortgage system, have a significant direct and indirect impact on H+H.
Production		A major production breakdown or fire in a factory could cause a long-term loss of production. This shortfall would have an effect on sales unless made up by other H+H factories.
Raw materials & energy		Production is dependent on the supply of raw materials. Production costs are exposed to the effects of higher energy prices on the cost of transportation and price changes for cement, sand and lime.
Competition and pricing		H+H is the second-largest player in the European aircrete market. This market position could be endangered by mergers between competitors. Excess production capacity in some markets could result in a price war.
Foreign exchange rates		H+H's earnings are primarily in GBP and EUR, while its borrowings are primarily in DKK, PLN and EUR. Any developments in the financial markets, especially in GBP, could have a significant impact on H+H.
Capital structure & cash flow		Net interest-bearing debt amounted to DKK 459 million at the end of 2017 and H+H will remain dependent on external financing in the future.
UK pensions		The UK defined-benefit pension scheme is closed but has accrued benefits and a pension deficit. Each year the pension assets and liability are revalued. A change in the discount rate of 0.1 percentage point would change the obligations by approx. DKK 13 million. A change in the rate of inflation would change the obligation by approx. DKK 7 million, both affecting equity.

The business model

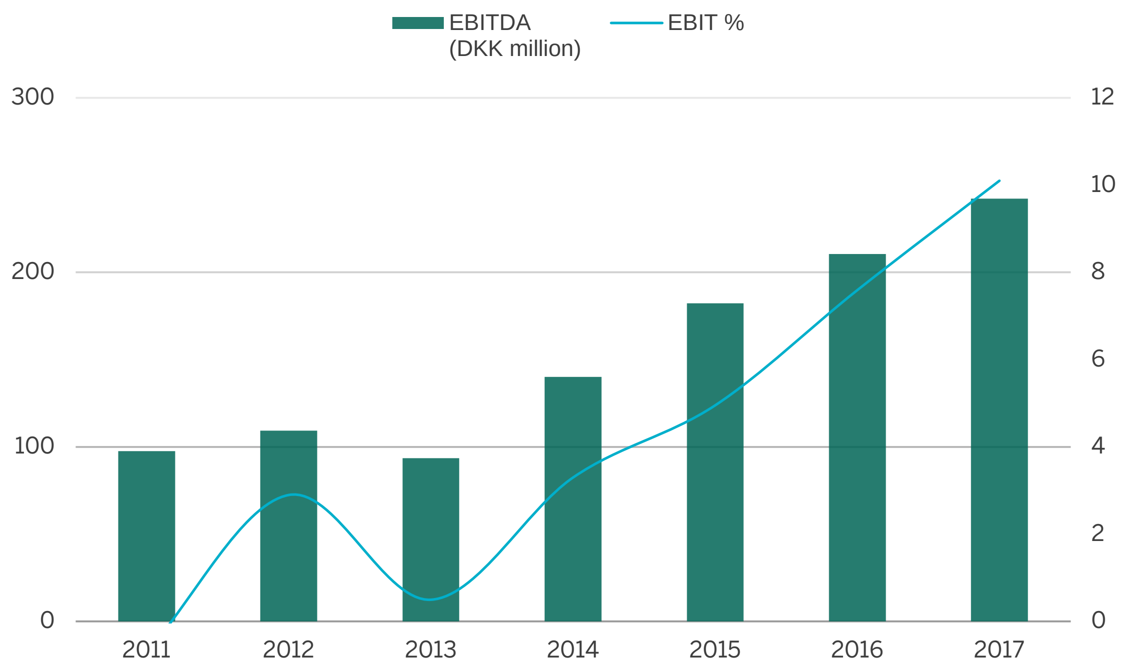


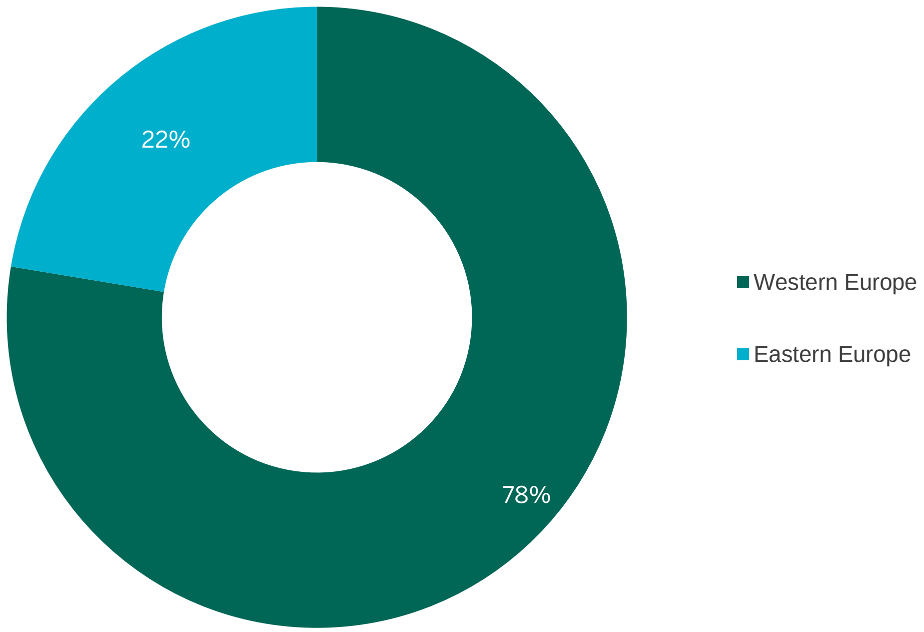
Revenue allocation 2017



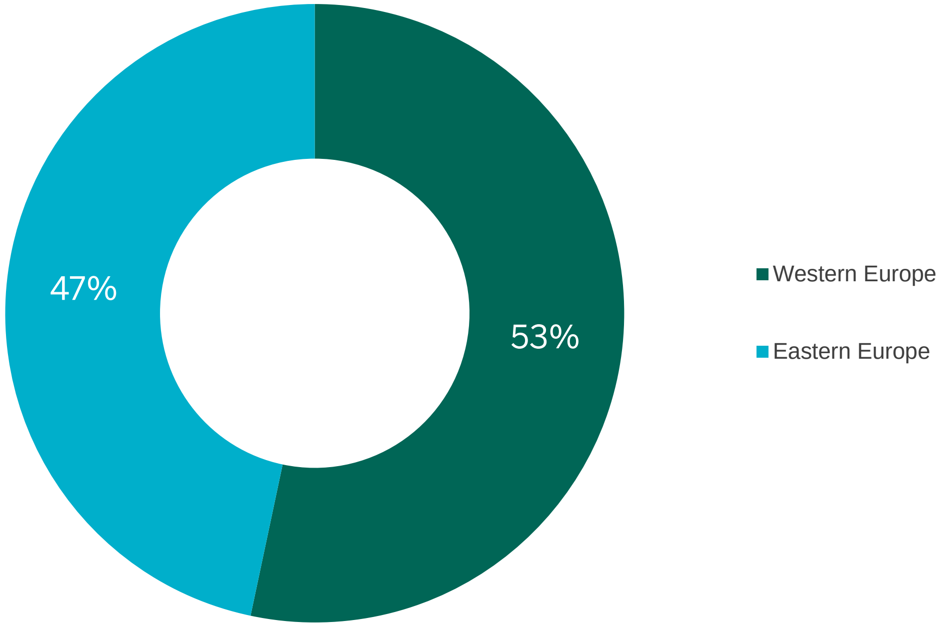


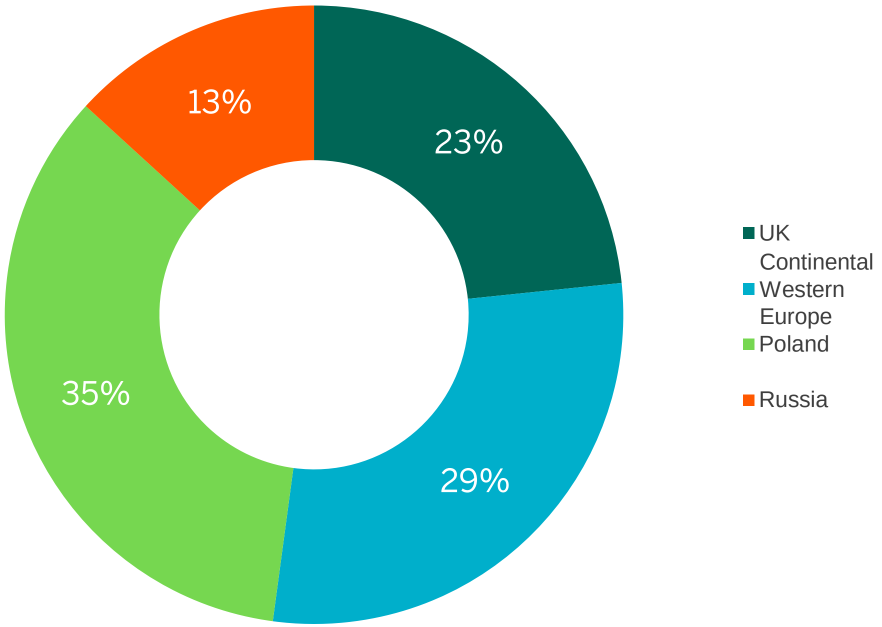
EBITDA and EBIT margin development and EBITDA allocation 2017



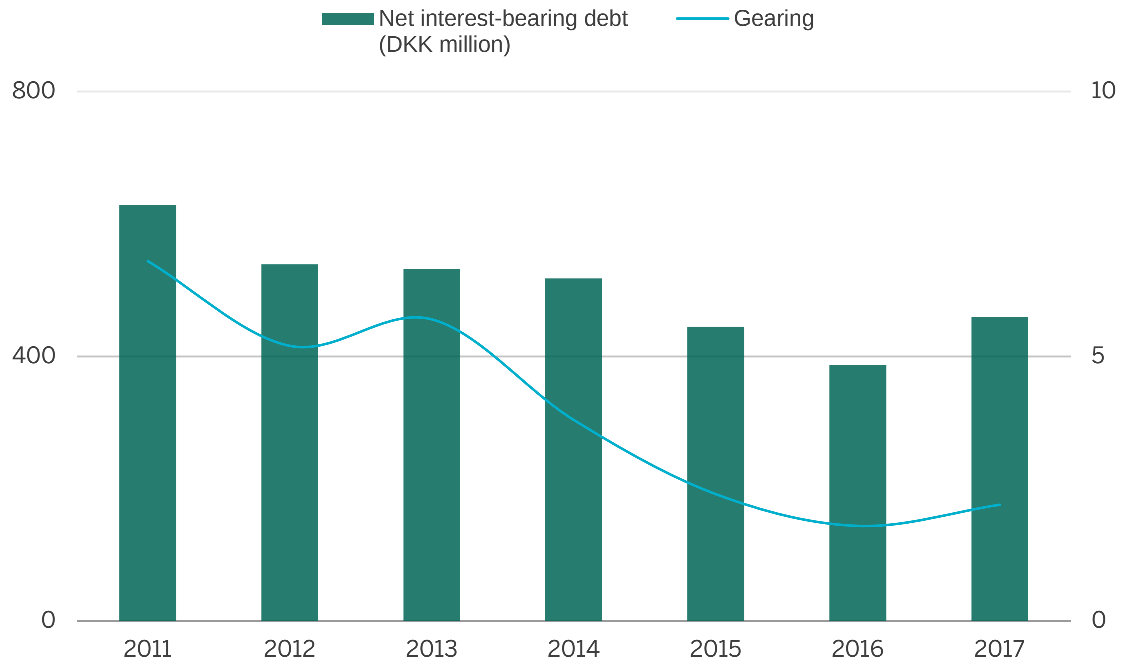


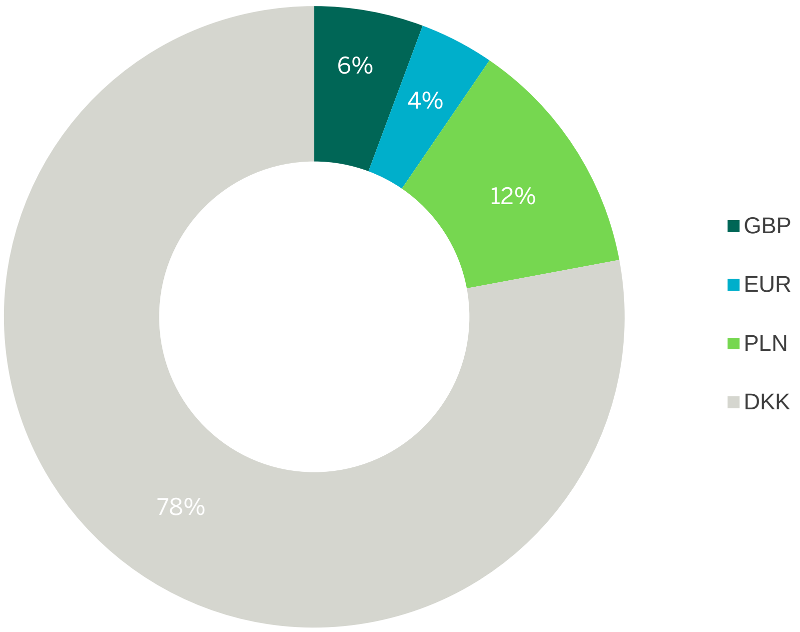
Non-current asset allocation as of 31 December 2017





Net interest-bearing debt development and allocation as of 31 December 2017



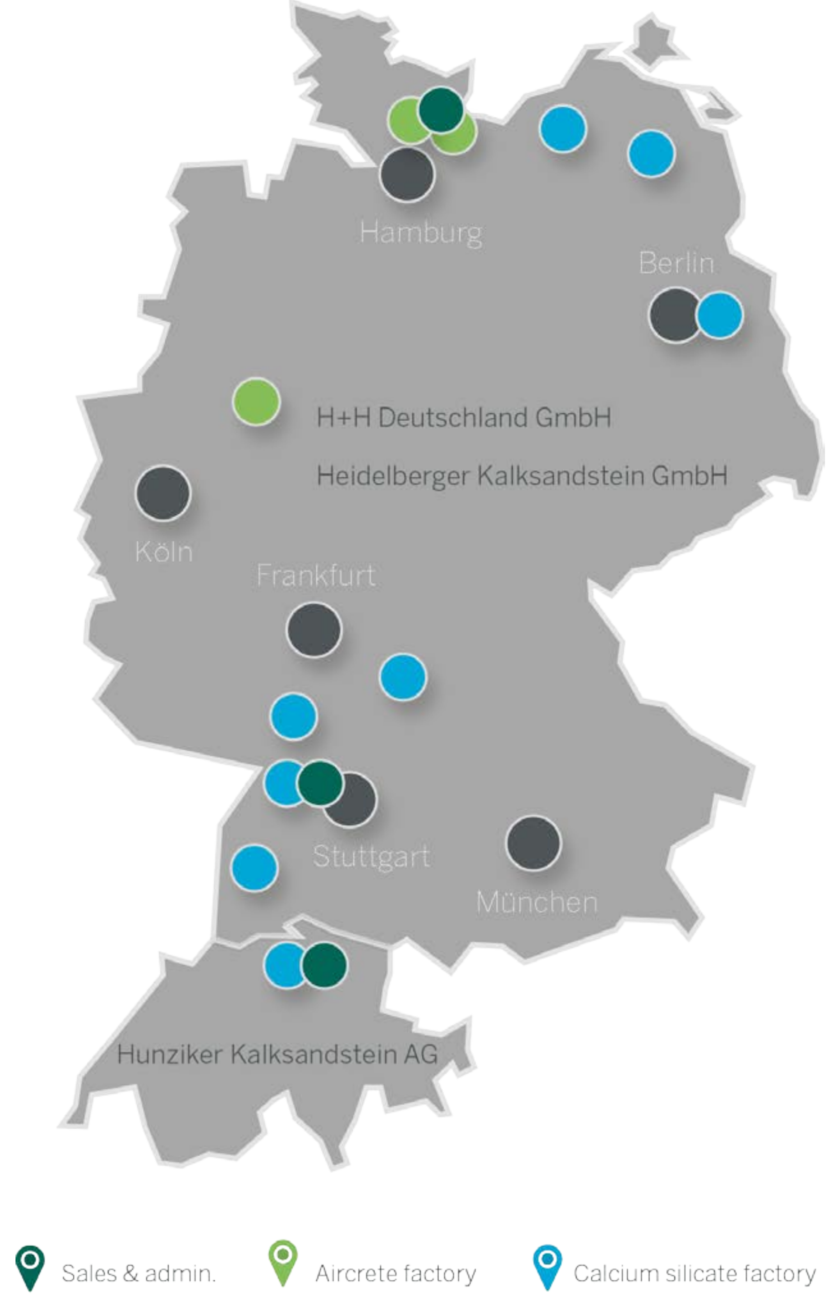


Strategic rationale for the CSU acquisitions

- Create a more balanced geographical footprint
- Expand the product offering, mainly within residential high-rise, becoming the second largest European player within CSU
- Harvest synergies with the aircrete business, create scale and operational improvements
- Benefit from best practice sharing across the German/Polish operations of the CSU businesses
- Platform for further market consolidation

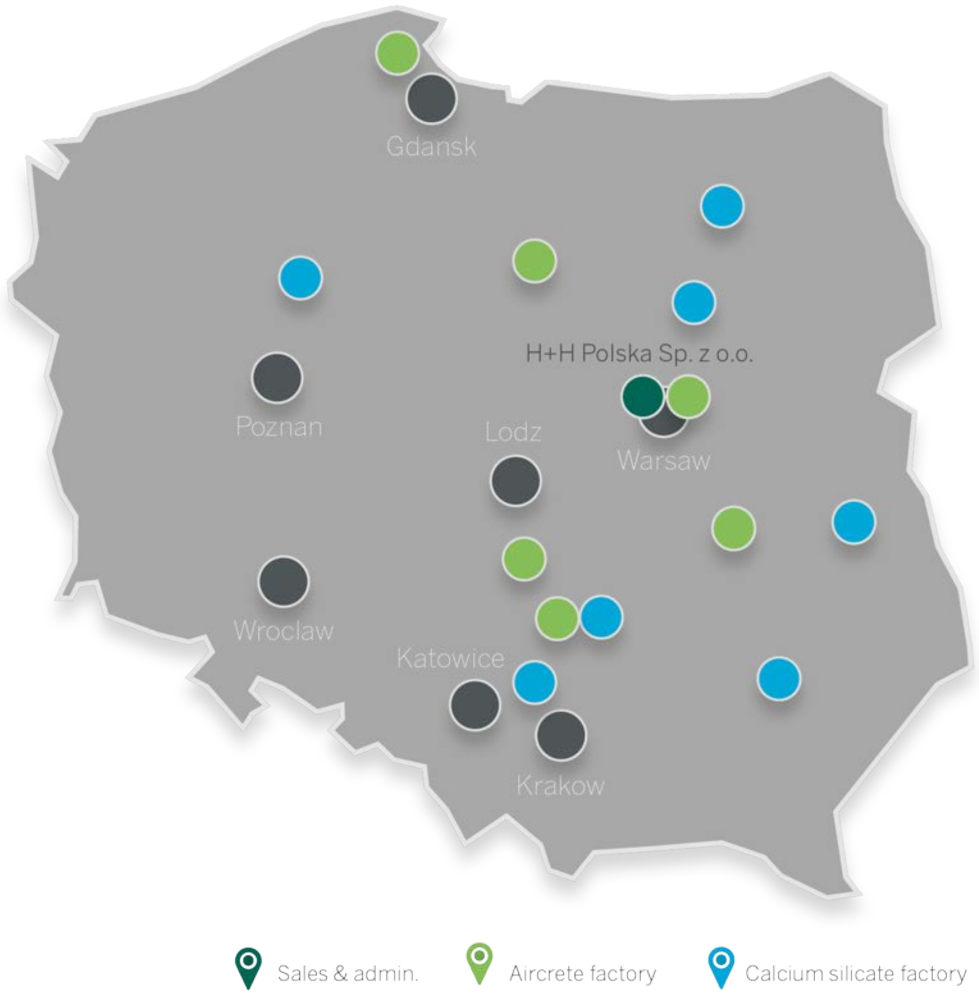
Acquisition of HDKS

- HDKS is the second largest producer of CSU in Germany and operates seven factories. Further, HDKS is present on the Swiss market and has one factory in Switzerland.
- The acquisition was closed 28 February 2018.
- HDKS had revenue in 2017 of around DKK 500 million and EBITDA of around DKK 100 million.
- The market share in the CSU market is around 14% and the company has around 200 employees.



Acquisition of Grupa Silikaty

- Grupa Silikaty is the second largest producer of CSU in Poland and operates seven factories.
- The acquisition was closed 4 April 2018.
- Grupa Silikaty had estimated revenue in 2016 of DKK 157 million and EBITDA of DKK 11 million.
- The market share in the CSU market is around 30% and the company has around 300 employees.



Unique opportunity to participate in market restructuring

H+H is in a unique situation

- Overcapacity in the German aircrete market
- Proven track record in successful restructuring
- Target list includes
  - Companies suffering from over capacity
  - Family-owned businesses with succession issues
  - Businesses that are subsidiaries in groups where wall-building materials is non-core
- Limited impact from anti-trust regulation in Germany

Geographical focus