Investor presentation
Q2 2019

14 August 2019

PARTNERS IN WALL BUILDING

Introduction

Agenda

Financial performance

Updated Outlook 2019

Segments and market development

Cash flow

Operational improvements in acquired businesses

Q&A

H+H is partner in wall building across Europe

H+H is a wall building materials provider. The core activity is production and sale of autoclaved aerated concrete (AAC or aircrete) and calcium silicate units (CSU or sand lime bricks). The products are building blocks used for wall building primarily in the residential new building segment.

The product range also includes more advanced products such as high-insulating blocks, larger elements and a range of traded goods used for wall building.

H+H has 29 factories in Northern and Central Europe and Northwest Russia with a total annual output of approximately four million cubic metres of wall building materials and a leading position in most of its markets. The Group has more than 1,600 employees.

The business is cyclical and H+H is always pursuing organic growth and margin improvements. In addition, restructuring of the markets in Central Europe is on the strategic agenda.

The parent company H+H International A/S has its headquarter in Copenhagen, Denmark and the company is listed on Nasdaq Copenhagen.

FORWARD-LOOKING STATEMENT
This document contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H International A/S, may cause actual developments and results to differ materially from the expectations expressed in this document. 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 document.

Financial highlights

		Q2			Q1 - Q2		
DKK million		**2019**	**2018**	**variance**	**2019**	**2018**	**variance**
Revenue	Actual	770	709	9%	1 436	1 143	26%
	Organic	757	709	7%	1 287	1 143	13%
Gross margin*		31%	26%	5%	29%	24%	5%
EBITDA	Before special items	156	117	39	253	157	96
	After special items	156	110	46	253	134	119
EBIT	Before special items	114	69	45	169	82	87
	After special items	114	62	52	169	59	110
EBIT margin	Before special items	15%	10%	5%	12%	7%	5%
	After special items	15%	9%	6%	12%	5%	7%
Return on invested capital		16%	11%	5%	16%	11%	5%
Investments**		16	31	(15)	27	61	(34)
Free cash flow**		144	125	19	121	25	96
Net interest-bearing debt	DKK million				602	723	(121)
	Financial gearing				1.2x	2.5x	
Equity					1 180	926	254

* adjusted for special items and the planned standstill of the Borough Green factory the gross margin was 28% for Q2 2018 and 27% for the first half year of 2018

** excluding acquisition of enterprises and related land, property and related deferred payments related hereto. The implementation of IFRS has impacted the EBITDA by DKK 7 million, EBIT by DKK 1 million and operating cash flow by DKK 6 million for Q2 2019. For the first half year of 2019, the implementation of IFRS 16 has impacted the EBITDA by DKK 12 million, EBIT by DKK 2 million and operating cash flow by DKK 10 million

Updated Outlook 2019

- Revenue growth before acquisitions and measured in local currencies is expected to be around 8% (previously around 7%).
- EBITDA before special items is expected to be DKK 510-550 million (previously DKK 460-510 million).
- EBIT before special items is expected to be DKK 330-370 million (previously DKK 280-330 million).
- Investments excluding acquisitions and divestments are expected to be in the region of DKK 140 million including investments for establishing a CSU production line near Gdansk, Poland and IFRS 16 effect (previously in the region of DKK 160 million).

Basis for the updated outlook

The updated expectations for H+H's outlook 2019 are primarily driven by following factors:

- Higher organic growth due to strong market demand and excellent pricing conditions.
- Operational improvements in operations to deliver extra output and reduce usage.
- Successful procurement efforts to optimise direct production costs.
- Higher central costs due to centralising IT and investing more in HR.

Please refer to the interim financial report for detailed assumptions.

We focus on **adding value** to **our customers** throughout the entire **wall building process**

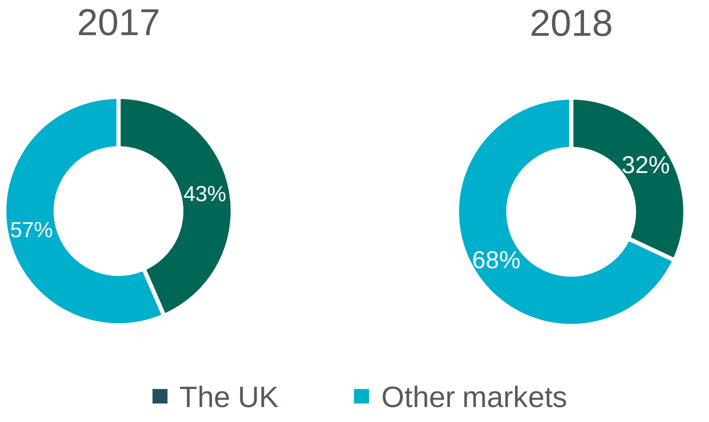
Western European segment

DKK million		Q2 2019	Q2 2018	Q2 variance	Q1 – Q2 2019	Q1 – Q2 2018	Q1 – Q2 variance
Revenue	Actual	536	517	4%	1 000	824	21%
	Organic	524	517	1%	913	824	11%
EBITDA	Before special items	107	86	21	173	114	59
	After special items	107	77	30	173	94	79
EBIT	Before special items	74	40	34	108	40	68
	After special items	74	31	43	108	20	88
Investments		9	29	(20)	13	58	(45)

- Organic growth in the quarter is predominantly driven by higher sales prices. Volume growth in the UK due to additional capacity offset by volume decline in Germany.
- Prices are higher than same period last year in all markets.
- EBITDA improvement predominantly from the UK due to the specific circumstances in H1 2018.
- Acquisition of joint venture stake in *Baustoffwerke Dresden* as announced in the Q1 report.
- Expected cost pressure partly offset by optimizing supply, mix and usage.
- In Germany the number of building permits is flat in first half 2019 after decline in both 2017 and 2018. Construction companies have a strong order backlog.

Reduced dependency on the UK – Brexit impact unpredictable

Revenue in the UK as share of Group revenue



GBP sensitivity from Annual Report 2019

DKK million	Profit impact	Equity impact
5% increase in GBP/DKK	4	19

Housebuilders registered the ***highest number of new homes for 12 years*** *between April and June, with the rental market driving growth, according to NHBC's latest statistics.*

During the period (Q2 2019), 43,438 new homes were registered, up 12% on the same period in 2018. NHBC said this was ***the highest number of registrations since Q4 2007*** *when 43,525 new homes were registered.*

Source: Housebuilder News August 1st 2019

Eastern European segment

DKK million		Q2 2019	2018	variance	Q1 – Q2 2019	2018	variance
Revenue	Actual	234	192	22%	436	319	37%
	Organic	232	192	21%	375	319	18%
EBITDA	Before special items	68	41	27	117	63	54
	After special items	68	49	19	117	70	47
EBIT	Before special items	59	38	21	99	51	48
	After special items	59	46	13	99	58	41
Investments		7	2	5	13	3	10

- Organic growth is predominantly driven by price increases in Poland and volume increases in Russia.
- Sales volumes is capped by production output.
- Continuous positive impact from acquisitions in Poland.
- Market outlook in Poland remains strong, although number of building permits is down in first half 2019.
- Expected cost pressure partly offset by optimizing supply, mix and usage.
- In Russia, our main competitor has its factory under modernisation and is selling out of stock.

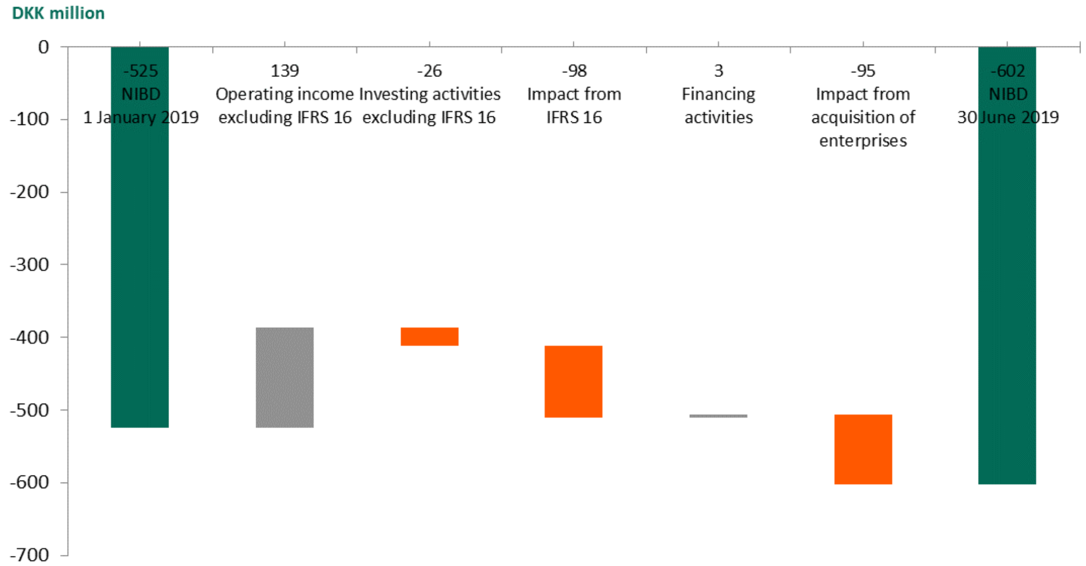
Dialogue with potential buyers of H+H's Russian business

Potential sale in line with the strategy from the Annual Report 2018

- H+H Russia LLC that has a modern aircrete factory producing high quality products and a strong and committed organization.
- H+H will pursue opportunities to change the strategic position but are only willing to inject a limited amount of cash into such restructuring.
- Limited restructuring opportunities.
- Significant improvements in the market and the geopolitical situation are required to get to satisfactory earnings.
- Further information on the negotiations will be provided either when a conditional SPA is executed or when negotiations are terminated definitively.
- The potential divestment can be contained within the current guidance.

Cash flow

Cash flow first half of 2019 adjusted for IFRS 16



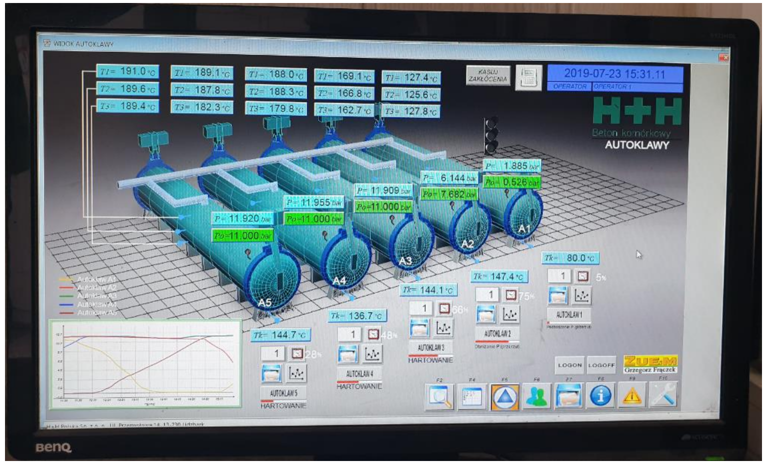
Announced capital structure in Annual Report 2019

- For the time being, H+H expects to use the free cash flow to develop the existing business and pursue value-adding investments in the form of acquisitions, within the debt gearing indicated in the long-term financial targets.
- Surplus funds will be used for distribution to the shareholders by means of share buy-backs and dividends.

Long-term target for financial gearing

1-2x EBITDA before special items

Operational improvements in acquired businesses



Better control of autoclaving processes (higher production capacity and reducing energy consumption).

New dosing system (lower raw materials consumption).

New truck scale (better control of raw materials delivered).

Q & A

Thank you

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Appendices

Geographical footprint

- Sales and admin
- Aircrete factories
- Calcium silicate factories

External growth drivers

Macroeconomic

- GDP growth
- Inflation
- Governmental stimuli of housebuilding

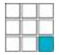
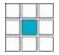
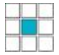
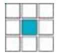
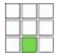
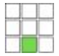
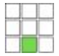
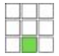
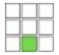
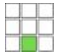
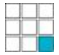
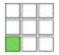
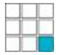
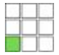
Capacity utilisation

- Capacity utilisation in the aircrete and calcium-silicate industry
- Capacity utilisation in the wall building materials industry
- High entry barriers

Demography

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

Risk factors

	Probability/impact			
Risk	**2017**	**2018**	**Scenario**	**Action**
Market			With significant 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.	Monitoring economic and political developments in the various markets and effective sales follow-up on a weekly basis.
Production			A major production breakdown or fire in a factory could cause a long-term loss of production. This shortfall would impact overhead recovery and could have an effect on sales unless made up by other H+H factories, which could lead to increased transportation costs.	Plans are in place to limit the time to fix production issues. Business interruption due to natural disasters/fire/explosions etc. is covered by insurance, which includes the additional cost of servicing the market from other sourcing options.
Raw materials & energy			Production is dependent on the supply of raw materials. Production costs are exposed to the effects of higher energy prices, cost of transportation and price changes for cement, sand, pulverised fuel ash (PFA) and lime.	All critical raw materials have dual sourcing, and substitution of suppliers can be implemented relatively easily (although at a cost). The cost raw materials is monitored closely.
Competition and pricing			H+H is one of the largest players in the European wall-building industry. Excess production capacity in some markets could result in a price war as well as some competitors desire to acquire market share using price as their selling point.	Competitor monitoring to the extent possible. Strong market visibility to maintain market position. Price monitoring in the various markets on a weekly basis with possible price adjustments.
Foreign exchange rates			H+H's earnings are in GBP, EUR and PLN, while its borrowings are primarily in DKK and EUR. Any developments in the financial markets, especially in GBP and PLN, could have a significant impact on H+H.	Exchange rate risks are mitigated under established policies and are subject to ongoing follow-up and reporting. H+H does hedge currency to reduce the exposure and tries to match assets and liabilities within each country when possible.
Capital structure & cash flow			Net interest-bearing debt amounted to DKK 525 million at the end of 2018 and H+H will remain dependent on external financing in the future to fulfill its growth strategy.	H+H has entered into a new banking agreement with Nordea. The should allow sufficient funding for both normal trading and to support its growth strategy. Covenants do exist within the agreement, but the company does not expect to breach these.
Integration of acquired companies			During 2018 H+H has made two acquisitions and has indicated that further acquisitions are likely. The integration of the acquired businesses are now mostly complete but the integration process stretches a lean organisation.	H+H will ensure a successful integration by employ and hiring sufficient resources to effectively manage the integration along with the existing day to day business.

A powerful platform for continuing the strong development

Positive financial development

Strong market position

Markets set for growth

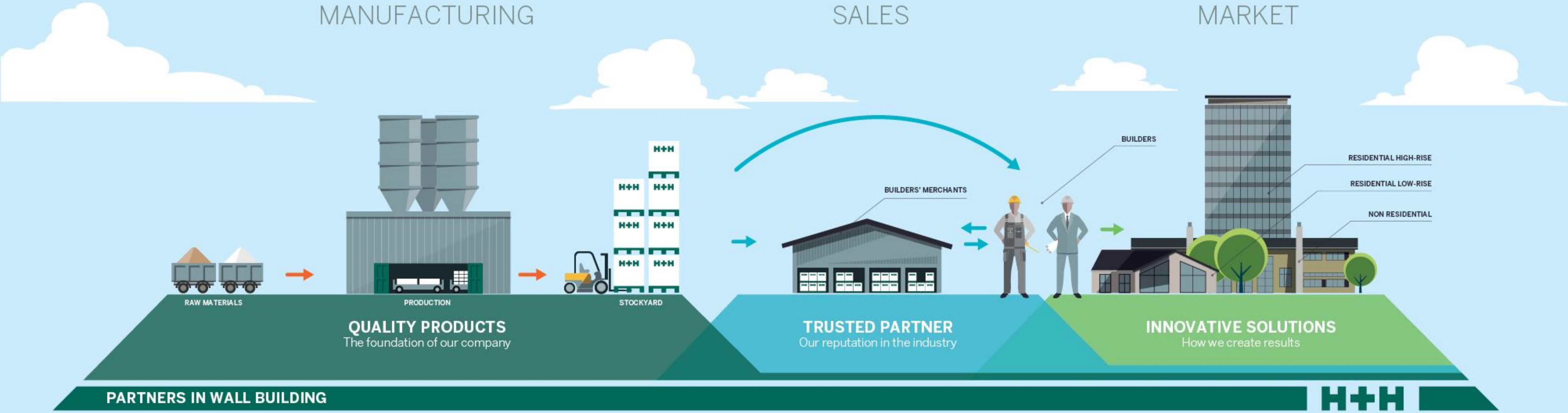
Continuous operational improvements

Cyclicality, however geographical diversification

Focused strategy has improved the flexibility of the business

Track record in successful restructuring

The business model



Quality Products

Key raw materials in H+H's products are nature's own sand, water and lime. In AAC cement and aluminium are added.

Trusted Partner

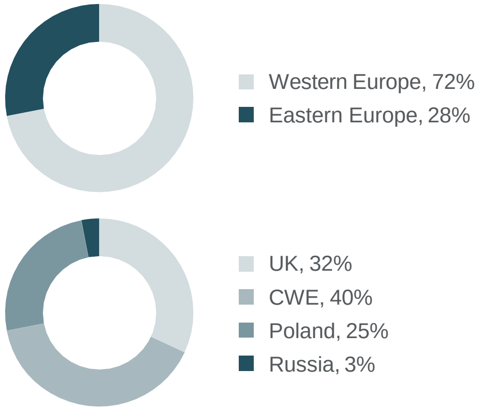
H+H focuses on adding value to costumers throughout the entire building process.

Innovative Solutions

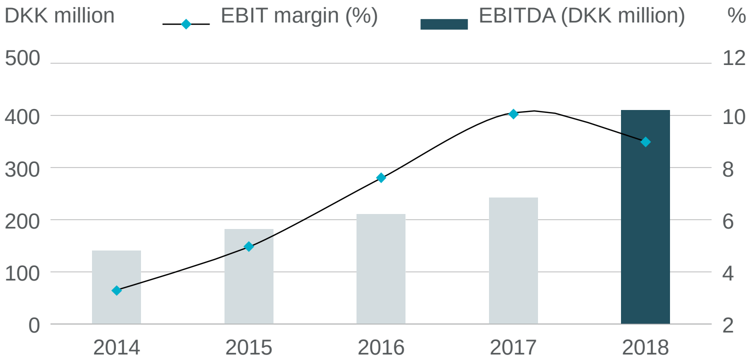
H+H supports the products with research and development programs and continuously improves and expands the product range through technological developments and design innovation.

Financial results

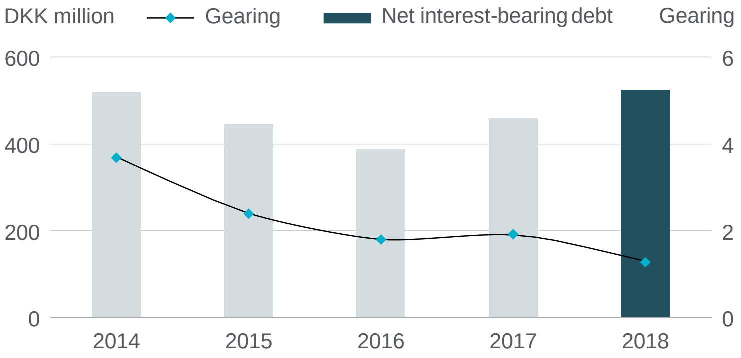
Revenue allocation 2018



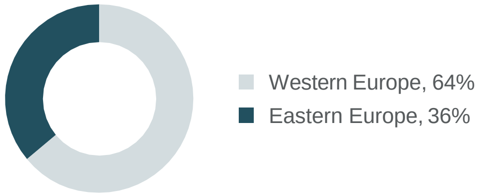
EBITDA and EBIT margin development



Financial gearing



EBITDA allocation 2018



Long-term target of EBIT margin

At least 11%

Long-term target for financial gearing

1-2x EBITDA
before special items

Long-term trends

Long-term financial targets

EBIT margin
(Operating margin before special items)

At least 11%

ROIC
(Return on invested capital)

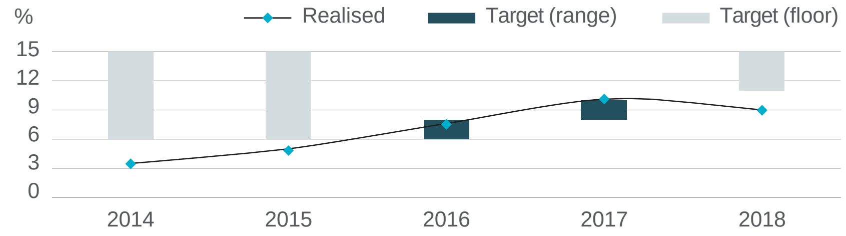
At least 12%

Financial gearing
(Net interest-bearing debt / EBITDA before special items)

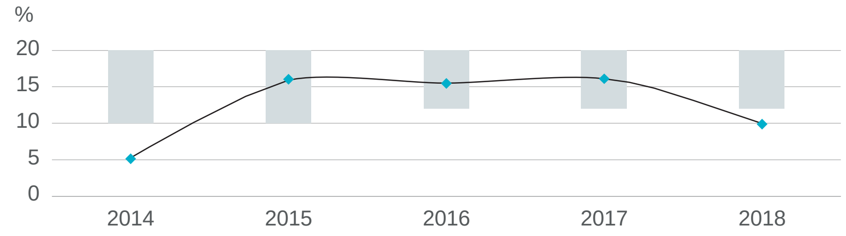
1-2x

Long-term financial performance

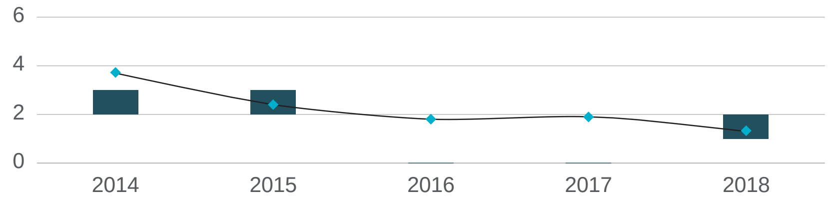
EBIT margin



ROIC



Financial gearing



Delivering on the strategy

Reda CSU factory

- Investment for a CSU production line on current AAC site in Reda near Gdansk, Poland, has been approved.
- Best location compared to competitors from a proximity perspective.
- Low cost investment due to co-location with existing production facility.
- The project is running to schedule – expected inauguration mid-2020 with an investment of around DKK 30 million.

Dresden CSU factory

- The transaction has been closed.
- Acquisition price is around DKK 67 million for 51% ownership.
- Integration project in process.
- Financial impact included in guidance.

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H+H supports customers from the very early planning stages with a complete range of sustainable wall building solutions, process expertise and guidance on how to optimize the wall building process.

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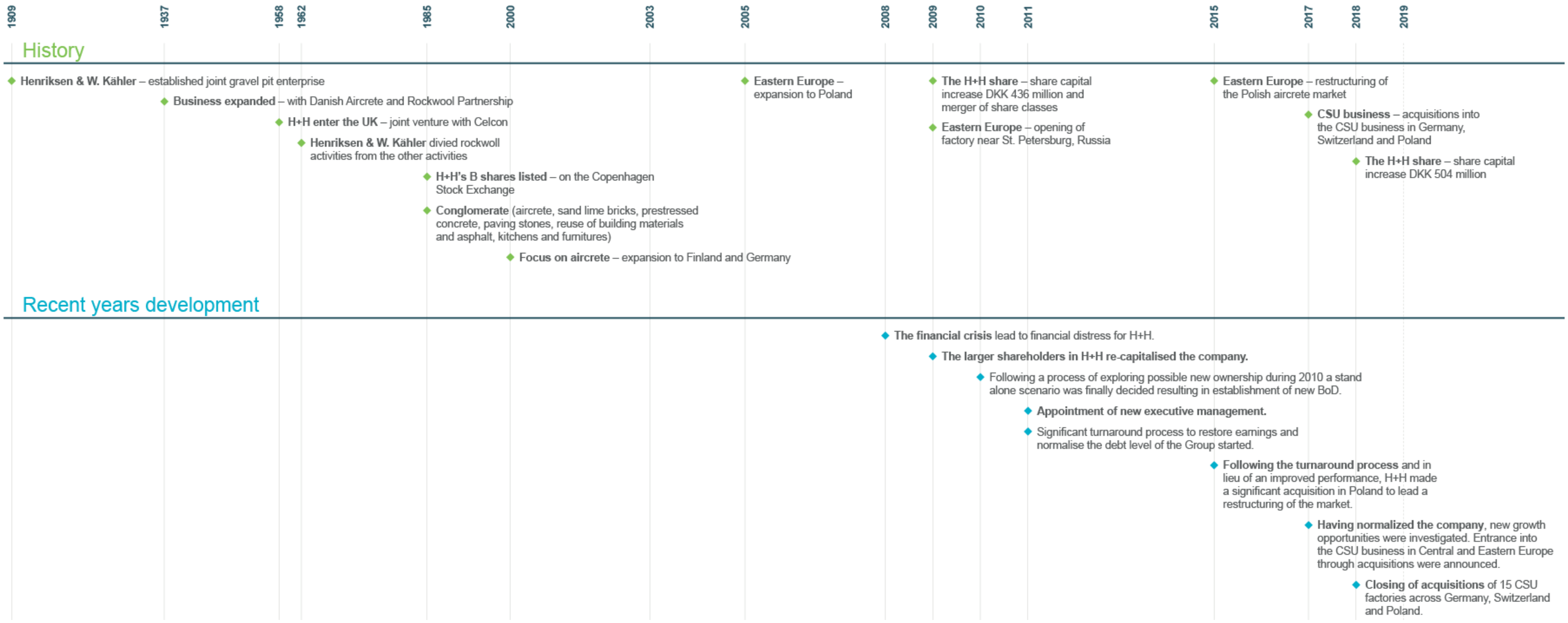
WALL
BUILDING

The new brand claim opens for further opportunities to expand the product portfolio into other wall building materials. For the time being, restructuring within our existing products in Central Europe is top of the agenda.

More than 100 years of experience



History

- **Henriksen & W. Kähler** – established joint gravel pit enterprise
- **Business expanded** – with Danish Aircrete and Rockwool Partnership
- **H+H enter the UK** – joint venture with Celcon
- **Henriksen & W. Kähler** divied rockwoll activities from the other activities
- **H+H's B shares listed** – on the Copenhagen Stock Exchange
- **Conglomerate** (aircrete, sand lime bricks, prestressed concrete, paving stones, reuse of building materials and asphalt, kitchens and furnitures)
- **Focus on aircrete** – expansion to Finland and Germany
- **Eastern Europe** – expansion to Poland
- **The H+H share** – share capital increase DKK 436 million and merger of share classes
- **Eastern Europe** – opening of factory near St. Petersburg, Russia
- **Eastern Europe** – restructuring of the Polish aircrete market
- **CSU business** – acquisitions into the CSU business in Germany, Switzerland and Poland
- **The H+H share** – share capital increase DKK 504 million

Recent years development

- **The financial crisis** lead to financial distress for H+H.
- **The larger shareholders in H+H re-capitalised the company.**
- Following a process of exploring possible new ownership during 2010 a stand alone scenario was finally decided resulting in establishment of new BoD.
- **Appointment of new executive management.**
- Significant turnaround process to restore earnings and normalise the debt level of the Group started.
- **Following the turnaround process** and in lieu of an improved performance, H+H made a significant acquisition in Poland to lead a restructuring of the market.
- **Having normalized the company**, new growth opportunities were investigated. Entrance into the CSU business in Central and Eastern Europe through acquisitions were announced.
- **Closing of acquisitions** of 15 CSU factories across Germany, Switzerland and Poland.