Investor presentation
Q2 2020

14 August 2020

H+H
PARTNERS IN WALL BUILDING

Introduction

Agenda

- Highlights
- Market development and effects from Covid-19
- Strategy update
- Covid-19 response
- Key figures Q2 and H1
- Cash flow
- Financial overview
- Current market situation
- Financial outlook
- 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 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 is headquartered in Copenhagen, Denmark and the company is listed on Nasdaq Copenhagen.

FORWARD-LOOKING STATEMENT
This presentation 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 presentation. 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.

Good performance outside UK

Q2 key highlights

- UK market severely impacted by lockdown
- Good performance in other markets despite Covid-19

H2 2020 market outlook

- Current trading is showing recovery of the UK market
- The group foresees softening of the other markets in H2
- Visibility for second half of 2020 remains limited
- Any resurgence of Covid-19 are not expected to have nationwide impact on our markets

Reintroducing outlook

- Due to the recovery and more clarity of the UK market, H+H reintroduces its financial outlook for 2020

Market development and effects from Covid-19

UK severely hit in Q2

UK market development

- Following measures taken by the UK Government on 23 March 2020 distribution centres and building sites closed in the UK.
- Beginning of May, house builders and builder's merchants in the UK initiated a phased reopening of building sites and distribution centres.
- Start June, all Housebuilders' sales centres and merchants opened.
- As of July, most building construction sites are open and productivity levels has increased as distancing rules softened

H+H UK

- H+H halted UK production beginning of April as stock levels were high and demand limited. Governmental support programs for employees on furlough have been utilized in the period.
- H+H UK was severely hit in Q2 2020 and activity was very limited in April. Sales volumes increased throughout the quarter and continued the trend in July, showing a recovery of the market
- End of June, H+H started production again to facilitate the increasing demand. Early August all three UK factories were running

Strategy update

Improved diversification to meet market challenges

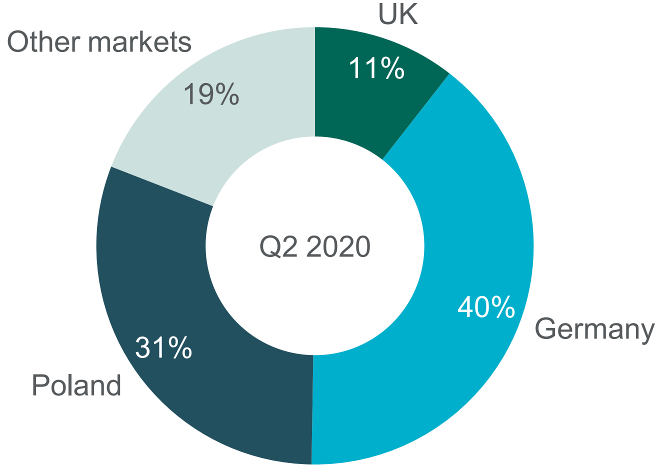
Diversified footprint

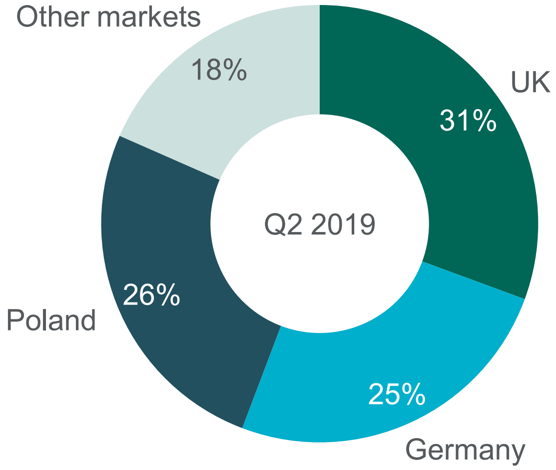
- Three core markets established in recent years – UK, Germany and Poland
- Two product lines – AAC and CSU
- Russian business divested in Q4 2019

M&A activities continues – finalising the German consolidation at focus

- AAC and CSU opportunities in the market
- Still good opportunities in the current market situation

Continue the strategic direction





Market development and effects from Covid-19

Good performance in other markets despite lockdowns

The German market

- Lockdown did not impact building sites or distribution centres
- Trading better than initial expectations and above last year
- Trading levels continued in July
- Pricing strategy continues as planned
- High order backlog in construction companies supports mid-term demand

The Polish Market

- Lockdown did not impact building sites or distribution centres
- Trading at expected levels and slightly below an extraordinary 2019
- Pricing strategy continues despite increased competition
- Trading levels continued in July

Other markets*

- Lockdown did not impact building sites or distribution centres
- Current trading is at expected levels

*Nordics, Switzerland and Benelux

Covid-19 response

Secure health and safety of our employees

- Enhanced safety precautions were implemented across all sites focusing on reducing contamination risk.

Contingency actions

- Agile capacity planning
- Reduction of shifts in UK and Poland
- Re-organisation in the Nordics
- Reduced capex – CSU factory in Reda is postponed to 2021
- Cost containment to preserve cash
- Increased committed credit facilities

Safety first

Contingency planning

Key figures

Q2 Figures

Revenue

596 DKK million

770 last year

Organic growth of

(22)%

2% excl. UK

EBIT(bsi)

57 DKK million

114 last year

Free cash flow

108 DKK million

H1 figures

Revenue

1,300 DKK million

EBIT(bsi)

142 DKK million

Capital expenditure of

43 DKK million

Excl. DKK 5m IFRS16 impact

EBIT margin (bsi)

11% 12% last year

ROIC

18% 16% last year

Financial gearing

0.8x NIBD/EBITDA (bsi)

NIBD at 30 June 2020: DKK 398m

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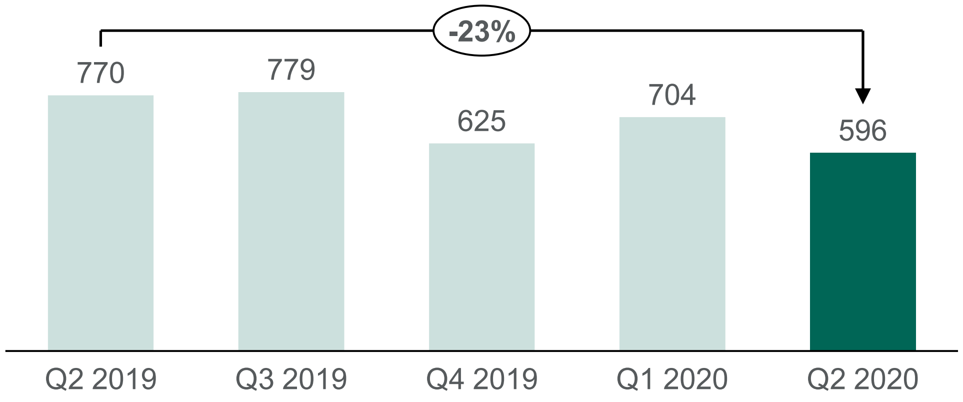
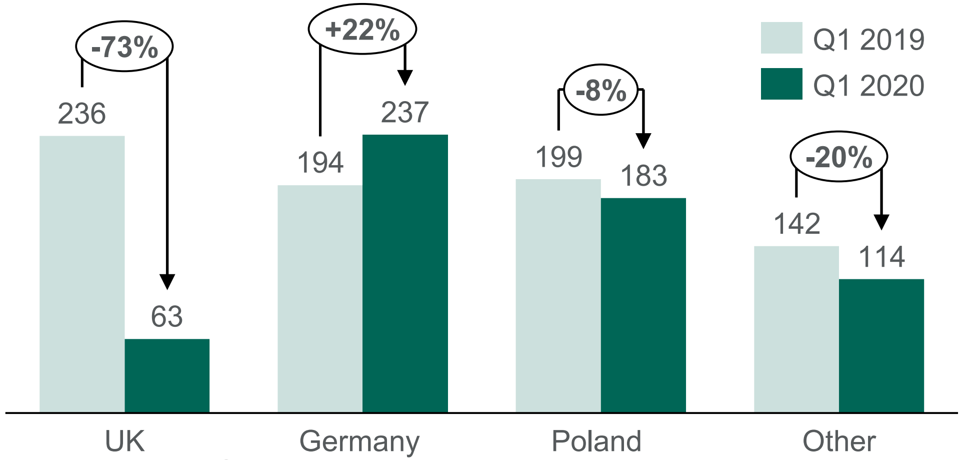
Growth in most markets despite Covid-19

Total revenue, DKKm



Revenue split, markets, DKKm



Organic growth of 2% excluding UK

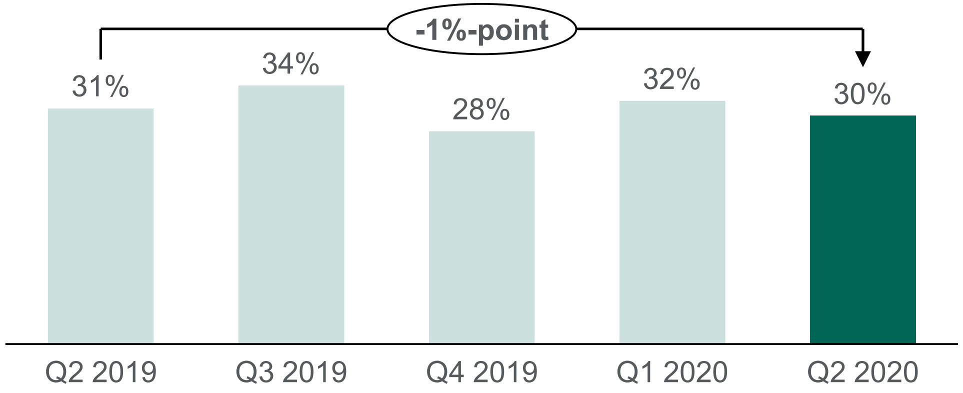
- Growth down 23% as UK was severely hit by lockdown when distribution centres and building sites closed
- Positive effects from the others markets

Good market development in other markets, despite Covid-19

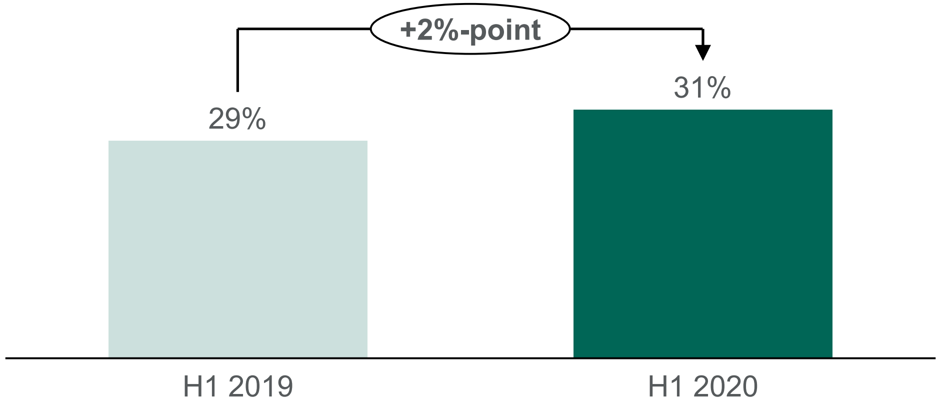
- Germany had organic growth of 6%. Strong development with higher prices and stable volumes
- Poland had organic growth of negative 3% against an extraordinary high activity level in 2019. Higher prices in AAC offset by lower volumes and flat prices in CSU
- Other markets grew 5% adjusted for Russia, divested in Q4 2019. The Nordics, Benelux and Switzerland contributed to the organic growth in both pricing and volume

Gross margin kept at high level despite UK market in lockdown

Gross margin quarters, percentage



Gross margin YTD, percentage



Q2 gross margin of 30%

- Q2 negatively affected by lower volumes produced and sold in the UK, offset by efficiency improvements as well as higher prices

- Government grants from the UK contributed positively with DKK 10m equivalent to 2%-points

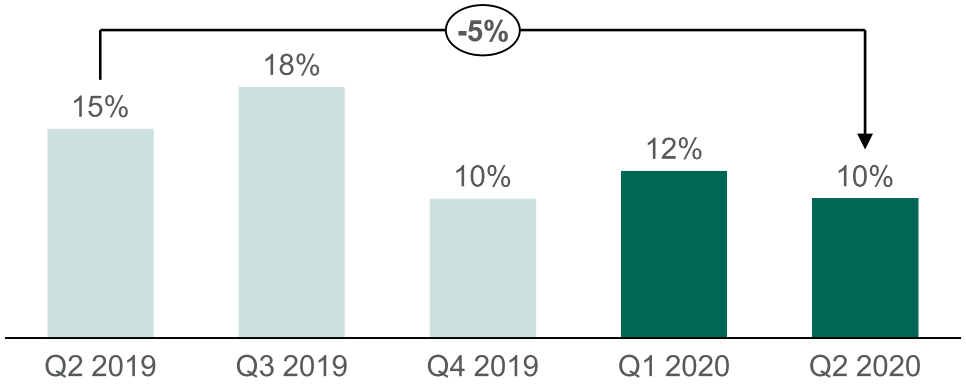
- Increased pressure on raw materials was partially offset by lower transportation cost

Gross margin up 2%-points against H1 2019

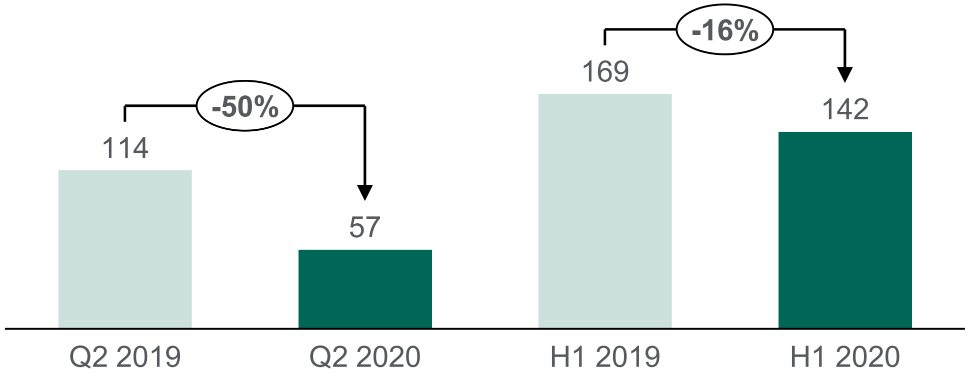
- Mainly due to efficiency improvements, higher prices and government grants

Two-digit EBIT margin kept despite market challenges

EBIT margin (bsi), percentage



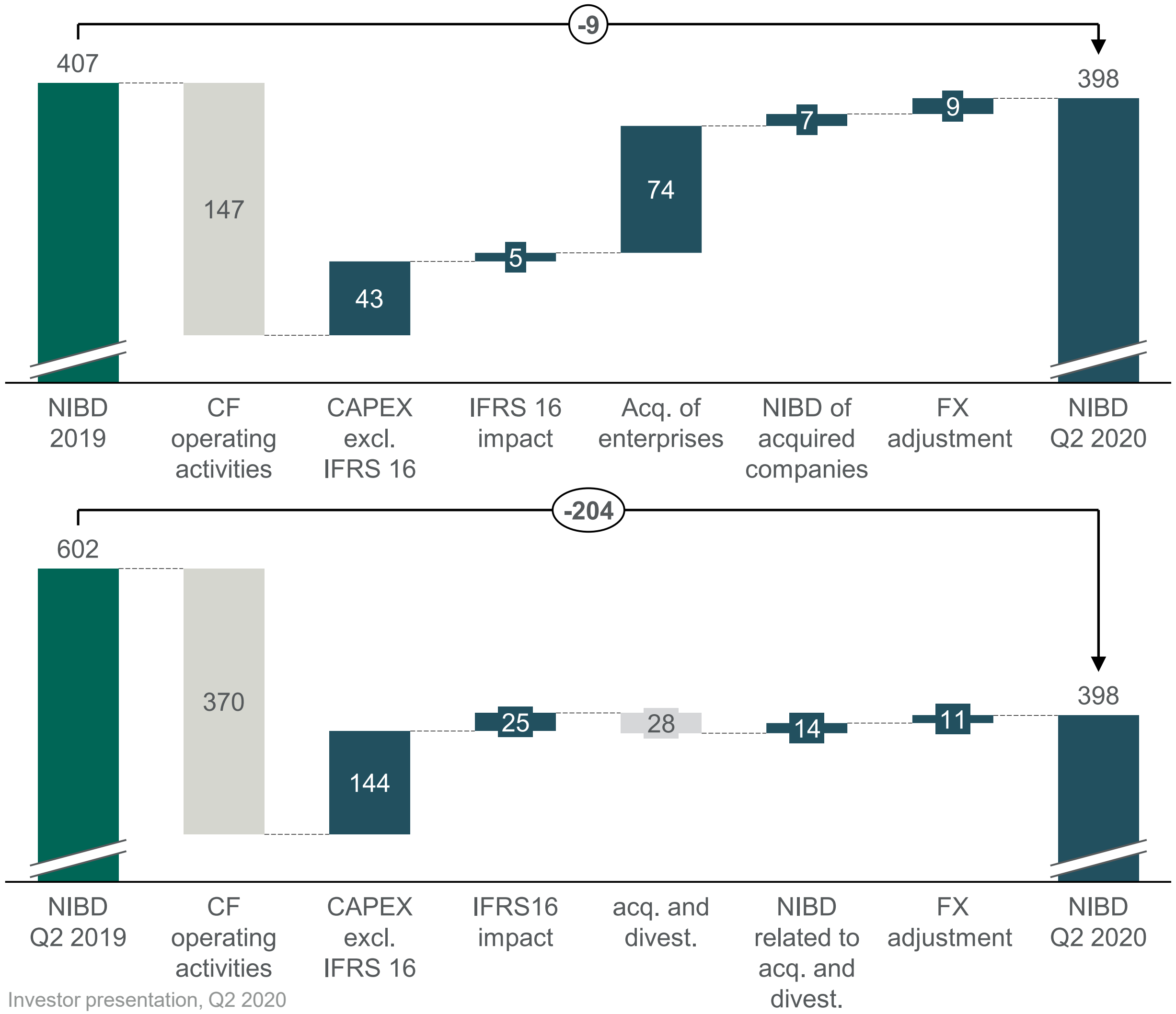
EBIT (bsi), DKK millions



Q2 2020 EBIT (bsi) impacted by UK lockdown:

- Negatively affected by halted production in the UK and limited demand
- The Groups other markets contributed positively
- Q2 2019 impacted overall by higher prices and a strong quarter for the divested business in Russia
- Strong operational excellence across markets incl. continuous improvements, purchasing initiatives and synergies from acquired companies

NIBD and financial gearing at low levels



NIBD development

- H1 2020 CAPEX related to maintenance and upgrade projects. Kept at a low level
- Paid for acquired German AAC factory in January and last preferred payment for Grupa Silicaty in Poland
- Extension of bank credit facility and increase of committed facility
- Financial gearing of 0.8x at end of June 2020
- NIBD excluding lease liabilities amounted to DKK 297m
- Unused committed bank facility of DKK 0.8 bn at 30 June 2020, an increase of DKK 0.1 bn in the quarter
- Reduction in debt of DKK 204m since 30 June 2019

Financial overview

		Q2			Q1-Q2		
DKK million		**2020**	**2019**	**Variance**	**2020**	**2019**	**Variance**
Revenue	Actual	596	770	(23%)	1,300	1,436	(9%)
	Organic	599	770	(22%)	1,283	1,436	(11%)
Gross margin*		30%	31%	(1%)	31%	29%	2%
EBITDA*		104	156	(52)	234	253	(19)
EBIT*		57	114	(57)	142	169	(27)
EBIT margin*		10%	15%	(5%)	11%	12%	(1%)
Special items		0	0	0	0	0	0
Profit/loss before tax		53	108	(55)	133	157	(24)
Profit/loss after tax		38	89	(51)	102	128	(26)
Return on invested capital					18%	16%	2%
Investments in property, plant & equipment**		22	16	6	43	27	16
Free cash flow		108	86	22	30	39	(9)
Net interest-bearing debt	DKK million				398	602	(204)
	Financial gearing				0.8x	1.2x	
Equity					1,479	1,180	299

* Before special items

** Excluding effect from implementation of IFRS 16 of DKK 5m.

2020 market outlook - still low visibility for H2

H2 2020 market outlook

- Due to the recovery and more clarity of the UK market H+H reintroduces its outlook for 2020
- Although volumes have partly returned in the UK market, the visibility in relation to volumes for the second half of 2020 remains limited
- The group foresees softening of the other markets in H2
- Any resurgence of Covid-19 is not expected to have nationwide impact on our markets

UK drivers for H2 2020

- Help to Buy: Completion requirement extended to end of February 2021
- Stamp duty holiday – Threshold raised from £125,000 to £500,000 until end of March 2021
- Softening distancing rules improves productivity levels
- Fundamentals remain attractive

STAMP DUTY

Help to Buy

Financial outlook reintroduced

H+H Group	Initial financial outlook 2020	Financial outlook 2020 24 March 2020	Realised in H1 2020	Financial outlook 2020 reintroduced
Revenue	-2 to 2%	Suspended	-11 %	-16 to -8 %
EBIT	DKK 300-360m	Suspended	DKK 142m	DKK 250-300m
CAPEX	DKK 140-180m	Suspended	DKK 43m	DKK 100-130m

Assumptions for the outlook

- Any resurgence of covid-19 will not have severe impact in our markets
- No severe impact from disruption in supply chains and constructions sites due to the pandemic
- Brexit will not lead to a significant decrease in demand
- Financial liquidity is available in the markets to support housebuilding
- Exchange rates, primarily for GBP, EUR and PLN, hold at their mid-August 2020 levels.
- Energy and raw material costs expected to rise in line with inflation

Q & A

Thank you

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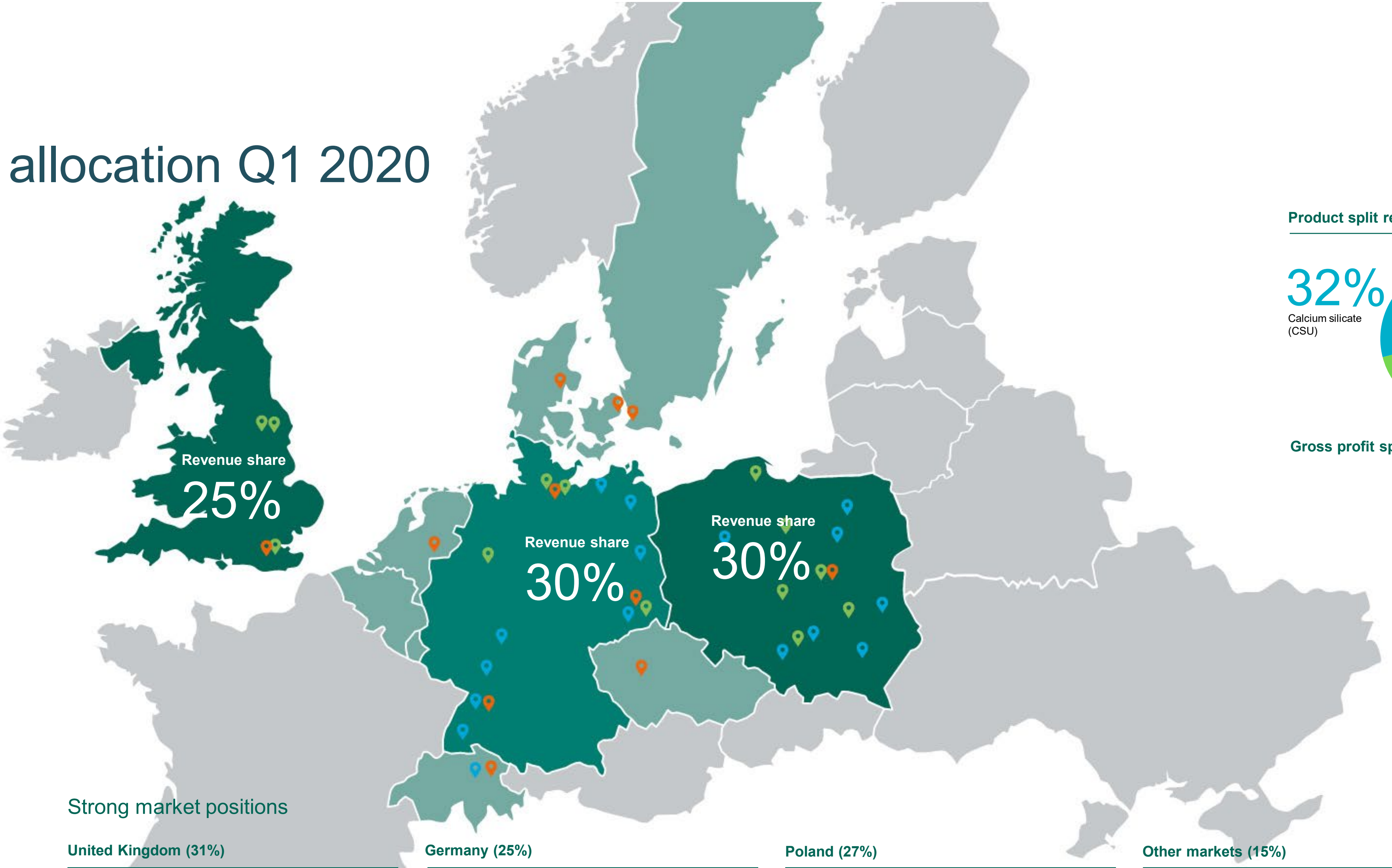
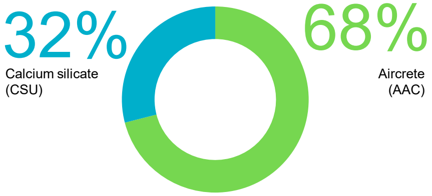
Appendices

Revenue allocation Q1 2020



Product split revenue



Gross profit split: CSU 27% / AAC 73%

Strong market positions

United Kingdom (31%)	Germany (25%)	Poland (27%)	Other markets (15%)
#1	**#2**	**#2**	**#1 or #2**
Marketshare **>40%**	Marketshare **AAC >15%**** Marketshare **CSU ~12%**	Marketshare **AAC 20-25%** Marketshare **CSU 20-25%**	Marketshare **15-20%**

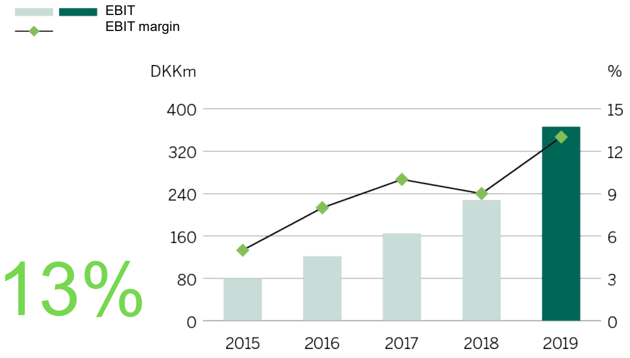
** Incl acquired AAC factory in Dresden on 14 January 2020

- Sales and Administration
- Aircrete factories
- Calcium silicate factories

Long term financial targets

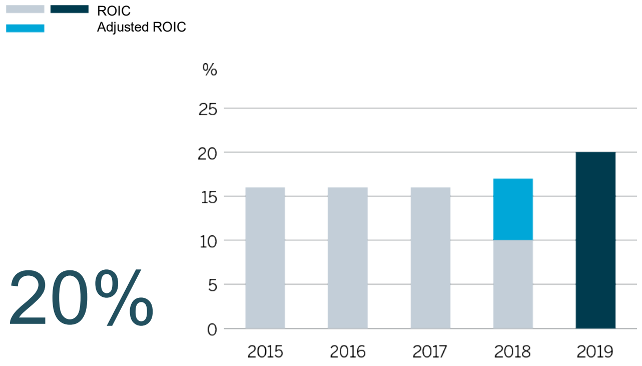
H+H expects to use free cash flow to develop the existing business and execute on the pipeline of strategic growth initiatives.

EBIT



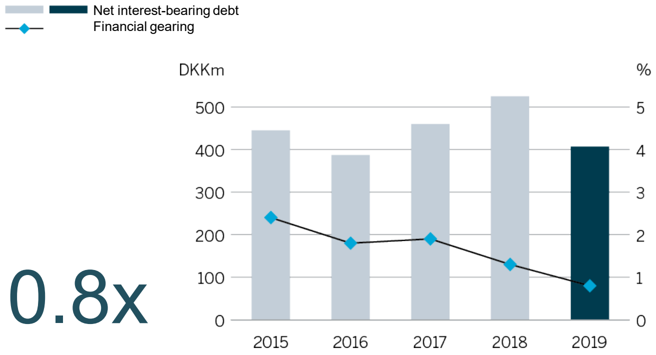
13%

Return on invested capital (ROIC)



20%

Financial gearing



0.8x

Long-term financial targets

EBIT margin
(Operating margin before special items)

11%

ROIC
(Return on invested capital)

12%

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

1-2x

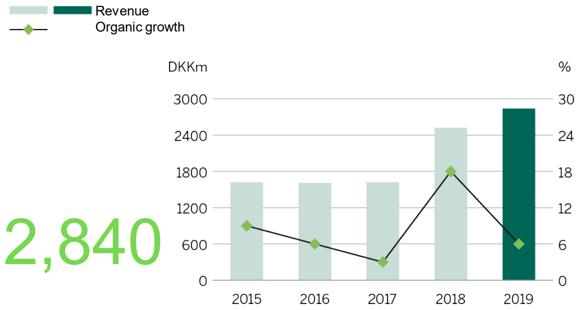
In the annual report 2017 we laid out the current long-term targets. While exceeding the targets in high profitable years, the targets also reflect the ambition to keep average minimum levels through a full business cycle

Performance Highlights

Revenue and Profit

Revenue

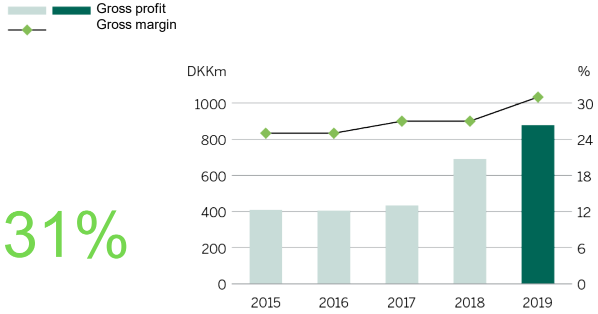
2,840



Revenue in DKKm

Gross profit and gross margin

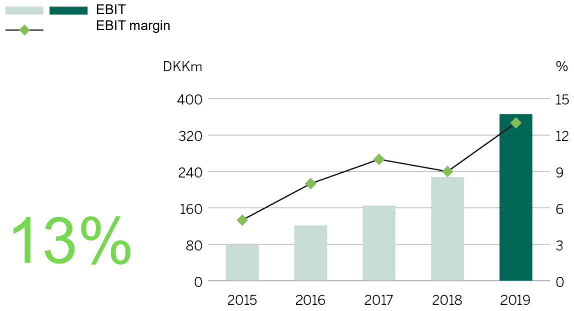
31%



Gross margin before special items

EBIT and EBIT margin

13%

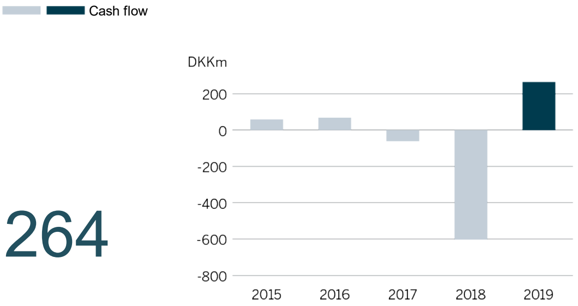


EBIT margin before special items
EBIT in 2018 was affected by a one-off effect related to the acquisition of the German CSU plants

Cash flow and balance sheet

Free cash flow

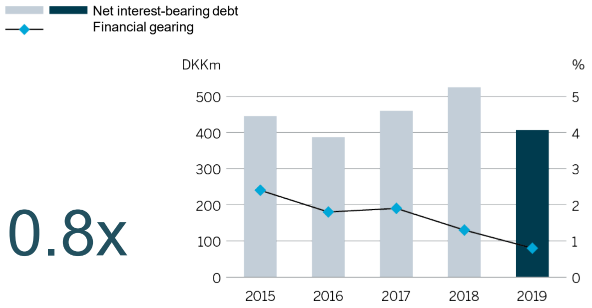
264



Free cash flow in DKKm

Financial gearing

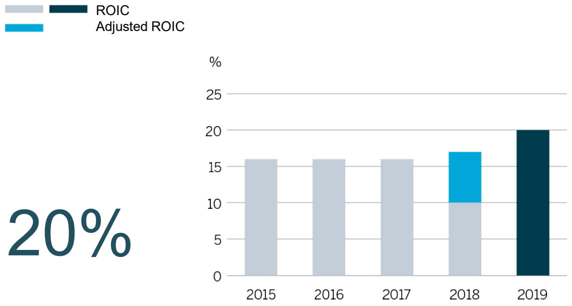
0.8x



NIBD/EBITDA (before special items) ratio. NIBD for 2019 incl. impact from IFRS 16

Return on invested capital (ROIC)

20%



ROIC in 2018 was negatively impacted by a one-off related to the acquisition and integration of the German and Polish businesses and impairment of fixed assets in Russia. Adjusted for this, ROIC would have been 17%.

Business model – We focus on adding value to our customers throughout the entire wall building process

Quality Manufacturing
Quality products of nature's own material

Value-added Sales
Trusted partners in wall building

Diversified Market
Innovative product solutions for high-rise and low-rise

Key raw materials

- Nature's own sand, water and lime
- Cement and aluminium added for AAC

Quality products

- Autoclaved aerated concrete (Aircrete or AAC)
- Calsium silicate units (CSR)
- Quality products with sustainable features
- Eco friendly
- Improved energy savings

Partnerships

Partnerships with the customers
Solution selling

- Early involvement
- Supports customers in early planning stage
- Optimising building process
- Cooperation with planners, architects, distributers and builders

Delivery

Building site (75-80%)
Builders' merchant

- Premium brand
- Availability
- One-point of contact
- One-stop shop for wall building
- Transparency
- Reliable and timely delivery

Foundation Inner & Exterior walls

High-rise
(primarily CSU)

Residential low-rise
(primarily AAC)

Non residential
(primarily AAC)

- Sustainable building products
- High quality solutions
- On-site support
- Improved workflows and processes
- Technical support and material expertise
- Mixed product sales

Equity story

1. European market leading position in AAC and CSU products

- Top 2 positions in all key markets
- Geographic balanced market position
- Balanced product portfolio for low-rise and high-rise buildings

2. Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and urbanisation (megatrend)
- High entry investment barriers

3. M&A – Proven track record of strategy execution

- Fragmented markets with room for market share gains and consolidation through acquisitions
- Efficient integration process and agile organisation
- Scale – realisation of synergies

4. Sustainable solutions

- Long-lasting eco friendly products
- Energy saving products
- Excellent indoor climate
- Fire resistance
- Acoustic comfort

5. Unique market approach

- Value added customer relationship and assistance through entire building process
- Supplying sophisticated solutions
- Focusing on pull sale – knowing the customer
- High customer retention rate
- High degree of market adaptation

6. Strong financial performance and capital structure

- Earnings more than quadrupled since 2015
- EBIT from DKK 80 m to DKK 366 m in 2019 before special items
- NIBD/EBITDA before special items ratio of 0.8x
- ROIC of 20%
- Strong cash flow generation

Top six risks

	1. Market	2. Production	3. Financial
Probability/Impact			
Risk Description	Risk of a worsened global economy and especially in the sector for new residential and non-residential construction, could have a significant impact on H+H. The markets in which H+H operate tend to be cyclical and with some degree of correlation, which could cause a risk of imbalanced earnings. Risk related to EU or UK regulation is also present. Finally, risk related to competition could occur in case of excess production capacity or changes to our competitors' pricing strategies.	A major breakdown in a production facility could cause a long-term loss of production. Such a shortfall could impact overhead recovery and potentially sales. Risk also exists in relation to unplanned production stops due to lack of maintenance or availability of spare parts. Finally, production could be vulnerable to shortage of supply and raw materials.	Risk of insufficient cash or financing to execute the growth strategy and to comply with financial covenants. Also, volatility in foreign exchange rates could result in a risk of losses when funds are retrieved to the Group.
Risk Mitigation	At H+H, we continuously monitor our geographical footprint and have a good understanding of our core markets and demographic developments. A structured process for continuously updating mitigation plans exists, and H+H conducts weekly sales monitoring including key leading indicators for signs of a recession or price changes in order to anticipate potential impact and execute mitigating plans. Furthermore, H+H closely monitors economic, political and competition developments in and outside our footprint and participate in European interest organisations for AAC and CSU to impact the political environment. In addition, we have exited our activites in the Russian market.	H+H regularly conducts preventive maintenance checks as well as spare parts stock analysis to limit the down time of unplanned production stops. Also, H+H dual sources key raw materials to ensure steady supply. Should an unplanned production stop occur, other plants could mitigate as a short-term option. Finally, H+H is insured for breakdowns and business interruptions, so the isolated financial impact is considered low.	H+H entered into a committed credit facility with Nordea effective in March 2019, securing funding of daily operations and the growth strategy. The agreement was originally to mature in 2022, but in early 2020 it was extended to 2023. Financial covenants are monitored monthly and reported quarterly. Reports show significant headroom. The translation risk is reduced by FX hedging on a transactional basis.
Risk assesment	Operating in the construction sector, H+H is exposed to economic developments, but we believe that we have reduced the risk to an acceptable level through mitigating actions. Similarly, as we are market leading in most of our markets, we are able to reduce competition risk to an acceptable level.	Considering the mitigating plans and factory footprint, we believe the risk is medium but acceptable. However, H+H is continuously focusing on improving mitigating actions to production risk. Our aim is to reduce the risk by further initiatives including an updated approach to Enterprise Risk Management.	With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom.

Top six risks

	4. Law and compliance	5. People	6. IT
Probability/Impact			
Risk Description	Risk of a lack of compliance with law and regulation, e.g. competition law, GDPR, transfer pricing etc. could result in loss of reputation and/or fines resulting in financial impact.	The main people risks are risk of scarcity of qualified labour as well as incidents and fatalities at our production facilities as they are inherently dangerous workplaces.	The growing dependence of the business on technology increases the IT risk. Therefore, ensuring an effective IT platform and mitigation of threats from cyber security, data leakage and data security are key focus areas for H+H. An extended period of down-time or lack of integration of acquired entities could result in delays and additional costs.
Risk Mitigation	H+H continuously monitors new regulations within all our markets. Where relevant, H+H will consult specialists before decisions are executed. Code of Conduct policies are deployed and the Management of H+H communicates the importance of compliance and regulation regularly. Also, whistle-blower policies are deployed and communicated across the organisation. H+H has established an ESG committee consisting of officers representing each related topic and regional compliance officers.	Heatlh & Safety are a key management area including KPI monitoring and part of Management renumeration programmes. Internal and external Health & Safety audits are conducted annually in rotation and actions are prioritised and carried out by skilled Heatlh & Safety Managers. Also, HR processes including retaining and recruiting talent are increasingly important to H+H. Therefore, HR resources have been added to the organisation.	H+H has defined its new information security framework, which includes updated policies, guidelines and tools which will take H+H to the desired information security level. Over the last year, H+H has taken several initiatives to improve the IT platform and the embedded security framework.
Risk assesment	Risk of a lack of compliance with law and regulations is considered low including mitigating actions taken.	The risk of incidents and fatalities does exist, but it is our assessment that considering the mitigating actions taken, the risk is reduced to an acceptable level. Also, improved HR processes contribute to a low people risk.	IT related risk is considered low but the likelihood of occurrence will be further reduced once the above mitigating actions are fully implemented.

External growth drivers

Macroeconomic

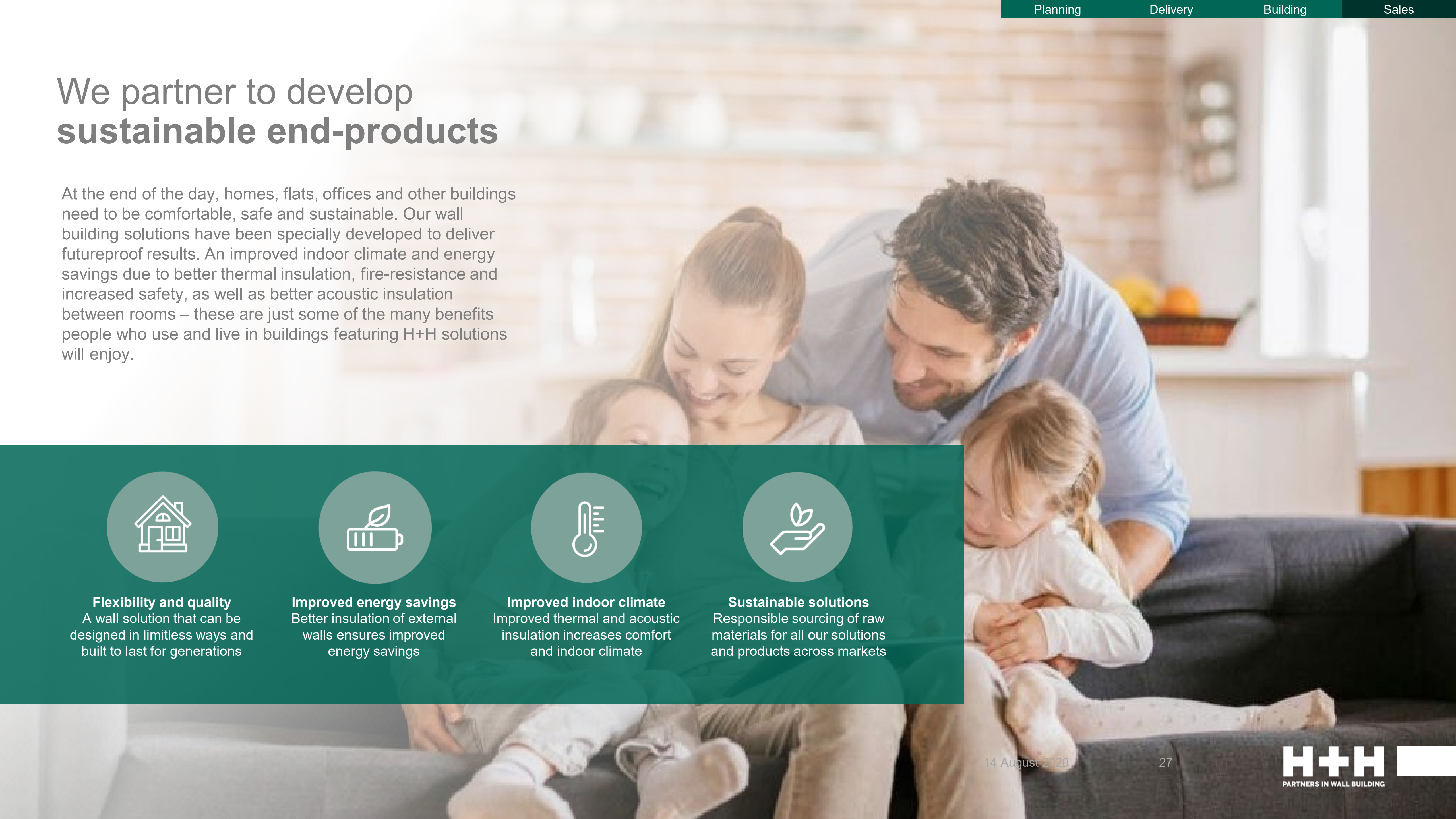
- GDP growth
- Inflation
- Governmental stimuli of housebuilding

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



We partner to develop **sustainable end-products**

At the end of the day, homes, flats, offices and other buildings need to be comfortable, safe and sustainable. Our wall building solutions have been specially developed to deliver futureproof results. An improved indoor climate and energy savings due to better thermal insulation, fire-resistance and increased safety, as well as better acoustic insulation between rooms – these are just some of the many benefits people who use and live in buildings featuring H+H solutions will enjoy.

Flexibility and quality
A wall solution that can be designed in limitless ways and built to last for generations

Improved energy savings
Better insulation of external walls ensures improved energy savings

Improved indoor climate
Improved thermal and acoustic insulation increases comfort and indoor climate

Sustainable solutions
Responsible sourcing of raw materials for all our solutions and products across markets

More than 100 years of experience

H+H as a conglomerate

European wall building provider as consolidator

Turnaround

Normalisation and expansion

1909

Henriksen & W. Kähler – established joint gravel pit enterprise

1937

Business expanded – with Danish Aircrete and Rockwool Partnership

1958

H+H enter the UK – joint venture with Celcon

1962

Henriksen & W. Kähler divided rockwool activities from the other activities

1985

H+H's B shares listed – on the Copenhagen Stock Exchange

1998

2000

Focus on aircrete – expansion to Finland and Germany

2003

2005

Eastern Europe – expansion to Poland

2008

2009

The H+H share – share capital increase DKK 436 million and merger of share classes

Eastern Europe – opening of factory near St. Petersburg, Russia

2010

2011

2015

Eastern Europe – restructuring of the Polish aircrete market

2017

CSU business – acquisitions into the CSU business in Germany, Switzerland and Poland

2018

The H+H share – share capital increase DKK 504 million

2019

Divestment of the Russian business

Acquisition of one CSU and one AAC factory in Germany*

Conglomerate (aircrete, sand lime bricks, prestressed concrete, paving stones, reuse of building materials and asphalt, kitchens and furnitures)

*Closed 14 January 2020

PARTNERS IN WALL BUILDING

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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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.