

# H+H International A/S

## Investor presentation

August 2021



# Introduction

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## H+H is a partner in wall building across Europe

H+H is a wall-building materials provider. The core activity is the production and sale of autoclaved aerated concrete ("AAC" or "aircrete") and calcium silicate units ("CSU" or "sand lime bricks"). The primary products are building blocks used for wall building, mainly in the residential new-building segment, but 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 leading position in most of its markets, with 29 factories in Northern and Central Europe (plus one factory currently under construction) producing a total annual output of approximately four million cubic metres of wall-building materials. The Group has more than 1,500 employees working in eight countries in Central Europe.

The business is cyclical and H+H is always pursuing organic growth and margin improvements. In addition, restructuring and consolidation 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 the Nasdaq Copenhagen stock exchange under the ticker symbol, HH.

### FORWARD-LOOKING STATEMENTS

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.

# Equity story

H+H remains in a unique position for continued growth due to attractive market fundamentals, a differentiated market approach, sustainable products, and a proven track record of strategy execution



## Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and changing housing needs
- Fragmented markets with room for consolidation through acquisitions
- High entry barriers for new competitors



## Differentiated market approach: Partners in Wall Building

- Value-added customer relationships and assistance through entire building process
- Supplying sophisticated and sustainable solutions
- High degree of market adaption
- High customer retention rate



## Sustainable solutions—net-zero emissions by 2050

- Long-lasting and reusable products
- Carbon-friendly products with increasing market penetration
- Insulating properties leading to energy savings and more sustainable buildings
- Excellent indoor climate and acoustic comfort
- Fire resistant products



## Proven track record of strategy execution

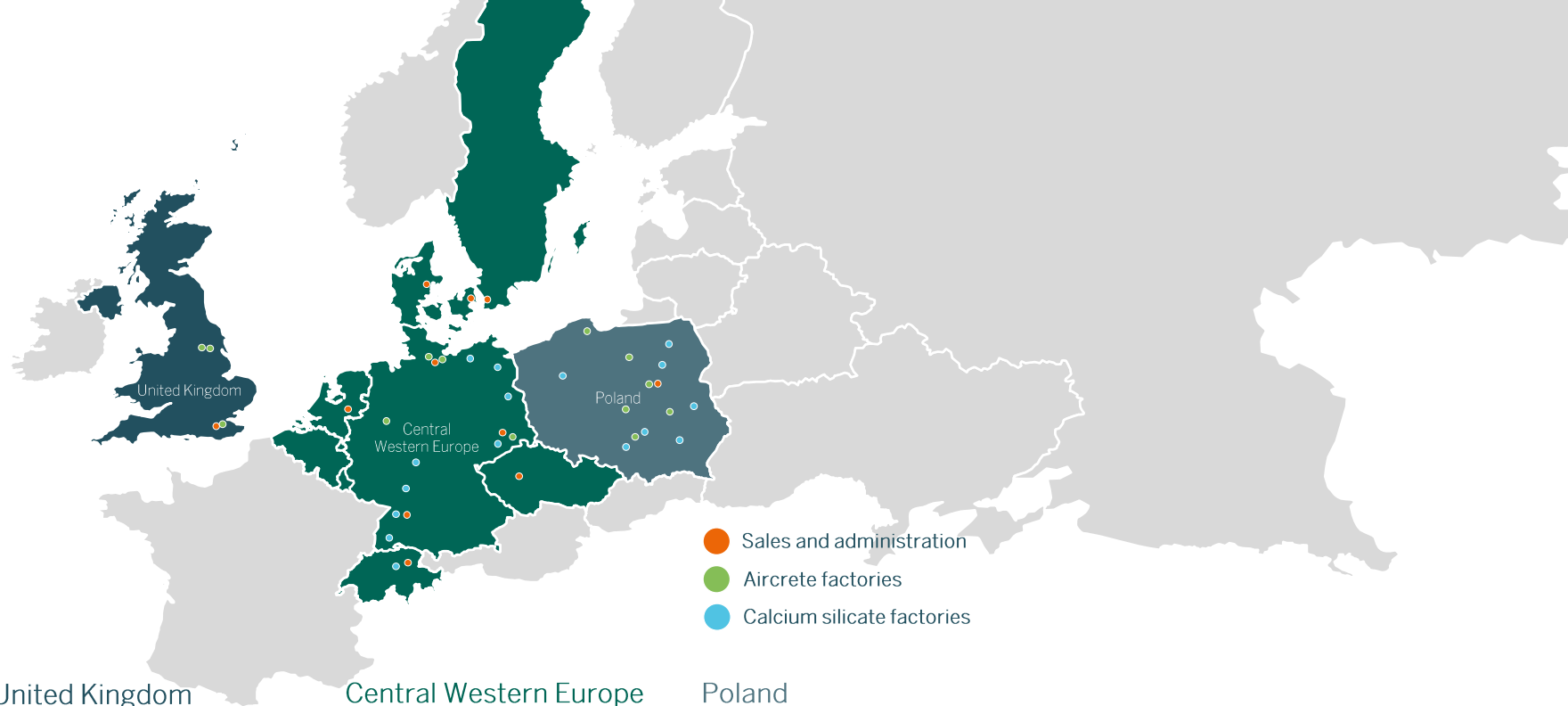
- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets has led to the realisation of synergies
- Efficient integration process and agile organisation
- ROIC consistently above WACC
- Strong cash-flow generation to fund bolt-on acquisitions

# Strategic position



# H+H at a glance

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. The Group has a leading position in most of its markets.



## 2020 financial highlights

Revenue in DKK million

2,654

EBIT in DKK million

332

Profit after tax in DKK million

251

Financial gearing

0.4x

United Kingdom

Market position

#1

Market share

>40%

Central Western Europe

Market position

#2

Market share AAC

>15%

Market share CSU

~12%

Poland

Market position

#2

Market share AAC

20-25%

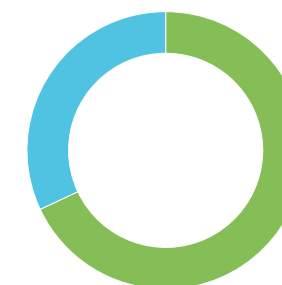
Market share CSU

20-25%

Revenue split by product line (FY 2020)

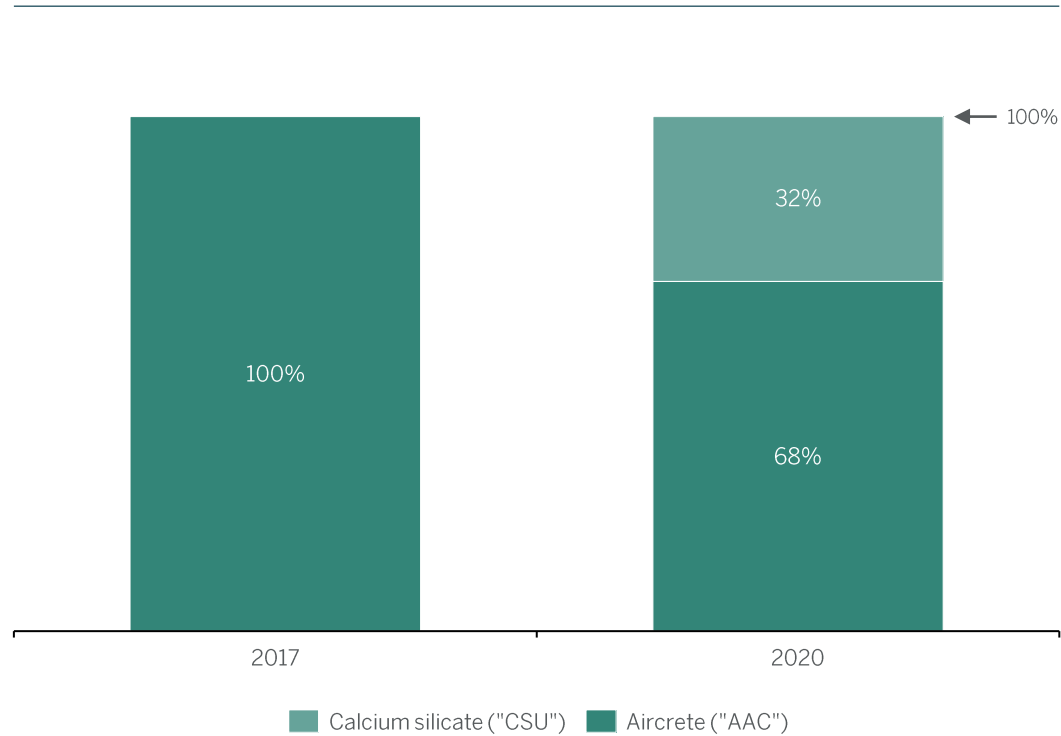
32% Calcium silicate ("CSU")

68% Aircrete ("AAC")

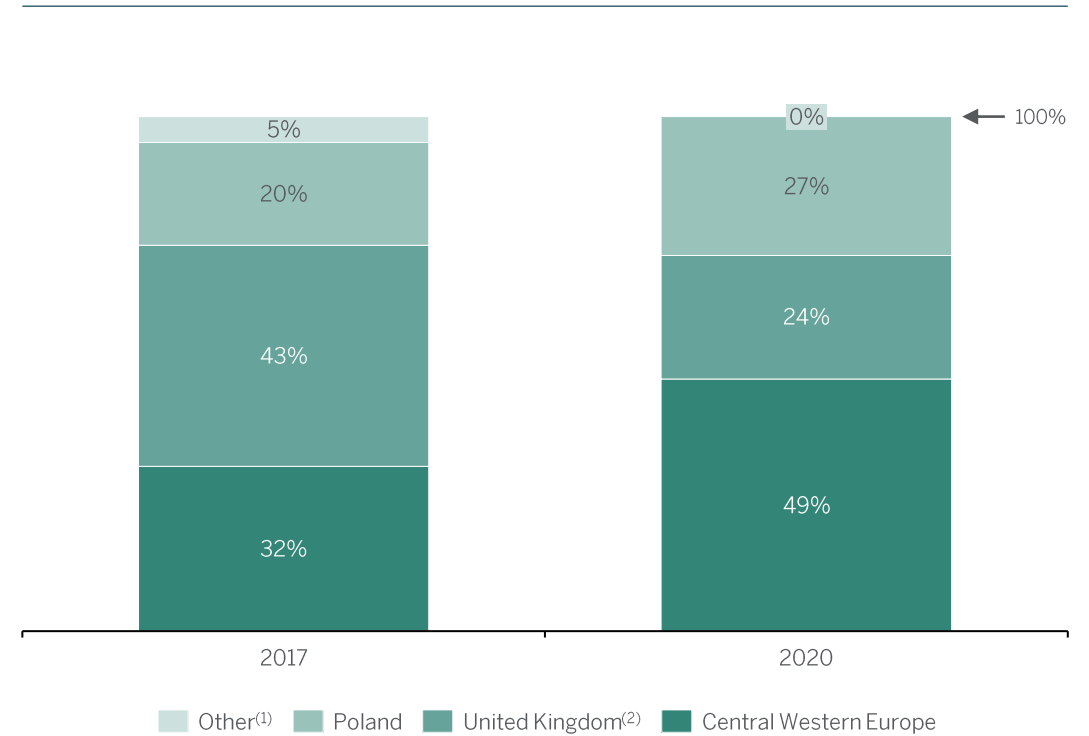


# Aircrete constitutes largest share of revenue, but consolidation efforts have provided a more balanced geographical footprint

**Revenue by product line**  
Share of total revenue, 2020



**Revenue by region**  
Share of total revenue, 2020



(1) 'Other' comprises the now divested Russian activities (2) In 2020, revenue in the UK was significantly impacted by the COVID-19 pandemic, which caused a three-month lockdown of the entire UK construction sector. Revenue in the UK in 2019 amounted to DKK 877m, corresponding to 31% of total revenue for the year.

# Our products and wall-building solutions can be used for a variety of projects

Our homes, flats, offices and other buildings need to be comfortable, safe and sustainable. Our wall-building solutions have been specifically developed to deliver high-quality and sustainable results.

## Our products

H+H is a provider of building materials. Our core activities are the production and sale of autoclaved aerated concrete (“AAC” or “aircrete”) and calcium silicate (“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.

## A strong solution in sustainable building



### Foundations

H+H Foundations Blocks are quick to install and can be used to support solid or cavity wall constructions as well as timber frame structures.



### External walls

H+H wall elements can also be used for solid external walls. They offer the fastest building method as well as an unparalleled air tightness and insulation.



### Internal walls

Partition walls built with H+H wall materials meet any sound-insulation requirements and are quick and easy to install.



### Private low-rise houses

H+H has a strong track record and expertise in construction of walls for private low-rise houses.



### Volume housebuilders

H+H is a trusted partner to builders of large construction projects ensuring cost-efficient and high-quality solutions.



### Public sector housing

H+H is committed to supporting public sector housing providers with high quality, long-lasting, and energy-efficient housing.



### Commercial and industry

H+H's solutions are immensely versatile and can be used in many types of commercial and industrial buildings, low as well as high-rise.



### Residential high-rise

H+H wall-building solutions also include solid and partition wall products used in residential high-rise buildings.



### Self-build

H+H wall solutions also support self-build and DIY projects of any kind. An eco-friendly and easy-to-handle material for any wall.



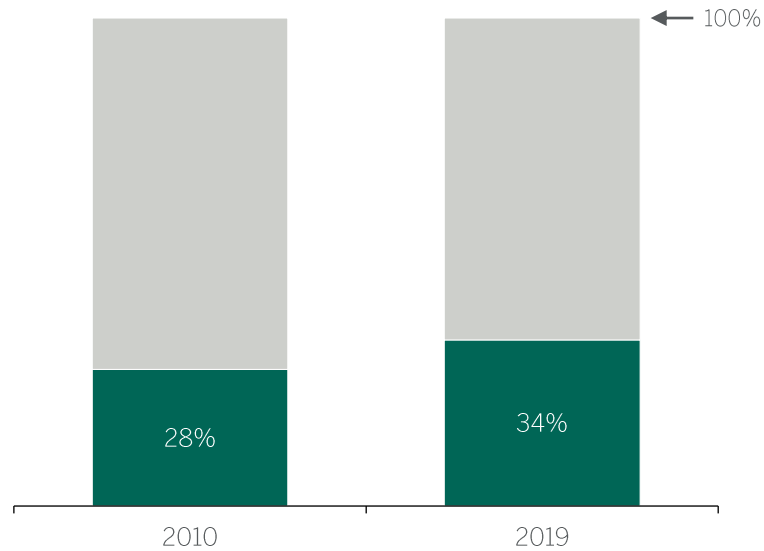
### Renovation

H+H wall-building solutions are a popular choice for domestic renovations, extensions, and small building projects, including energy-efficient improvements.

# H+H's product offering is enjoying increasing market penetration in all of H+H's core markets

## Germany

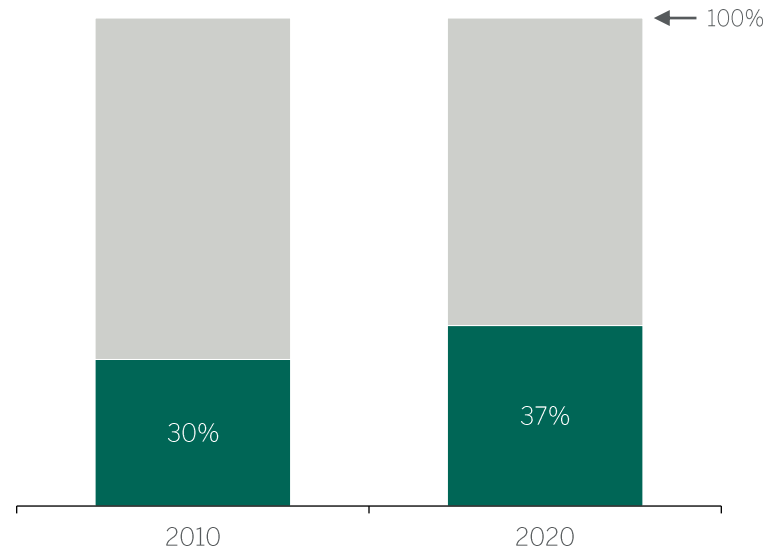
Predominantly used wall-building material



■ H+H product offering ■ Other wall-building materials

## United Kingdom

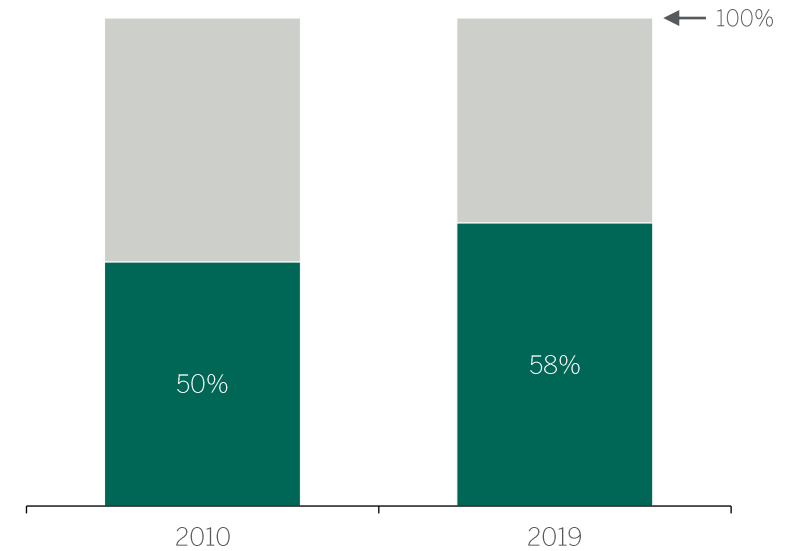
Predominantly used wall-building material



■ Aircrete ■ Other wall-building materials

## Poland

Predominantly used wall-building material



■ H+H product offering ■ Other wall-building materials



# Modern and carbon-friendly products with increasing market penetration



## Modern and long-lasting products...

Aircrete was invented in the early-1930's, decades or even centuries later than timber, concrete, clay, and bricks. H+H's products have an expected lifetime of 100-150 years.



## ...with sustainable properties...

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 of H+H's product offering. Further, recent analyses show that H+H is on a path to achieve net-zero—and possibly net-negative—emissions by 2050.



## ...enjoying increasing market penetration

H+H's product offering is seeing increasing market penetration in all of the Company's core markets of Germany, the UK, and Poland. The average increase in market penetration over the past ten years across the three markets is above 20%.



# Business model—we focus on adding value to our customers throughout the entire wall-building process

## Quality Manufacturing

Modern and carbon-friendly products

## Value-added Sales

Trusted partners in wall building

## Diversified Market

Innovative product solutions for high-rise and low-rise



### Key raw materials

- Sand, water, and lime
- Cement and aluminium added for AAC

### Quality products

- Autoclaved aerated concrete and calcium silicate units
- Quality products with sustainable features
- Carbon-friendly products
- 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, distributors, and builders

### Quality products

Building site (75-80%)  
Builder's 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
- One-site support
- Improved workflows and processes
- Technical support and material expertise
- Mixed product sales

# Partnership is key to managing increasing industry complexity

Building projects are complex undertakings, involving many different stakeholders with equally different needs and demands. From architects to planners to distributors and contractors—everyone is under pressure to work faster, smarter and more efficiently.

Combined with major trends and challenges like increasing material costs, qualified labour shortages, rising demands for greater energy efficiency, and sustainability, completing construction projects today requires great effort.



Increasing material costs



Lack of qualified labour



Rising demand for energy efficiency



Increasing focus on sustainability



# We are Partners in Wall Building

Our homes, flats, offices and other buildings need to be comfortable, safe and sustainable. Our wall-building solutions have been specifically developed to deliver high-quality and sustainable 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.

Our value proposition is to be a trusted partner to builders and developers across our markets, aiming to adding value at every stage of the building process. We are constantly striving to find new ways to improve our products and building concepts to make building better, easier and more efficient to everyone involved—from sourcing and production to distribution and building sites.



# H+H's growth strategy rests upon four strategic pillars

## Strategic pillars



Pursuing profitable growth



Defending margins and maintaining attractive returns



Driving innovation and IT



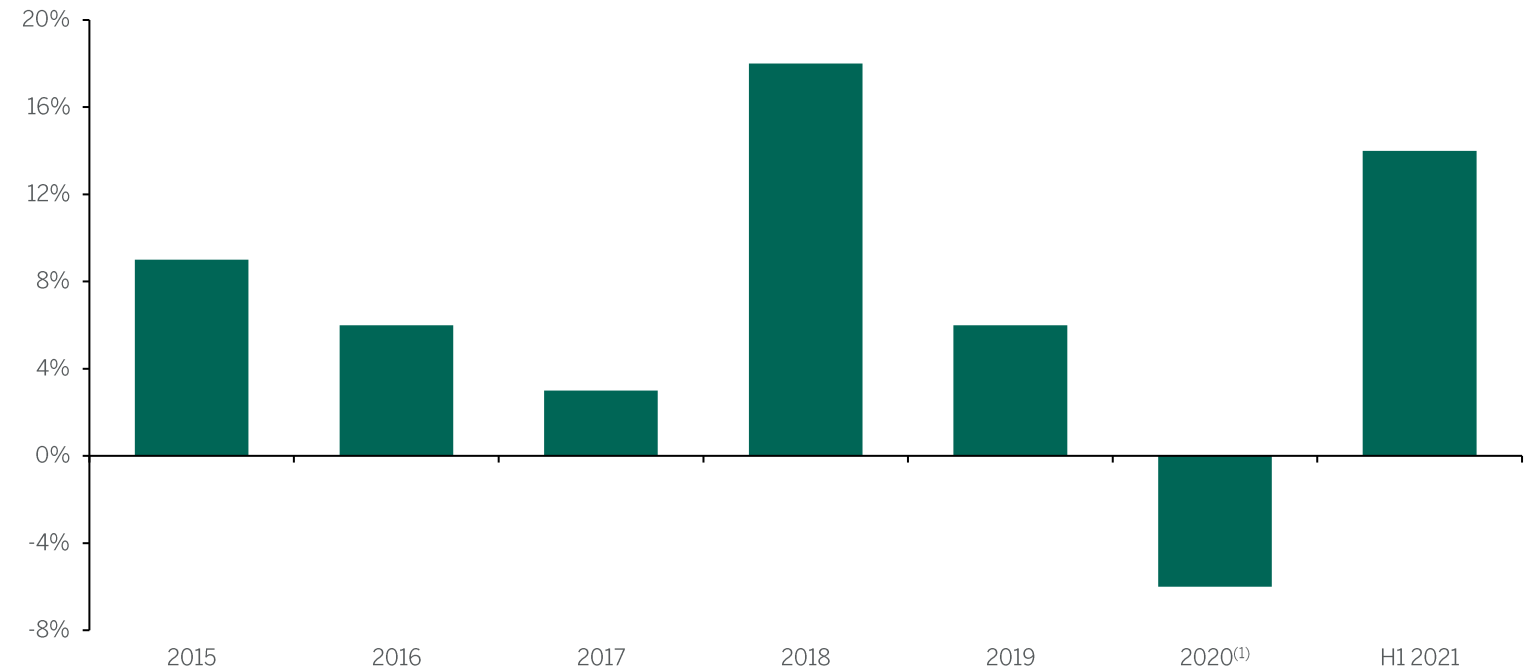
Focus on sustainability and safety



## The business has grown organically over recent years...

### Organic growth

Increase/decrease on revenue in local currencies, excluding acquired and divested businesses

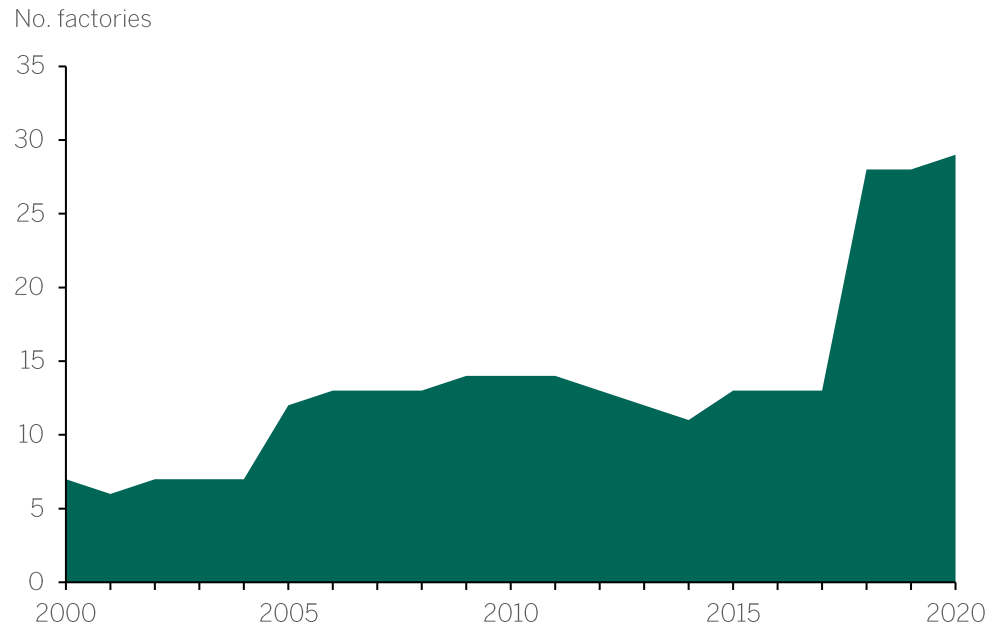


(1) Organic growth for 2020 reflects impact from the global COVID-19 pandemic and the three-month National lockdown imposed by the British Government as a response to the pandemic

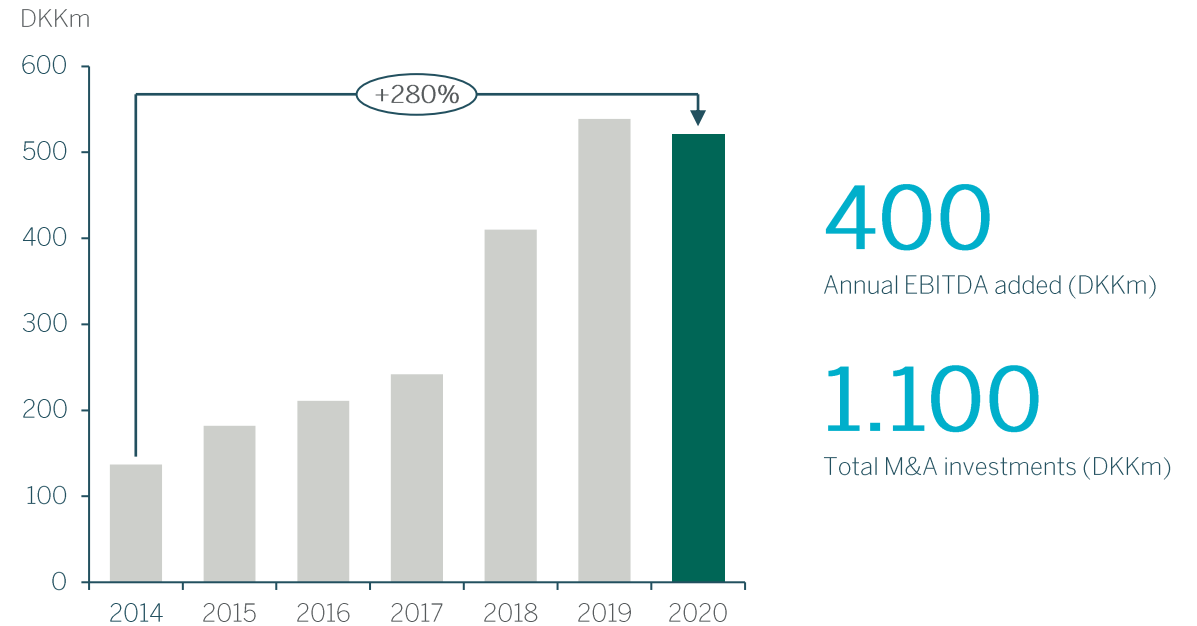
# ...but H+H will continue to pursue profitable growth through acquisitions

H+H has a strong track record as a market consolidator. Since 2014, the strategy has been focused on consolidating the European whitestone market with a primary focus on Germany and Poland.

## Number of factories in H+H portfolio



## EBITDA before special items



# Strong results from consolidation efforts, with positive impact on margins



## Improved capacity utilisation in the acquired plants

Through effective integration and organisation development, H+H has managed to improve capacity utilisation in the acquired factories. H+H follows a lean manufacturing approach to improve manufacturing efficiency and effectiveness.



## Synergies related to sourcing

Following a strengthening of the procurement function in recent years, H+H has benefitted from the impact of consolidated buying positions in Poland and Germany and improved procurement processes in all regions.



## Synergies related to sales channels

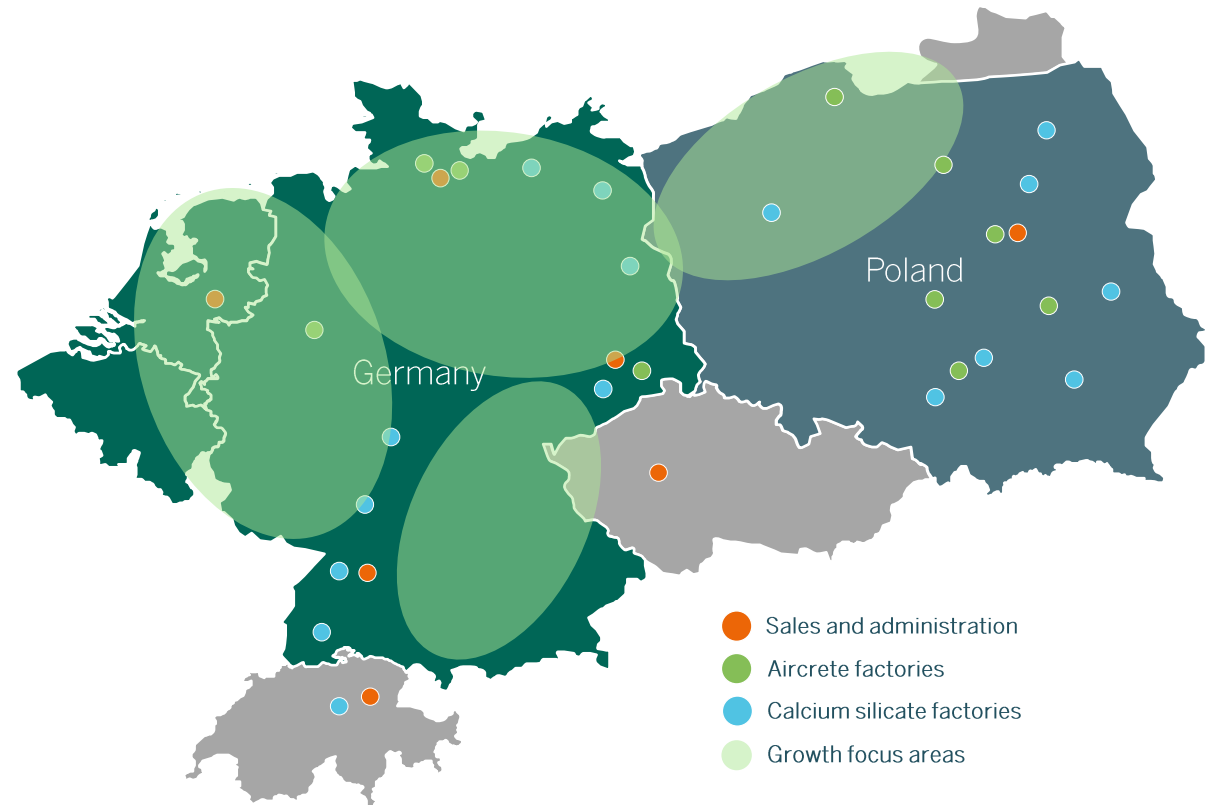
H+H has a firm discipline in sales pricing, utilising the demand situation and synergies achieved through acquisitions. H+H sees additional synergies from duo-product selling and efforts to maintain reasonable and fair prices will continue to be of key importance.



# Further growth opportunities in Central Europe are available

## Strategic growth opportunities focused around Germany and Northern Poland

- Continuous dialogue with potential targets but as previously communicated, M&A journey was adversely impacted by travel restrictions following COVID-19 outbreak in 2020
- Market participants see a need to consolidate fragmented European white-stone market
- Strategic growth opportunities focused around Germany and Northern Poland
- In Germany, H+H remains in a unique situation as legislation presents favourable acquisition conditions for smaller mid-sized companies
- In Poland, organic growth opportunities are available in the Northern part of the country where the competitive situation is relatively more moderate compared to the Warsaw area
- In parallel with the above focus areas, H+H may pursue further growth in countries adjacent to the already-existing markets, as well as the addition of new products under the value proposition, Partners in Wall Building



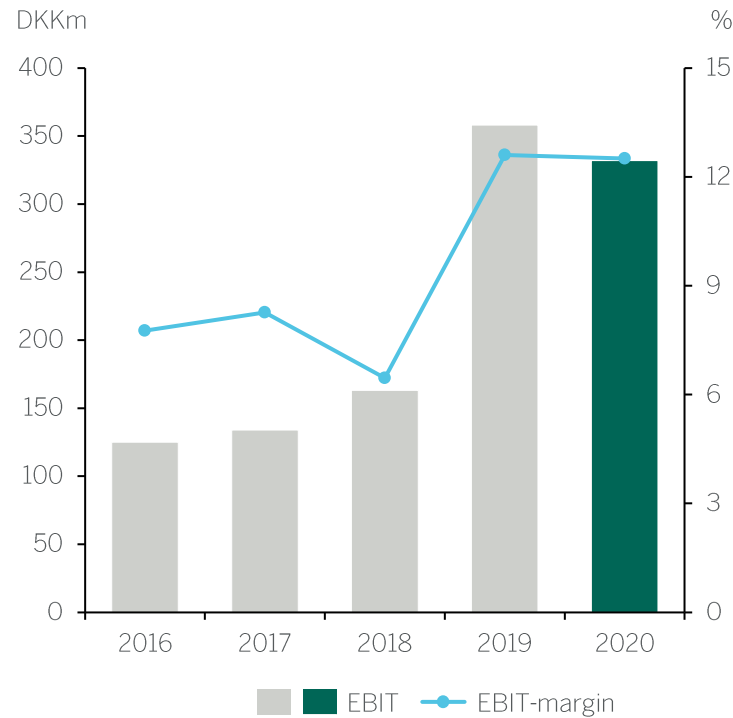
# Defending margins and maintaining attractive returns

## Effect of consolidation efforts underpinned earnings in Germany

- Germany a strong contributor to earnings with a significant step-up in 2020
- Margin defence key during COVID-19 pandemic
- 'Continuous improvement programme' continues with increased focus on energy efficiency, productivity increases, and savings on raw materials
- Further synergies to be harvested from continuous consolidation efforts in Germany

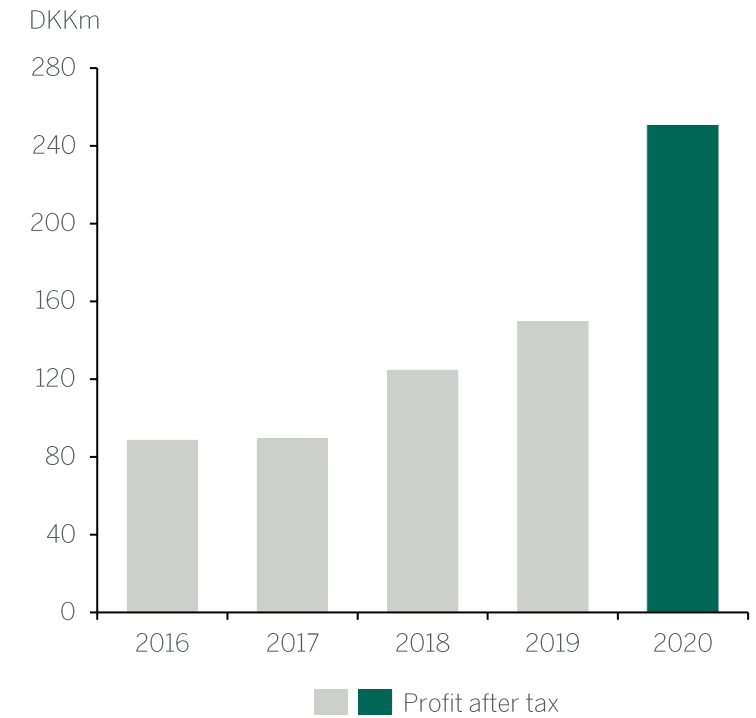
## EBIT and EBIT-margin before special items

EBIT in DKK million, EBIT margin in %



## Profit after tax

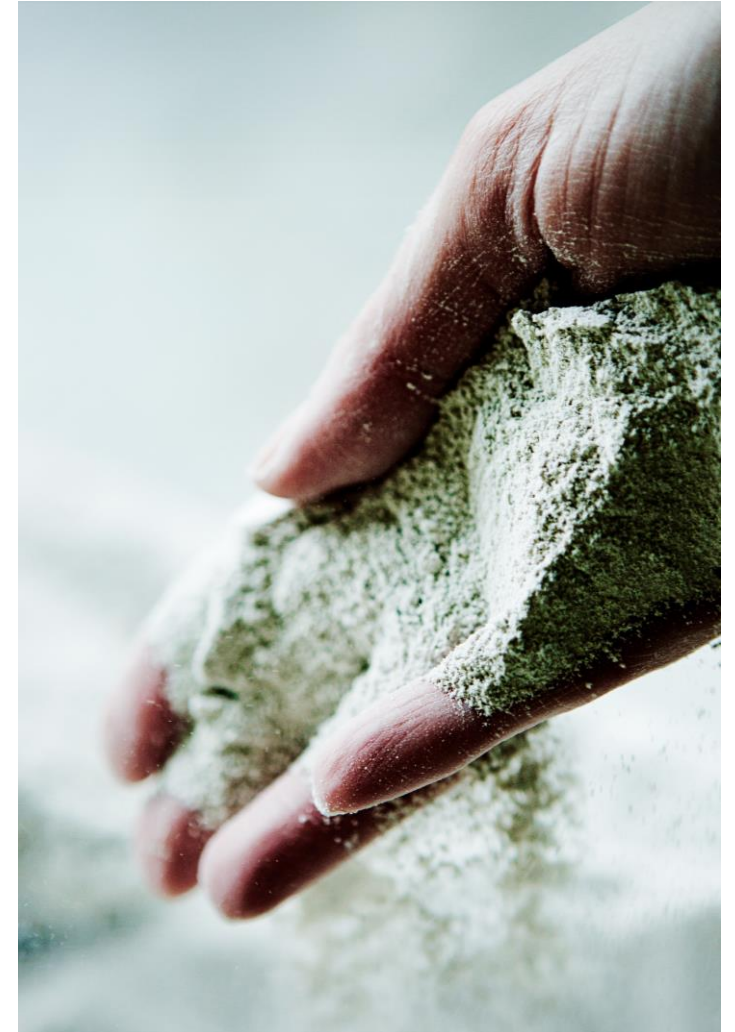
DKK million



# Group Innovation Function established

## H+H Group Innovation Function

- Comprises three full-time employees with commercial, technical, and project management backgrounds, respectively
- As opposed to H+H's previous attempts to push products and solutions to customers and partners, the new Innovation Function operates from an outside-in perspective based on customers, partners, and legislation
- The Innovation Function seeks to increase productivity and ensure sustainability in the wall-building process for customers and partners
- Productivity is increased through lower complexity, increased efficiency, and lower costs
- Sustainability is achieved by reducing waste in the building process, as well as a reduction of the CO<sub>2</sub> footprint

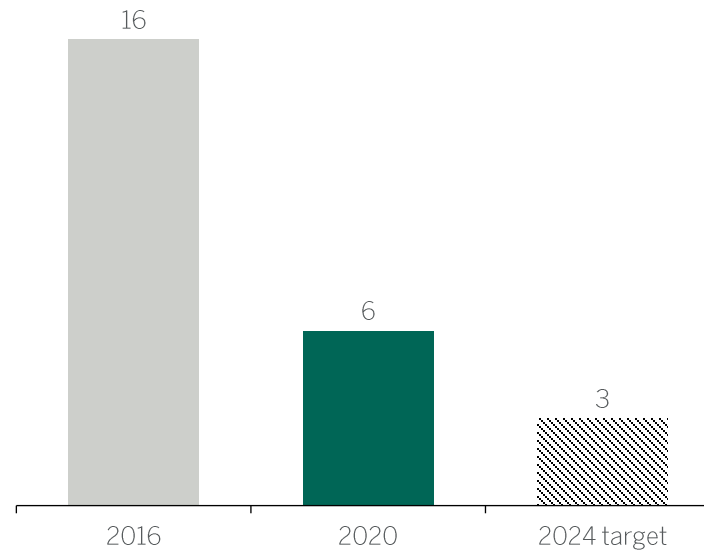


# Nothing is so important that we cannot take the time to do it safely!

## COVID-19 response

*Throughout the pandemic, H+H has been able to ensure business continuity and improved safety performance through a dedicated focus on Zero Harm and the well-being of the employees*

## Lost-Time Incident Frequency<sup>(1)</sup>



- H+H remains committed to reducing the Lost-Time Incident Frequency by 50% to 3 by 2024
- At the end of 2020, 12 factories had been incident free for at least two years
- 19 out of the 29 locations recorded zero incidents in 2020
- A total of 16 factories has been added through acquisitions since 2016

(1) Incidents per million hours produced

# 2020 sustainability highlights



Steady safety performance

**0 fatalities**

Fifth consecutive year

**6**

Lost Time Injury Frequency  
Zero incidents at 19 out of 29 factories



Net-zero by 2050

H+H committed to achieving net-zero emissions in its operations and products by 2050. The target and plan behind are expected to be submitted to achieved verification as 'Science-based target'



Reduced carbon emissions and carbon per unit produced

**8%**

reduction in direct carbon emissions

**3%**

Reduction in energy per m<sup>3</sup>



Lower water usage

**8%**

reduction in water intensity



UN Global Compact

H+H joined the UN Global Compact in early-2021  
H+H's and its products support SDG-11 (Sustainable cities and communities) and SDG-12 (Responsible consumption and production) by nature



Policy updates

During 2020, H+H introduced an ESG Policy and a Diversity Policy, and updated its Code of Conduct for suppliers

## Partners in Wall Building

### Sustainable solutions

- Improved indoor climate
- Improved energy savings
- Flexible and high-quality products
- Responsibly sourced raw materials

### Planning and specification

- One-stop-shop for suppliers
- Facilitated workflows and processes
- Technical support and know-how

### Selection and delivery

- Availability
- Reliable delivery
- Transparency
- One point of contact

### Building and installation

- On-site support
- Facilitated workflows and processes
- High-quality solutions

# H+H's sustainability approach

Buildings are a significant source of energy consumptions and greenhouse-gas ("GHG") emissions that cause climate change. As such, building materials that ensure energy efficient buildings and help to reduce the life-cycle emissions of buildings are well-positions for long-term growth. H+H's products qualifies for this.

Sustainability is therefore a strategic enabler of growth for H+H. The company's approach is based on seizing the opportunity for growth in sustainable building materials, while mitigating the environmental, social, and governance risks that are present in its products and operations.

H+H is a signatory of the UN Global Compact and support the UN Sustainable Development Goals ("SDGs"). The SDGs that are strategically important to H+H are highlighted in the company's Sustainability Report for 2020 and an index that references the SDG links is provided throughout the report.

H+H's sustainability approach has four focus areas within the three main sustainability themes of environment, social and governance outlined on the following pages.

## Supporting the UN SDGs

### Revenue and opportunity-related SDGs

H+H's products contribute to the development of sustainable cities and communities (SDG 11) and to enabling more energy efficiency (SDG 7), as buildings are a major source of energy consumption and GHG emissions.

### Mitigation and risk-related SDGs

H+H seeks to minimise its negative operational impact against SDGs 3, 8, 9, 10, 12 and to partner with cement and lime producers to reduce the life-cycle emissions of its products (SDG 17).



# Overview of H+H's sustainability approach, risks and opportunities (1 of 2)

## Environment

### Focus area 1—Sustainable buildings (SDG 7 + 11 + 17)



Enhancing the product portfolio to lower life-cycle emissions and increase energy efficiency from the building envelope

#### Opportunity:

- Demand for sustainable building materials that increase energy efficiency and lower the life-cycle emissions of buildings is expected to grow as a result of climate targets set in the European Green Deal and through the policies of the UK government.

#### Risk:

- The production of long-lasting building materials remains carbon-intensive relative to other industries. This exposes H+H to the risks of higher prices of cement and lime due to increases in the cost of EU Allowances under the EU Emissions Trading Scheme ("ETS").

This focus area seeks to capture the opportunity for H+H in enhancing its product portfolio through more sustainable products that improve energy efficiency and lower the lifecycle emissions of buildings. H+H partners with cement and lime manufacturers to test their low-carbon products to reduce H+H's scope 3 emissions and is committed to achieving net-zero emissions from its products by 2050.

### Focus area 2—Climate and environment (SDG 7 + 8 + 9 + 12)



The ambition is to reduce scope 1 and 2 emissions and continuously improve the use of resources

#### Risks:

- While none of H+H's direct CO2 emissions are currently covered by the ETS (European Union Emission Trading Scheme), the European Commission has signalled its intention to expand the scheme and there is a regulatory risk that H+H's business may be included in future revisions of the scheme. This could increase operating costs as H+H's boilers currently use gas and coal as the primary fuel sources and the share of renewable electricity is low.
- Sand is a key ingredient in H+H's products and while geological sand deposits are abundant in Northern Europe, accessibility to sand is limited through policy and environmental governance issues which may lead to increasing cost of supplies.

This focus area thus aims to reduce H+H's scope 1 and 2 emissions, achieve net-zero emissions from operations and continuously improve resource use through enhanced environmental management and strategic sourcing of sand supplies.

# Overview of H+H's sustainability approach, risks and opportunities (2 of 2)

## Social

Focus area 3—Safety and people (SDG 3+ 8)



H+H strives for Zero Harm to its people and aims to be an attractive employer

### Risks:

- The building materials industry faces inherent health and safety risks from the heavy equipment used for production.
- Companies that rely on heavy industry production processes, including H+H, are generally experiencing an ageing production workforce and increasing challenges in recruiting younger workers for production roles.
- At certain production sites, H+H is experiencing relatively high rates of absenteeism.
- The building materials industry has relatively low levels of gender diversity, which may limit the pool of qualified candidates when recruiting for new positions.

To mitigate these risks, this focus area strives for Zero Harm to people through improved behavioural and automation levers, as well as continuing to be an attractive employer in order to attract, retain and develop its workforce.

## Governance

Focus area 2—Climate and environment (SDG 7 + 8 + 9 + 12)

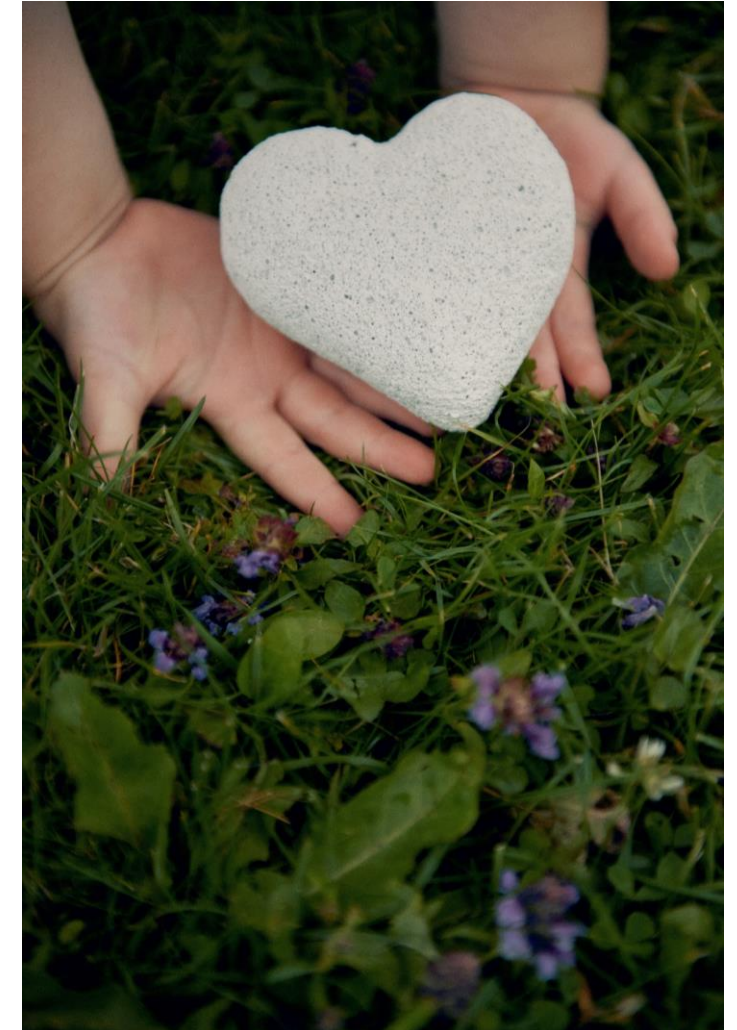


H+H conducts business in a transparent, ethical and socially responsible manner

### Risks:

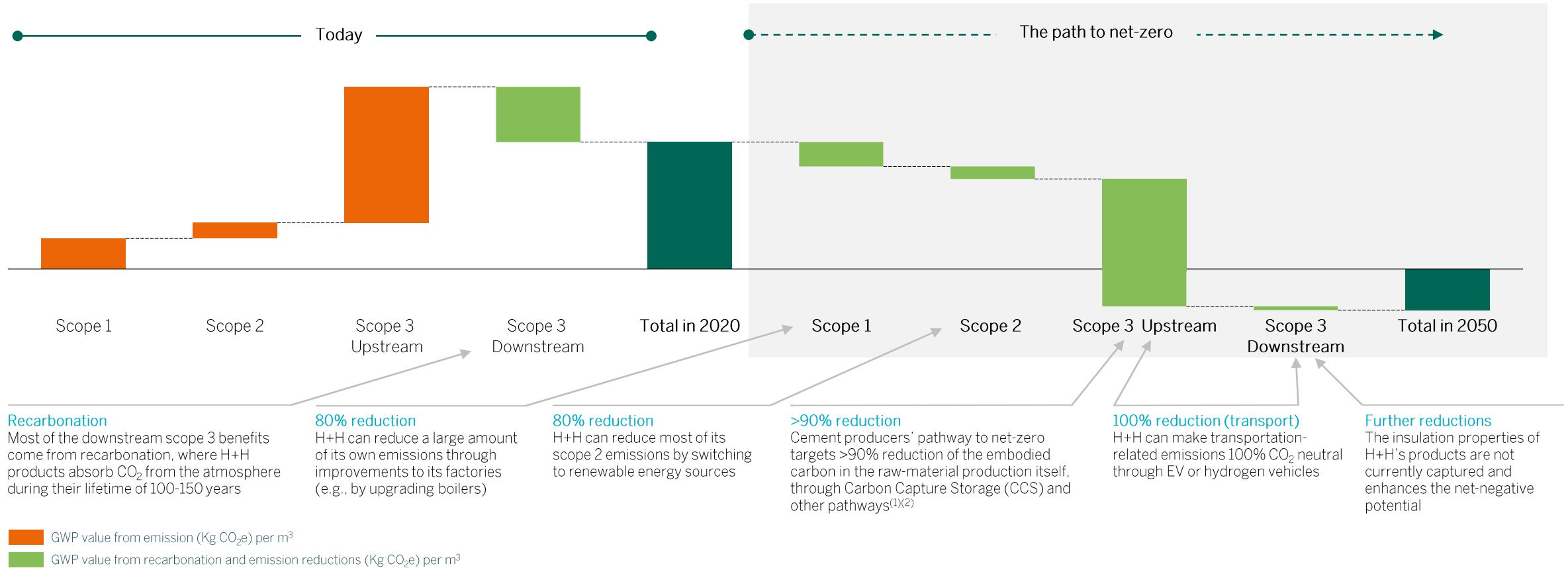
- The building materials industry has been subject to instances of anti-competitive behaviour, such as cartel activity. While H+H does not operate in countries which have a high risk of corruption and bribery, it is nevertheless exposed to these risks through its day-to-day activities.
- H+H is exposed to risks in its supply chain in terms of compliance with international, national and local laws, guidelines relating to employment, environmental and manufacturing practices as well as ethics and bribery, particularly in relation to sustainable sourcing.

To drive compliance with laws, anti-trust guidelines and sustainable sourcing, this focus area aims to ensure that H+H always conducts business in an honest, ethical and socially responsible manner.





# Generic product's carbon life-cycle assessment and path to net-zero



(1) Source: Cembureau – 2025 roadmap (the remaining ~20% reduction will come from in construction recarbonation) (2) Recarbonation is counted upstream with the cement producer only, i.e., it is not counted in H+H's span of control as this would be double counting. (Double counting of carbon reductions is an issue within every industry).

# Successful consolidation efforts and M&A pipeline lifts long-term ROIC target

EBIT margin before special items

**11%**

2020: 13%

Return on invested capital (ROIC)

**14%**

2020: 18%

Financial gearing

**1-2x**

2020: 0.4x

Note: The Group's long-term financial targets reflects the ambition to maintain average minimum levels through a full business cycle

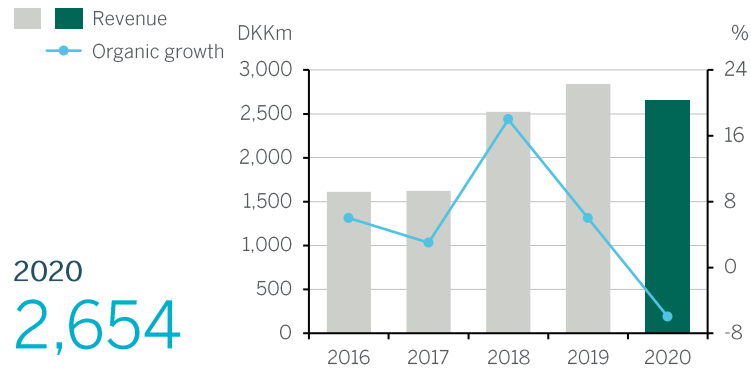


# Financial position

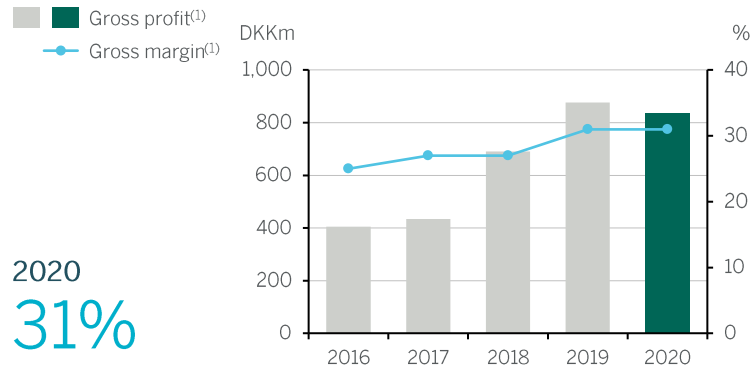


# Five-year financial summary

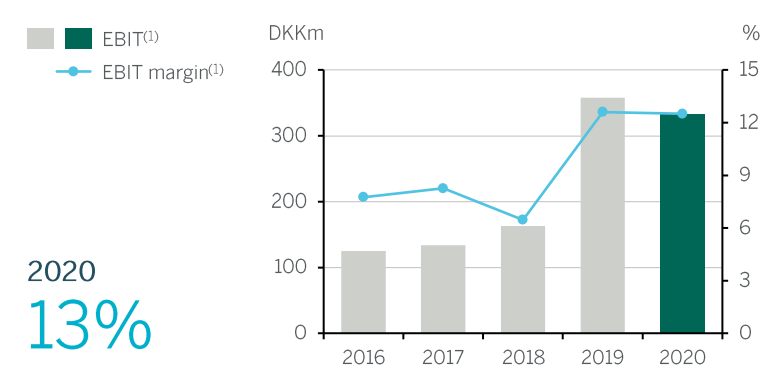
Revenue and organic growth



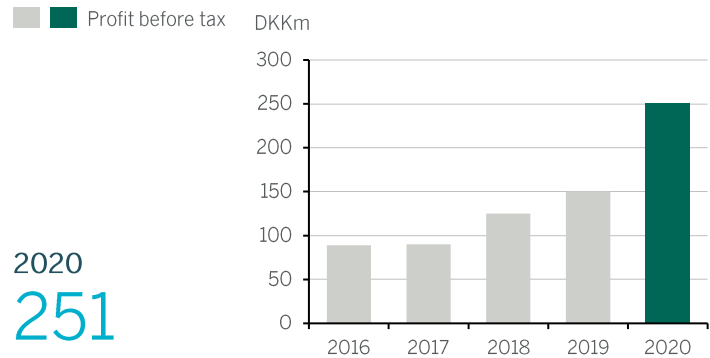
Gross profit and gross margin



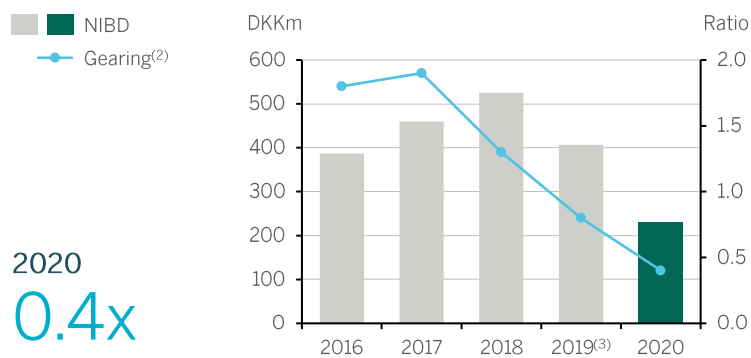
EBIT and EBIT margin



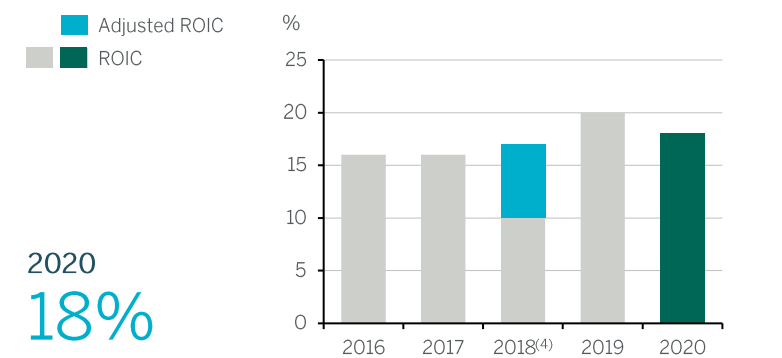
Profit before tax



NIBD and Financial Gearing



Return on Invested Capital (ROIC)



(1) Before special items (2) Net interest-bearing debt ("NIBD") to EBITDA before special items ratio (3) NIBD from 2019 onwards includes impact from IFRS 16 (4) In 2018, ROIC 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 these items, ROIC would have been 17%

# Financial outlook for the full year 2021

Organic growth

**8% to 11%**

(Previously 2% to 7%)

EBIT before special items

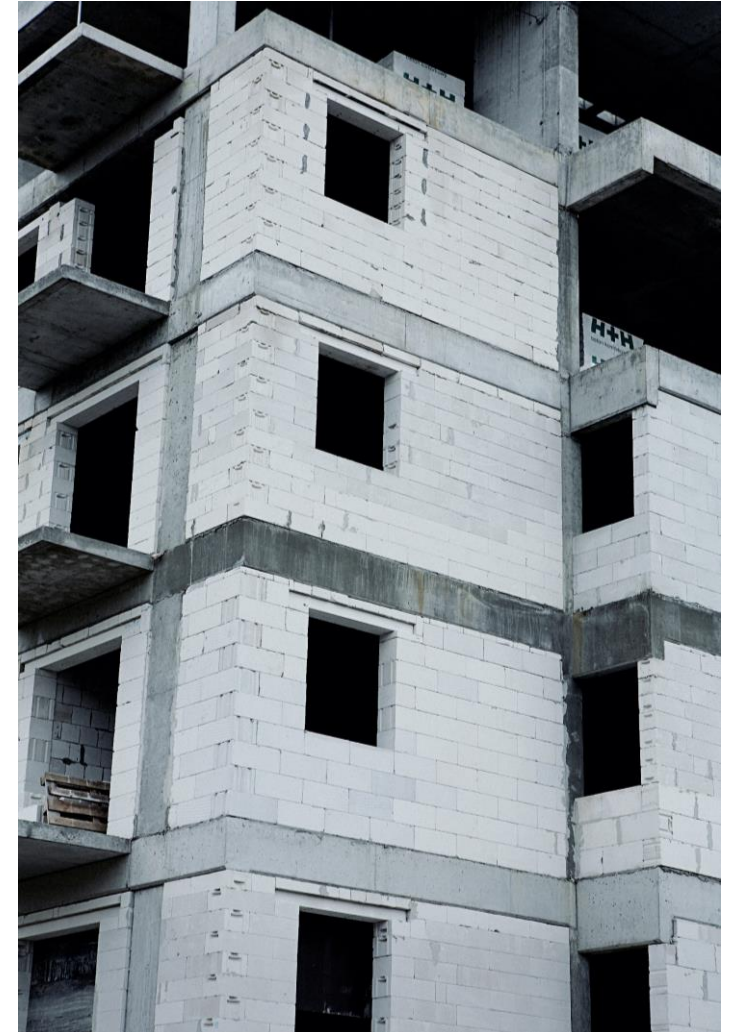
**360 to 400**

(Previously 330-390)

DKKm

Specific assumptions:

- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains
- Exchange rates, primarily GBP, EUR and PLN remain at mid-August 2021 levels
- Energy and raw material prices are stable for the remainder of the year



# Solid recovery in the UK over 2020, coupled with continued price increases in CWE and higher CSU volumes in Poland drove 39% organic growth

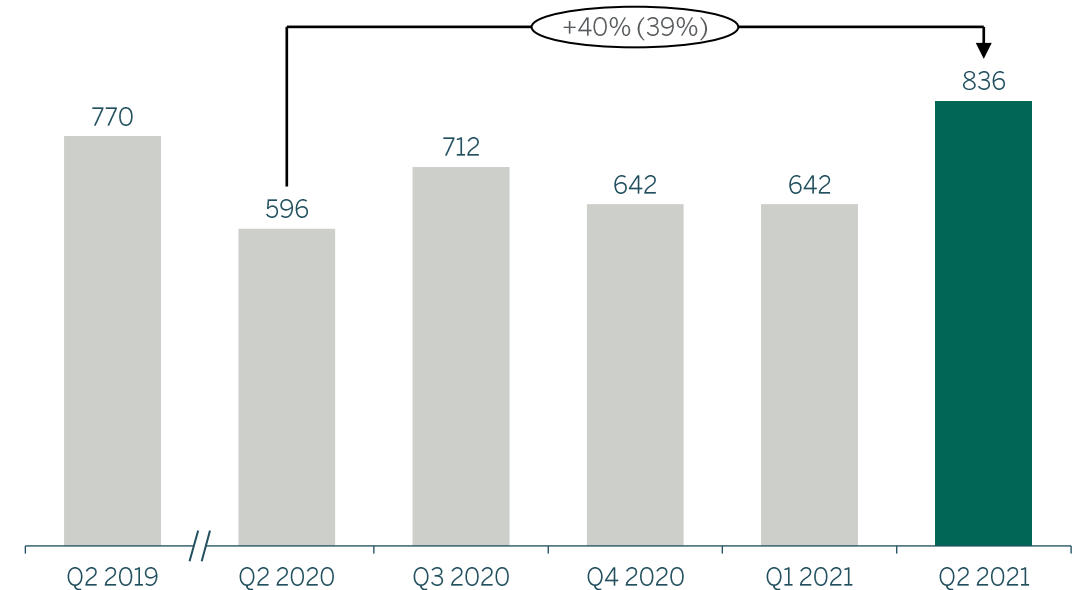
## Revenue growth by market

DKKm. Bubbles show revenue growth (organic growth)



## Consolidated revenue by quarter

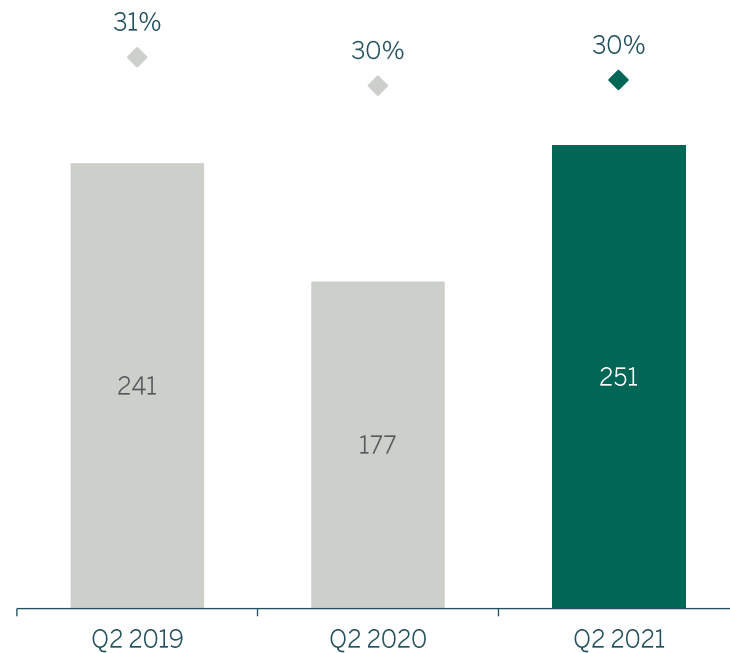
DKKm



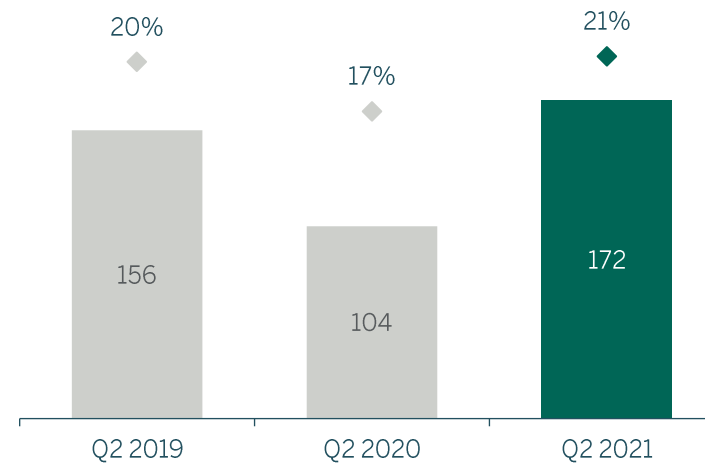
(1) Total revenue in Q2 2019 as DKK 770m. Revenue of DKK 34m is not shown in chart as it pertains to revenue generated in other locations that have since been divested

# The Group's ability to manage inflationary pressure and increased transport costs underpinned by solid earnings margins

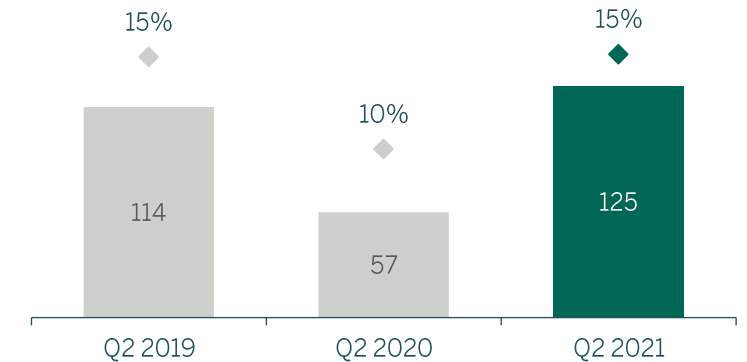
**Gross profit and gross profit margin**  
DKKm and percent, respectively



**EBITDA and EBITDA margin**  
DKKm and percent, respectively



**EBIT and EBIT margin**  
DKKm and percent, respectively

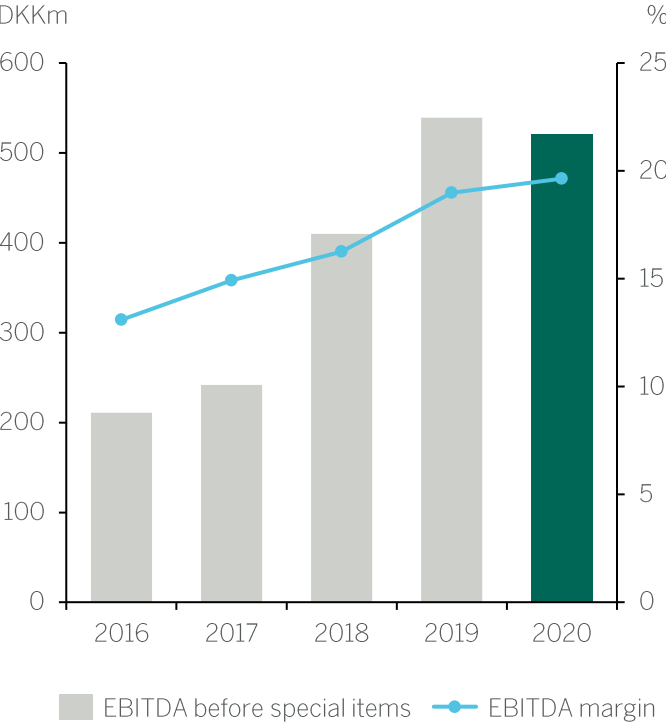


Note: All figures are before special items

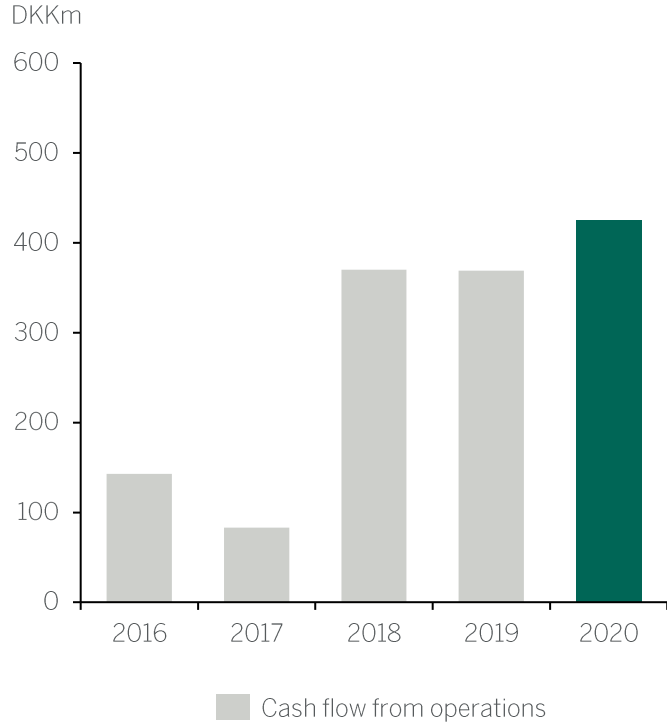


# Earnings versus operating cash flow

**EBITDA and EBITDA-margin**  
EBITDA in DKKm and EBITDA-margin in %



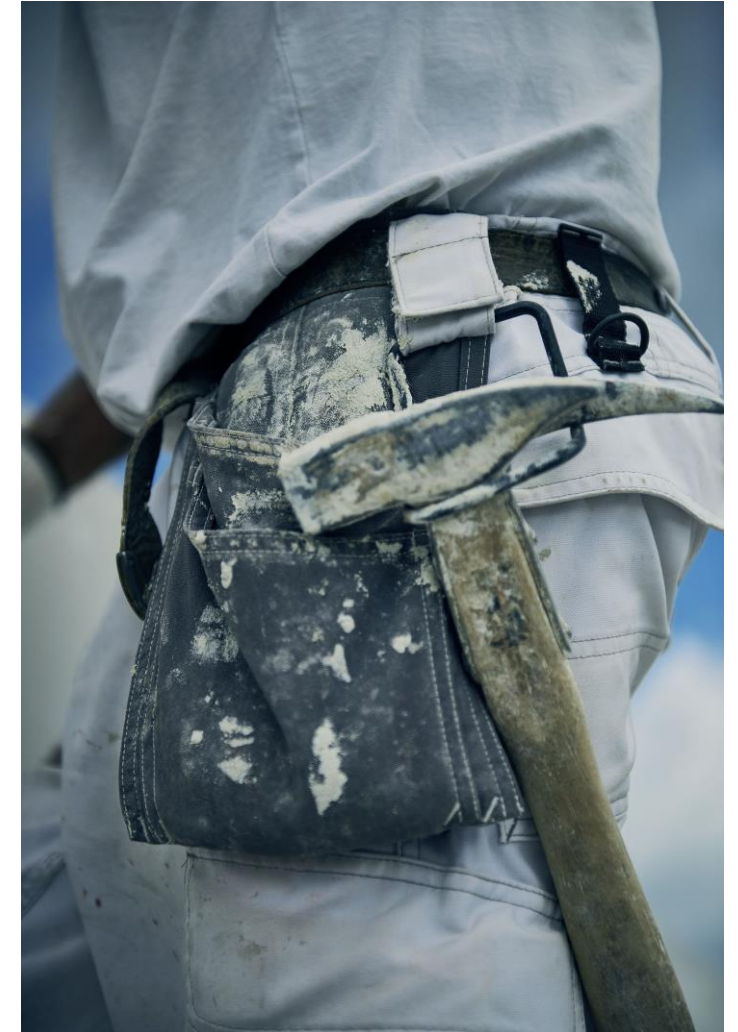
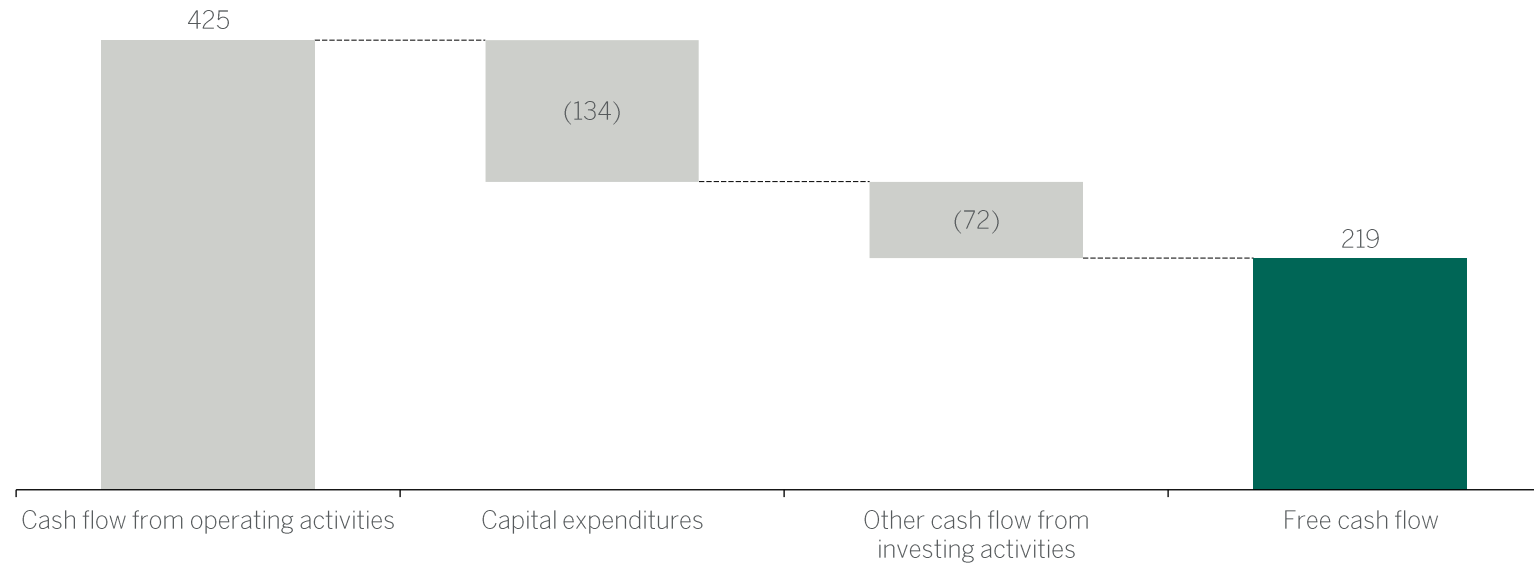
**Cash flow from operating activities**  
DKKm





# Strong free cash-flow generation to fund continued growth strategy

## Free cash flow bridge 2020, DKKm





## Larger investments to be made in existing production and sustainability

### Timely care

- Since 2011, capital investments have been significantly below depreciation levels
- Increasing upsides from additional investments in current CSU plants in Poland
- No full-factory upgrades, but rather more focused upgrades within specific parts of the manufacturing chain
- Expected payback of three to six years

### Sand conversion in the UK

- Sources of Pulverised Fuel Ash (“PFA”) are becoming increasingly unpredictable
- Conversion to sand would allow for fully-available, and more predictable sourcing
- Investment in conversion to a more flexible solution will take place over the coming five years

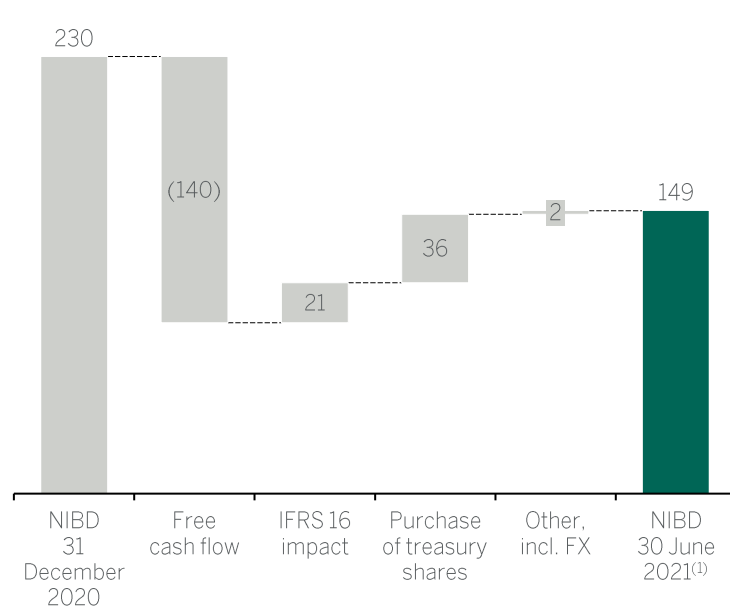
### Sustainable investments

- ESG-related investment allocation of DKK 50m over three years
- Investment proposals with financial pay-backs exceeding the normal hurdle rates, but where the ESG impact supports H+H’s targets

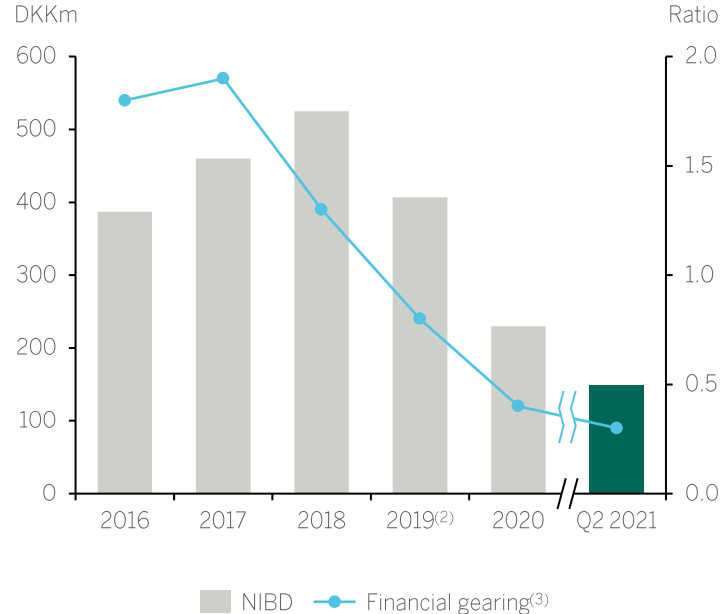
**Expected annual run-rate capex level of DKK 200m**

# Financial gearing remains well-below long-term target and plenty of financial firepower available

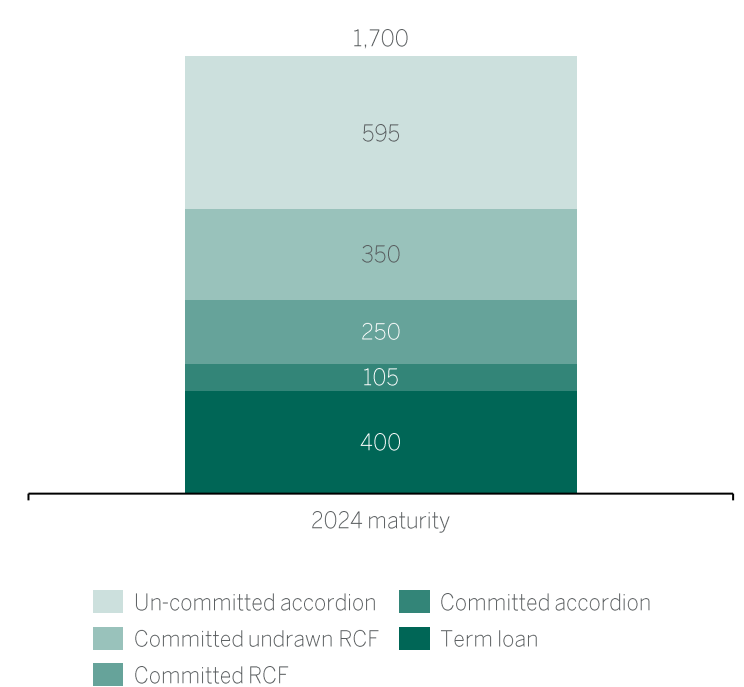
## NIBD<sup>(1)</sup> bridge Q1 2021, DKKm



## NIBD and financial gearing DKKk



## Available financing Q1 2021, DKKk



(1) Net Interest-bearing debt (2) NIBD from 2019 onwards includes impact from IFRS 16 (3) NIBD to EBITDA before special items ratio

# Financial policy and capital allocation

## Capital structure

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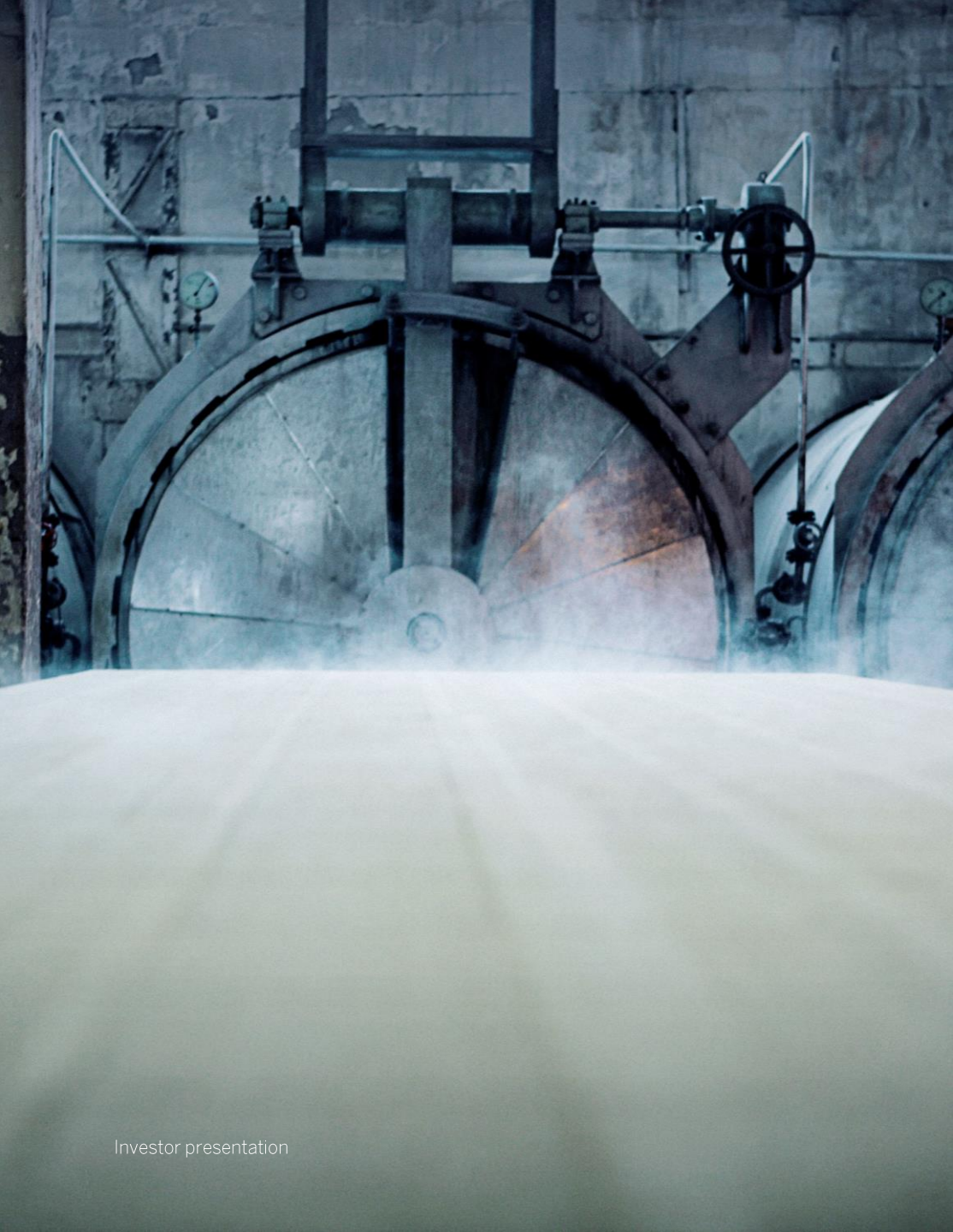
The overall objective of H+H's financial policy is to ensure sufficient financial flexibility to meet the Group's strategic objectives and a robust capital structure to maximise the return for H+H's shareholders.

The long-term target (i.e., through a business cycle) for the financial gearing ratio is 1-2 times EBITDA before special items. The ratio may exceed this level following certain significant acquisitions.

## Capital allocation priorities

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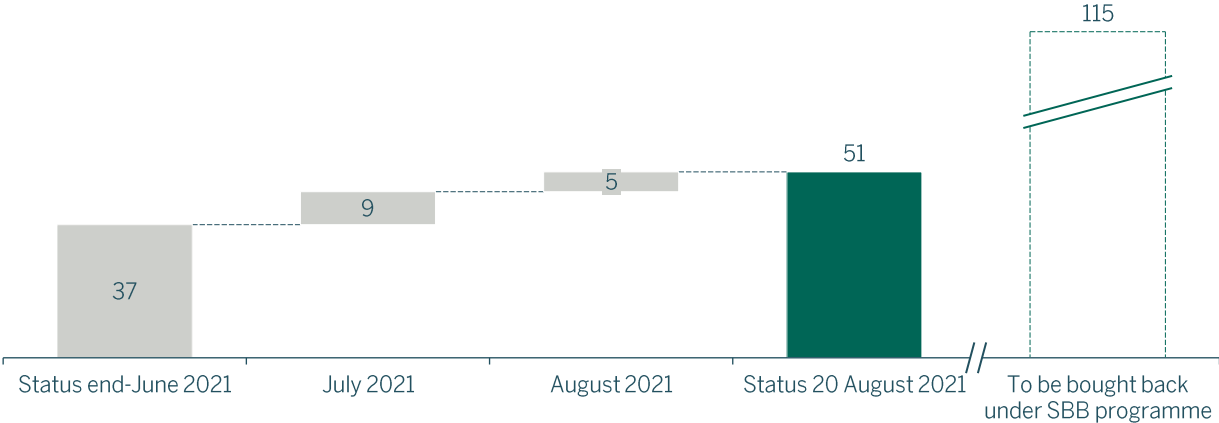
1. Repayment of net interest-bearing debt in periods when the financial gearing ratio is above the long-term target range;
2. Pursue value-adding investments in the form of bolt-on acquisitions or development of the existing business; and
3. Distribution of capital to the shareholders by means of share buy-backs and/or dividends.



# Update on share buy-back programme

- As of 30 June 2021, a total of 213,300 shares, corresponding to 1.19% of the total share capital in H+H, had been bought back under the programme for a total purchase price of DKK 37 million.
- Acquisitive growth remains the key strategic focus for H+H.
- Given the strong cash generation during 2020 and the headroom to the long-term target for financial gearing, there was an opportunity to return capital while still maintaining the ambition to pursue attractive growth opportunities.

## Total price for repurchased shares, monthly DKKm



# Market outlook



# Unique market conditions for growth



Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and changing housing needs
- Fragmented markets with room for consolidation through acquisitions

High entry barriers for new competitors

ons—net-zero  
0

reusable products  
products with increasing  
ation

roperties leading to energy  
more sustainable buildings

indoor climate and acoustic  
t

resistant products

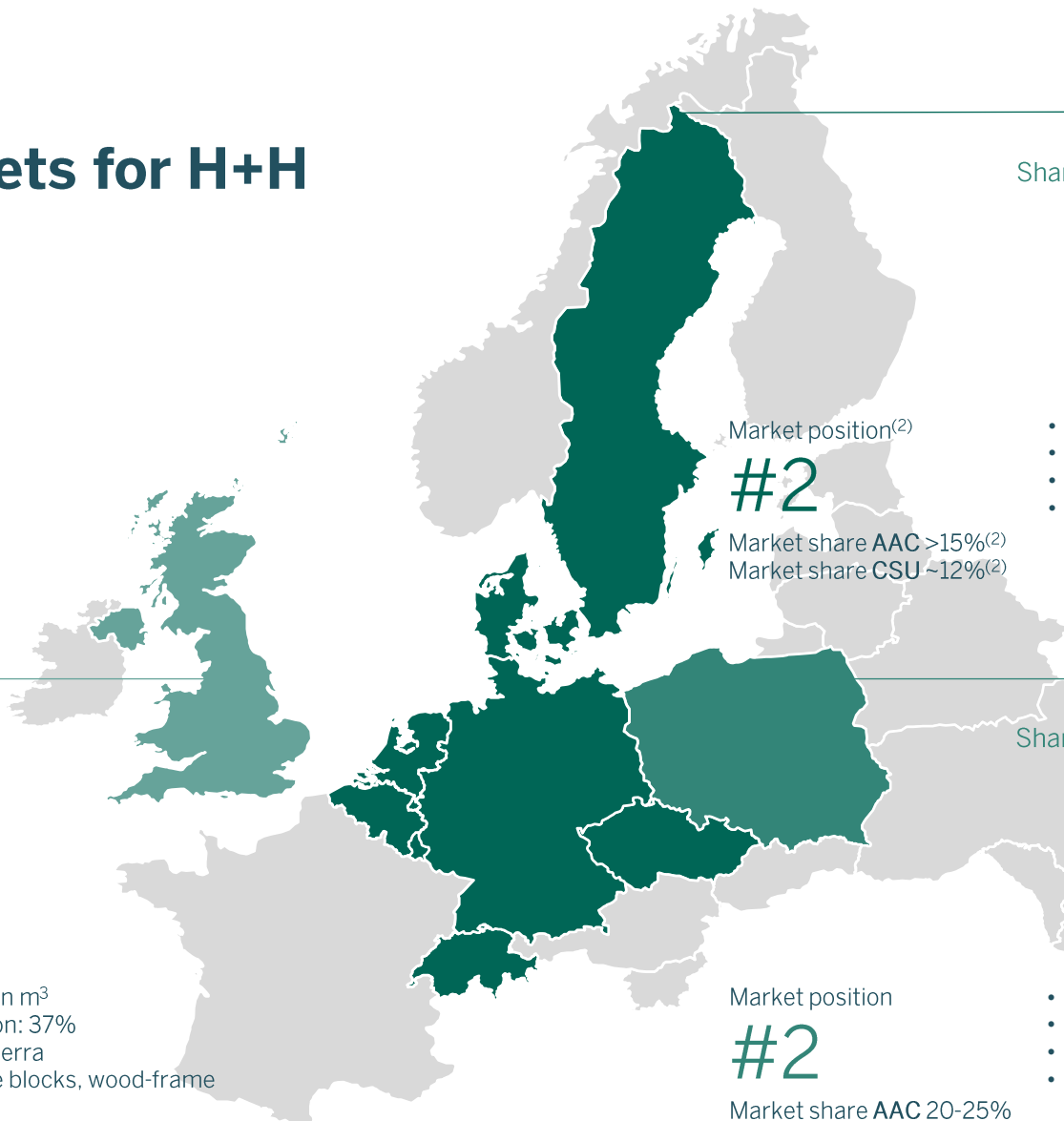
Proven track record of strategy execution

- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets hastened to the realisation of synergies
- Efficient integration process and agile organisation
- ROIC consistently above WACC
- Strong cash-flow generation to fund bolt-on acquisitions

August 2021 3



# Overview of key markets for H+H



Share of Group revenue

49%

(2020)



Market position<sup>(2)</sup>

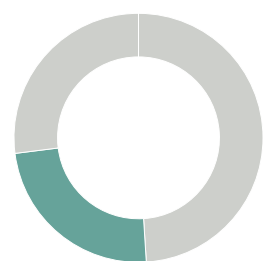
#2

Market share AAC >15%<sup>(2)</sup>  
Market share CSU ~12%<sup>(2)</sup>

- Estimated market size: 7 million m<sup>3</sup><sup>(2)</sup>
- White-stone market penetration: 34%<sup>(2)</sup>
- Key competitors: Xella
- Alternative products: Clay blocks, concrete blocks, wood-frame solutions

## United Kingdom

Only AAC



Share of Group revenue<sup>(1)</sup>

24%

(2020)

Market position

#1

Market share >40%

- Estimated market size: 3 million m<sup>3</sup>
- White-stone market penetration: 37%
- Key competitors: Tarmac, Forterra
- Alternative products: Concrete blocks, wood-frame solutions

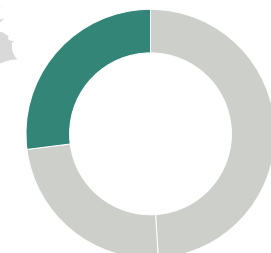
## Poland

AAC and CSU

Share of Group revenue

27%

(2020)



Market position

#2

Market share AAC 20-25%  
Market share CSU 20-25%

- Estimated market size: 7 million m<sup>3</sup>
- White-stone market penetration: 58%
- Key competitors: Xella, Solbet
- Alternative products: Clay blocks, ceramic blocks

(1) In 2020, revenue in the UK was significantly impacted by the COVID-19 pandemic, which caused a three-month lockdown of the entire UK construction sector. Revenue in the UK in 2019 amounted to DKK 877m, corresponding to 31% of total revenue for the year (2) Germany only



# Central Western Europe: stable market with a solid demand outlook from a significant lack of housing space

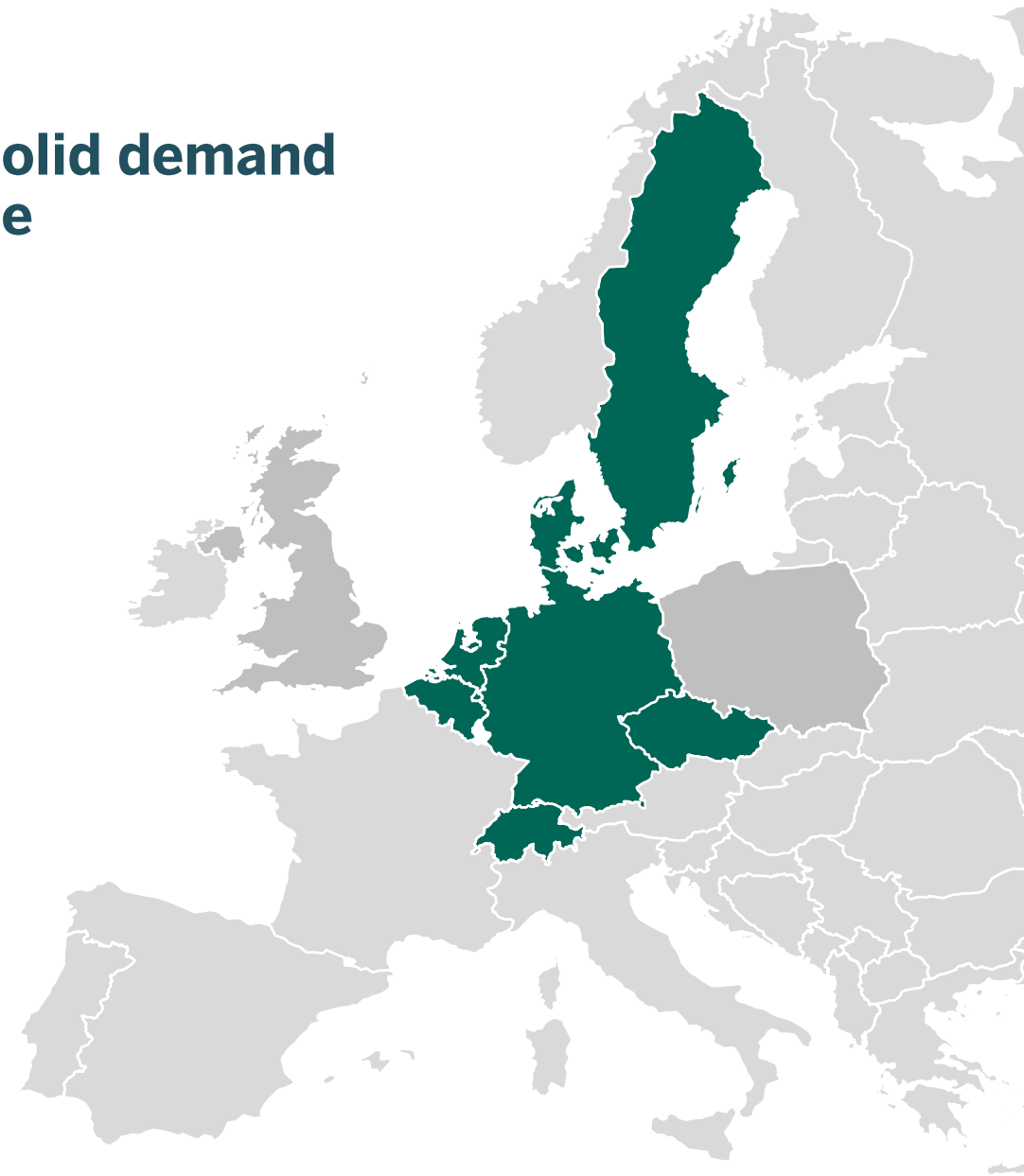
## Market conditions and trends

### Germany:

- Germany continues to provide a strong and stable market for H+H, but unbalanced geographical CSU demand brings logistical challenges
- Significant lack of housing space from a growing number of smaller households provides solid demand outlook
- Large number of permitted buildings awaiting realisation causing the order backlog among housebuilders to grow considerably over the recent years
- Stimuli programmes in place to cope with continued undersupply of housing, but effect appears insufficient to convince builders to invest in overcoming labour challenges
- Growth in the German construction industry expected to remain restrained until a viable solution to installation-capacity issues is found

### Other markets:

- In Denmark, the number of building plots sold has increased by 79% in H1 2021 relative to H1 2020
- Continued positive developments in the Swiss, Benelux, and Swedish markets



# United Kingdom: very high demand with H+H producing at near-full capacity to service its customers

## Market conditions and trends

- The British Government remains committed to increasing the housing output to 300,000 dwellings annually, but roadmap remains unclear
- The new Help to Buy programme has been well received and housebuilders are reporting strong forward sales<sup>(1)</sup>
- Current outlook suggests high activity levels in the UK even beyond the expiry of the stamp duty holiday programme
- Private housing market also showing high activity levels, driven by general shortage of housing and relocations due to COVID-19, with buyers increasingly willing to move to larger properties outside the big cities
- In combination, these trends have accelerated the recovery of the UK housing market and H+H is producing at near-full capacity to keep up with the very high demand
- Despite good capacity utilisation, H+H has had to deliver some products from sub-optimal locations to service customers

(1) Sources: Company updates



# Poland: strong demands stabilises competitive environment and partly absorbs pricing pressure

## Market conditions and trends

- Several developers have increased capacity at building sites to compensate for the slow winter months.
- The number of awarded building permits increased by 40% in H1 2021 relative to H1 2020<sup>(1)</sup>. The permits cover both of H+H product categories and provide a good mid-term demand outlook.
- The Polish CSU market remains characterised by competition and price pressure, but the situation appears to have stabilised and price increases have been observed in certain parts of the country
- The competitive environment in the AAC market is relatively more moderate, with pricing following a positive trend, as several of H+H's competitors are also increasing their prices as a response to the overall positive development in demand

(1) Source: Polish Statistics



# Supplementary information



# Consolidated income statement

Income statement (DKK million)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Revenue	836	596	1,478	1,300	2,654
Cost of goods sold	(585)	(419)	(1,039)	(901)	(1,818)
<b>Gross profit before special items</b>	<b>251</b>	<b>177</b>	<b>439</b>	<b>399</b>	<b>836</b>
Sales costs	(36)	(34)	(72)	(73)	(151)
Administrative costs	(43)	(36)	(89)	(90)	(168)
Other operating income and costs, net	0	(3)	3	(2)	4
<b>EBITDA before special items</b>	<b>172</b>	<b>104</b>	<b>281</b>	<b>234</b>	<b>521</b>
Depreciation, amortisation and impairment losses	(47)	(47)	(92)	(92)	(189)
<b>EBIT before special items</b>	<b>125</b>	<b>57</b>	<b>189</b>	<b>142</b>	<b>332</b>
Special items, net	-	-	-	-	-
<b>EBIT</b>	<b>125</b>	<b>57</b>	<b>189</b>	<b>142</b>	<b>332</b>
Financial income	0	1	1	2	2
Financial expenses	(5)	(5)	(11)	(11)	(27)
<b>Profit before tax</b>	<b>120</b>	<b>53</b>	<b>179</b>	<b>133</b>	<b>307</b>
Tax on profit	(27)	(15)	(37)	(31)	(56)
<b>Profit for the year</b>	<b>93</b>	<b>38</b>	<b>142</b>	<b>102</b>	<b>251</b>
<b>Profit for the year attributable to:</b>					
H+H International A/S' shareholders	93	37	142	100	241
Non-controlling interests	0	1	0	2	10
<b>Profit for the year</b>	<b>93</b>	<b>38</b>	<b>142</b>	<b>102</b>	<b>251</b>
Earnings per share (EPS-basic) (DKK)	5.2	2.1	7.9	5.6	13.5
Diluted earnings per share (EPS-D) (DKK)	5.2	2.1	7.9	5.6	13.5

# Consolidated statement of comprehensive income

Statement of comprehensive income (DKK million)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Profit for the period	93	38	142	102	251
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign entities	16	3	10	(36)	(48)
	16	3	10	(36)	(48)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	16	(23)	33	9	(110)
Tax on actuarial gains and losses	(2)	4	(6)	(3)	21
	14	(19)	27	6	(89)
Other comprehensive income after tax	30	(16)	37	(30)	(137)
Total comprehensive income for the period	123	22	179	72	114

# Consolidated balance sheet

Assets (DKK million)	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
<b>Non-current assets</b>			
Goodwill	211	211	202
Other intangible assets	248	258	279
Property, plant and equipment	1,552	1,538	1,551
Deferred tax assets	13	18	11
Financial assets	7	6	8
<b>Total non-current assets</b>	<b>2,031</b>	<b>2,031</b>	<b>2,051</b>
<b>Current assets</b>			
Inventories	247	282	271
Receivables	251	115	207
Cash	657	481	390
<b>Total current assets</b>	<b>1,155</b>	<b>878</b>	<b>868</b>
<b>Total assets</b>	<b>3,186</b>	<b>2,909</b>	<b>2,919</b>

Equity and liabilities (DKK million)	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
<b>Equity</b>			
Share capital	180	180	180
Retained earnings	1,540	1,405	1,359
Other reserves	(137)	(147)	(139)
Equity attributable to H+H International A/S's shareholders	1,583	1,438	1,400
Equity attributable to non-controlling interests	61	71	79
<b>Total equity</b>	<b>1,644</b>	<b>1,509</b>	<b>1,479</b>
<b>Non-current liabilities</b>			
Pension obligations	112	147	49
Provisions	32	34	31
Deferred tax liabilities	135	130	163
Credit institutions	696	609	687
Lease liabilities	90	84	88
<b>Total non-current liabilities</b>	<b>1,065</b>	<b>1,004</b>	<b>1,018</b>
<b>Current liabilities</b>			
Lease liabilities	20	18	13
Trade payables	241	180	172
Income tax	35	30	27
Provisions	6	6	10
Other payables	175	162	200
<b>Total current liabilities</b>	<b>477</b>	<b>396</b>	<b>422</b>
<b>Total liabilities</b>	<b>1,542</b>	<b>1,400</b>	<b>1,440</b>
<b>Total equity and liabilities</b>	<b>3,186</b>	<b>2,909</b>	<b>2,919</b>
Net interest-bearing debt	149	230	398

# Consolidated cash flow statement

Cash flow statement (DKK million)	Q2 2021	Q2 2020	H1 2021	H1 2020
Operating profit (loss)	125	57	189	142
Financial income received	0	1	1	2
Financial items, paid	(5)	(5)	(11)	(11)
Depreciation, amortisation and impairment losses	47	47	92	92
Gain and losses on sale of assets and other non-cash effects	0	8	0	8
Change in working capital and other	63	51	(29)	(49)
Change in provisions and pension contribution	(8)	(4)	(14)	(11)
Income tax paid	(16)	(25)	(27)	(26)
<b>Operating activities</b>	<b>206</b>	<b>130</b>	<b>201</b>	<b>147</b>
Acquisition of enterprises	0	0	0	(74)
Acquisition of property, plant and equipment and intangible assets <sup>(1)</sup>	(34)	(22)	(61)	(43)
<b>Investing activities</b>	<b>(34)</b>	<b>(22)</b>	<b>(61)</b>	<b>(117)</b>
Free cash flow	172	108	140	30
Change in borrowings <sup>(2)</sup>	21	(28)	87	114
Change in lease liabilities	(7)	(5)	(14)	(11)
Purchase of treasury shares	(23)	0	(36)	0
Dividend to non-controlling interests	(7)	0	(7)	0
<b>Financing activities</b>	<b>(16)</b>	<b>(33)</b>	<b>30</b>	<b>103</b>
<b>Cash flow for the period</b>	<b>156</b>	<b>75</b>	<b>170</b>	<b>133</b>
Cash and cash equivalents, opening	497	315	481	262
Cash related to the acquired and divested enterprises	0	0	0	8
Foreign exchange adjustments of cash and cash equivalents	4	0	6	(13)
<b>Cash and cash equivalents, closing</b>	<b>657</b>	<b>390</b>	<b>657</b>	<b>390</b>

(1) Acquisition of property, plant and equipment and intangible assets for first half 2021 is offset by sale of assets of DKK 3 million (2) Change in borrowings is driven by movements of positions within the Global Cash Pool arrangement



# Risk management (1 of 2)

## Top six risks



### 1. Market

Probability/impact



Risk description

Risk of a change in market conditions due to a worsening global economy, the COVID-19 pandemic, changes to EU or UK regulation, or the carbon emission agenda resulting lack of demand for and/or substitution away from H+H's products. The markets in which H+H operate tend to be cyclical and to some degree correlate, which could cause a risk of imbalanced earnings. Finally, risks related to competition could occur due to excess production capacity or changes in competitors' pricing strategies.

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 changes in the market in order to anticipate potential impact and execute mitigating plans. Furthermore, H+H has established a Group Innovation organisation that will have a strong focus on products and applications for lower carbon emission and productivity at building sites. Finally, H+H closely monitors economic, political and competition developments in and outside our footprint and participate in European interest organisations for masonry products to impact the political environment.

Risk assessment

Operating in the construction sector, H+H is exposed to political and economic developments, but we believe that we have reduced the risk to an acceptable level through mitigating actions and have during 2020 been able to defend earnings and cashflow in line with long term financial targets. Similarly, as we are market leading in most of our markets, we are able to reduce competition risk to an acceptable level.

### 2. Production



Risk of reduction in production capacity due to COVID-19, contamination resulting in temporary closure, a shortage of raw material supply or a major breakdown in a production facility causing a mid- to long-term loss of production. Such a shortfall could impact overhead recovery and potentially sales.

H+H's first priority is to ensure the safety of our employees and visitors, and enhanced safety precautions is implemented across all sites focusing on reducing contamination risk during a pandemic. H+H regularly conducts preventive maintenance checks to limit risk of a major breakdown. Should a major breakdown occur, other plants could mitigate as a short-term option.

Furthermore, H+H is insured for breakdowns and business interruptions, so the isolated financial impact is considered low. Finally, H+H dual sources key raw materials to ensure steady supply.

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 further reduce the risk as the Enterprise Risk Management approach becomes an even more integrated part of our processes.

### 3. Financial



Risk of insufficient cash or financing to conduct daily business, 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.

H+H has a committed credit facility with Nordea of DKK 1.1 billion and an additional accordion facility of DKK 0.6 billion not currently utilized. The agreement matures in 2024. The facilities secure funding of daily operations and the growth strategy. Financial covenants are monitored monthly and reported quarterly. Reports show significant headroom. The translation risk is reduced by FX hedging on a transactional basis. When deemed appropriate, H+H participates in government grant schemes (e.g., as in relation to the COVID-19 pandemic).

With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom.

# Risk management (2 of 2)

## Top six risks (continued)



### 4. Compliance

Probability/impact



Risk description  
Risk of 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.

Risk mitigation

H+H continuously monitors new regulations within all our markets as well as continues training within key areas. Where relevant, H+H will consult special-ists 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 an Environmental, Social and Governance Committee consisting of officers representing each related topic and a compliance team across our footprint to facilitate, implement and ensure awareness to compliance related matters.

Risk assessment

Risk of a lack of compliance with law and regulations is considered low including mitigating actions taken.

### 5. People



Risk description  
Risk of incidents or fatalities at our production facilities as they are inherently dangerous workplaces. Risks of a scarcity of qualified labour or lack of succession to key roles.

Risk mitigation  
Health & Safety are a key management area including KPI monitoring and part of Management remuneration programmes. Internal and external Health & Safety audits are conducted annually in rotation and actions are prioritised and carried out by skilled Health & Safety Managers. HR processes continue to mature through the new HR organisation implemented in 2019. Specific focus for HR includes retaining, developing and recruiting talent as well as succession planning.

Risk assessment  
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. Improved HR processes also contribute to a reduced people risk.

### 6. IT



Risk description  
The risk of growing dependence of the business on technology. 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 has defined its new information security framework, including 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. Also, H+H has implemented ongoing cyber awareness training of the employees.

Risk assessment  
IT related risk is considered low, but the likelihood of occurrence will be further reduced as the above mitigating actions are fully implemented.

# Shareholder information

H+H International A/S is listed on the Nasdaq Copenhagen stock exchange and is trading under the ticker symbol, HH. Inquiries concerning investor relations issues should be addressed to the Group's Investor Relations and Treasury Manager via email to [Shareholder@HplusH.com](mailto:Shareholder@HplusH.com)

## Share information

Exchange	Nasdaq Copenhagen
ISIN code	DK0015202451
Ticker symbol	HH
Number of shares	17,983,365
Denomination	DKK 10 per share
Share capital	179,833,650
Voting rights	One vote per share

## Major shareholders

Arbejdsmarkedet Tillægspension	>10%
Nordea Funds Ltd.	>5%
Handelsbanken Fonder AB	>5%

At the end of 2020, H+H had a total of 4,749 registered shareholders (collectively holding 92% of the share capital), representing a decrease of 4% compared to 2019.

The majority (56%) lies with Danish institutional shareholders. The above table shows three shareholders each holding more than five percent of the share capital.

Approximately 15% of the share capital were at the end of 2020 held by Danish retail investors.

## Financial calendar for 2021

Annual General Meeting 2021	26 March 2021
Interim Financial Report for Q1 2021	12 May 2021
Interim Financial Report for H1 2021	12 August 2021
Interim Financial Report for Q1-Q3 2021	10 November 2021

## Investor Relations contact

**Andreas Holkjær**

Investor Relations and Treasury Manager

+45 24 48 03 67

[aho@HplusH.com](mailto:aho@HplusH.com)

# Board of Directors

## Members of the Board of Directors



**Kent Arentoft, Chairman**

Chairman of DSVM Invest A/S and subsidiaries (Denmark)

Danish  
Born 1962

Independent



**Stewart A. Baseley**

Executive Chairman, Home Builders Federation and Board of Directors of four subsidiaries (UK)

British  
Born 1958

Independent



**Volker Christmann**

Senior Vice President and member of Group Management Rockwool International A/S

German  
Born 1957

Independent



**Pierre-Yves Jullien**

Professional board member and advisor

French  
Born 1950

Independent



**Miguel Kohlmann**

Professional board member and advisor

German and Brazilian  
Born 1962

Independent



**Helen MacPhee**

VP Finance, Global Finance Service, AstraZeneca plc (UK)

British  
Born 1962

Independent

Note: Please see the Annual Report for 2020 for a more elaborate description of the board members' individual competencies, experience, shareholdings, etc.

# Executive Management Team

## Executive Board



**Michael Troensegaard Andersen**  
Chief Executive Officer since 2011

Danish. Born 1961

2008-2011: President of global business unit in Trelleborg Group with 10 subsidiaries in Europe, USA and Asia

2004-2008: Managing Director of Trelleborg Sealing Solutions Helsingør A/S (Denmark)

1997-2004: Alto International A/S (now part of Nilfisk Group). Executive positions within sales, marketing and general management

MSc. (Engineering) and a B.Comm. (Accounting)

Board member of Solar A/S and Hansen Group A/S



**Peter Klovgaard-Jørgensen**  
Chief Financial Officer since 2019

Danish. Born 1978

2016-2019: CFO in ISS Denmark A/S (Denmark)

2014-2016: Head of Finance in ISS Denmark A/S (Denmark)

2010-2014: Treasury Vice President in ISS Group

Prior: Auditor in EY

MSc. (Business Economics and Auditing)

## Senior Executives



**Peter Lidstone**  
Chief Operating Officer since 2016

British. Born 1964

2015-2016: Director of Manufacturing and Logistics in NHS Blood and Transplant

2014-2015: Associate Director in A.T. Kearney

2013-2014: Global Supply Chain Director for Akzo Nobel Decorative Paints

2009-2013: EMEA Supply Chain Director for Akzo Nobel Decorative Paints

Prior: Several positions within Supply Chain in ICI Paints and Unilever

BSc. (Hons) (Industrial Chemistry), Chartered Chemist



**Maikku Weber Hartmann**  
Chief Human Resources Officer since 2019

Finnish & Danish. Born 1976

2017-2019: HR Director in PerkinElmer, Inc.

2012-2015: HR Director in SPX Corporation

2010-2012: Senior HR Manager in Nokia

2007-2010: Various HR positions in Nokia

MSc. (Psychology), Licensed Psychologist



**Bjarne Pedersen**  
Chief Strategy Officer since 2019

Danish. Born 1977

2014-2019: Vice President, Business Development and Investor Relations in H+H

2013-2014: Head of Business Controlling in H+H

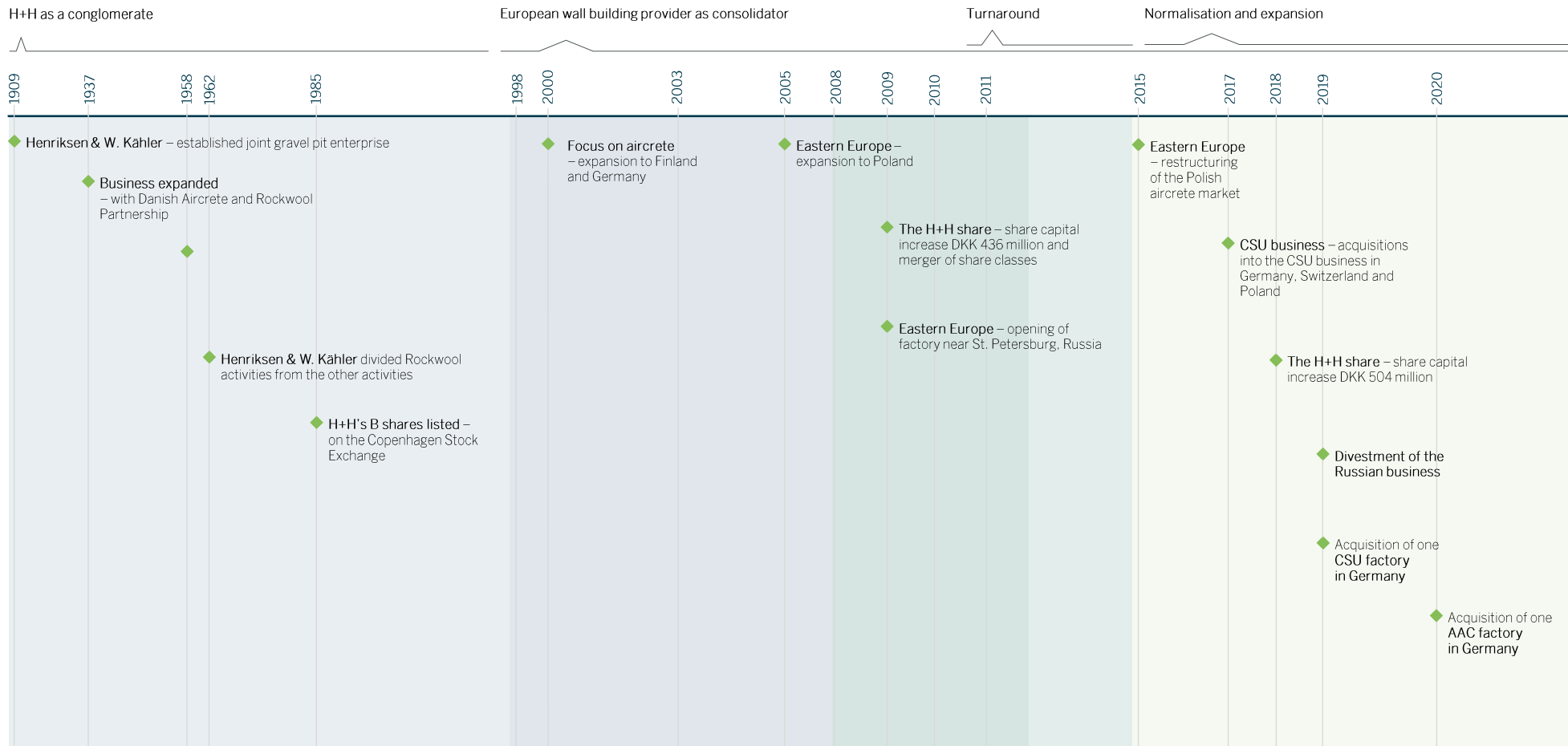
2008-2013: Other positions within Finance and IT in H+H

Prior: Accountant in PwC (1998-2000) and Global Cash Manager in Danske Bank from (2006-2008)

MSc. (Business Economics and Auditing)

Note: Please see the Annual Report for 2020 for a more elaborate description of the Executive Board, including remuneration and current shareholdings

# More than 100 years of experience





For further information, please contact

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