

A photograph taken from a concrete structure, possibly a window or a balcony, looking out onto a large, leafy green tree in a grassy field. The sky is overcast and grey. The concrete structure is visible in the foreground, with a vertical pillar on the right side.

H+H International A/S

Paris roadshow hosted by SEB

6 December 2021

Agenda

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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 30 factories in Northern and Central Europe (plus one factory currently under construction) producing a total annual output of more than four million cubic metres of wall-building materials. The Group has more than 1,500 employees working in eight countries.

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.

H+H at a glance

H+H currently has 30 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

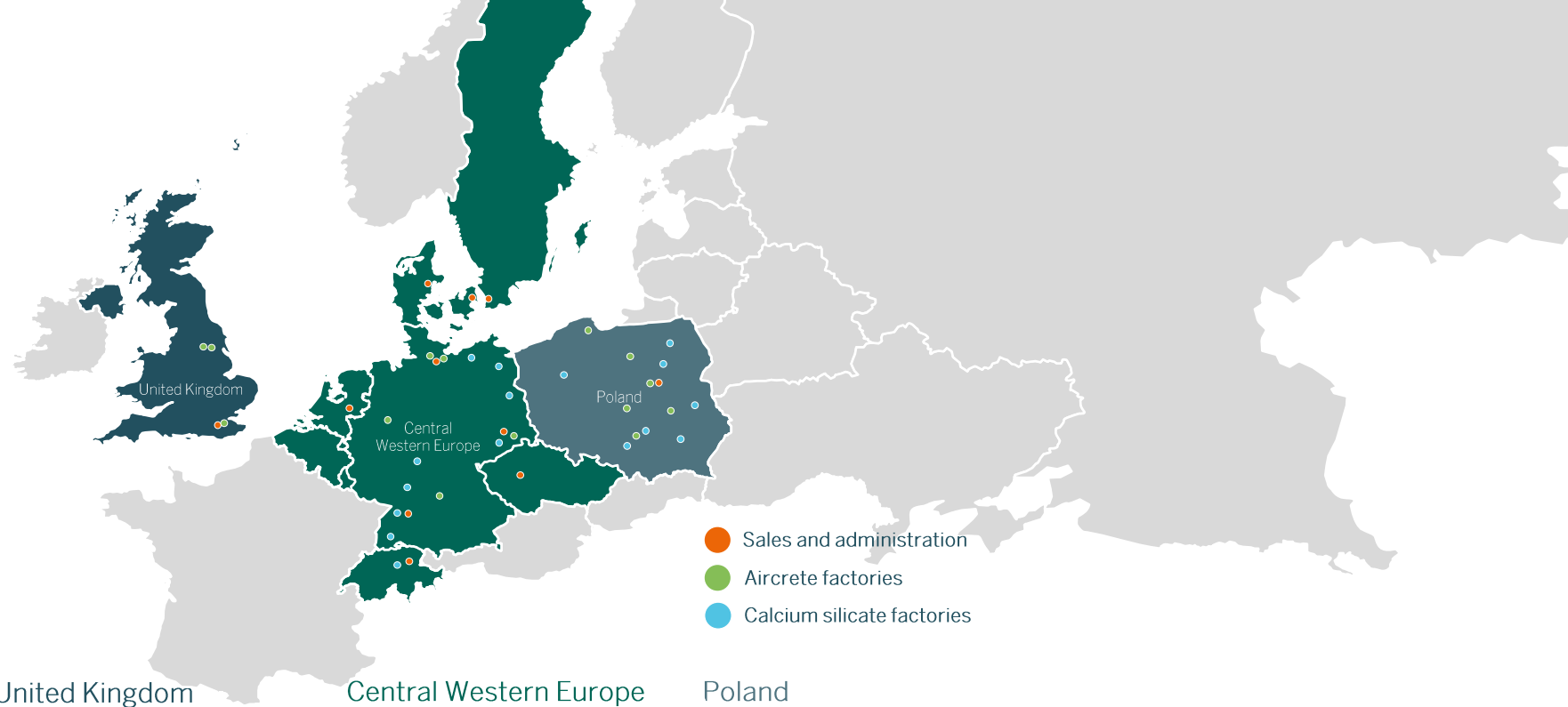
332

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

>17%

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)



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.

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.



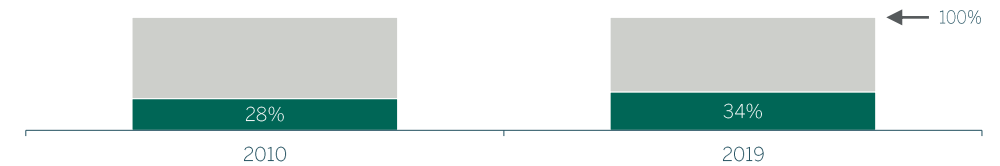
...enjoying increasing market penetration

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%⁽¹⁾.

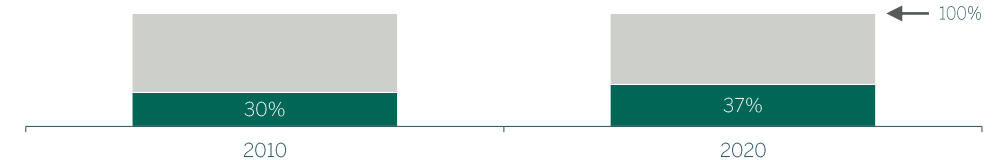
(1) Over the 2009 to 2019 period

Market penetration development

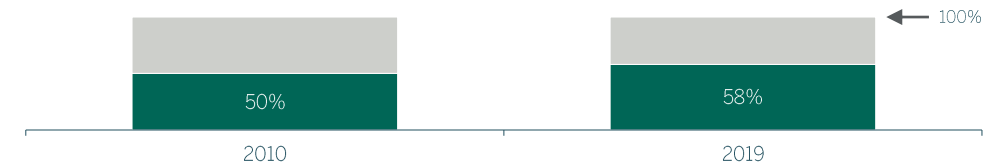
Germany



United Kingdom



Poland

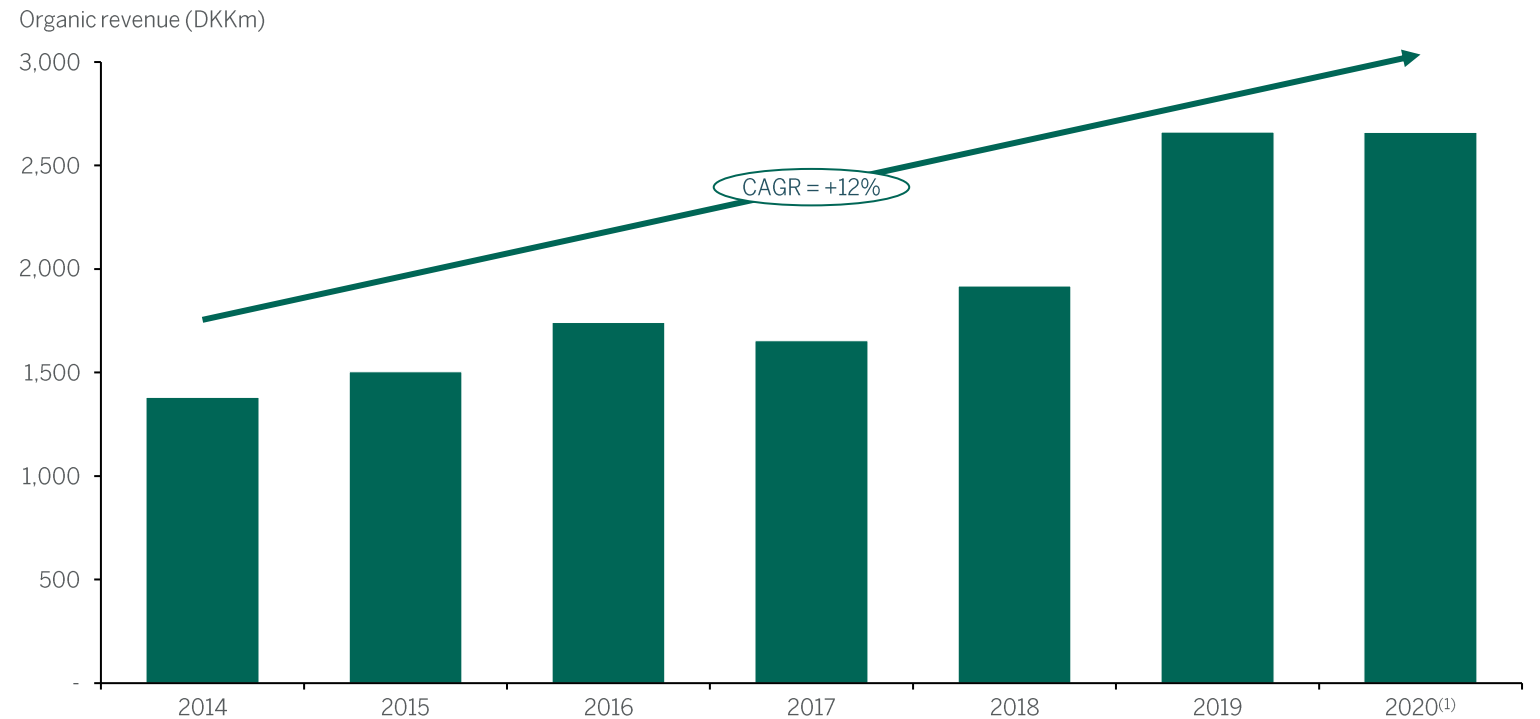




The business has shown solid organic-growth rates over recent years

Organic revenue

Revenue in local currencies, excluding acquired and divested businesses, DKKm

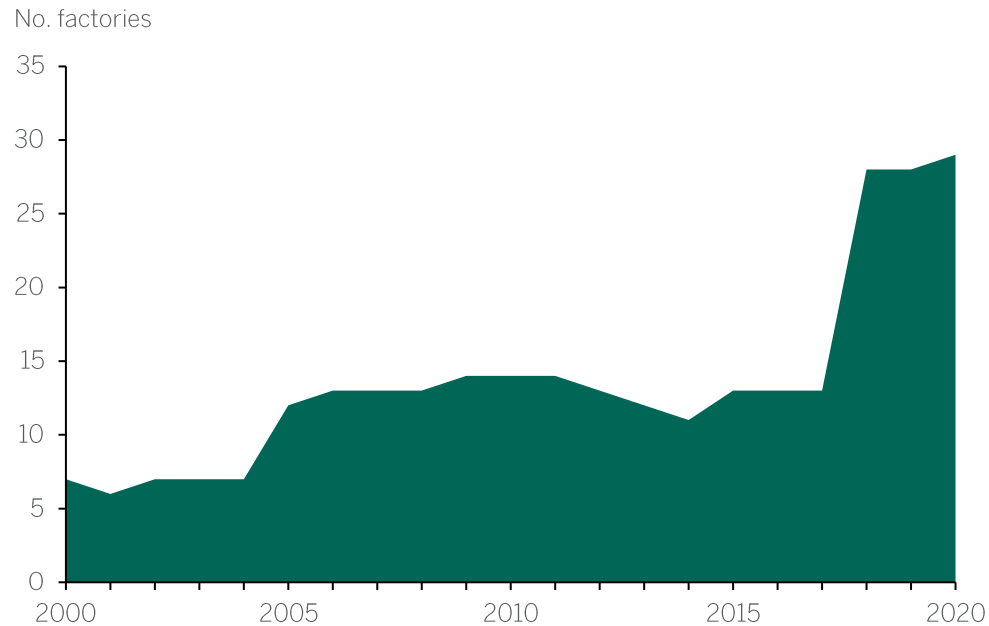


(1) Revenue in 2020 was negatively impacted by the global COVID-19 pandemic and the three-month National lockdown imposed by the British Government as a response to the pandemic

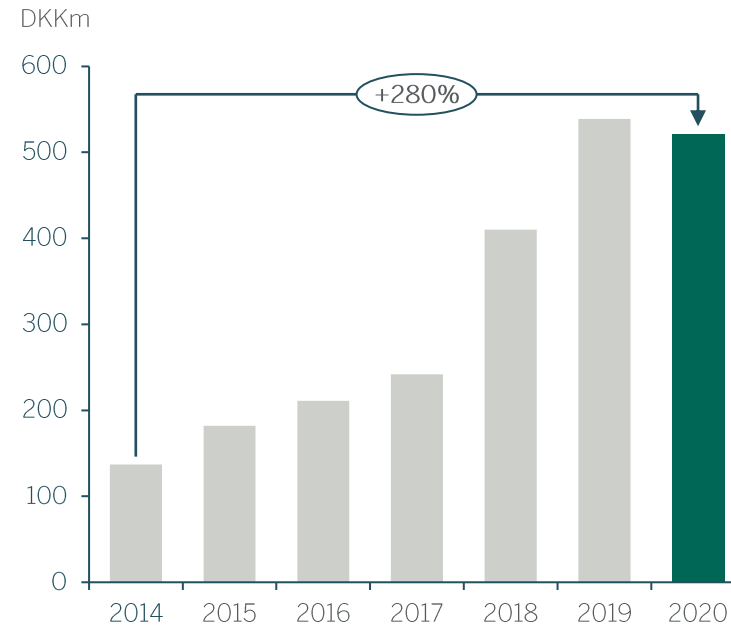
Since 2014, H+H has grown considerably through several profitable acquisitions

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



400

Annual EBITDA added (DKKkm)

1.100

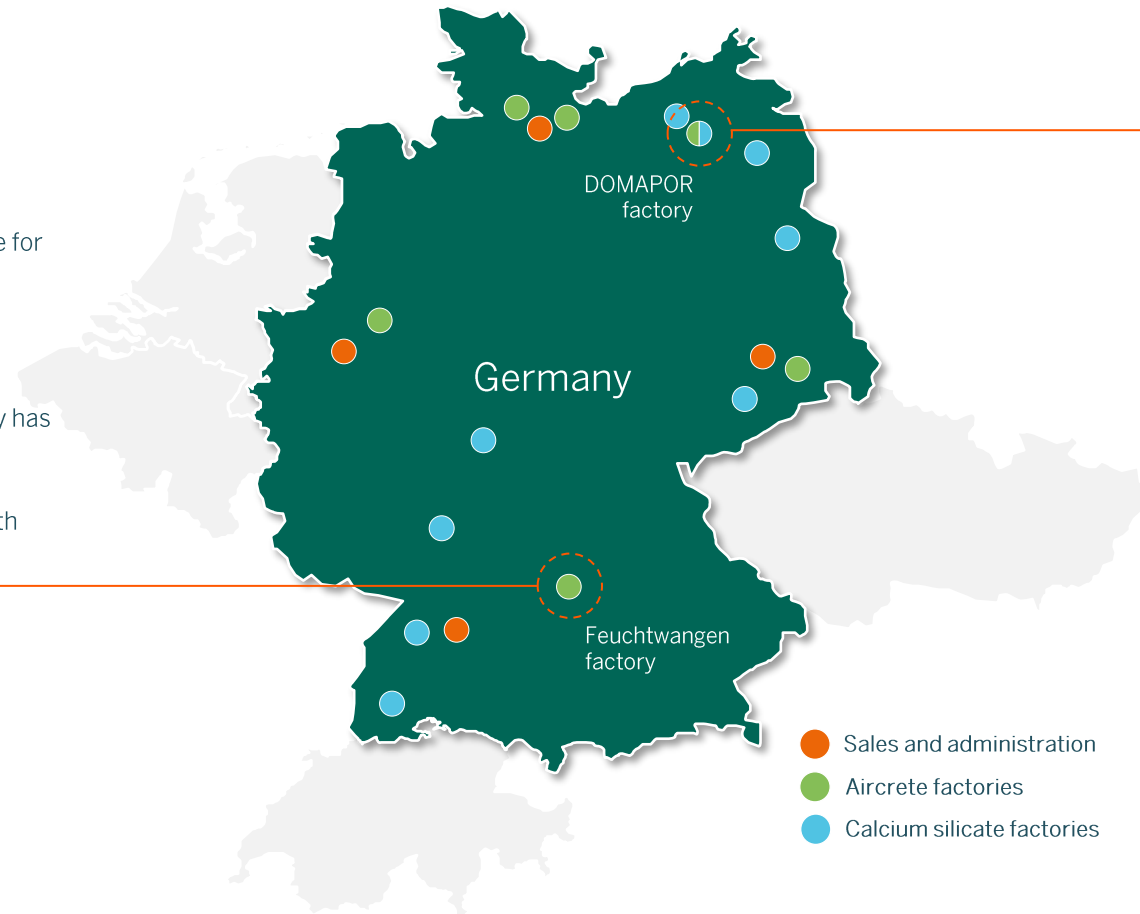
Total M&A investments (DKKkm)

Note: During 2021, H+H has acquired two additional factories which are not included in above charts and figures as they will not have financial impact before 2022

Two most recent acquisitions provide important expansion of H+H's Germany factory network

Feuchtwangen acquisition

- Acquisition of one AAC factory located in Feuchtwangen in Bavaria, Germany
- The acquisition provides true national coverage for H+H's aircrete business
- Through the acquisition, H+H will be the only supplier of both AAC and CSU products in the southern part of Germany
- Based on legacy production figures, the factory has the potential to add approximately 2-3 ppts. of market share to the German AAC business
- In addition, the factory could further supply both the Benelux and Czech markets

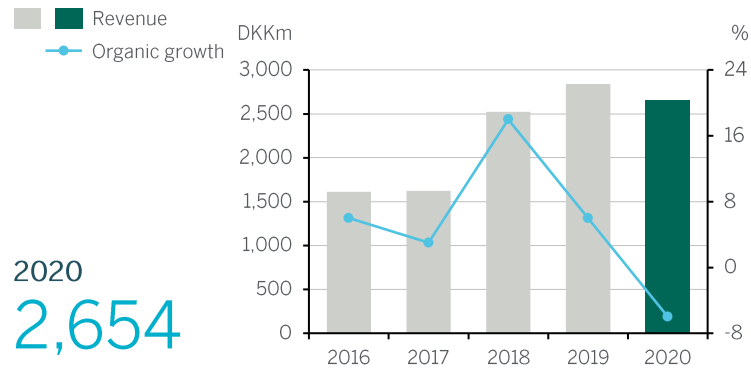


DOMAPOR acquisition

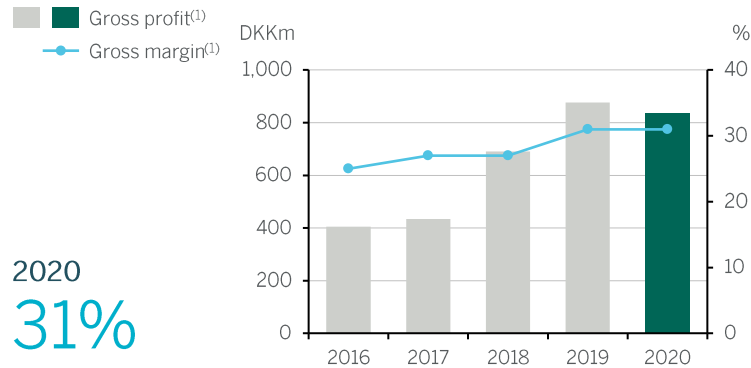
- H+H has signed an agreement to acquire 52.5% of the shares in DOMAPOR GmbH & Co. KG ("DOMAPOR")
- The factory has two production lines and is producing both AAC and CSU products
- It is estimated that the factory has capacity for an annual output equal to approximately 4.0% of the German AAC market and between 1.0% and 1.5% of the German CSU market.
- Acquisition is a strong addition to H+H's German factory network
- Expected close in early-January 2022

Five-year financial summary

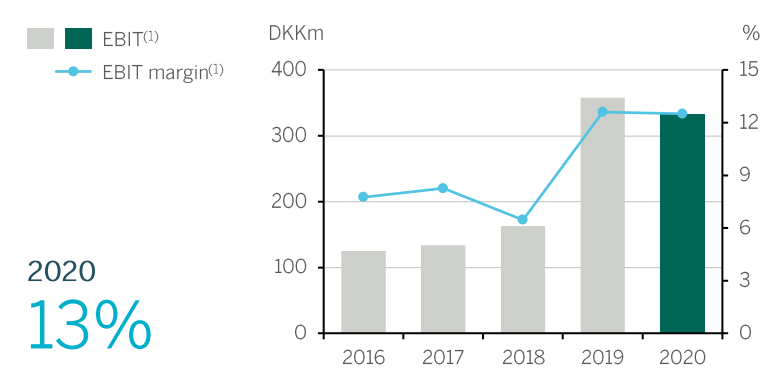
Revenue and organic growth



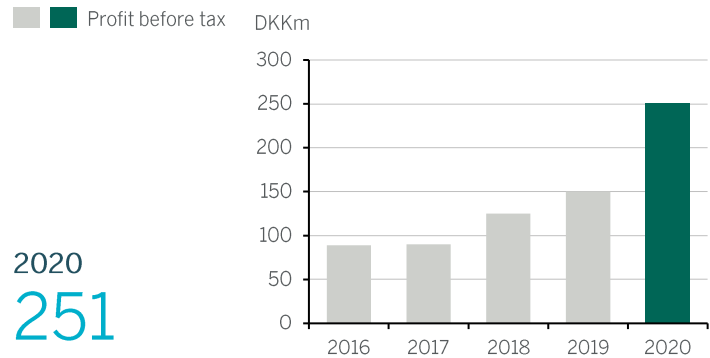
Gross profit and gross margin



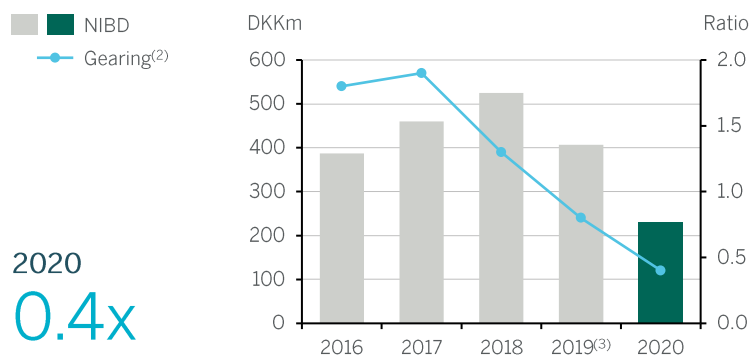
EBIT and EBIT margin



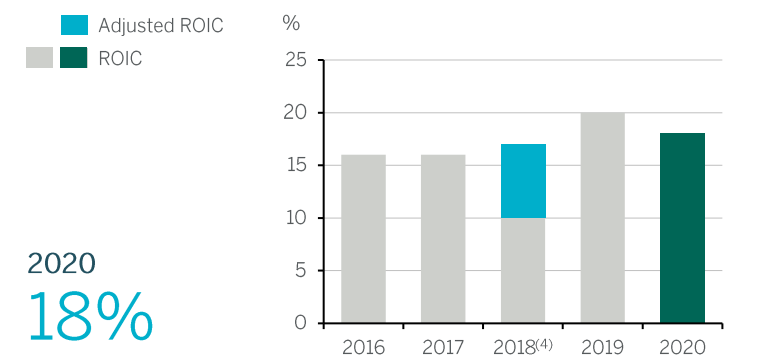
Profit before tax



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

~11%

(Previously 8% to 11%)

EBIT before special items

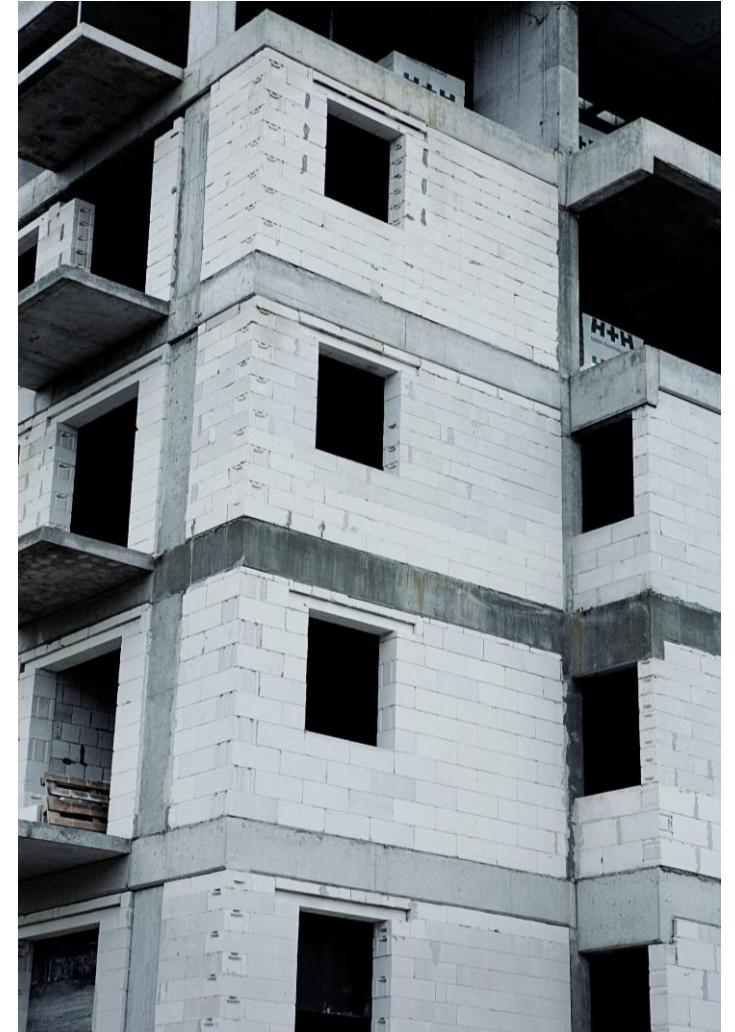
375 to 400

(Previously 360-400)

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 end-October 2021 levels
- Energy and raw material prices remain at end-October 2021 levels



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

Questions?

Supplementary information



Consolidated income statement

Income statement (DKK million)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Revenue	811	712	2,289	2,012	2,654
Cost of goods sold	(561)	(471)	(1,600)	(1,372)	(1,818)
Gross profit before special items	250	241	689	640	836
Sales costs	(36)	(37)	(108)	(110)	(151)
Administrative costs	(46)	(45)	(135)	(135)	(168)
Other operating income and costs, net	3	3	6	1	4
EBITDA before special items	171	162	452	396	521
Depreciation, amortisation and impairment losses	(46)	(46)	(138)	(138)	(189)
EBIT before special items	125	116	314	258	332
Special items, net	(4)	-	(4)	-	-
EBIT	121	116	310	258	332
Financial income	1	-	2	2	2
Financial expenses	(7)	(9)	(18)	(20)	(27)
Profit before tax	115	107	294	240	307
Tax on profit	(27)	(24)	(64)	(55)	(56)
Profit for the period	88	83	230	185	251
Profit for the period attributable to:					
H+H International A/S' shareholders	85	80	227	180	241
Non-controlling interests	3	3	3	5	10
Profit for the period	88	83	230	185	251
Earnings per share (EPS-basic) (DKK)	4.7	4.4	12.7	10.0	13.5
Diluted earnings per share (EPS-D) (DKK)	4.7	4.4	12.7	10.0	13.5

Consolidated statement of comprehensive income

Statement of comprehensive income (DKK million)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Profit for the period	88	83	230	185	251
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign entities	(9)	(9)	1	(45)	(48)
	(9)	(9)	1	(45)	(48)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	(6)	(92)	27	(83)	(110)
Tax on actuarial gains and losses	1	15	(5)	12	21
	(5)	(77)	22	(71)	(89)
Other comprehensive income after tax	(14)	(86)	23	(116)	(137)
Total comprehensive income for the period	74	(3)	253	69	114

Consolidated balance sheet

Assets (DKK million)	30 Sep. 2021	31 Dec. 2020	30 Sep. 2020
Non-current assets			
Goodwill	292	211	202
Other intangible assets	243	258	278
Property, plant and equipment	1,598	1,538	1,522
Deferred tax assets	12	18	14
Financial assets	6	6	8
Total non-current assets	2,151	2,031	2,024
Current assets			
Inventories	247	282	280
Receivables	233	115	210
Cash	660	481	465
Total current assets	1,140	878	955
Total assets	3,291	2,909	2,979

Equity and liabilities (DKK million)	30 Sep. 2021	31 Dec. 2020	30 Sep. 2020
Equity			
Share capital	180	180	180
Retained earnings	1,595	1,405	1,359
Other reserves	(146)	(147)	(144)
Equity attributable to H+H International A/S's shareholders	1,629	1,438	1,395
Equity attributable to non-controlling interests	64	71	82
Total equity	1,693	1,509	1,477
Non-current liabilities			
Pension obligations	109	147	128
Provisions	33	34	29
Deferred tax liabilities	134	130	154
Credit institutions	730	609	636
Lease liabilities	90	84	85
Total non-current liabilities	1,096	1,004	1,032
Current liabilities			
Lease liabilities	21	18	17
Trade payables	250	180	192
Income tax	37	30	30
Provisions	3	6	9
Other payables	191	162	222
Total current liabilities	502	396	470
Total liabilities	1,598	1,400	1,502
Total equity and liabilities	3,291	2,909	2,979
Net interest-bearing debt	181	230	273

Consolidated cash flow statement

Cash flow statement (DKK million)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Operating profit (loss)	121	116	310	258
Financial income received	1	-	2	2
Financial items, paid	(7)	(5)	(18)	(16)
Depreciation, amortisation and impairment losses	46	46	138	138
Gain and losses on sale of assets and other non-cash effects	4	-	4	8
Change in working capital and other	42	29	13	(20)
Change in provisions and pension contribution	(7)	(9)	(21)	(20)
Income tax paid	(24)	(19)	(51)	(45)
Operating activities	176	158	377	305
Acquisition of enterprises	(127)	-	(127)	(74)
Acquisition of property, plant and equipment and intangible assets ⁽¹⁾	(44)	(22)	(105)	(65)
Investing activities	(171)	(22)	(232)	(139)
Free cash flow	5	136	145	166
Change in borrowings ⁽²⁾	34	(51)	121	63
Change in lease liabilities	(6)	(4)	(20)	(15)
Purchase of treasury shares	(27)	(4)	(63)	(4)
Dividend to non-controlling interests	-	-	(7)	-
Financing activities	1	(59)	31	44
Cash flow for the period	6	77	176	210
Cash and cash equivalents, opening	657	390	481	262
Cash related to the acquired and divested enterprises	-	-	-	8
Foreign exchange adjustments of cash and cash equivalents	(3)	(2)	3	(15)
Cash and cash equivalents, closing	660	465	660	465

(1) Acquisition of property, plant and equipment and intangible assets for first three quarters 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

Market update

Central Western Europe: demand outlook remain stable but restrained by lack of installation capacity and building plots

Germany:

- The country faces a significant lack of housing space, especially in the larger cities, providing a solid demand outlook for both AAC and CSU products
- The German Government remains committed to increase building activity through incentives to homeowners and stimuli programmes targeting the availability and development of land
- However, the effect of the programmes appears insufficient and the lack of installation capacity remains, causing the order backlog among building companies to continue growing
- Demand remains highly imbalanced as demand in the North-eastern part of Germany is considerably higher than in the South-eastern part, causing shipment of products over longer distances

Other markets:

- In the Nordics, the number of issued building permits continues to increase, providing a solid demand outlook for H+H
- Continued positive developments in the Swiss and Benelux markets with economies expected to return to pre-Covid levels

United Kingdom: market on track to be ahead of 2019 sales, but capacity constraints limits additional growth

- The UK Government has recently been very vocal around their ambitions to build more homes, but the exact roadmap towards a targeted 300,000 dwellings annually remains unclear
- 'Stamp duty holiday' expired in end-September and house sales increased significantly ahead of the deadline
- The UK private housing market remains buoyant, and third-party data providers expect double-digit growth in started dwellings in both 2021 and 2022 due to a strong demand for housing
- This is driven by UK citizens changing their preferences and lifestyle choices in the Covid-19 pandemic
- During Q3 2021, the UK experienced a significant lack of both trucks and truck drivers, as well as diesel fuel. H+H UK is working closely with its transportation partners to make sure that both trucks and truck drivers are available to meet customer expectations and needs
- Further, H+H is experiencing increasing input costs, especially related to cement and limestone, driven by CO2 taxes and high demand due to a large number of infrastructure projects

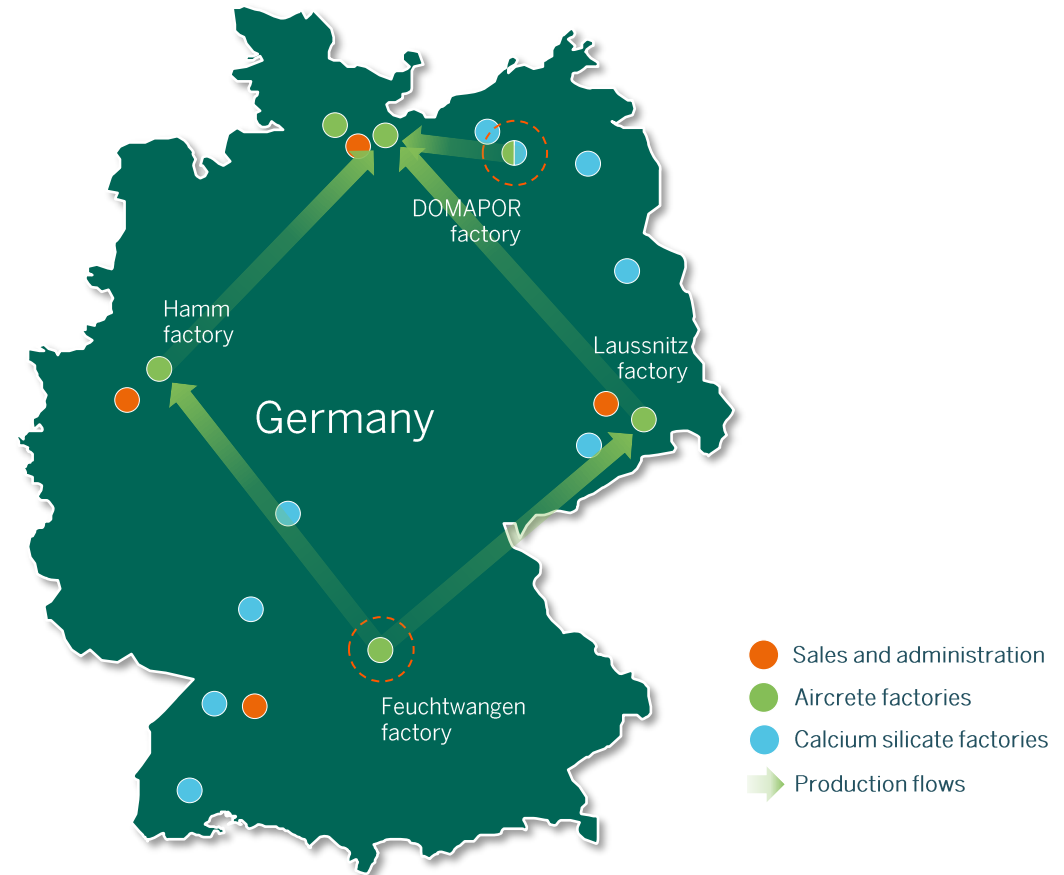
Poland: strong market fundamentals driven by high demand and a historical high number of building permits

- Underlying demand remains strong with a historical high number of building permits being issued in the period from January to September 2021⁽¹⁾
- This trend has been seen throughout 2021, but it appears to be stabilising towards the end of the year
- The issued permits cover construction work for both developers and for individual investors—and therefore both of H+H's product categories
- The number of both issued permits and the number of dwellings started over the past twelve months far exceed the combined annual installation capacity of Polish construction companies and thus further support the short-to-medium-term demand outlook
- While the competitive situation in the Polish CSU market appears to have stabilised due to the strong demand, and while price increased have been observed in certain regions, additional capacity may still be introduced which could cause further pricing pressure in the CSU market
- In the AAC market pricing continues its positive trend, due to very strong demand in Q3 2021

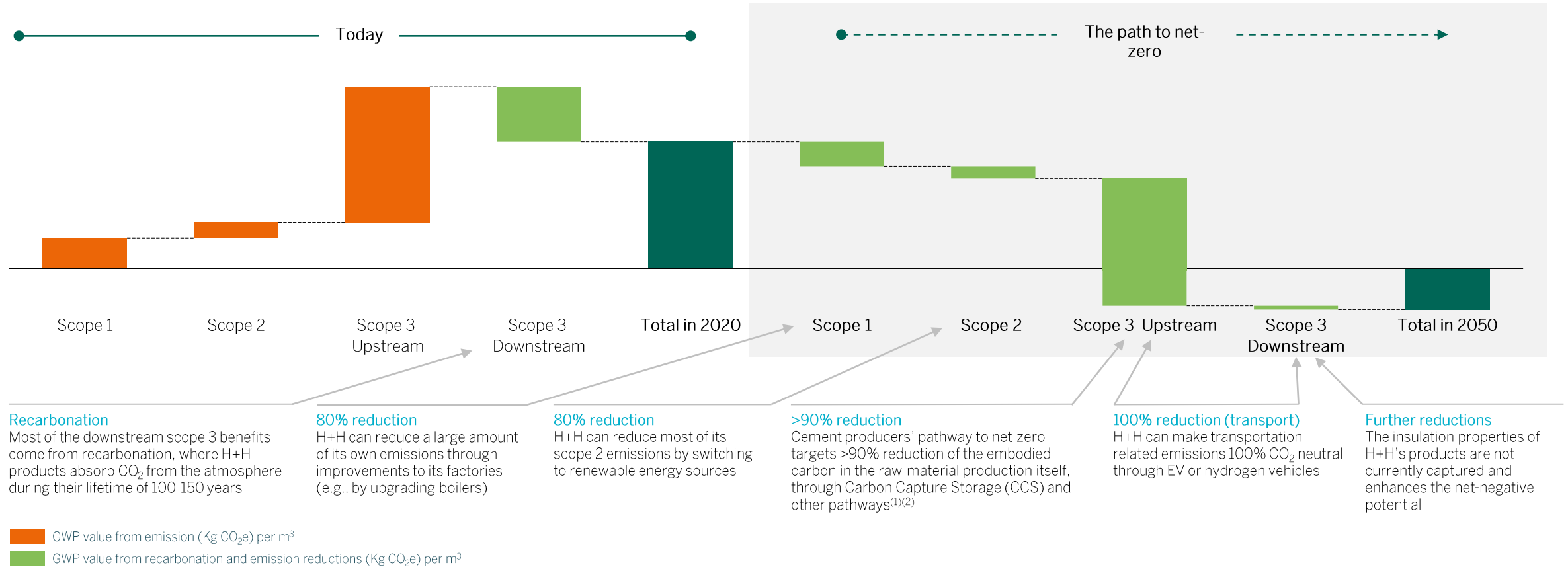
(1) Source: GUS (Polish Statistics)

Recent acquisitions provide opportunity to strengthen German factory network and build a solid foundation for future growth

- H+H plans to perform certain upgrades and maintenance on the Wittenborn factory in the Northern part of Germany
- As a consequence of the upgrades, the Wittenborn factory will be temporarily closed for a period in 2022
- H+H will utilise the expanded factory network from the DOMAPOR and Feuchtwangen acquisitions to support the Wittenborn factory and minimise impact on production
- The Wittenborn factory will be supported by the Laussnitz and Hamm factories, as well as the newly acquired DOMAPOR factory
- Further, the Laussnitz and Hamm factories will in turn be supported by the recently acquired Feuchtwangen factory
- Upgrades are considered strategically important and will add long-term value for H+H



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).



Strategic ambitions

Long-term financial targets

EBIT margin⁽¹⁾

11%

2020: 13%

Return on Invested Capital

14%

2020: 18%

Financial gearing

1-2x

2020: 0.4x

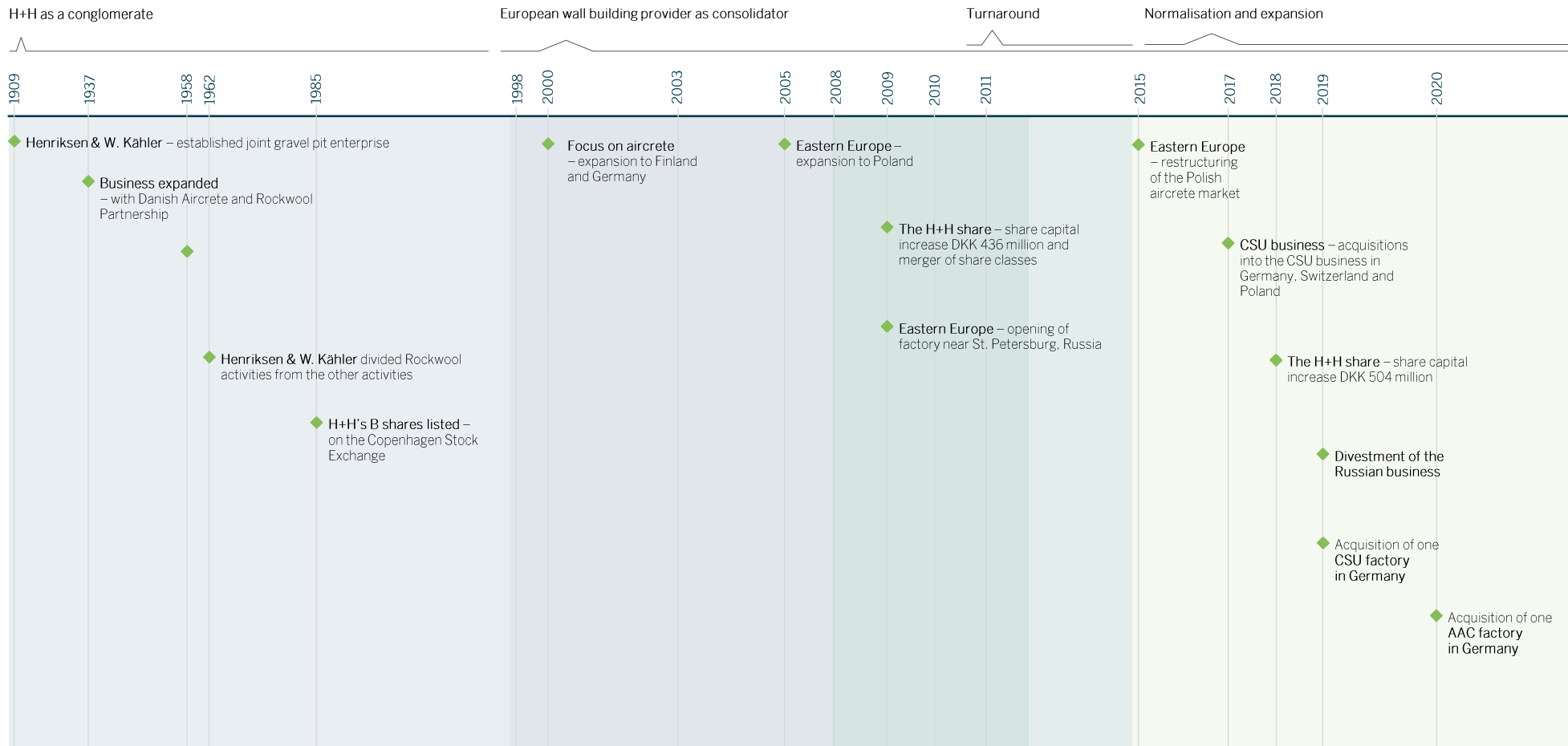
Non-financial targets

- Achieve net-zero emissions in H+H's operations by 2050
- Reduce energy consumption per m³ by 7% versus 2019 base line of 565 MJ per m³ by 2024
- Reduce water usage by 5% versus 2019 base line of 382 litres per m³ by 2024
- Achieve zero waste to landfill by 2024
- In 2021, develop an emissions-reduction roadmap to become carbon neutral in H+H's own operations
- Reduce lost-time-incidents frequency (LTIF) to 3 by 2024
- Reduce absenteeism through sickness to 9 days per annum by 2024
- Improve gender diversity within the Board of Directors to minimum 25-40% of the under-represented gender by no later than the annual general meeting in 2023

(1) Before special items

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

More than 100 years of experience



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