H+H International A/S
H1 2022 Interim Financial Report

Conference call, 19 August 2022

PARTNERS IN WALL BUILDING

Introduction

Contents

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 31 factories in Northern and Central Europe (plus one factory currently under construction) producing a total annual output of close to 4.5 million cubic metres of wall-building materials. The Group has more than 1,600 employees working in eight countries in Central and Northern 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.

Q2 2022: strong activity and sales price increases drove solid earnings in high-inflation environment

Selected financial figures for Q2 2022

Figures in DKKm unless otherwise stated. Q2 2021 figures in brackets

Organic growth	Gross margin(1)	EBIT margin(1)
13%	32%	18%
(39%)	(30%)	(15%)

Return on Invested Capital	Free cash flow	Financial gearing(2)
26%	165	0.5x
(21%)	(172)	(0.3x)

(1) Before special items (2) Net interest-bearing debt to EBITDA before special items ratio

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Central Western Europe: high activity but rising inflation and uncertainties around energy supply hampering visibility

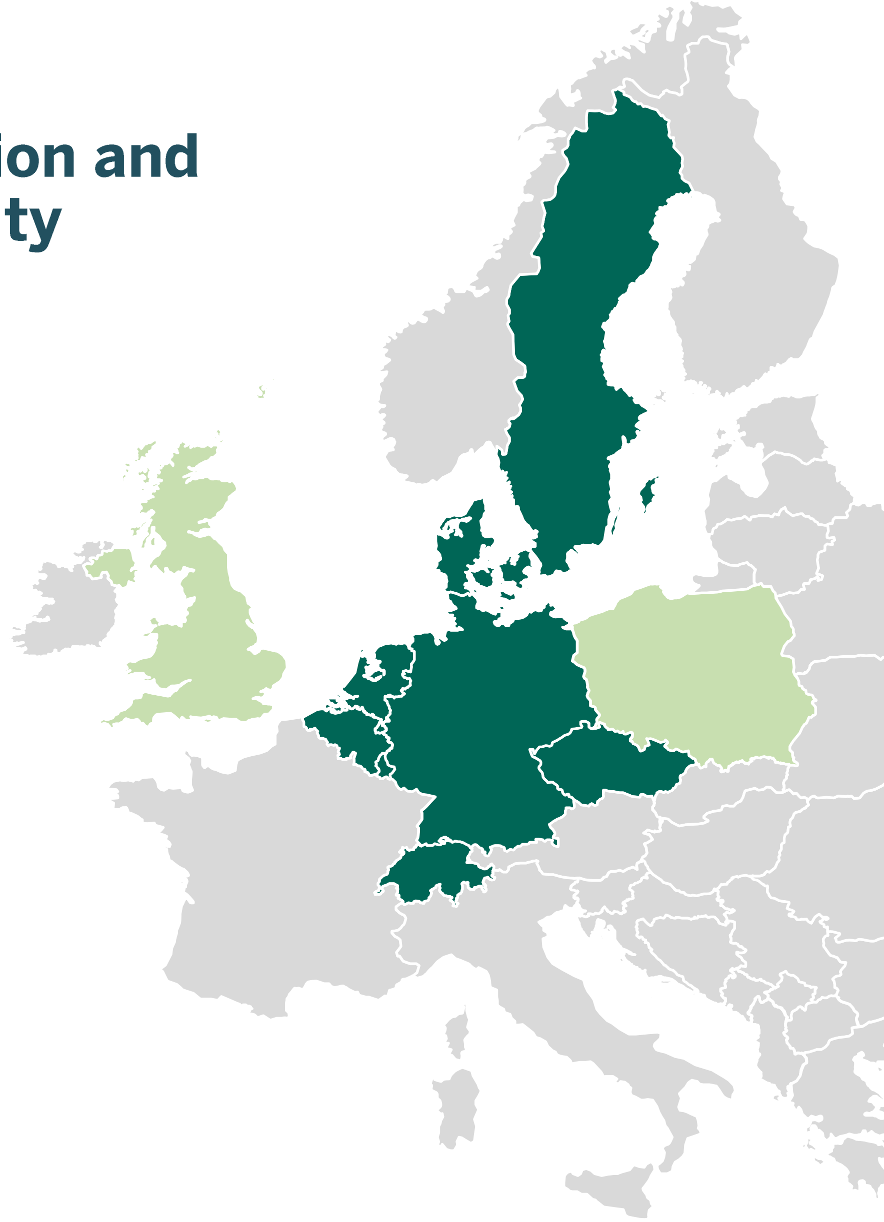
Market conditions and trends

Germany:

- Demand remains high, fuelled by a continued shortage of housing space—especially in the larger cities—from a growing number of smaller households.
- The country faces growing inflation rates, in large part due to rising natural gas prices driven by uncertainties around future supply. This hampers visibility for the remainder of the year.
- H+H continues to assume that there will be sufficient gas supplies available for the second half of the year but has taken precautionary measures to ensure continuous availability of energy to safeguard production in the exceptional event of a natural gas shortage.
- However, while H+H can safeguard its own production, major uncertainties still relate to the supply chains and the continuous availability of raw materials.
- The upgrade of the Wittenborn factory continues as planned with support from the Feuchtwangen and the Domapor factories. Further, the ramp-up of the Feuchtwangen factory and the integration of the Domapor factory into the wider German factory network continue in line with plans.

Other markets:

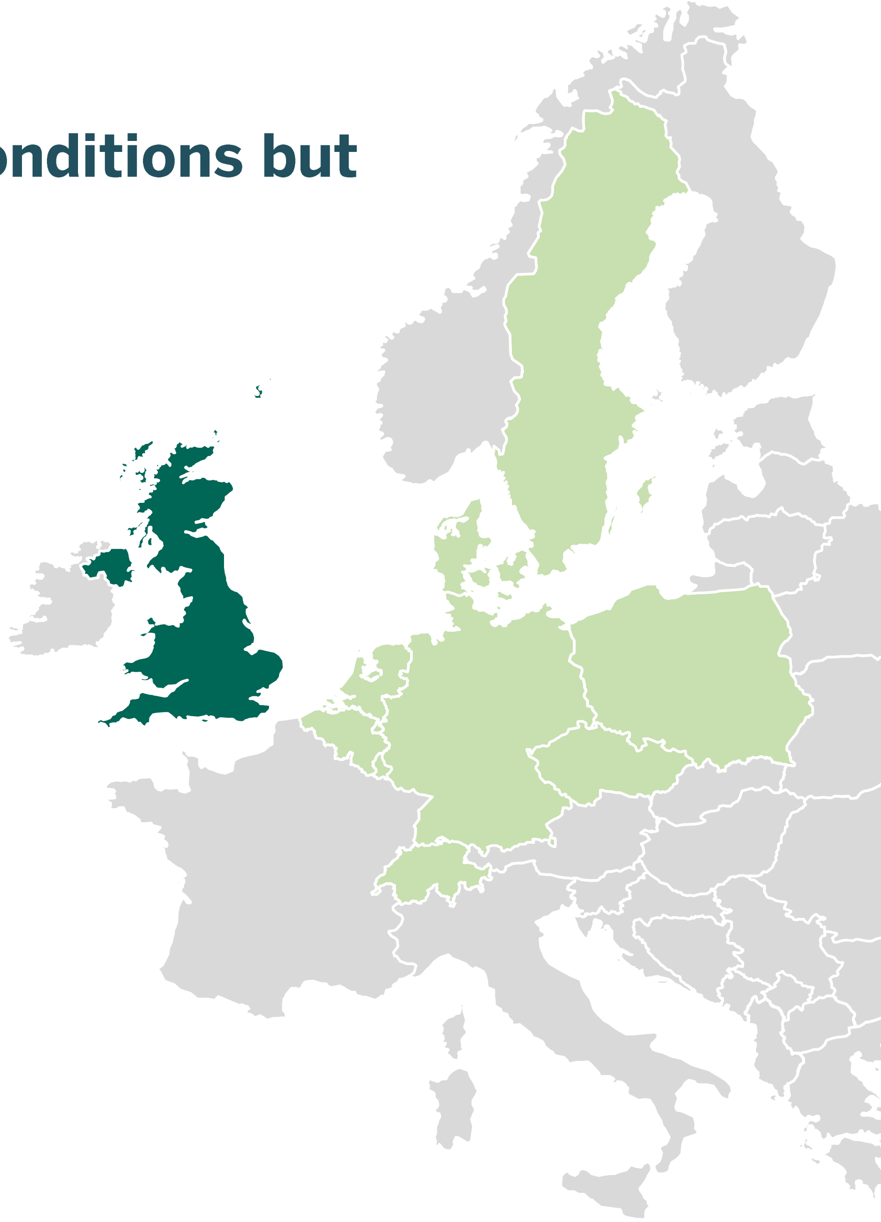
- In the Nordics, the latest economic analyses point to a relatively more negative outlook for the construction industry due to high inflation and a shortage of labour and materials. However, demand of H+H products remains high and this trend is expected to continue for the remainder of the year.
- In Switzerland, the general demand outlook remains unchanged and sales in the Benelux countries are good but capped by our production output.



The United Kingdom: favourable short-term market conditions but additional cost pressure expected

Market conditions and trends

- The construction industry is still expected to continue growing, albeit at slower rates than previously expected.
- The downward revision comes as a result of growing inflation arising from both local and global issues.
- In the private housing segment, demand remains strong and resilient, but in combination with the growing inflation, rising interest rates are expected to adversely impact consumer confidence in the country.
- Nevertheless, housing sales rates remain high and housebuilders continue to report strong forward sales for the remainder of the year.
- The general expectation is that the UK housing market will continue to provide favourable market conditions in the short term, but increased levels of uncertainty fuel the anticipation of tougher conditions in the medium term.



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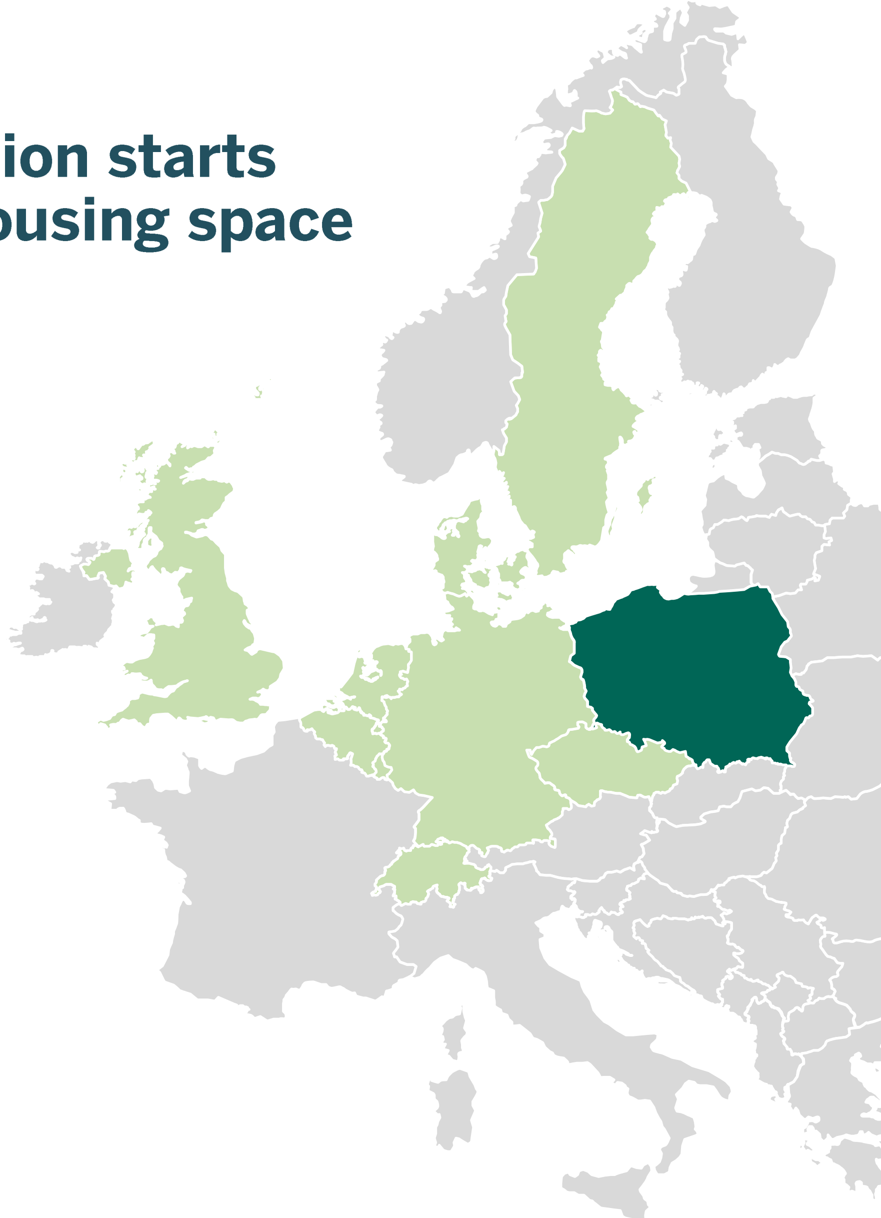
Poland: growing inflation adversely impacts construction starts but the country faces a growing need for additional housing space



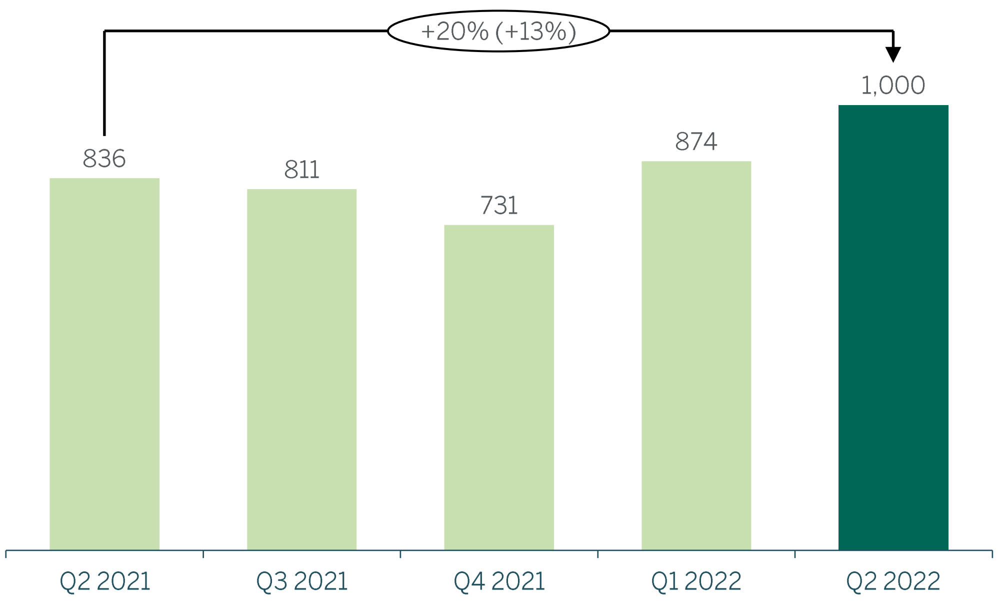
Market conditions and trends

- Demand remains high and has supported the continued implementation of significant sales price increases to counter the growing inflation on raw materials.
- The number of building permits issued over the January to June period remains at a high level, and housing completions are continuing along an upward trend.
- However, due to growing inflation and rising interest rates, Polish purchasing power is now significantly lower which will likely influence investment decisions in the country.
- Construction starts have already decreased by approximately 17% compared to the corresponding period in 2021.
- It remains unclear to which extent the great number of refugees from Ukraine will impact the Polish housing markets, but the situation will likely drive further construction activity due to the already significant shortage of housing space in the country.
- The expansion of the AAC factory in Reda with an additional CSU production line continues in line with plan. H+H currently expects that the factory will commence production by September 2022.

Highest-ever quarterly revenue driven by the continued implementation of sales price increases and strong customer demand

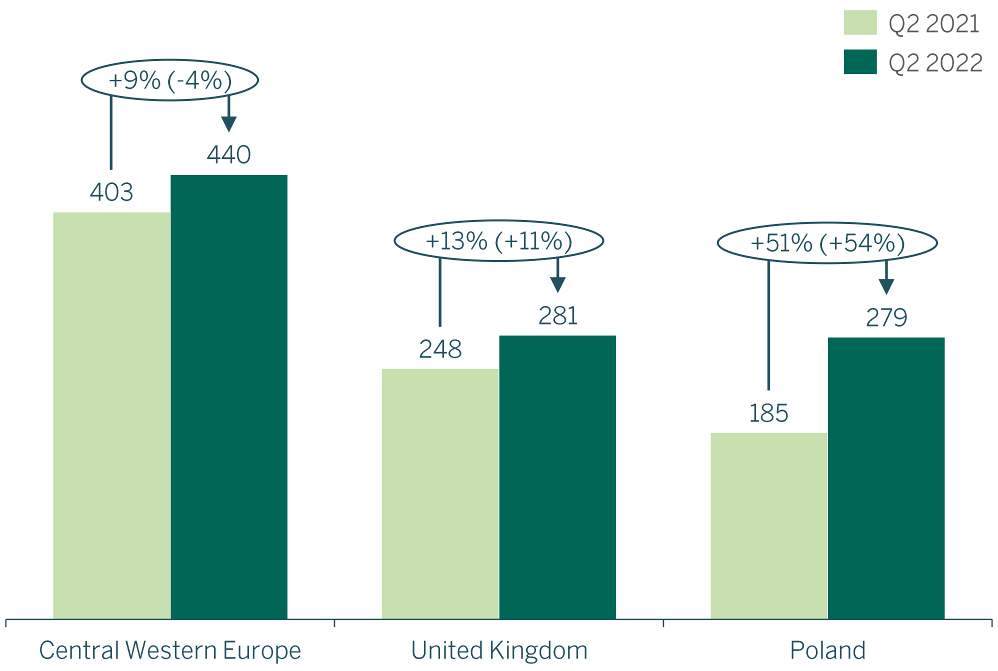
Consolidated revenue by quarter

DKKm. Bubbles show revenue growth (organic growth)



Quarterly revenue by region

DKKm. Bubbles show revenue growth (organic growth)



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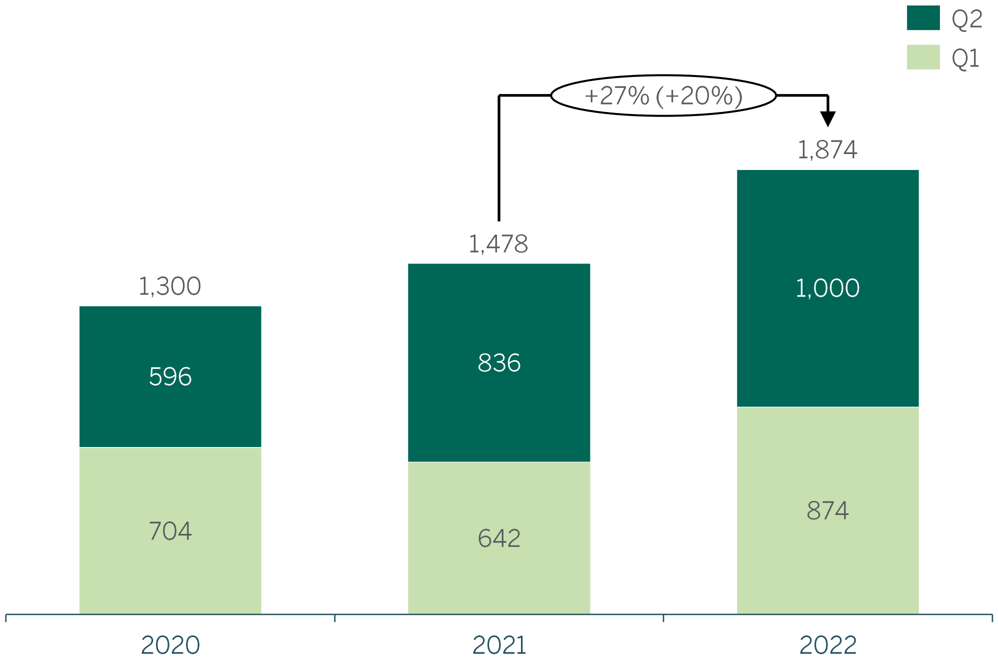
H1 2022 revenue marks strong start to the year with solid organic growth across all regions

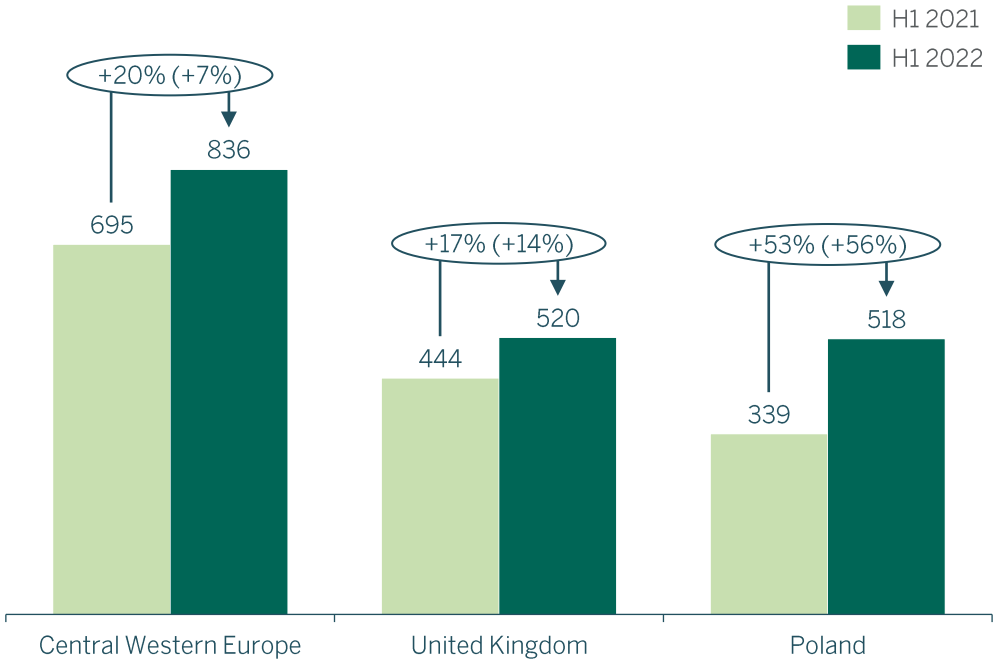
Consolidated H1 revenue

DKKm. Bubbles show revenue growth (organic growth)



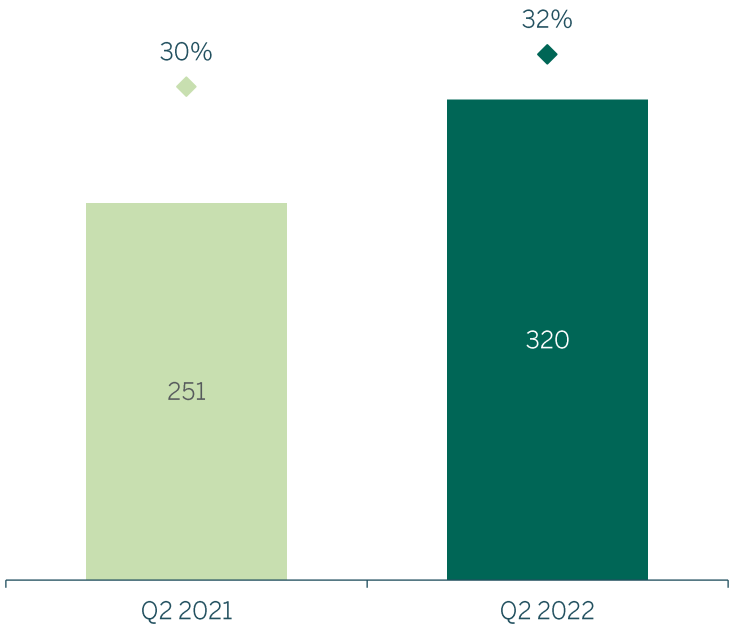
H1 revenue by region

DKKm. Bubbles show revenue growth (organic growth)

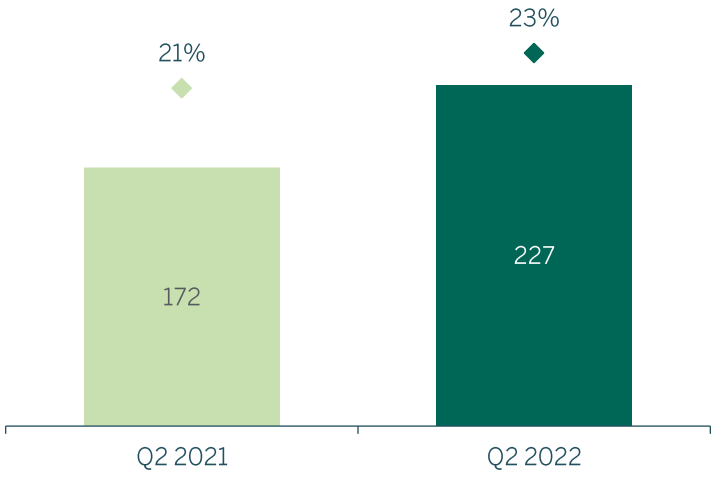


Strong earnings margins in Q2 2022 fuelled by sales price increases to counter the inflationary pressure

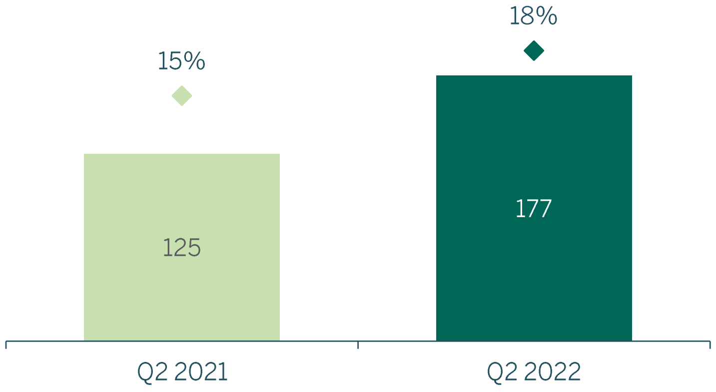
Gross profit and gross margin
DKKm and percent, respectively



EBITDA and EBITDA margin
DKKm and percent, respectively



EBIT and EBIT margin
DKKm and percent, respectively



Note: All figures are before special items

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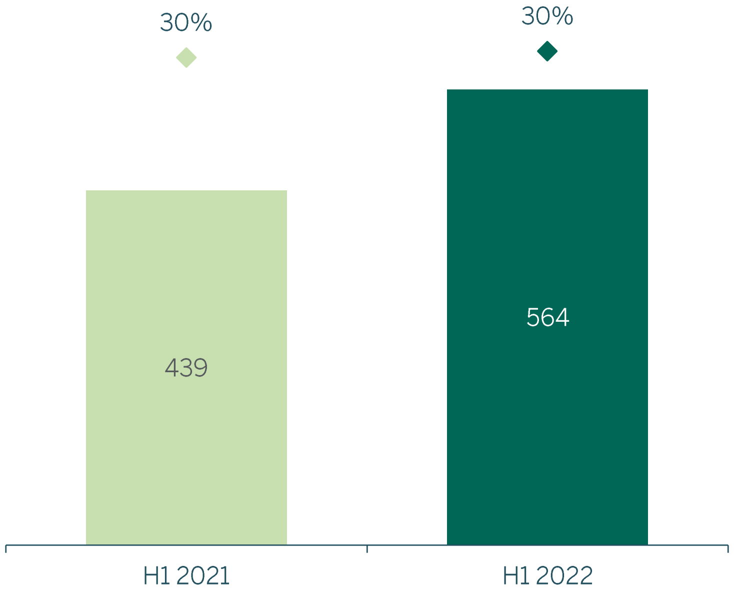
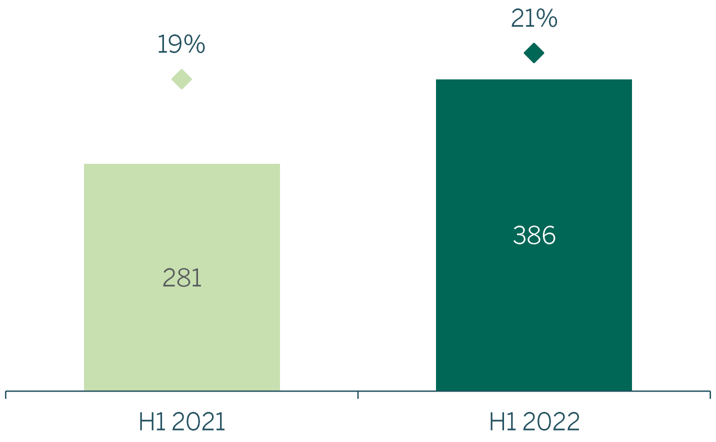
Solid H1 2022 gross margin and leverage of SG&A drives strong EBITDA and EBIT margins

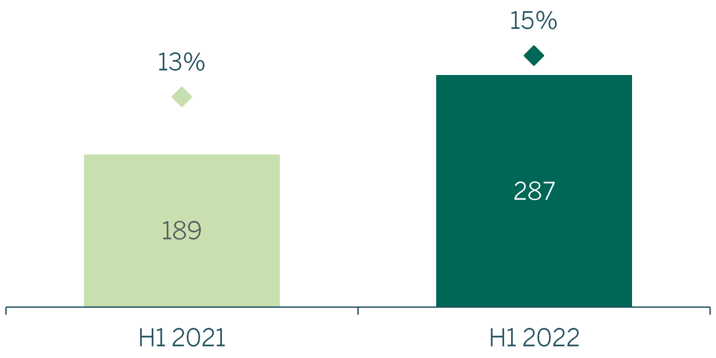
Gross profit and gross margin
DKKm and percent, respectively



EBITDA and EBITDA margin
DKKm and percent, respectively



EBIT and EBIT margin
DKKm and percent, respectively



Note: All figures are before special items

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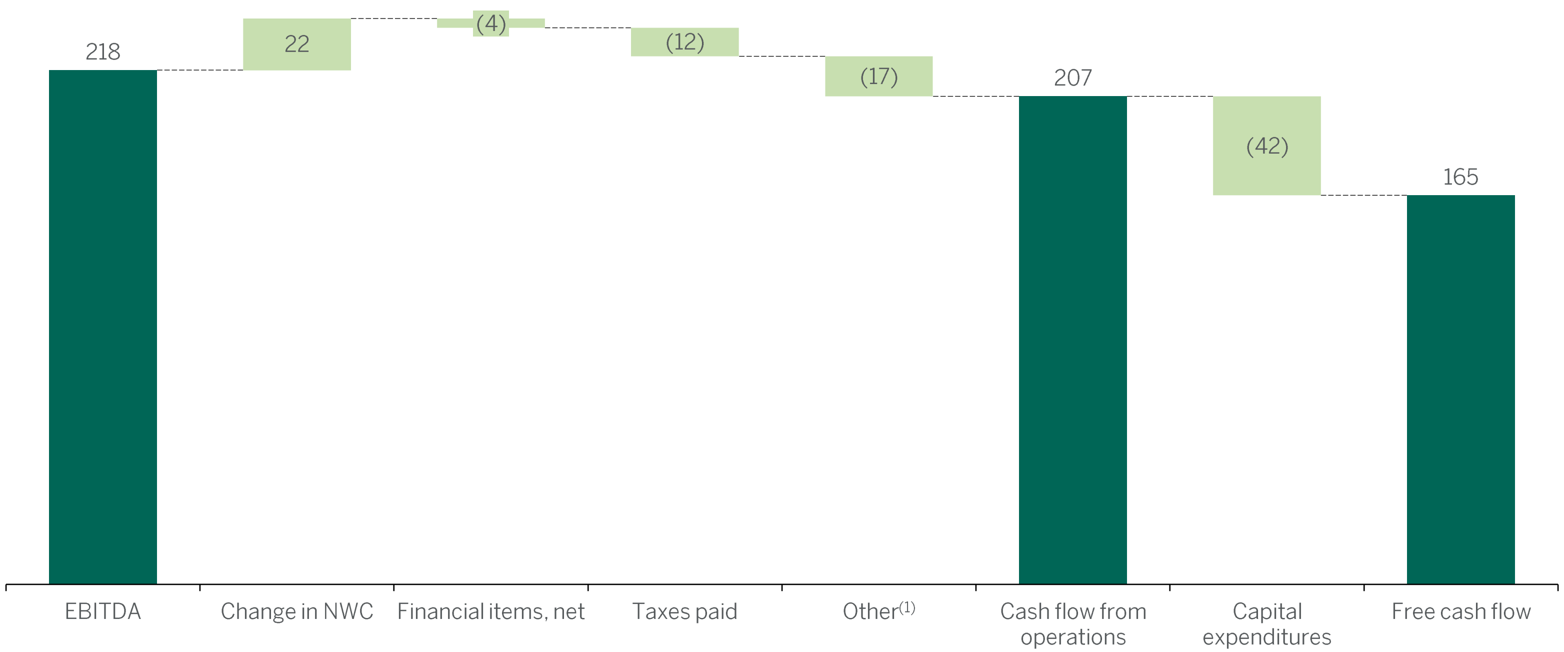
Quarterly earnings drove strong free cash-flow generation...

Development of free cash flow

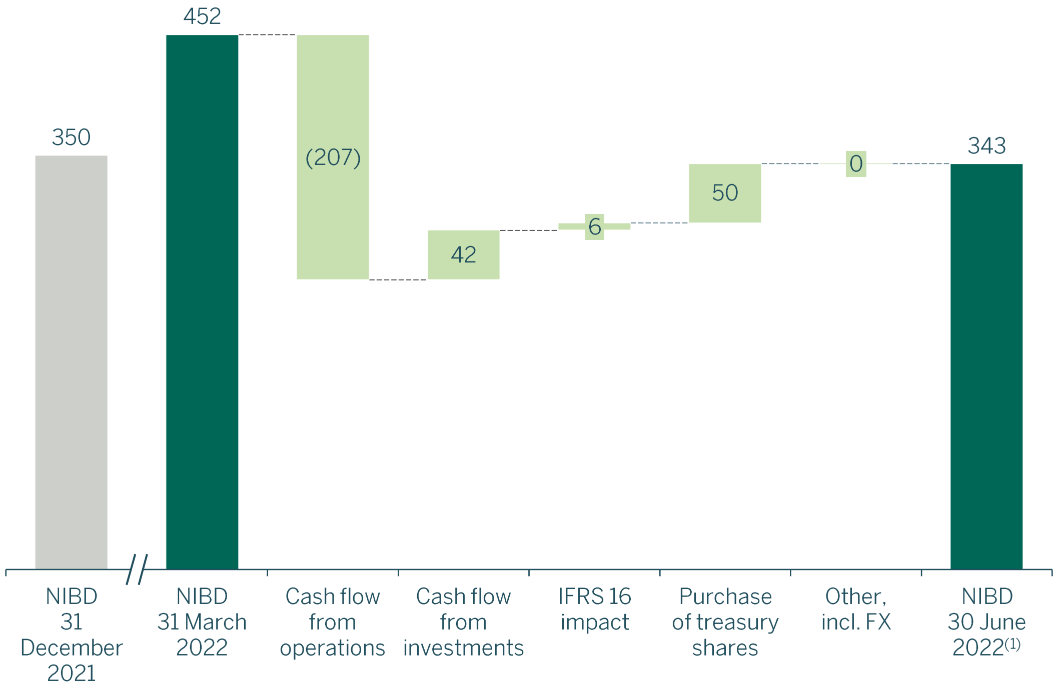
DKKm



(1) 'Other' comprises change in provisions and pension contribution and other adjustments with non-cash effects

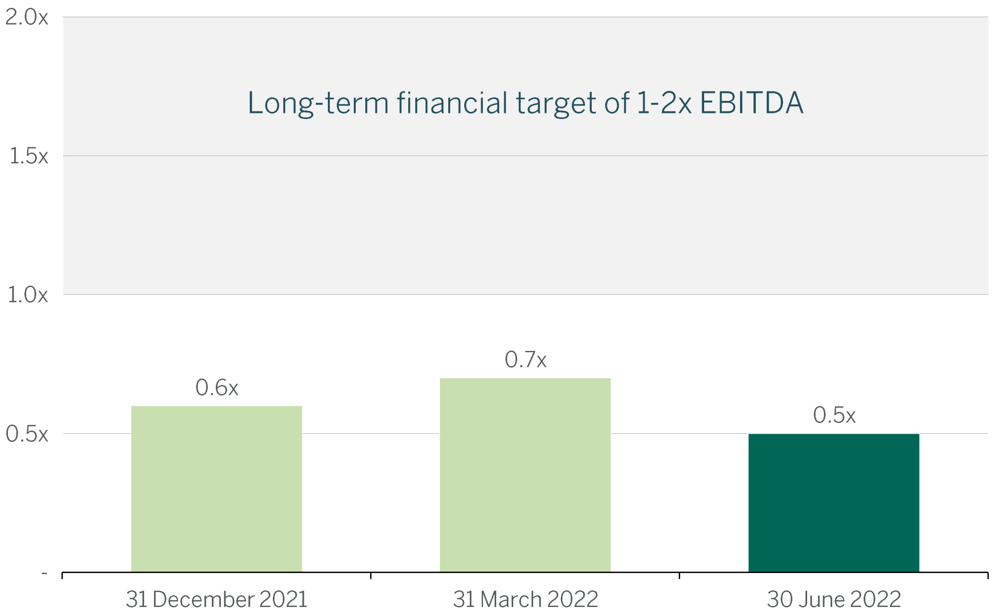
...which in turn drove a decline in net interest-bearing debt and a lower financial gearing

Net interest-bearing debt ("NIBD")
DKKm



(1) Of the total net interest-bearing debt, lease liabilities amounted to DKK 98 million as of 30 June 2022

Financial gearing
Net interest-bearing debt to EBITDA before special items



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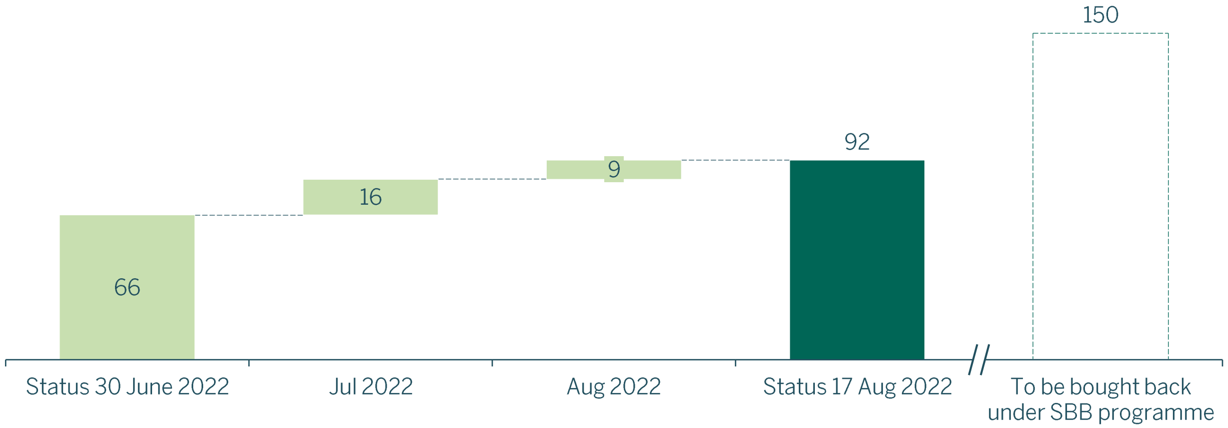
Status on DKK 150 million share buy-back programme

- As of 30 June 2022, a total of 403,100 shares, corresponding to 2.3% of the total share capital in H+H, had been bought back under the programme for a total purchase price of DKK 66 million.
- Further investments in profitable growth remains the key strategic focus for H+H.
- The decision to initiate the share buy-back programme is supported by strong earnings and free cash-flow generation, which have resulted in a financial gearing comfortably below the Group’s long-term financial target.

Total price for repurchased shares, monthly
DKKm



Financial outlook for the full year 2022 maintained

Organic growth

15% to 20%

EBIT before special items

440 to 520

DKKm

Specific assumptions:

- Exchange rates, primarily the British pound ("GBP"), the euro ("EUR") and the Polish zloty ("PLN"), are expected to remain at mid-August 2022 levels.
- Costs of energy costs and raw materials are expected to remain at current levels.

Strong performance in the six-month period but macroeconomic landscape drives uncertainty

Q2 2022 was an exceptionally strong quarter for H+H fuelled by continued high activity and customer demand.

The strong performance in the first half of 2022 across the business demonstrates H+H's continued ability to negotiate sales price increases with customers to offset the continued inflationary pressure.

The current macroeconomic landscape causes uncertainties in the markets and it is expected to weigh on future construction activity. However, H+H maintains its full-year financial expectations.

Our focus remains on delivering a strong operational performance and continuing to service customers across our footprint.

Questions and answers

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Supplementary information

H+H at a glance

H+H is a leading provider of solutions and materials for wall building. Over the recent years, H+H has grown significantly through acquisitions and now has a strong and diversified market position across its geographies, serving as a solid foundation for continued growth.

Founded in
1909

H+H was established in 1909 when Henrik Johan Henriksen and Waldemar Kähler established the joint stone and gravel-pit enterprise, '*Singelsforretningen Omø*'.

Employees
1,663

We have more than 1,600 employees working across eight different countries in Northern and Central Europe, of which approximately two thirds work in our factories.

Revenue (DKKm)
3,020

In 2021, we generated a total revenue of DKK 3,020 million and an organic growth of 13%. AAC and CSU accounted for 71% and 29% of the total revenue, respectively.

Factories
31

We have 31 factories across Northern and Central Europe with a total annual output of close to 4.5 million cubic metres of wall-building materials. In addition, we are currently expanding one of our AAC factories in the northern part of Poland with a new CSU production line.

Acquisitions
24

Since 2014, we have acquired 24 factories. These have contributed to a significant expansion of our factory network and have more than tripled our white-stone businesses in both Germany and Poland.

Revenue split by product line (FY 2021)
71% **29%**

Both products are key components for energy-efficient wall systems

Aircrete ("AAC")
combines strength and durability with fire resistance, low weight and excellent thermal insulation making it the ideal material for the residential low-rise housing market.

Calcium silicate ("CSU")
is a heavy and dense wall-building material primarily used for residential high-rise buildings. The product is fire resistant and has a very high degree of sound insulation.

Summary of strategic targets

Long-term targets

H+H commits to achieving net-zero emissions in our operations and products by

2050

EBIT margin before special items

12%

Increased from 11%
14% in 2021

Return on Invested Capital

16%

Increased from 14%
20% in 2021

Financial gearing

1-2x

Unchanged
0.6x in 2021

Mid-term targets

H+H commits to reducing absolute Scope 1 and 2 greenhouse-gas emissions by

46%

by 2030 compared with 2019

H+H commits to reducing Scope 3 greenhouse-gas emissions by

22%

per kg CO2e/m3 by 2030 compared with 2019

Short-term targets

Organic growth

15% to 20%

13% in 2021

EBIT before special items

DKK 440m to 520m

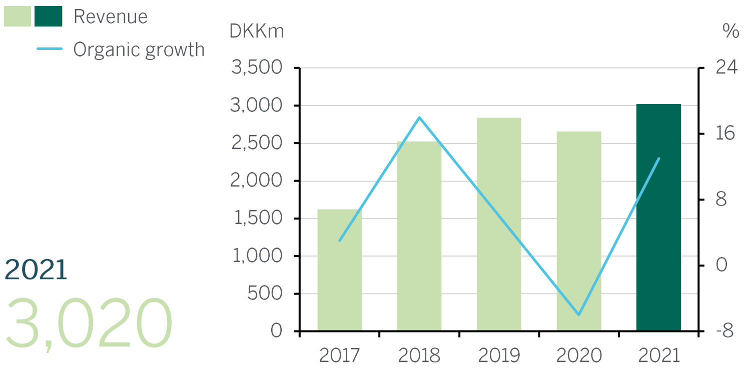
DKK 408m in 2021

- We commit to reducing energy consumption per m3 by 7% versus 2019 base line of 565 MJ per m3 by 2024
- We commit to reducing water usage by 5% versus 2019 base line of 382 litres per m3 by 2024
- We commit to achieving zero waste to landfill by 2024
- We commit to reducing lost-time-incidents frequency ("LTIF") to 3 by 2024
- We commit to reducing absenteeism through sickness to 9 days per annum by 2024
- We commit to improving 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

Performance highlights

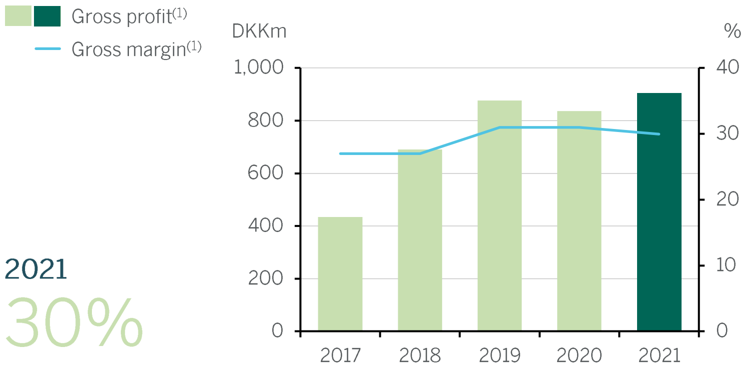
Revenue and organic growth

2021
3,020



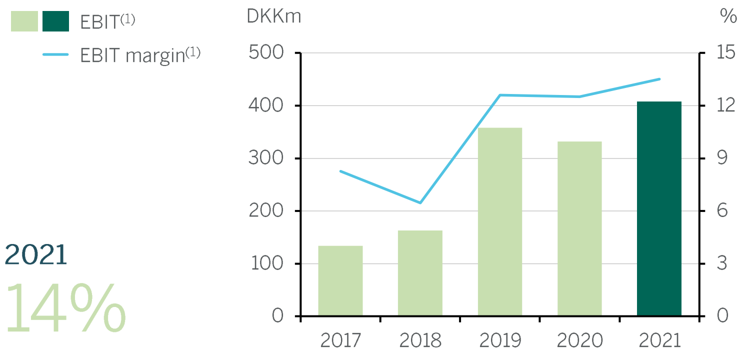
Gross profit and gross margin before special items

2021
30%



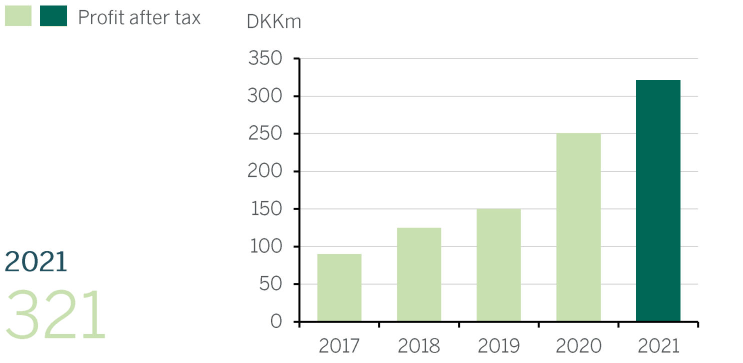
EBIT and EBIT margin before special items

2021
14%



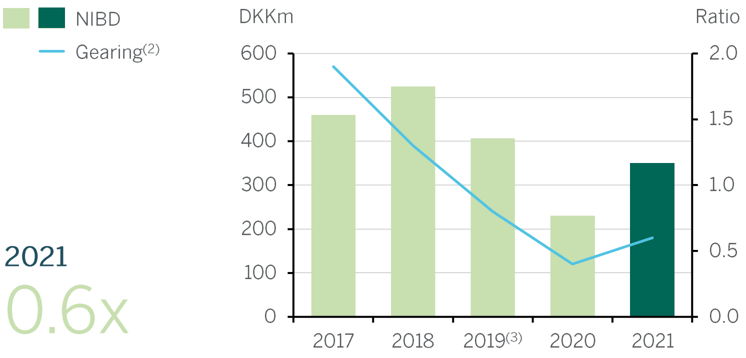
Profit after tax

2021
321



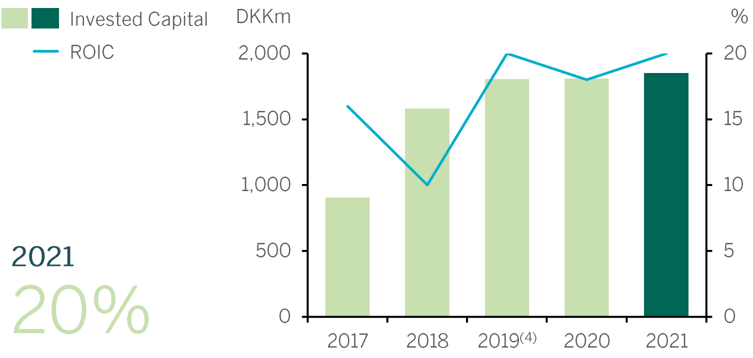
Net interest-bearing debt and financial gearing

2021
0.6x



Invested capital and ROIC excluding goodwill

2021
20%



(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%

PARTNERS IN WALL BUILDING

Five-year financial summary

Income statement (DKK million)	2021	2020	2019	2018	2017
Revenue	3,020	2,654	2,840	2,523	1,622
Gross profit before special items	905	836	877	690	452
EBITDA before special items	591	521	539	410	242
EBITDA	567	521	531	345	212
EBIT before special items	408	332	366	228	165
EBIT	377	332	358	163	134
Profit before tax	356	307	205	125	116
Profit after tax for the period	321	251	150	125	90

Balance sheet (DKK million)	2021	2020	2019	2018	2017
Assets	3,400	2,909	2,716	2,421	1,327
Invested capital	1,852	1,811	1,805	1,582	907
Investments in property, plant, and equipment(1)	197	134	126	138	110
Aquisition and divestment of enterprises	238	72	(20)	839	35
Net Working Capital	65	55	48	8	58
Equity	1,814	1,509	1,371	1,000	377
Net interest-bearing debt ("NIBD")	350	230	407	525	460

Cash flow (DKK million)	2021	2020	2019	2018	2017
Cash flow from operating activities	454	425	369	370	83
Cash flow from investing activities	(427)	(206)	(105)	(973)	(144)
Cash flow from financing activities	(25)	6	(131)	679	66
Free cash flow	27	219	264	(603)	(61)

Financial ratios	2021	2020	2019	2018	2017
Organic growth	13%	(6%)	6%	18%	3%
Gross margin before special items	30%	31%	31%	27%	27%
EBITDA margin before special items	20%	20%	19%	16%	15%
EBITDA margin	19%	20%	19%	14%	13%
EBIT margin before special items	14%	13%	13%	9%	10%
EBIT margin	12%	13%	13%	6%	8%
Return on Invested Capital, excluding goodwill(2)	20%	18%	20%	10%	16%
Solvency ratio	50%	50%	49%	41%	28%
Financial gearing	0.6x	0.4x	0.8x	1.3x	1.9x

ESG measures	2021	2020	2019	2018	2017
Average number of FTEs	1,572	1,619	1,685	1,651	1,062
FTEs end of period (excluding divestments)	1,663	1,571	1,636	1,608	1,022
Lost-Time Incident frequency (LTIF)	5	6	6	9	11
Sickness absence (days per FTE)	12	13	13	11	10
Total energy per m^3 (MJ)	553	548	565	593	551
Water consumption per m3 (litres)	351	353	382	387	394

(1) Investment in property, plant, and equipment excludes effects from IFRS 16 (2) Due to the acquisitions, the method for calculating Return on Invested Capital ("ROIC") has changed to better reflect a true and fair view. ROIC for the period 2018-2021 has been calculated as Operating Profit (EBIT) relative to the average invested capital (excluding goodwill) on a twelve-month basis
Note: Financial ratios and ESG measures have been calculated in accordance with recommendations from the Danish Society of Financial Analysts

H+H
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Business model

Resources

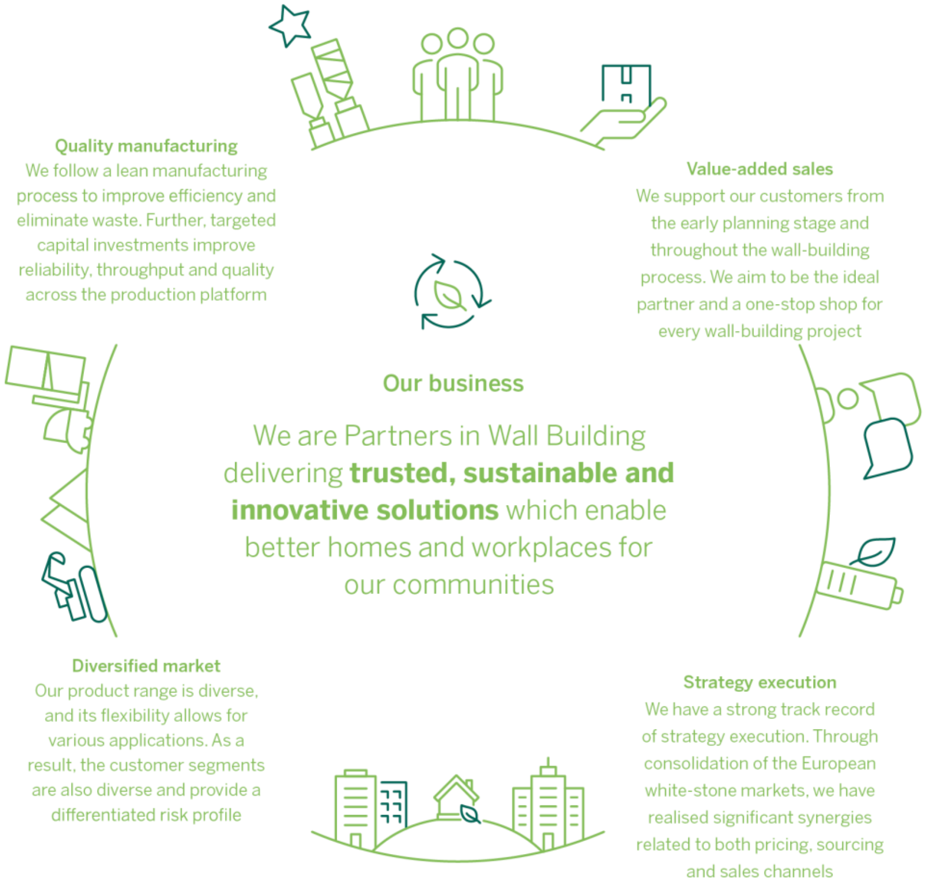
People
We value our workforce, recognise the advantages of diversity and believe in the equality of people

Raw materials
Our products are made of sand, water and lime, with cement and aluminium added for aircrete

Factory network
We have created a strong network of factories and sales offices with national reach within the countries in which we operate

Unique market conditions for growth
Structural undersupply of housing, demographic growth, urbanisation and changing housing needs provide a solid growth platform

Solid capital structure
Our strong and flexible capital structure supports our continued growth journey and sustainable shareholder value-creation



Added value

Customer value
By understanding our customers, their local needs and the industry trends, we help overcome challenges, eliminate waste and manage complexities throughout the wall-building process

Modern and carbon-friendly products
Our products offer improved indoor climate and energy savings as well as fire resistance and better acoustic insulation between rooms. In addition, the products are long-lasting and can be integrated into a circular economy

Safe and attractive work environment
Employment and working conditions must be safe, fair and non-discriminatory to attract top talents and support the development and career ambitions of our employees

Shareholder value
We will continue to pursue profitable growth through acquisitions and investments in the existing production platform to generate robust, long-term value for our shareholders. Further, we may return excess capital to shareholders by means of dividends and/or share buy-back programmes.

Equity story

Unique market conditions for growth

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

Differentiated market approach

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

Sustainable solutions —net-zero emissions by 2050

- Long-lasting and recyclable products
- Carbon-friendly products with increasing market penetration
- Insulating properties leading to energy savings and more sustainable buildings
- Excellent indoor climate, fire resistance and acoustic comfort
- Commitment to ambitious 1.5-degree emissions-reduction target

Proven track record of strategy execution

- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets continues to provide attractive synergies
- Efficient integration process and agile organisation
- Return on Invested Capital ("ROIC") consistently above WACC
- Strong cash-flow generation to fund continued growth

Condensed consolidated income statement

Income statement (DKK million)	Q2 2022	Q2 2021	H1 2022	H1 2021	Full year 2021
Revenue	1,000	836	1,874	1,478	3,020
Cost of goods sold	(680)	(585)	(1,310)	(1,039)	(2,115)
Gross profit before special items	**320**	**251**	**564**	**439**	**905**
Sales costs	(46)	(36)	(84)	(72)	(143)
Administrative costs	(55)	(43)	(104)	(89)	(186)
Other operating income and costs, net	8	-	10	3	15
EBITDA before special items	**227**	**172**	**386**	**281**	**591**
Depreciation, amortisation and impairment losses	(50)	(47)	(99)	(92)	(183)
EBIT before special items	**177**	**125**	**287**	**189**	**408**
Special items, net	(9)	-	(19)	-	(31)
EBIT	**168**	**125**	**268**	**189**	**377**
Financial imcome	1	-	2	1	4
Financial expenses	(5)	(5)	(11)	(11)	(25)
Profit before tax	**164**	**120**	**259**	**179**	**356**
Tax on profit	(35)	(27)	(58)	(37)	(35)
Profit for the period	**129**	**93**	**201**	**142**	**321**
Profit for the year attributable to:					
H+H International A/S' shareholders	120	93	188	142	310
Non-controlling interests	9	-	13	-	11
Profit for the period	**129**	**93**	**201**	**142**	**321**
Earnings per share (EPS-basic) (DKK)	7.4	5.2	10.7	7.9	17.5
Diluted earnings per share (EPS-D) (DKK)	7.4	5.2	10.7	7.9	17.5

PARTNERS IN WALL BUILDING

Condensed consolidated statement of comprehensive income

Statement of comprehensive income (DKK million)	Q2 2022	Q2 2021	H1 2022	H1 2021	Full year 2021
Profit for the period	129	93	201	142	321
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign entities	(7)	16	(15)	10	9
	(7)	16	(15)	10	9
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	1	16	(40)	33	47
Tax on actuarial gains and losses	(2)	(2)	4	(6)	(11)
	(1)	14	(36)	27	36
Other comprehensive income after tax	(8)	30	(51)	37	45
Total comprehensive income for the period	121	123	150	179	366

Condensed consolidated balance sheet

Assets (DKK million)	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Non-current assets			
Goodwill	453	364	211
Other intangible assets	265	296	248
Property, plant and equipment	1,727	1,707	1,552
Deferred tax assets	14	17	13
Financial assets	6	6	7
Total non-current assets	2,465	2,390	2,031
Current assets			
Inventories	365	321	247
Receivables	317	190	251
Cash	526	499	657
Total current assets	1,208	1,010	1,155
Total assets	3,673	3,400	3,186

Equity and liabilities (DKK million)	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Equity			
Share capital	175	180	180
Retained earnings	1,745	1,662	1,540
Other reserves	(153)	(138)	(137)
Equity attributable to H+H International A/S's shareholders	1,767	1,704	1,583
Equity attributable to non-controlling interests	92	110	61
Total equity	1,859	1,814	1,644
Non-current liabilities			
Pension obligations	101	85	112
Provisions	41	41	32
Deferred tax assets	125	137	135
Credit institutions	771	743	696
Deferred payments, acquisition of subsidary	105	-	-
Lease liabilities	78	85	90
Total non-current liabilities	1,221	1,091	1,065
Current liabilities			
Lease liabilities	20	21	20
Trade payables	300	251	241
Income tax	57	23	35
Deferred payments, acquisition of subsidary	7	-	-
Provisions	5	5	6
Other payables	204	195	175
Total current liabilities	593	495	477
Total liabilities	1,814	1,586	1,542
Total equity and liabilities	3,673	3,400	3,186
Net interest-bearing debt	343	350	149

Condensed consolidated cash flow statement

Cash flow statement (DKK million)	Q2 2022	Q2 2021	H1 2022	H1 2021
Operating profit (loss)	168	125	268	189
Financial income, received	1	-	2	1
Financial items, paid	(5)	(5)	(11)	(11)
Depreciation and amortisation	50	47	99	92
Gain and losses on sale of assets and other non-cash effects	(8)	-	(7)	-
Change in working capital	22	63	(111)	(29)
Change in provisions and pension contribution	(9)	(8)	(27)	(14)
Income tax paid	(12)	(16)	(27)	(27)
Operating activities	**207**	**206**	**186**	**201**
Acquisition of property, plant and equipment and intangible assets	(42)	(34)	(84)	(61)
Investing activities	**(42)**	**(34)**	**(84)**	**(61)**
Free cash flow	165	172	102	140
Change in borrowings	(14)	21	28	87
Change in lease liabilities	(6)	(7)	(13)	(14)
Purchase of treasury shares	(50)	(23)	(85)	(36)
Other		(7)		(7)
Financing activities	**(70)**	**(16)**	**(70)**	**30**
Cash flow for the period	**95**	**156**	**32**	**170**
Cash, opening	433	497	499	481
Foreign exchange adjustments of cash	(2)	4	(5)	6
Cash and cash equivalents, closing	**526**	**657**	**526**	**657**

PARTNERS IN WALL BUILDING

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