H+H International A/S
H1 2023 Financial results – Conference Call

16 August 2023

PARTNERS IN WALL BUILDING

Forward-looking statements

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Introduction

Low building activity impacting our earnings in Q2

Selected financial figures

Figures in DKKm unless otherwise stated. Q2 2022 figures in brackets

Organic growth	Gross margin[1]	EBITDA margin[1]
-26%	24%	12%
(13%)	(32%)	(23%)

EBIT margin[1]	Free cash flow	Financial gearing[2]
5%	-68	2.0x
(18%)	(165)	(0.5x)

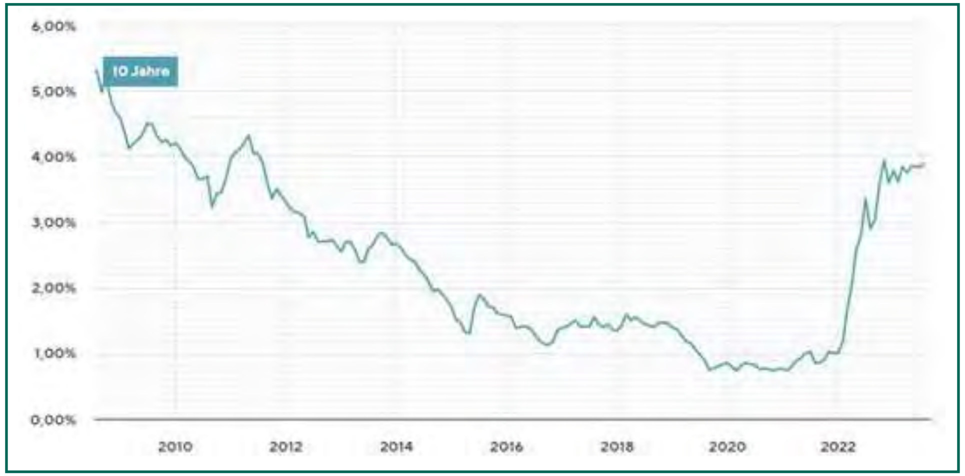
(1) Before special items (2) Net interest-bearing debt to EBITDA before special items ratio

Underlying need for H+H's product, however, current interest rates causing high uncertainty in newbuild

- Interest rates are the major driver for investments into housing
- Permits are down across all our markets 30%-40% and no signs of short-term recovery
- The market recovery will be highly dependent on the development of interest rates and the effectiveness of government support programs.

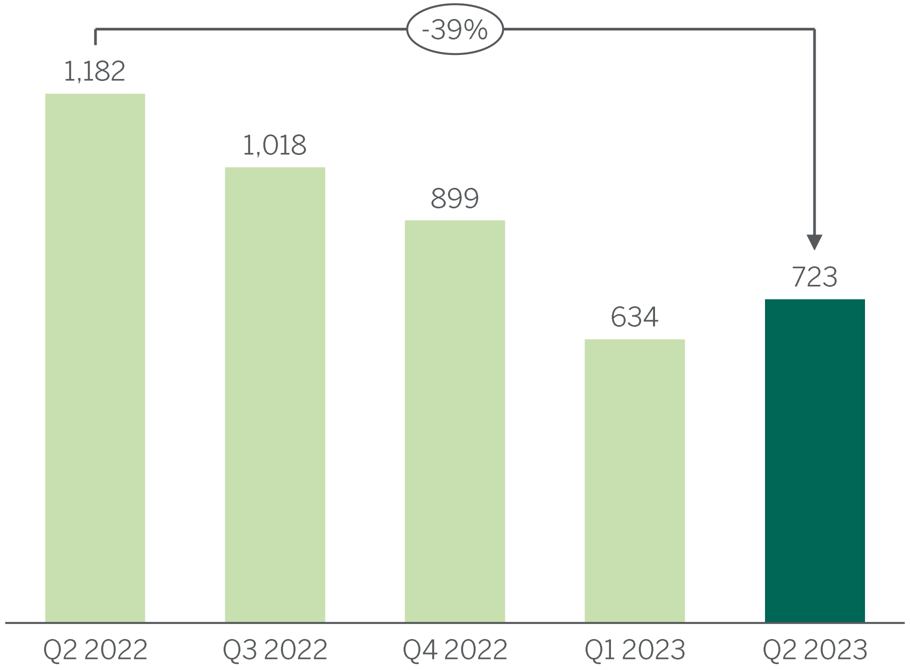
However...

- There is a lack of housing in all markets
- Populations are growing on top of this demand and the backlog keeps increasing



Extremely low building activity leading to 40% lower volumes

Consolidated volumes by quarter
Thousand cubic meters



Q2 Highlights

Central Western Europe:

- In Germany, permissions for new buildings from January to May 2023 decreased by 33% compared to last year
- Institutional investors hesitate to initiate new projects, and demand for 1-2-family homes from private investors declined from last year
- In the CWE region we observe that prices are increasingly facing pressure
- In an increasingly difficult market, the CWE region delivered negative 20% organic growth in Q2 and negative 14% for the first six month compared to last year as we were able to expand our market position while maintaining prices and pass on inflation

The United Kingdom:

- In the UK, the number of new home registrations fell by 42% in the second quarter of 2023 compared to the same period last year
- Market demand continues to be supressed due to high interest rates affecting mortgage avaliablity and high inflation, which is hampering consumer spending
- Also, in the UK we were able to maintain prices and pass on inflation which resulted in negative 18% organic growth in Q2 and negative 26% for the first six months

Poland:

- In Poland, the number of building permits decreased by 35% from January to June 2023 compared to last year
- In Poland we are starting to see some price pressure
- Government support program "Safe Credit" has been introduced
- In a tough price environment, we delivered negative 45% organic growth in Q2 and negative 40% for the first six months

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Proactively improving our business

Plant network efficiencies

Adjusting our SG&A cost base

Focus on procurement

- ✓ Permanently closed 5 plants across the network redirecting volumes to bigger and more efficient plants
- ✓ Adjusted our operations workforce by around 20% and further improving uptime and de-bottlenecking in our factories
- ✓ Enhancing efficiency through lean manufacturing principles
- ✓ Implemented cost-savings program with an expected payback within a year
- ✓ Adapting SG&A cost base through standardized business processes and digital tools. In our CWE region, we are further integrating the businesses.
- ✓ Strengthened group procurement function

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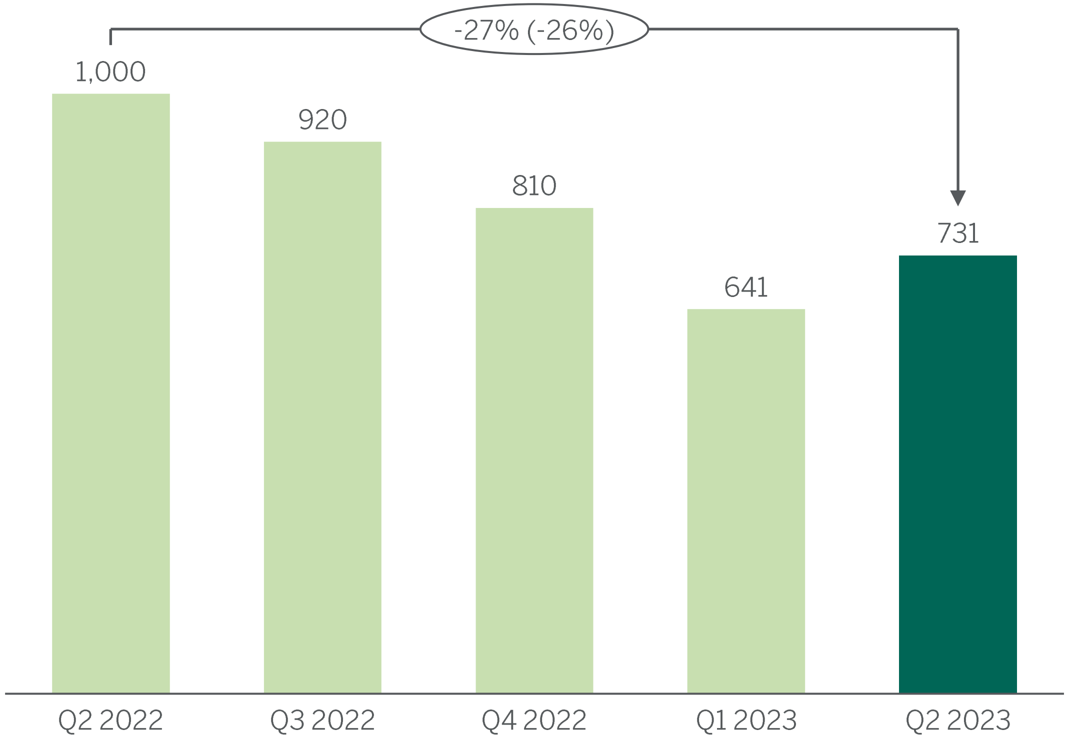
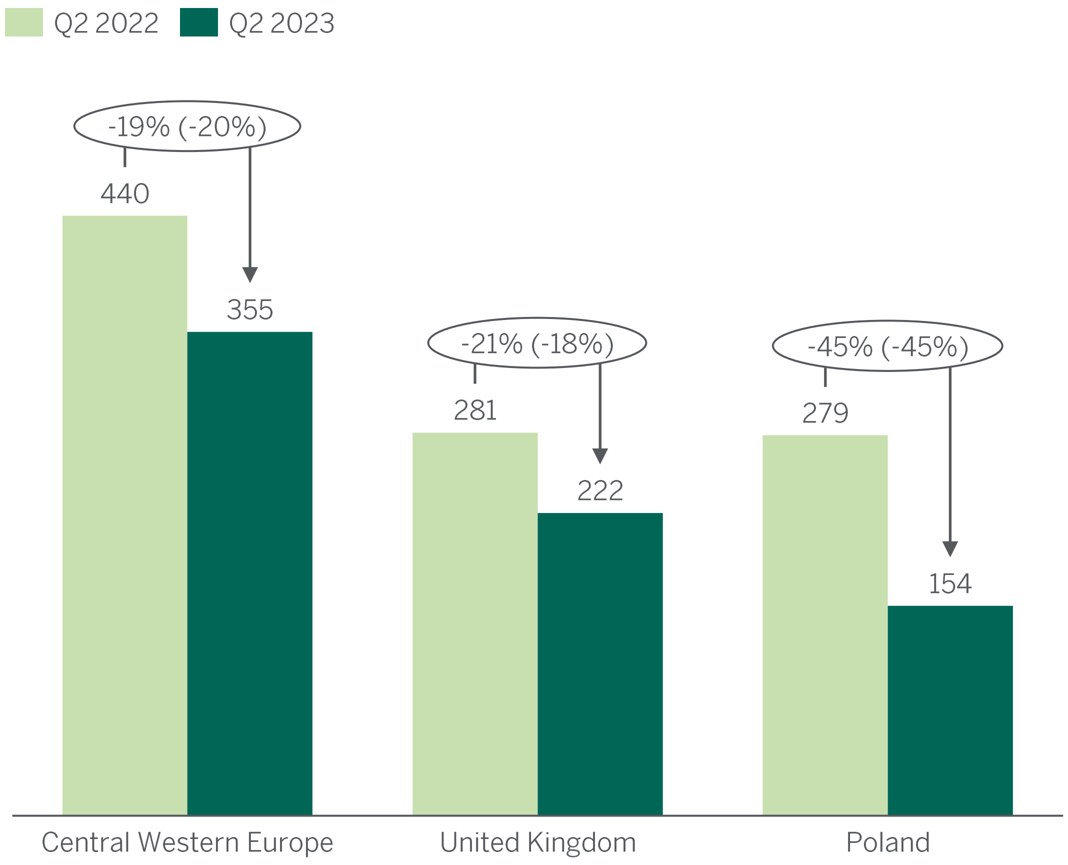
Revenue declined in all regions, with Poland being the primary driver

Consolidated revenue by quarter
DKKm. Revenue growth (organic growth)



Quarterly revenue by region
DKKm. Revenue growth (organic growth)



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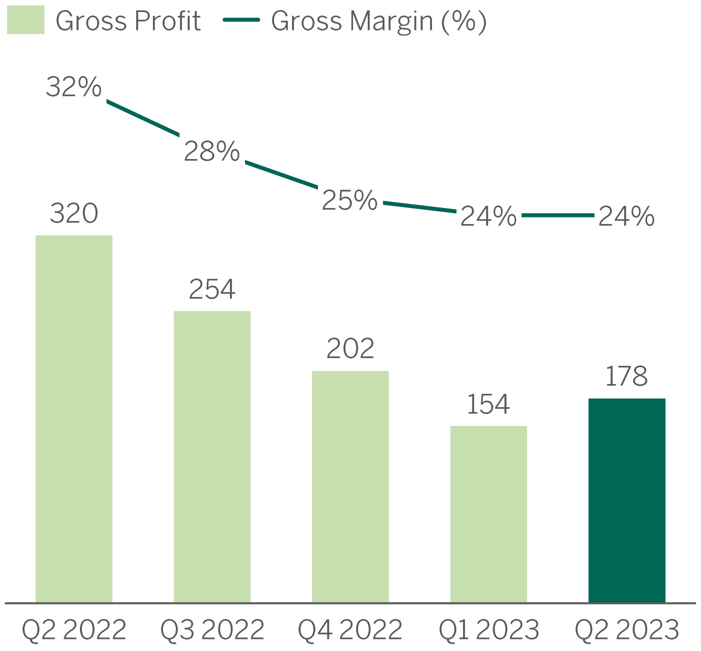
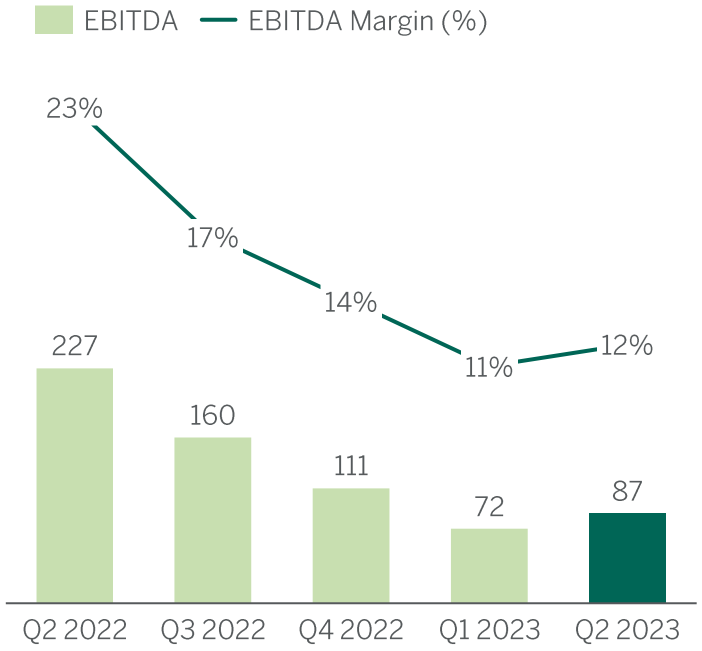
Soft demand affecting profitability in Q2 2023

Gross profit and gross margin
DKKm and percent



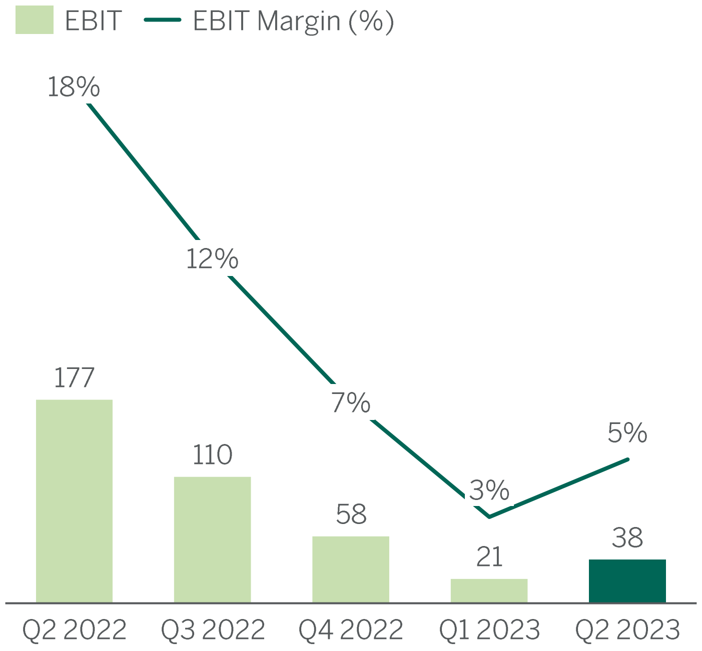
- Gross profit increased by DKK 24 million to DKK 178 million quarter on quarter, corresponding to a gross margin of 24%
- The lower gross profit margin vs. last year is driven by loss of overhead recovery due to the lower production as well as lack of margin on increased production costs including cost of energy

EBITDA and EBITDA margin
DKKm and percent



- EBITDA before special items amounted to DKK 87 million compared to DKK 227 million in Q2 2022, corresponding to EBITDA margins of 12% and 23% respectively
- The decrease compared to last year is driven by a lower gross profit and the SG&A cost base. However, this was partly offset by a continued focus on adjusting the organisation to the new sales volumes

EBIT and EBIT margin
DKKm and percent



- EBIT before special items amounted to DKK 38 million in Q2 2023, up from DKK 21 million in Q1 2023 corresponding to an EBIT margin before special items of 5%
- The significant drop in sales volumes and EBITDA impact EBIT as depreciation remained the same compared to Q2 2022

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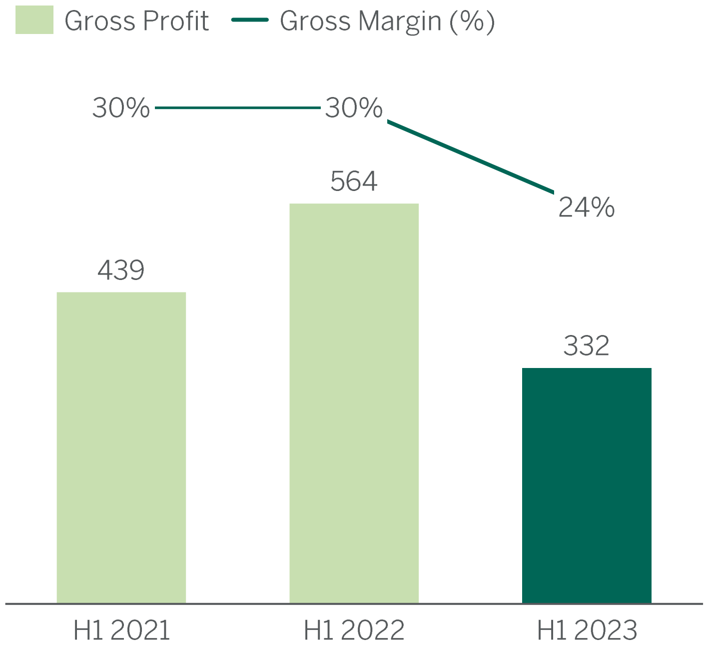
Note: All figures are before special items

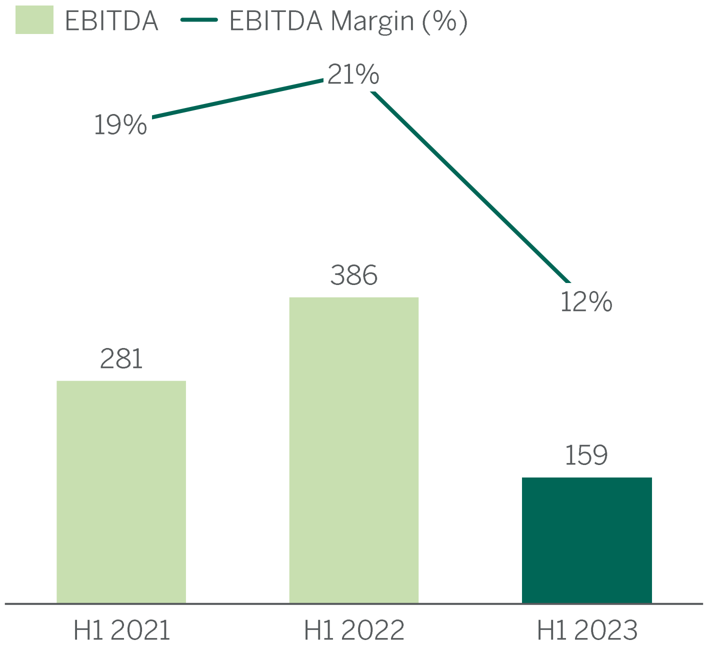
Profitability for the first six months affected by low building activity

Gross profit and gross margin
DKKm and percent



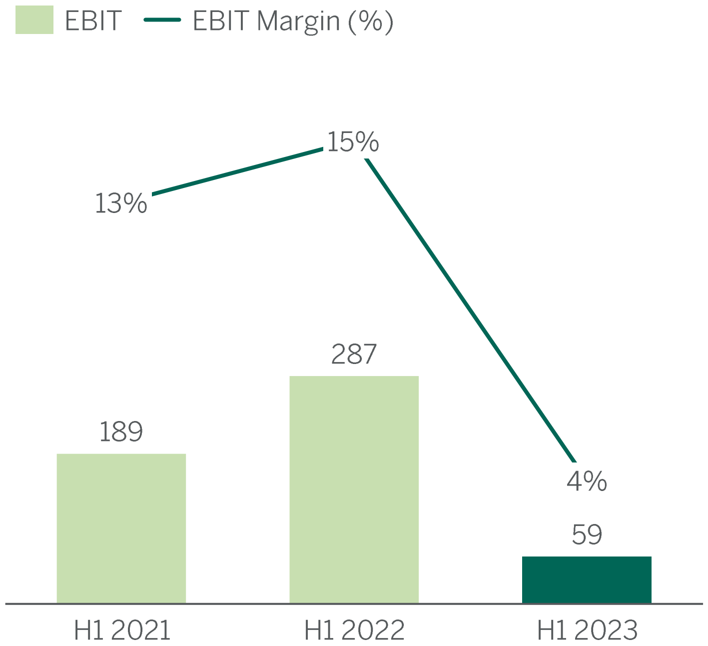
- Gross profit in the first half 2023 decreased by 41% to DKK 332 million compared to DKK 564 million in 2022, corresponding to gross margins of 24% and 30%, respectively
- The decrease in gross profit margin is driven overhead cost spread over lower volumes and increased production costs, including energy expenses.

EBITDA and EBITDA margin
DKKm and percent



- EBITDA before special items in the first six months of 2023 decreased by 59% to DKK 159 million compared to DKK 386 million in 2022, corresponding to EBITDA margins of 12% and 21%, respectively
- The decrease compared to last year is driven by a lower gross profit and the SG&A cost base. However, this was partly offset by a continued focus on adjusting the organisation to the new sales volumes

EBIT and EBIT margin
DKKm and percent



- EBIT for the first six months of 2023 decreased by DKK 228 million compared to the first half of 2022, corresponding to EBIT margins of 4% and 15%, respectively.
- The significant drop in sales volumes and EBITDA impact EBIT as depreciation remained the same compared to H1 2022

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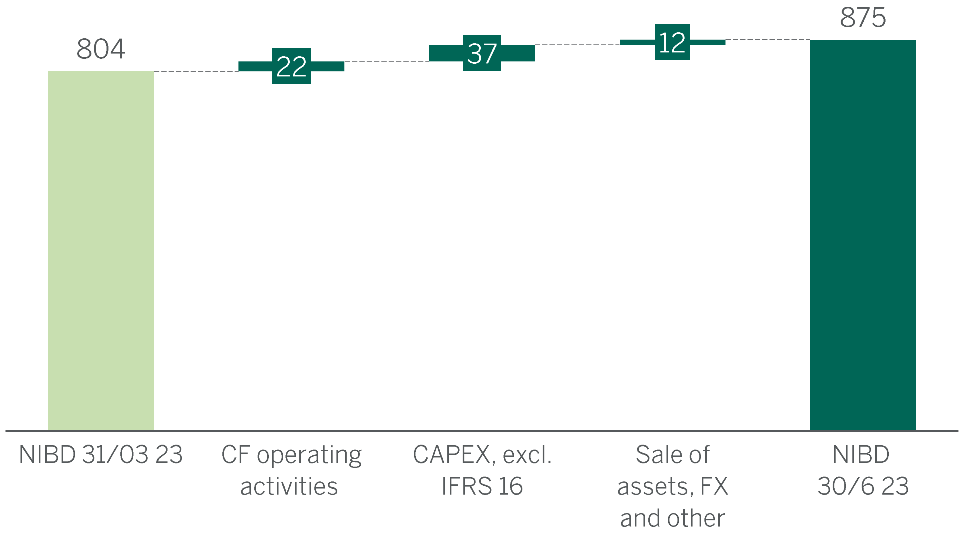
Note: All figures are before special items

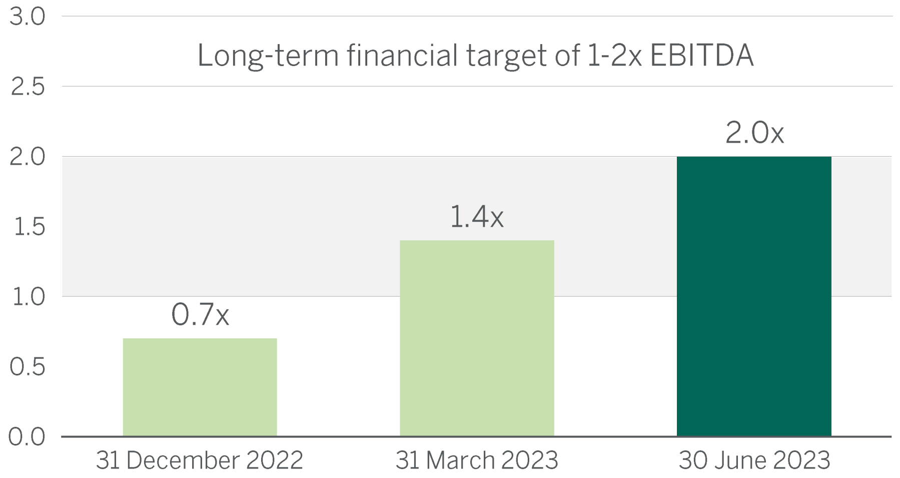
Stable working capital in Q2

Net interest-bearing debt (NIBD)
DKKm.



- Development in operating cash flow is led by lower earnings for the period and a negative working capital development driven by stock build in Q1 due to capacity adjustments
- In the first six month, inventories increased by DKK 198 million to DKK 721 million on 30 June 2023

Financial gearing
NIBD to EBITDA before special items



- Net interest-bearing debt totalled DKK 875 million on 30 June 2023 corresponding to an increase of DKK 383 million since 31 December 2022
- The increase in net interest-bearing debt since the beginning of the year was primary driven by inventory build in Q1

(1) Of the total net interest-bearing debt, lease liabilities amounted to DKK 103 million as of 30 June 2023

Restructuring costs and special items

- In Q2 2023, DKK 46 million in restructuring costs were recognised, primarily related to factory closings. Total recognition for the first six months amounted to DKK 55 million
- Total restructuring costs is expected to be around 100 million and has an expected pay back of less than a year. In addition, and as a result of the closure of plants, an impairment loss of DKK 97 million was acknowledged for production equipment
- During the second quarter of the year, gas contracts agreed into in 2022 led to the sale of unused gas in the market, resulting in financial losses amounting to DKK 16 million as the fixed gas prices of the gas being sold off exceeds current market price. In addition, financial losses of DKK 6 million has also been recognised related to a fair value adjustment of the gas commodity forward contracts in the quarter

Special items, net Amounts in DKK million	Q2 2023	H1 2023
Impairments of assets (Closed down factories)	97	97
Restructuring costs	46	55
Unused part of gas hedges	22	22
Total	165	174

Update on full year 2023 outlook

The continuing impact of high interest rates has been affecting the affordability of mortgages, presenting challenges for homebuyers. Furthermore, inflation has been constraining consumer spending patterns, and the anticipated increase in volumes has not materialised. Based on the results of Q2 2023, and particularly considering the lower-than-expected activity observed in July and August, we are revising the full-year outlook for 2023 as follows:

Organic growth	EBIT before special items
-20% to -25%	30 to 100
(Previously -15% to -20%)	(Previously 100 to 175 DKKm)

Specific assumptions:

- Sales volumes expected to decrease around **-30% to -35%**
- Exchange rates, primarily GBP, EUR and PLN remain at end-July 2023 levels

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Proactively addressing challenging market

1. Very low newbuild activities across our markets driven by high building costs and high interest rates
2. Despite a positive trend in Q2 volumes were lower than anticipated in July and August
3. We are driving the efficiency of our plant network, improving our SG&A base and keeping a strong focus on procurement
4. We are building a stronger company for the future

Questions and answers

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Supplementary information

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Consolidated income statement

Income statement (DKK million)	Q2 2023	Q2 2022	H1 2023	H1 2022	Full year 2022
Revenue	731	1,000	1,372	1,874	3,604
Cost of goods sold	(553)	(680)	(1,040)	(1,310)	(2,584)
Gross profit before special items	**178**	**320**	**332**	**564**	**1,020**
Sales costs	(41)	(46)	(78)	(84)	(170)
Administrative costs	(57)	(55)	(103)	(104)	(222)
Other operating income and costs, net	7	8	8	10	29
EBITDA before special items	**87**	**227**	**159**	**386**	**657**
Depreciation, amortisation and impairment losses	(49)	(50)	(100)	(99)	(202)
EBIT before special items	**38**	**177**	**59**	**287**	**455**
Special items, net	(165)	(9)	(174)	(19)	(42)
EBIT	**(127)**	**168**	**(115)**	**268**	**413**
Financial imcome	3	1	5	2	6
Financial expenses	(15)	(5)	(27)	(11)	(21)
Profit before tax	**(139)**	**164**	**(137)**	**259**	**398**
Tax on profit	38	(35)	29	(58)	(81)
Profit for the period	**(101)**	**129**	**(108)**	**201**	**317**
Profit for the year attributable to:					
H+H International A/S' shareholders	(101)	129	(108)	197	303
Non-controlling interests	-	-	-	4	14
Profit for the period	**(101)**	**129**	**(108)**	**201**	**317**
Earnings per share (EPS-basic) (DKK)	5.8	7.4	6.2	11.3	17.1
Diluted earnings per share (EPS-D) (DKK)	5.8	7.4	6.2	11.3	17.0

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Consolidated statement of comprehensive income

Statement of comprehensive income (DKK million)	Q2 2023	Q2 2022	H1 2023	H1 2022	Full year 2022
Profit for the period	(101)	129	(108)	201	317
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments of derivaties financial instruments	-43	-	-43	-	-
Foreign exchange adjustments, foreign entities	35	(7)	42	(15)	(17)
	(8)	(7)	(1)	(15)	(17)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	(1)	1	(46)	(40)	18
Tax on actuarial gains and losses	(1)	(2)	8	4	(1)
	(2)	(1)	(38)	(36)	17
Other comprehensive income after tax	(10)	(8)	(39)	(51)	-
Total comprehensive income for the period	(111)	121	(147)	150	317

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Consolidated balance sheet

Assets (DKK million)	30 Jun. 2023	31 Dec. 2022	30 Jun. 2022
Non-current assets			
Goodwill	421	419	453
Other intangible assets	253	253	265
Property, plant and equipment	1,740	1,822	1,727
Deferred tax assets	14	17	14
Financial assets	5	6	6
Total non-current assets	2,433	2,517	2,465
Current assets			
Inventories	721	523	365
Receivables	288	174	317
Cash	540	536	526
Total current assets	1,549	1,233	1,208
Total assets	3,982	3,750	3,673

Consolidated balance sheet

Equity and liabilities (DKK million)	30 Jun. 2023	31 Dec. 2022	30 Jun. 2022
Equity			
Share capital	165	175	175
Retained earnings	1,682	1,822	1,745
Other reserves	(156)	(155)	(153)
Equity attributable to H+H International A/S's shareholders	1,691	1,842	1,767
Equity attributable to non-controlling interests	96	96	92
Total equity	1,787	1,938	1,859
Non-current liabilities			
Pension obligations	55	23	101
Provisions	38	38	41
Deferred tax assets	65	110	125
Credit institutions	1,312	920	771
Deferred payments, acquisition of subsidary	99	105	105
Lease liabilities	78	81	78
Total non-current liabilities	1,647	1,277	1,221
Current liabilities			
Lease liabilities	25	27	20
Trade payables	278	278	300
Income tax	10	37	57
Deferred payments, acquisition of subsidary	7	7	7
Provisions	31	9	5
Other payables	197	177	204
Total current liabilities	548	535	593
Total liabilities	2,195	1,812	1,814
Total equity and liabilities	3,982	3,750	3,673
Net interest-bearing debt	875	492	343

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Consolidated cash flow statement

Cash flow statement (DKK million)	Q2 2023	Q2 2023	H1 2023	H1 2022
Operating profit (EBIT)	(127)	168	(115)	268
Financial income, received	3	1	5	2
Financial items, paid	(15)	(5)	(27)	(11)
Depreciation and amortisation	49	50	100	99
Impairment of assets associted to closed down factories	100	-	100	-
Gain and losses on sale of assets and other non-cash effects	6	(8)	4	(7)
Change in working capital	(8)	22	(309)	(111)
Change in provisions and pension contribution	(10)	(9)	(18)	(27)
Income tax paid	(21)	(12)	(35)	(27)
Operating activities	**(23)**	**207**	**(295)**	**186**
Acquisition of property, plant and equipment and intangible assets	(45)	(42)	(82)	(84)
Investing activities	**(45)**	**(42)**	**(82)**	**(84)**
Free cash flow	(68)	165	(377)	102
Change in borrowings	175	(14)	392	28
Change in lease liabilities	(7)	(6)	(15)	(13)
Purchase of treasury shares	-	(50)	(2)	(85)
Other		-		-
Financing activities	**168**	**(70)**	**375**	**(70)**
Cash flow for the period	**100**	**95**	**(2)**	**32**
Cash, opening	436	433	536	499
Foreign exchange adjustments of cash	4	(2)	6	(5)
Cash and cash equivalents, closing	**540**	**526**	**540**	**526**

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