

Investor presentation Q3 2017

15 November 2017



Porenbeton • Porebeton • Lättbetong
Cellenbeton • Beton cellulaire



Introduction

Forward-looking statement

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All presented numbers includes special items unless otherwise stated.

Agenda

- Highlights
- Financial performance
- Outlook and long-term financial targets
- Segments and market development
- Q&A

ABOUT H+H

H+H's core activity is the manufacture and sale of aircrete, with a revenue in 2016 of DKK 1.6 billion. The main product is blocks used for building new houses, mainly in the low-rise segment. H+H has 13 aircrete factories in Northern and Central Europe and Northwest Russia with a total output of more than 3 million cubic metres of aircrete a year and has a leading position in most of its markets. H+H has around 1,000 employees and is listed on Nasdaq Copenhagen.

Highlights

Organic growth

- Revenue in local currency was on par with last year for the third quarter.
- Growth in local currency of 2% year-to-date.

Russia

- Market conditions did not meet expectations and no recovery in sight.
- Cost has been adjusted and production for export started to utilise capacity.

EBITDA*

- DKK 71 million in the third quarter against DKK 64 million last year.
- DKK 181 million year-to-date against DKK 166 million last year.

Changes to outlook for 2017

- Organic growth now around 4%.
- EBITDA* DKK 230-240 million.

* Before special items

Financial performance

| DKK million | | Q3 | | | Q1 - Q3 | | |
|----------------------------|----------------------|------|------|----------|---------|-------|----------|
| | | 2017 | 2016 | Variance | 2017 | 2016 | Variance |
| Revenue | Actual | 430 | 439 | (2%) | 1.252 | 1.264 | (1%) |
| | Organic | 438 | 439 | (0%) | 1.286 | 1.264 | 2% |
| Gross margin * | | 27% | 26% | 1% | 26% | 25% | 1% |
| EBITDA | Before special items | 71 | 64 | 7 | 182 | 167 | 15 |
| | After special items | 66 | 63 | 3 | 162 | 164 | (2) |
| EBIT margin | Before special items | 12% | 10% | 2% | 10% | 8% | 2% |
| | After special items | 11% | 10% | 1% | 8% | 8% | 0% |
| Return on invested capital | | | | | 16% | 18% | (2%) |
| Investments | | 8 | 23 | (15) | 38 | 40 | (2) |
| Free cash flow | | 45 | 51 | (6) | (43) | 76 | (119) |
| Net interest-bearing debt | DKK million | | | | 434 | 385 | 49 |
| | Debt gearing | | | | 2.0x | 1.7x | |
| Equity | | | | | 355 | 233 | 122 |



* adjusted for special items gross margin was 27% for Q3 and 27% year-to-date.

Outlook and long-term financial targets

Outlook 2017 and long-term financial targets

- H+H updates its outlook for 2017

| DKK million | Outlook | | Long-term financial targets |
|----------------------------|---------|----------|-----------------------------|
| | Current | Previous | |
| Organic growth | ~ 4% | 5-7% | |
| EBITDA | 230-240 | 220-240 | |
| Investments | ~ 120 | ~ 120 | |
| EBIT margin | | | 8-10% |
| Return on invested capital | | | Min. 12% |

- There are no changes to the long-term financial targets.

Specific assumptions for outlook for 2017

- Economic growth of around 1-3% in our geographical footprint.
- The commercial and operational excellence programmes continue to deliver improvements.
- Exchange rates, primarily for GBP, EUR PLN and RUB, hold at their mid-November 2017 levels.
- Energy and raw material prices rise only in line with inflation from their mid-November 2017 levels.
- The geopolitical situation does not result in changed market conditions.

Other selected items

Free cash flow

- Free cash flow negatively influenced by increase in working capital due to building stock in the UK.
- Positive impact from sale of assets in 2016.

Grupa Silikaty

- Acquisition of silicate lime business in Poland pending customary approval from the Polish authorities.
- Closing expected no later than Q1 2018.

Excellence programs

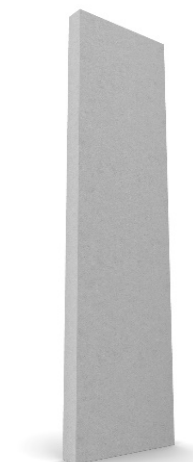
- Commercial excellence, continuous improvement program in operations and procurement support positive margin development.

Pension obligation

- Defined contribution obligation less deferred tax amount to DKK 128 million.
- The obligation increased by approx. DKK 18 million in Q3.

Western European segment

| DKK million | | Q3 | | | Q1 - Q3 | | |
|-------------|----------------------|------|------|----------|---------|------|----------|
| | | 2017 | 2016 | Variance | 2017 | 2016 | Variance |
| Revenue | Actual | 319 | 325 | (2%) | 943 | 980 | (4%) |
| | Organic | 331 | 325 | 2% | 991 | 980 | 1% |
| EBITDA | Before special items | 56 | 54 | 2 | 165 | 163 | 2 |
| | After special items | 53 | 54 | (1) | 151 | 163 | (12) |
| Investments | | 5 | 20 | (15) | 28 | 30 | (2) |



- Growth in local currencies driven by prices.
- Continuous increase in EBITDA despite adverse exchange rate impact of DKK 2 million in the quarter and DKK 12 million year-to-date.
- Market growth in all regions except Germany.
- Volume decline in the UK for the quarter due to:
 - a) De-stocking in the sales channels
 - b) Longer than anticipated penetration of foundation blocks
 - c) Managing stocks for the BG upgrade
- Volume decline in Germany in line with market.

Borough Green factory upgrade

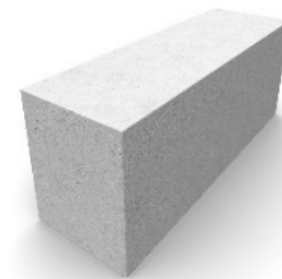
- The Borough Green factory upgrade is running to schedule.
- We are planning the upgrade to be completed in the first half of 2018.
- Special items of approximately DKK 25 million cost are expected to be incurred in 2017 as a result of the Borough Green factory upgrade and resulting need to import products from Poland.



- The increased transportation costs are expensed in production costs at the point of sale and treated as a special item.
- Special items related to import of DKK 3.8 million in the third quarter and DKK 14.1 million for 9 months of 2017.

Eastern European segment

| DKK million | | Q3 | | | Q1 - Q3 | | |
|-------------|----------------------|------|------|----------|---------|------|----------|
| | | 2017 | 2016 | Variance | 2017 | 2016 | Variance |
| Revenue | Actual | 111 | 113 | (2%) | 309 | 284 | 9% |
| | Organic | 108 | 113 | (4%) | 295 | 284 | 4% |
| EBITDA | Before special items | 21 | 20 | 1 | 45 | 30 | 15 |
| | After special items | 20 | 19 | 1 | 42 | 27 | 15 |
| Investments | | 3 | 3 | 0 | 10 | 8 | 2 |



- Continuous growth in the Polish market and both price and volume development is favorable.
- The Russian market did not meet expectations. A significant volume drop has been recognised and no improvements expected this year.
- UK imports for the stock build redirected from Poland to Russia to optimise capacity utilisation.
- Continuous increase in EBITDA helped by exchange rate impact of DKK 1 million in the quarter and DKK 2 million year-to-date.

H+H acquires silicate lime business in Poland

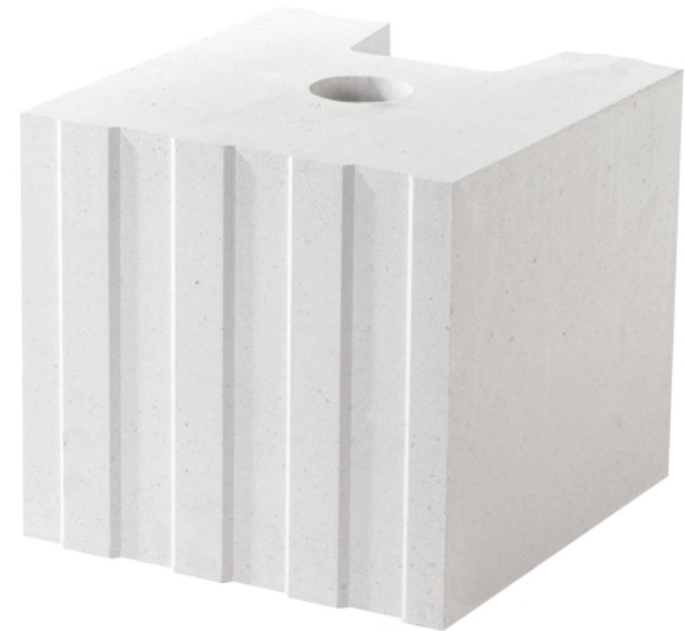
- H+H Polska buys Grupa Silikaty from Grupa Ożarów.
- Purchase price approx. DKK 64 million.
- Payment schedule agreed:
 - On closing – approx. DKK 14 million
 - January 2019 – approx. DKK 25 million
 - January 2020 – approx. DKK 25 million

Facts about Grupa Silikaty

- Second largest producer of CSU in Poland with seven plants.
- Revenue in 2016 of around DKK 157 million.
- EBITDA in 2016 was around DKK 11 million.
- Market share of around 30% in the calcium-silicate market.
- Around 300 employees.

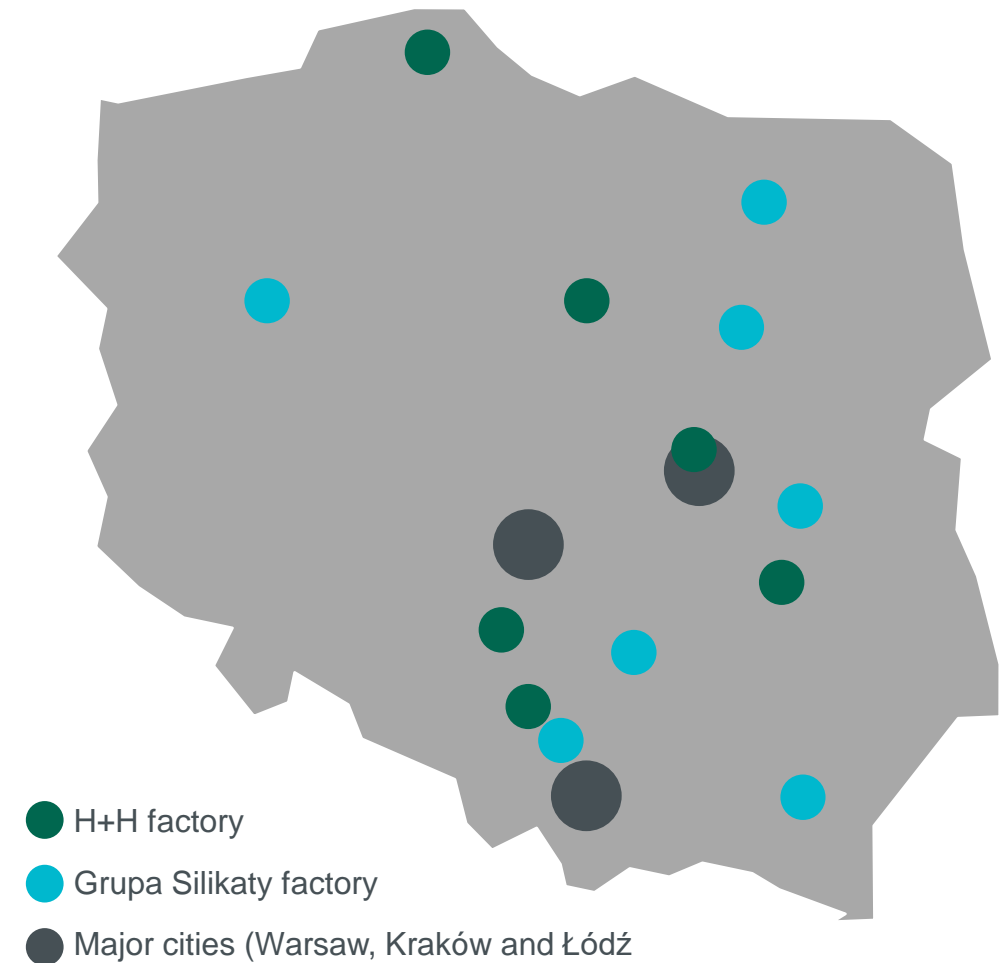
Product

- Calcium silicate units (CSU) is a building block / element made of:
 - 90% sand
 - 7% lime
 - 3% water
- The blocks are pressed together and then autoclaved in 8 hours at around 200 °C.
- Sound insulation and the load bearing ability are the predominant attributes of the product.
- The product is more heavy than aircrete (AAC), i.e. distribution range from the factories is shorter.



Market

- Installed capacity in Poland is approx. 1,800 tm3 distributed over 30 factories.
- Most factories running close to capacity ceiling.
- Grupa Silikaty has seven factories.
- Main competitors are Xella and SILPRO, further there are many smaller producers
- Predominantly pull sales into the residential high-rise segment



Rationale

- CSU enjoys a strong position in residential high-rise.
- Strengthening of our overall position and brand in the Polish wall building industry.
- Synergies predominantly from cross selling.
- H+H aim at maximizing output to take advantage of the current market situation.
- If H+H's cross selling approach is successful H+H can target similar product combinations in other countries.



Q & A



Thank you

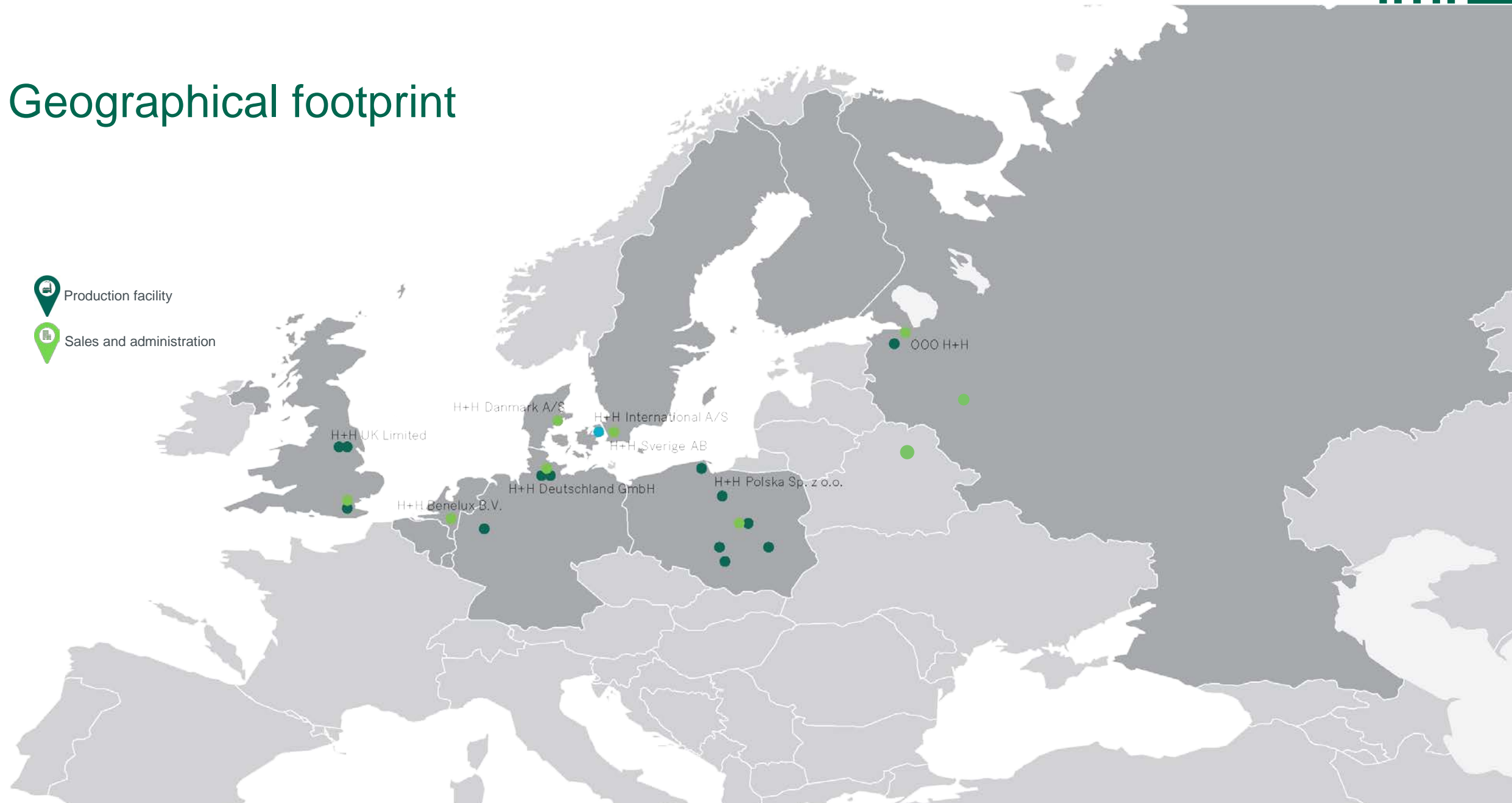
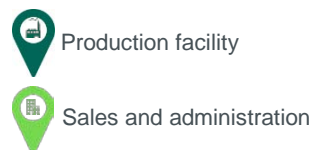
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Appendices

Geographical footprint



Strategy and external growth drivers



- GDP growth
- Inflation
- Governmental stimuli of housebuilding



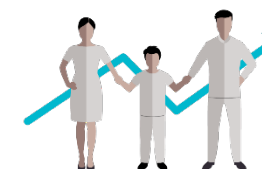
MACROECONOMIC
DEVELOPMENT

- Capacity utilisation in the aircrete industry
- Capacity utilisation in the building materials industry
- High entry barriers



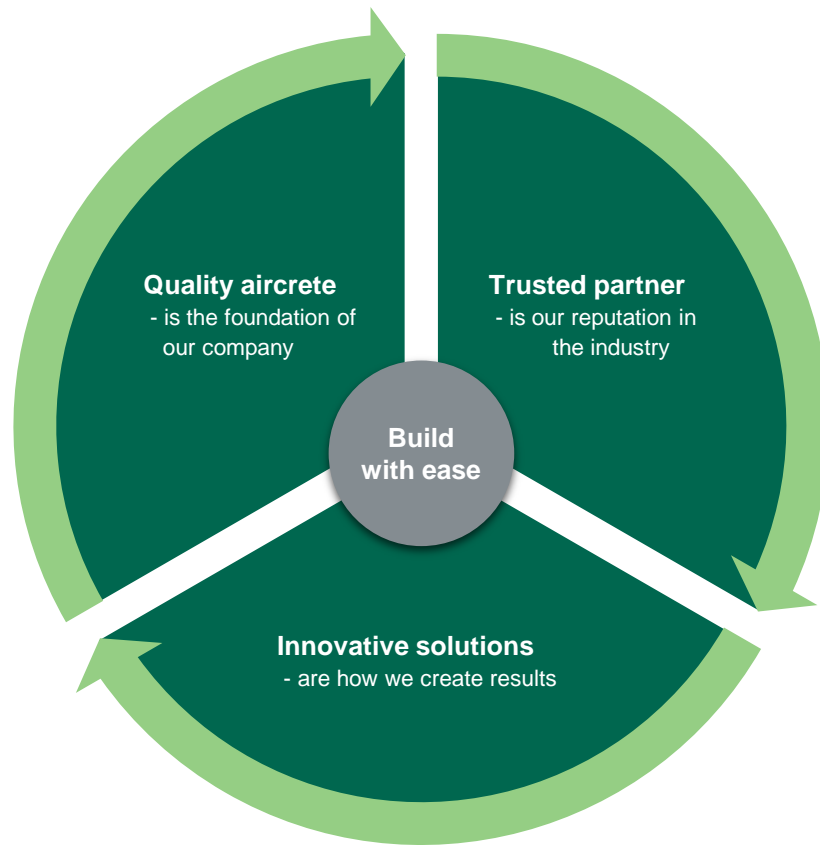
CAPACITY
UTILISATION

- Urbanisation
- Housing stock
- Demand for high-rise/low-rise

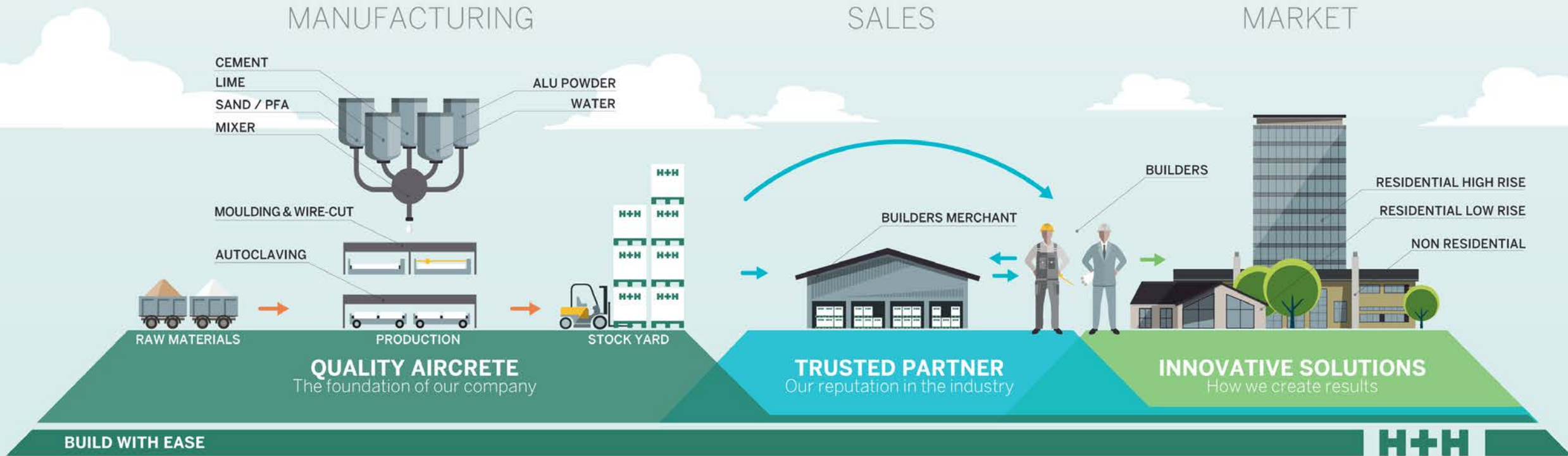


DEMOGRAPHY

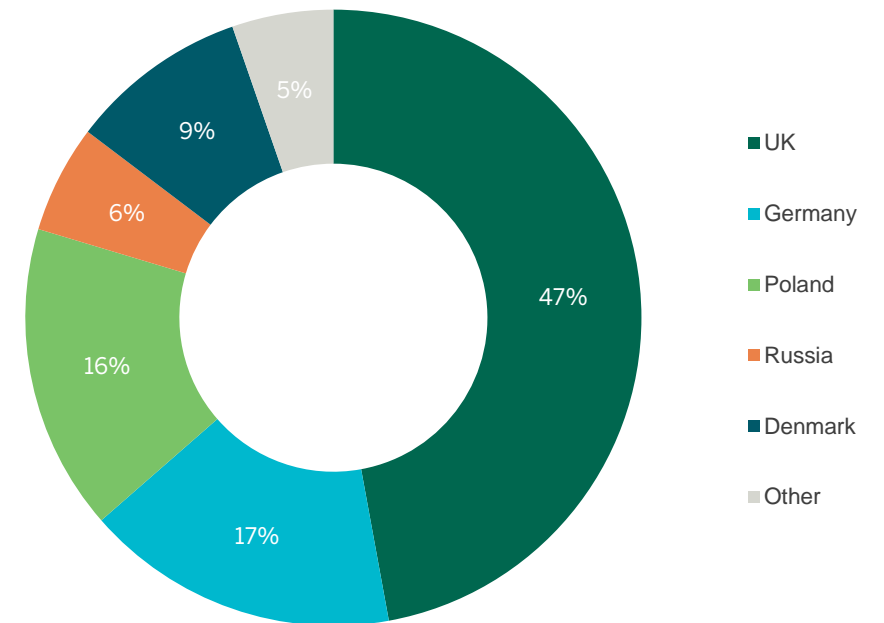
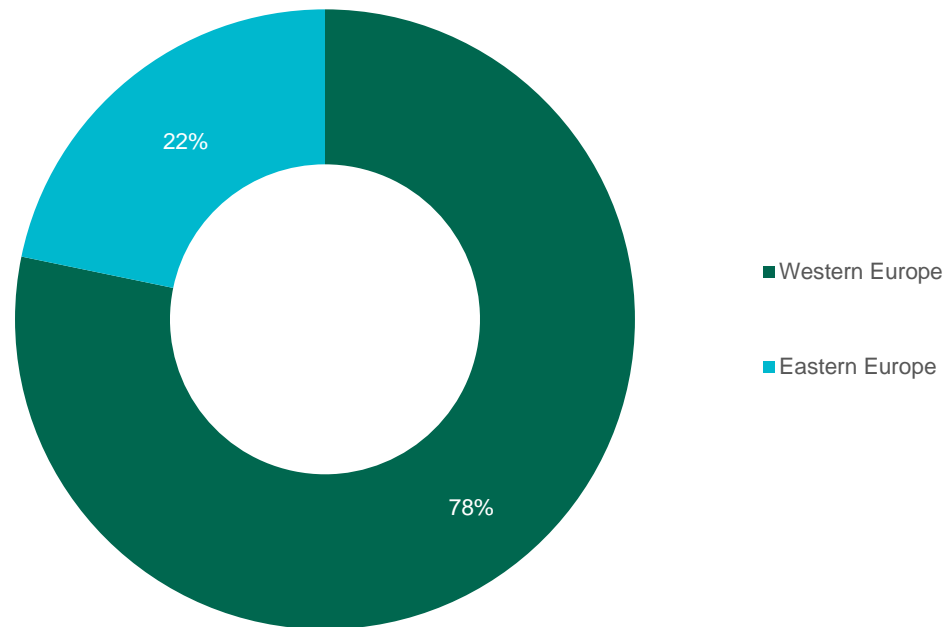
Commercial approach



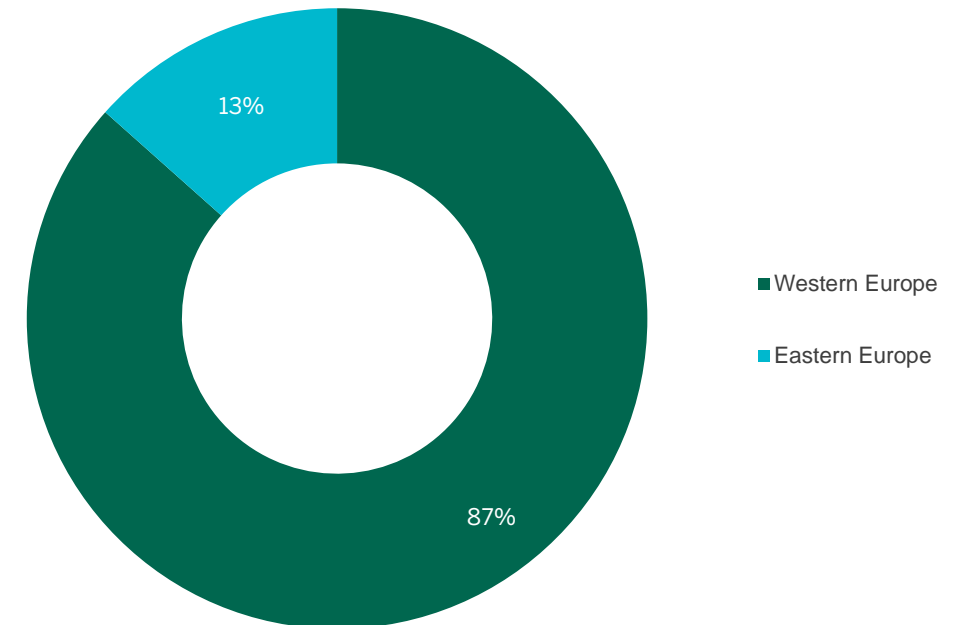
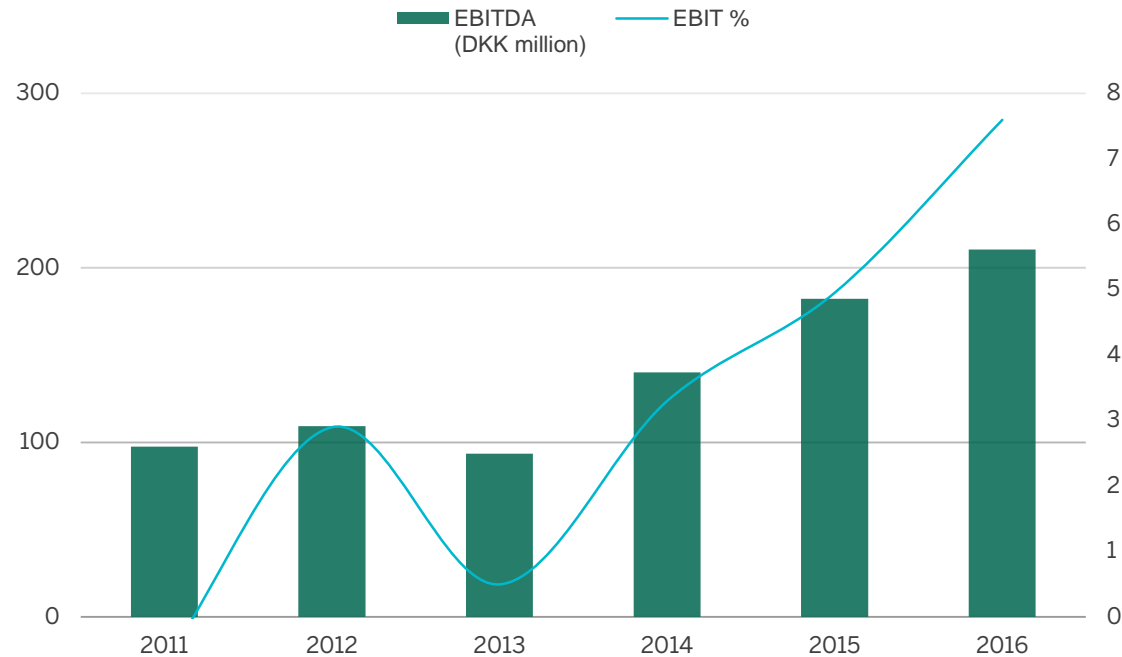
Business model



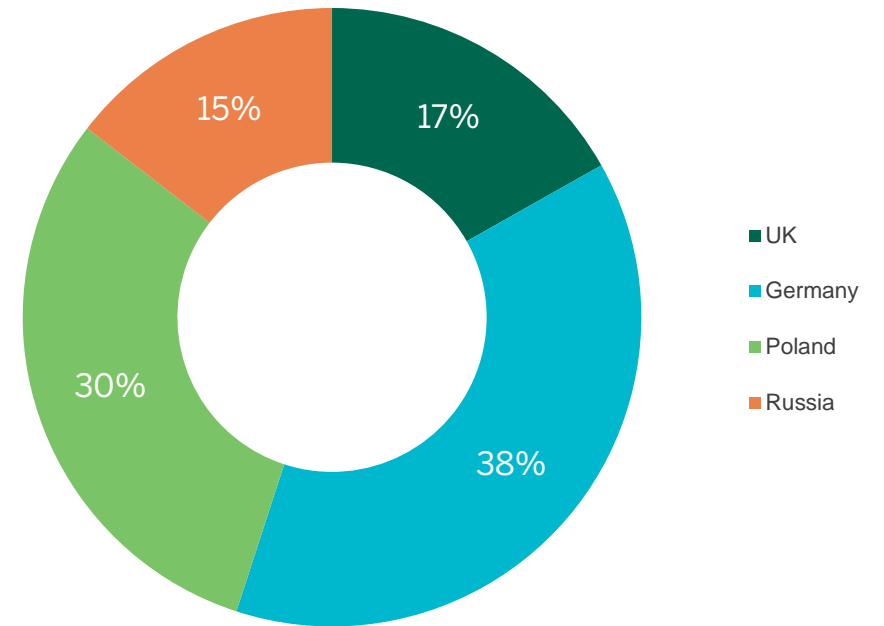
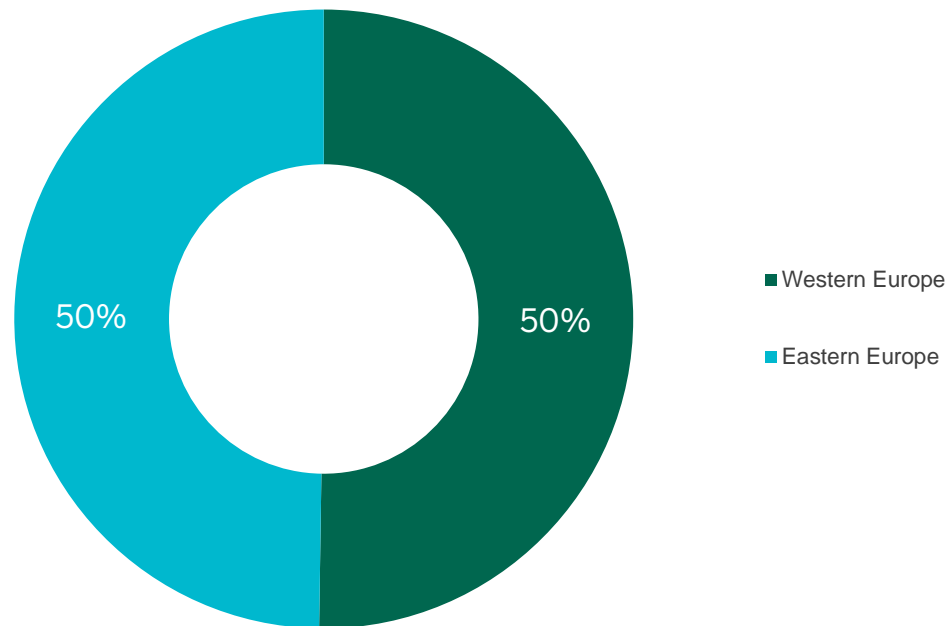
Revenue allocation 2016



EBITDA and EBIT margin development and EBITDA allocation 2016



Non-current asset allocation as of 31 December 2016



Net interest-bearing debt development and allocation as of 31 December 2016

