



Investor presentation Full year and Q4 2017

14 March 2018



Introduction

Forward-looking statement

The statements on the future in this presentation, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution related issues, breach of contract or unexpected termination of contract, price reductions due to market driven price reductions, launches of competitive products and other unforeseen factors.

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.

All presented numbers includes special items unless otherwise stated.

Agenda

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

ABOUT H+H

H+H's core activity is the manufacture and sale of wall building materials, with a revenue in 2017 of DKK 1.6 billion before acquisition of the calcium silicate product line. The main product lines are aircrete blocks and since 2018 calcium silicate units used for the residential new building segment. H+H has 21 factories in Northern and Central Europe and Northwest Russia with a total output of more than 3.5 million cubic metres of products annually and has a leading position in most of its markets. H+H has around 1,200 employees and is listed on Nasdaq Copenhagen.

Highlights

Organic growth

- Organic growth of 6% in the fourth quarter
- Growth in local currency of 3% year-to-date

HDKS (CSU business in Germany and Swiss)

- Closing of acquisition 28 February 2018
- Purchase price of DKK 818 million (enterprise value) paid in cash

EBITDA*

- DKK 61 million in the fourth quarter against DKK 45 million last year
- DKK 242 million for the full year against DKK 211 million last year

Capital structure

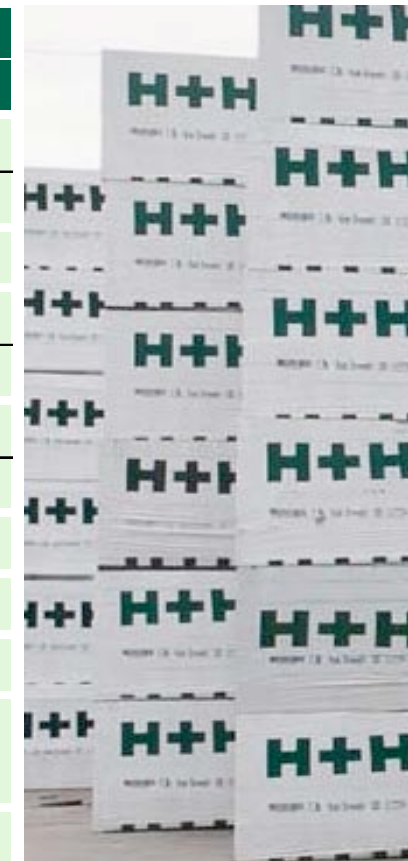
- New shares with net proceeds of around DKK 500 million
- Expected AGM approval on 19 April 2018

* Before special items

Financial performance

DKK million		Q4			Q4 YTD		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	370	347	7%	1 622	1 611	1%
	Organic	368	347	6%	1 654	1 611	3%
Gross margin *		29%	24%	5%	27%	25%	2%
EBITDA	Before special items	61	45	16	242	211	31
	After special items	50	51	(1)	212	214	(2)
EBIT margin	Before special items	11%	5%	6%	10%	8%	3%
	After special items	8%	7%	1%	8%	8%	1%
Return on invested capital					16%	16%	0%
Investments		72	44	28	110	83	27
Free cash flow		(18)	(7)	(11)	(61)	68	(129)
Net interest-bearing debt	DKK million				459	387	72
	Financial gearing				2.2x	1.8x	
Equity					377	278	99

* adjusted for special items gross margin was 30% for Q4 and 28% for the year.



Outlook 2018

Outlook 2018

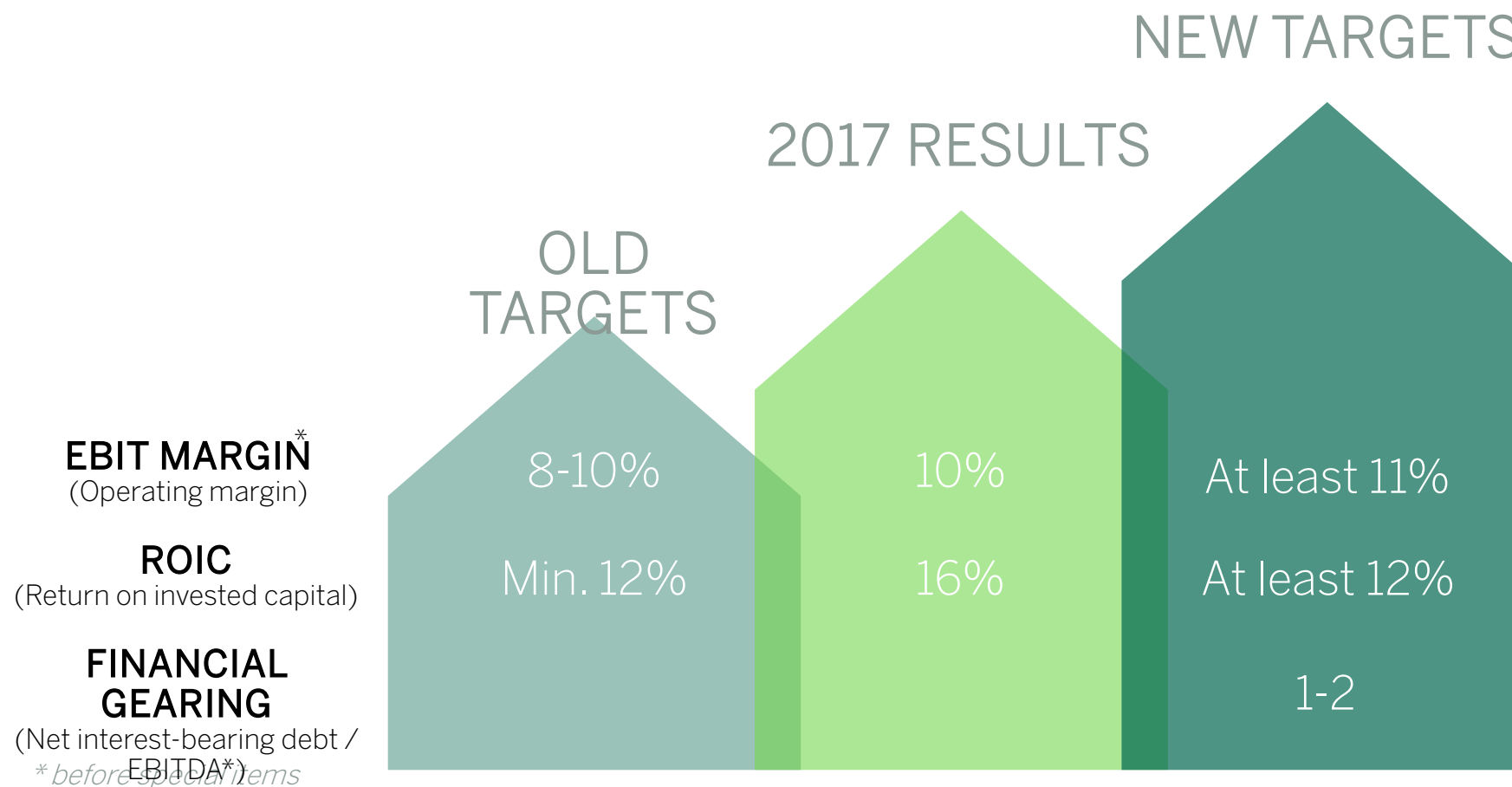
- Growth before acquisitions and measured in local currencies is expected to be around 5%
- EBITDA before special items is expected to be DKK 350-390 million *
- Approximately DKK 25-30 million cost are expected to be incurred as a result of the Borough Green factory upgrade and resulting need to import products from sister companies. The increased transportation costs will be expensed at the point of sale and treated as a special item
- Approximately DKK 35 million for transaction and integration costs for HDKS will be expensed as special items
- Investments excluding mergers, acquisitions and divestments are expected to be in the region of DKK 150 million of which approximately DKK 35 million relates to an investment required at one of the HDKS plants damaged by fire during the acquisition process. A similar amount was covered by a reduction in the purchase price

Specific assumptions for outlook for 2018

- Continuous economic growth 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-March 2018 levels
- Energy and raw material prices rise only in line with inflation from their mid-March 2018 levels
- The geopolitical situation does not result in changed market conditions
- Acquisition and integration of the calcium silicate business and upgrade of the Borough Green factory according to schedule

** Includes expected impact of Grupa Siliikaty*

Long-term financial targets



Other selected items

Solvency ratio

- Solvency ratio at 28% at 31 December 2017
- Diluted from acquisition(s) until the anticipated share capital increase is completed

Grupa Silikaty

- Acquisition of silicate lime business in Poland pending customary approval from the Polish authorities
- Anti-trust approval has been obtained
- Closing expected in near future

CSR

- Project to ensure structured reporting initiated

Pension obligation

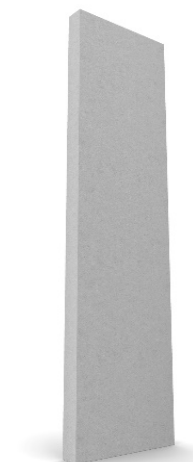
- Defined contribution obligation less deferred tax amount to DKK 124 million
- The obligation decreased by approx. DKK 4 million in Q4

Western European segment

DKK million		Q4			Q4 YTD		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	277	280	(1%)	1 220	1 260	(3%)
	Organic	278	280	(1%)	1 270	1 260	1%
EBITDA	Before special items	28	28	0	194	191	3
	After special items	16	27	(11)	168	186	(18)
Investments		59	34	25	88	64	24

- Adverse organic growth in the quarter due to price pressure in continental Europe
- Prices higher than same period last year
- Year-to-date shows slight organic growth where better prices compensate loss of volume

- No exchange rate impact on EBITDA in the quarter and adverse DKK 10 million year-to-date
- Underlying business showing better results versus last year when adjusted for currency and special items
- Investments slightly lower than anticipated



Borough Green factory upgrade

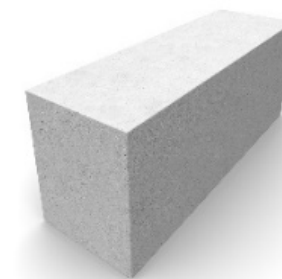
- The Borough Green factory upgrade is running to schedule
- We are planning the upgrade to be completed in the first half of 2018
- Ramp up during Q2 2018 with anticipated 50% volume output
- Special items of DKK 19 million cost were incurred in 2017 (DKK 5 million in Q4) as a result of the Borough Green factory upgrade and resulting from the need to import products



- The increased transportation costs are expensed in production costs at the point of sale and treated as a special item

Eastern European segment

DKK million		Q4			Q4 YTD		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	93	66	41%	402	350	15%
	Organic	89	66	34%	384	350	10%
EBITDA	Before special items	7	(5)	12	52	26	26
	After special items	8	2	6	48	29	19
Investments		13	11	2	21	19	2



- Continuous growth in the Polish market and both price and volume development is favorable
- Price increases in Q4 versus previous quarters realized which is unusual for the Polish market
- Additional capacity expected from competition
- The Russian market did not meet expectations. A significant volume drop has been recognised and we have adjusted prices to defend market position
- No exchange rate impact on EBITDA in the quarter and positive DKK 2 million year-to-date

Strategic rationale for the CSU acquisitions

- Create a more balanced geographical footprint
- Expand the product offering, mainly within residential high-rise, becoming the second largest European player within CSU
- Harvest synergies with the aircrete business, create scale and operational improvements
- Benefit from best practice sharing across the German/Polish operations of the CSU businesses
- Platform for further market consolidation

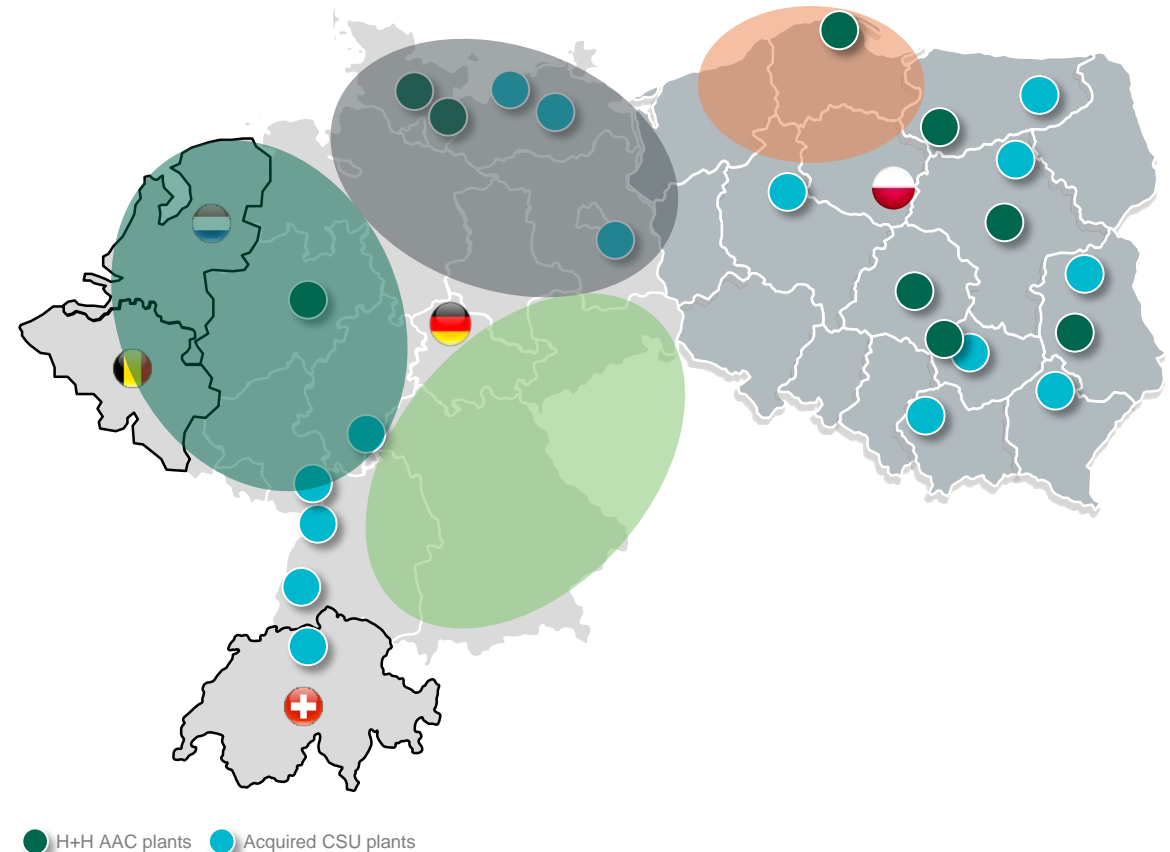


Changed legislation gives H+H a unique opportunity to participate in market restructuring if the necessary funds are available

H+H is in a unique situation

- With newly changed anti-trust regulation in Germany in 2017 the threshold for filing is a combined turnover of EUR 500 million
- H+H will be the only player with financial and operational means and below the threshold
- Target list includes
 - Companies suffering from over capacity
 - Family-owned businesses with succession issues
 - Businesses that are subsidiaries in groups where wall-building materials is non-core

Geographical focus



A share capital increase of DKK 500 million will give H+H a capital structure to continue consolidation and a sustainable financial gearing

Use of proceeds

- Reduce the increased interest-bearing debt following the acquisition of HDKS
- Strengthening of the balance sheet
- Should the right opportunities occur in 2018 or 2019, funds are available to participate in further market restructuring

M&A activities

- Potential acquisition targets identified
- Ongoing dialogue with some of these targets
- Flexibility on financing is a strong sign for the sell-side
- The ability to complete future acquisitions and the timing hereof will naturally depend on the market development and other factors outside the control of H+H

Q & A



Thank you

H+H International A/S
Lautrupsgade 7, 6th Floor
2100 Copenhagen Ø
Denmark

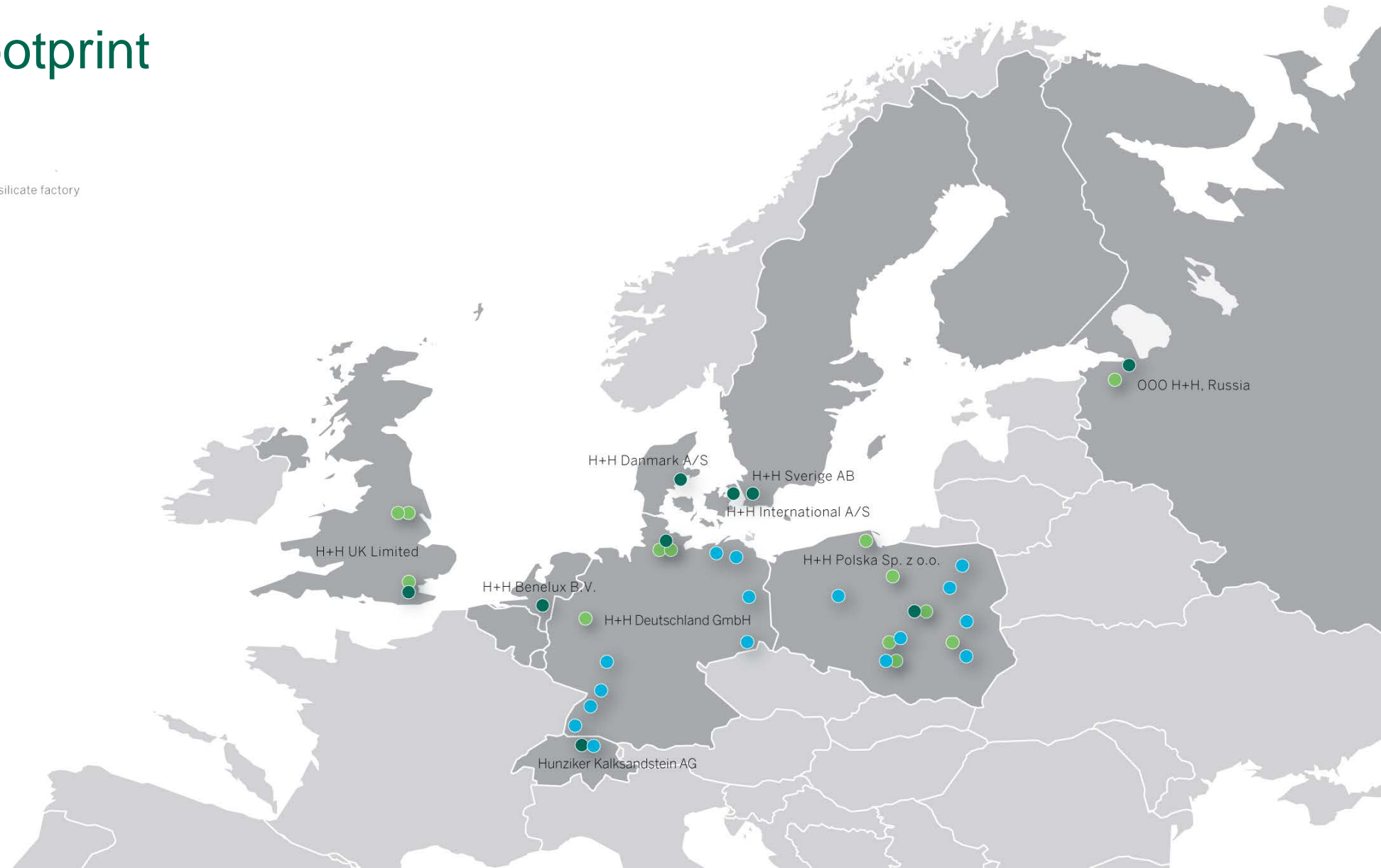
+45 35 27 02 00

info@hplush.com
www.hplush.com

Appendices

Geographical footprint

 Sales & admin.  Aircrete factory  Calcium silicate factory



External growth drivers

- GDP growth
- Inflation
- Governmental stimuli of housebuilding



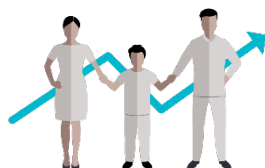
MACROECONOMIC
DEVELOPMENT

- 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

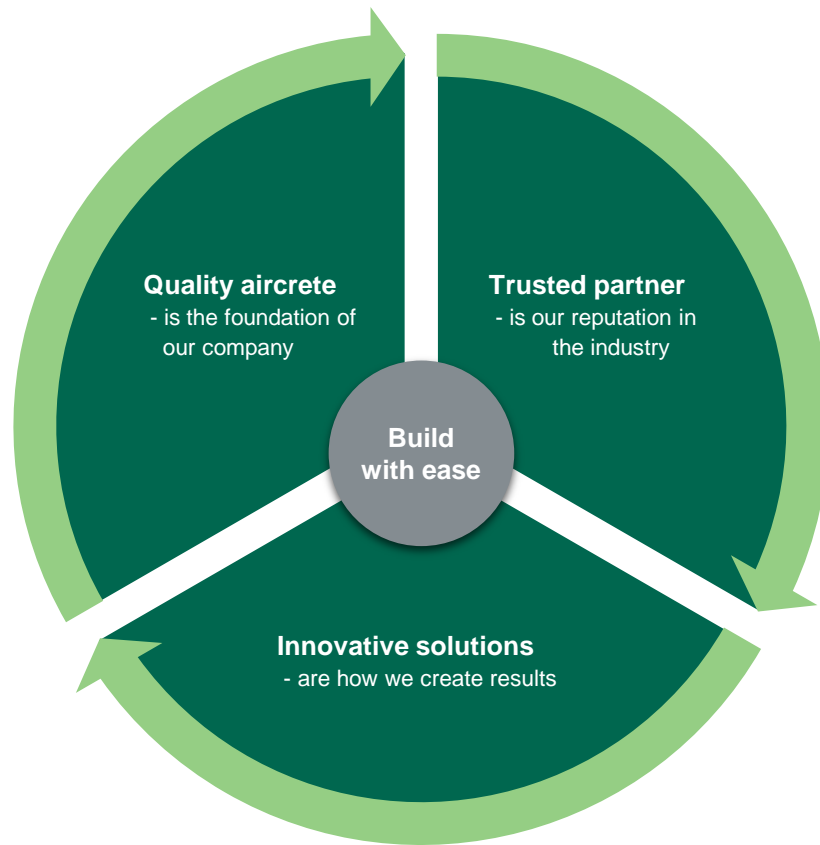


DEMOGRAPHY

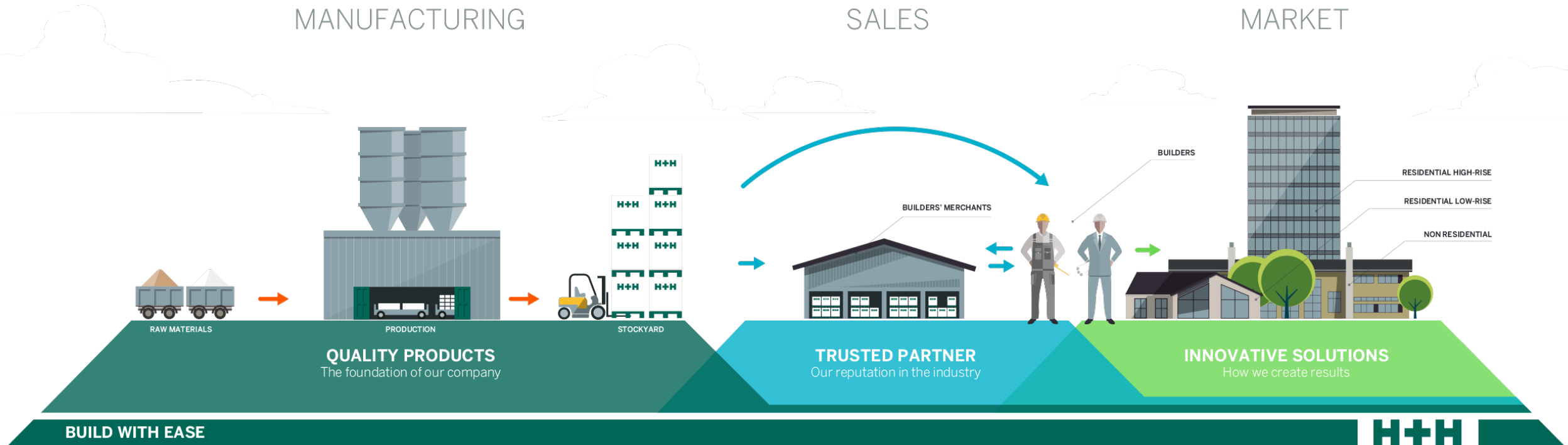
Risk factors

Risk	Probability	Impact	Scenario
Market			With significant operational gearing and fixed costs, demand has a noticeable effect on H+H's financial performance. Developments in the global economy and especially the construction sector, as well as political risks such as Brexit, initiatives such as taxes or tax deductions targeting the building industry or home owners, or changes to the mortgage system, have a significant direct and indirect impact on H+H.
Production			A major production breakdown or fire in a factory could cause a long-term loss of production. This shortfall would have an effect on sales unless made up by other H+H factories.
Raw materials & energy			Production is dependent on the supply of raw materials. Production costs are exposed to the effects of higher energy prices on the cost of transportation and price changes for cement, sand and lime.
Competition and pricing			H+H is the second-largest player in the European aircrete market. This market position could be endangered by mergers between competitors. Excess production capacity in some markets could result in a price war.
Foreign exchange rates			H+H's earnings are primarily in GBP and EUR, while its borrowings are primarily in DKK, PLN and EUR. Any developments in the financial markets, especially in GBP, could have a significant impact on H+H.
Capital structure & cash flow			Net interest-bearing debt amounted to DKK 459 million at the end of 2017 and H+H will remain dependent on external financing in the future.
UK pensions			The UK defined-benefit pension scheme is closed but has accrued benefits and a pension deficit. Each year the pension assets and liability are revalued. A change in the discount rate of 0.1 percentage point would change the obligations by approx. DKK 13 million. A change in the rate of inflation would change the obligation by approx. DKK 7 million, both affecting equity.

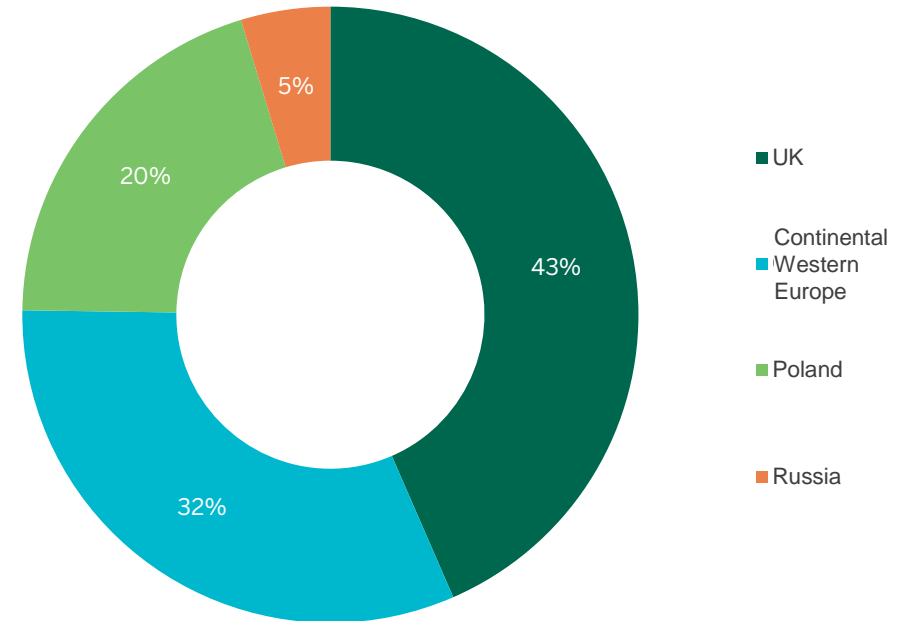
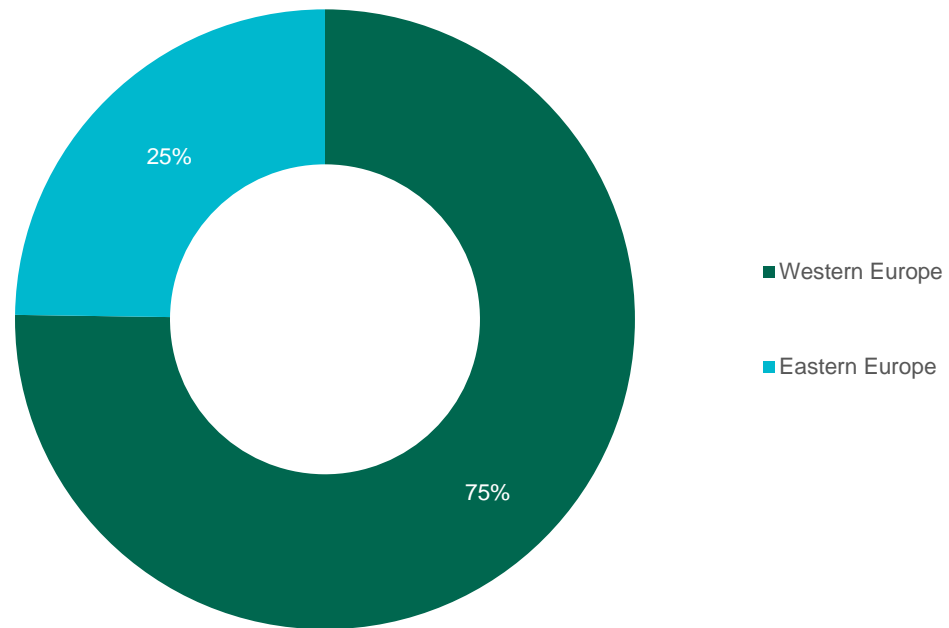
Commercial approach



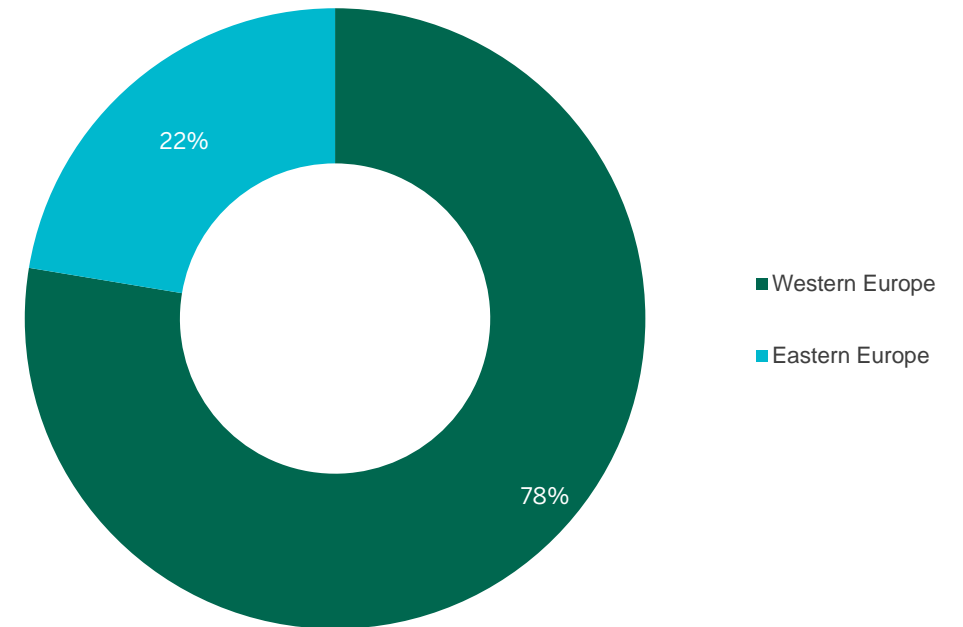
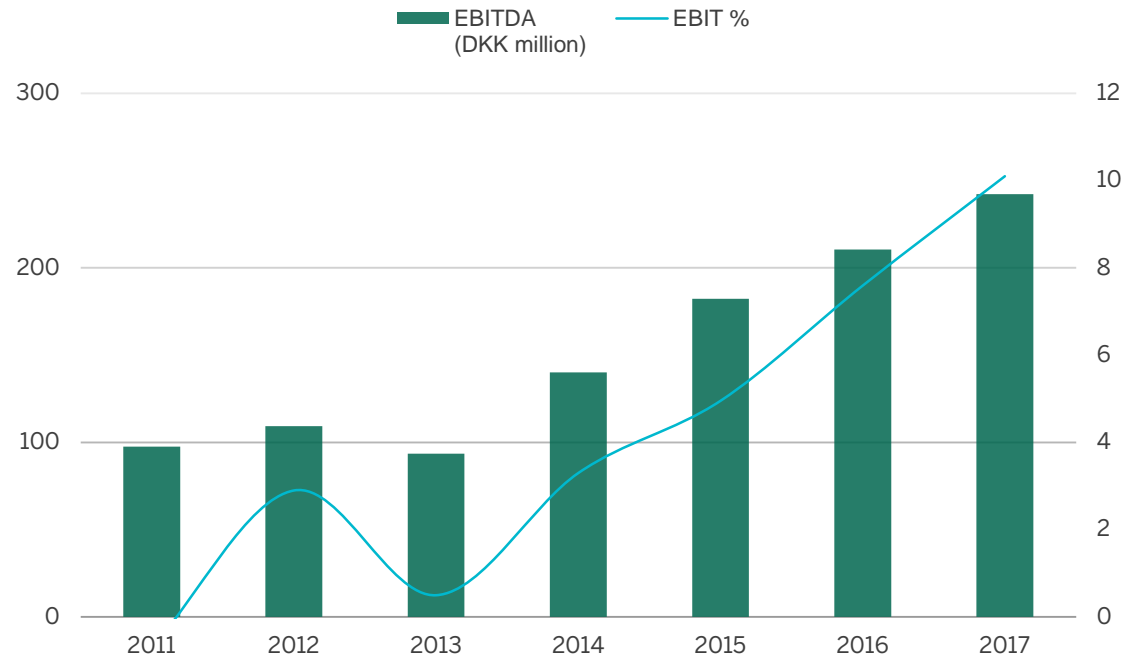
Business model



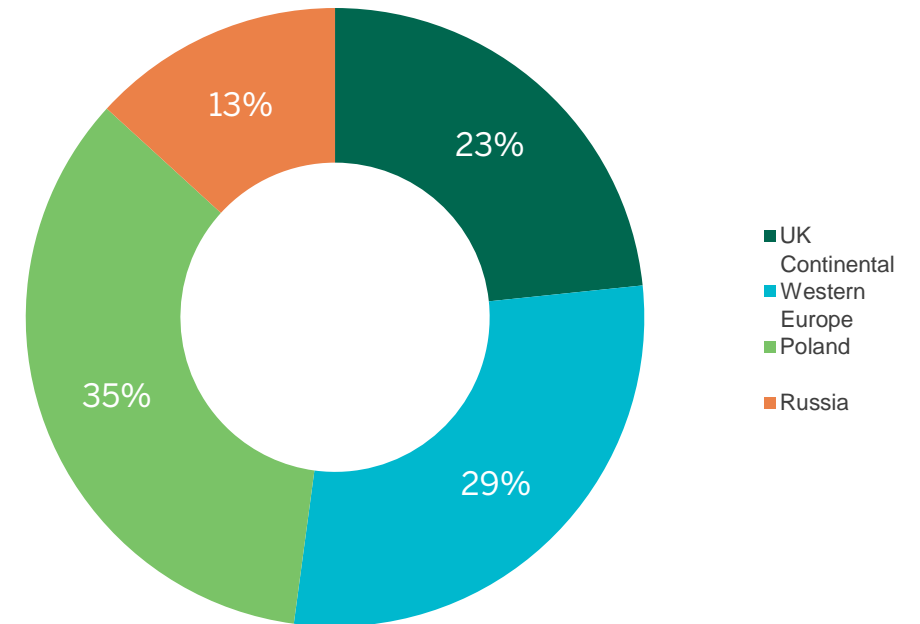
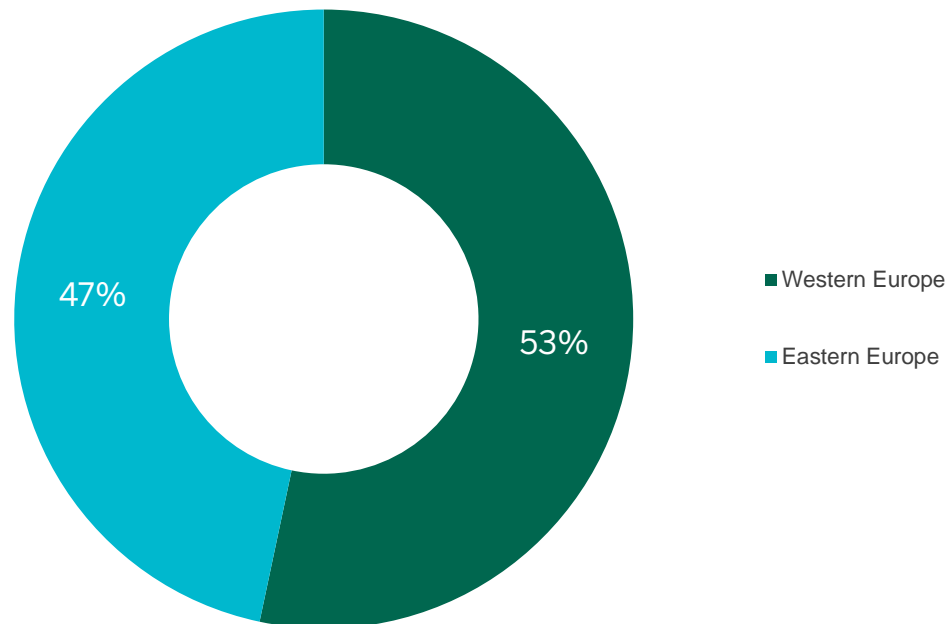
Revenue allocation 2017



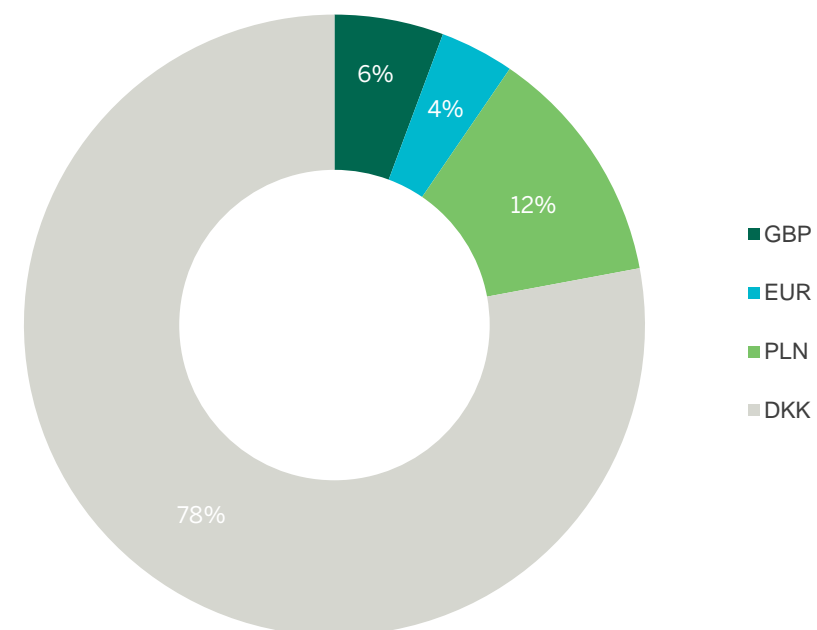
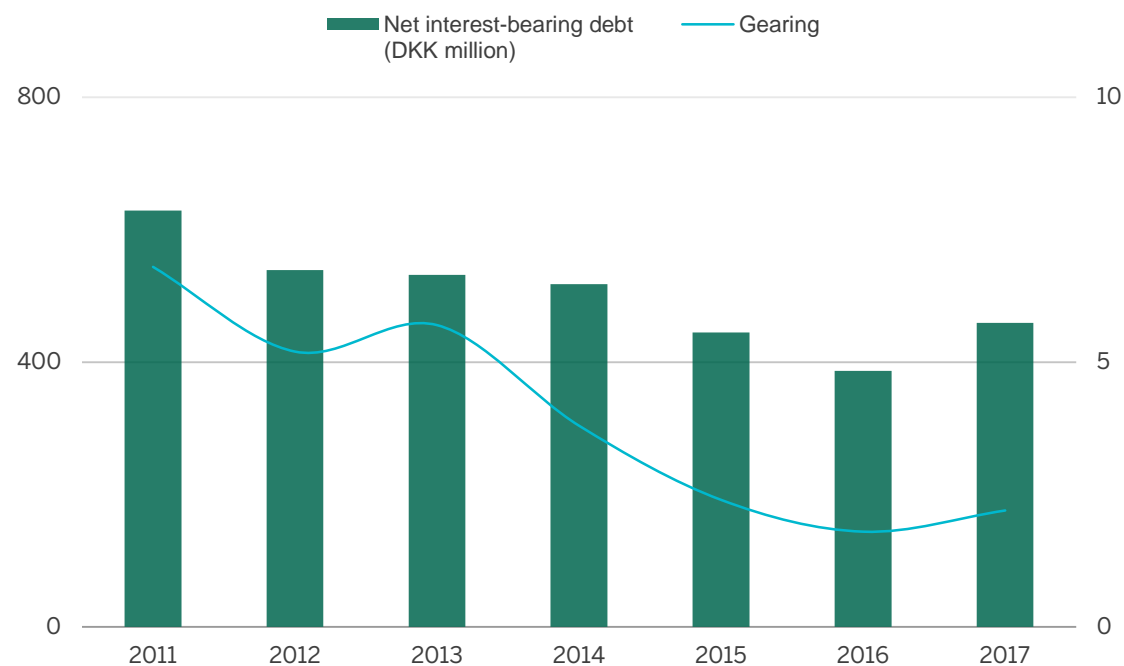
EBITDA and EBIT margin development and EBITDA allocation 2017



Non-current asset allocation as of 31 December 2017

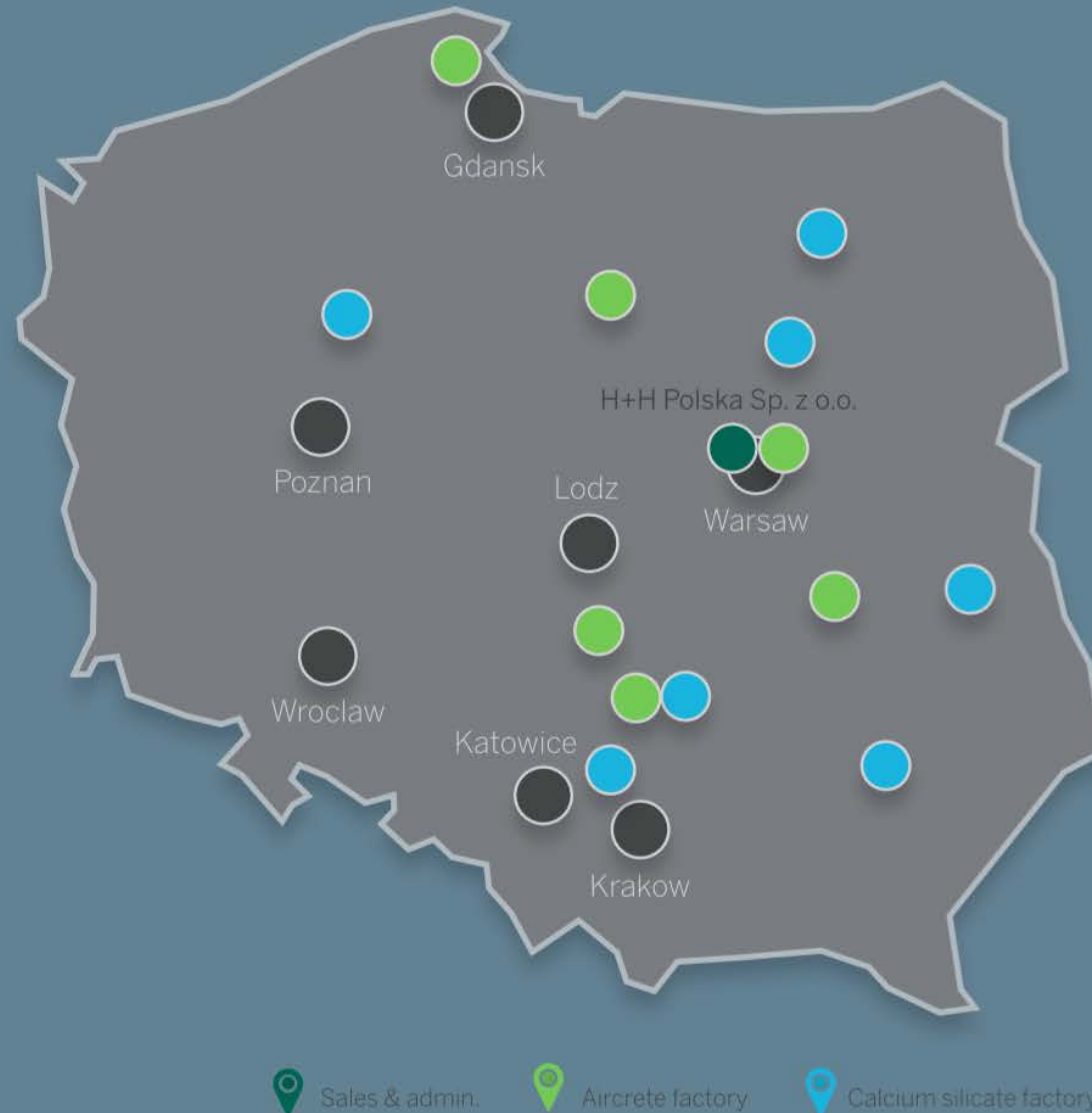


Net interest-bearing debt development and allocation as of 31 December 2017



CSU Poland

Acquisition of Grupa Silikaty



Grupa Siliakaty is the second largest producer of CSU in Poland and operates seven factories. The company was bought by H+H in 2017.

The acquisition was announced 7 June 2017 and is pending customary approvals from Polish authorities. The anti-trust clearance has been obtained and we expect closing of the transaction in near future.

Grupa Sili Katy had estimated revenue in 2016 of DKK 157 million and EBIT-DA of DKK 11 million.

The market share in the CSU market is around 30% and the company has around 300 employees.

CSU Germany

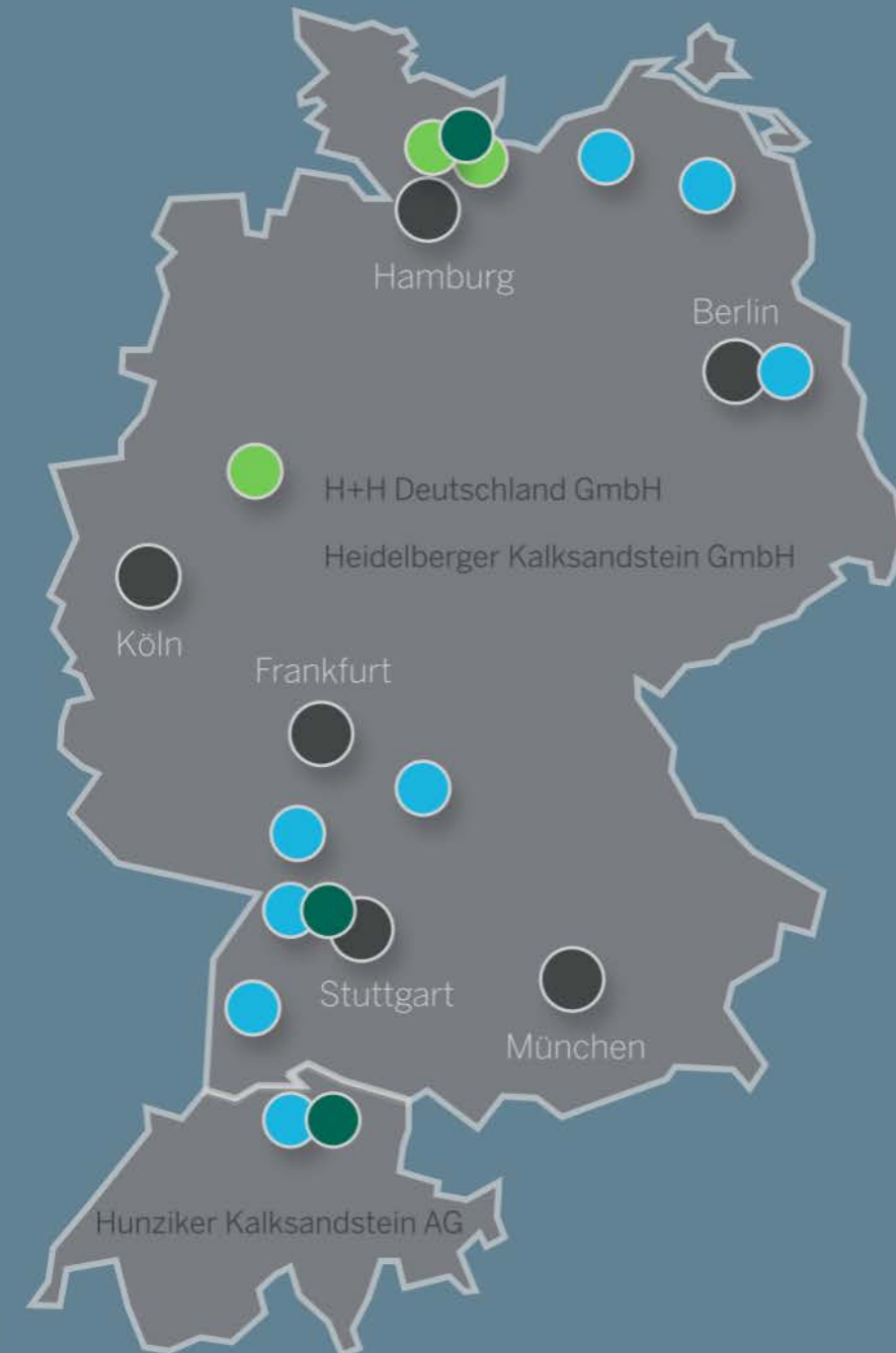
Acquisition of HDKS

HDKS the second largest producer of CSU in Germany and operates seven factories. Further, company is present on the Swiss market and has one factory in Switzerland. The company was bought by H+H in 2017.

The acquisition was announced 14 December 2017 and was closed 28 February 2018.

HDKS had revenue in 2017 of around DKK 500 million and EBITDA of around DKK 100 million.

The market share in the CSU market is around 14% and the company has around 200 employees.



Sales & admin.



Aircrete factory



Calcium silicate factory