



**Company Announcement No. 299, 2014**

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Date:

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**Key figures for the period 1 January to 30 June 2014**

- Second-quarter revenue was DKK 361 million (2013: DKK 369 million). First-half revenue was DKK 651 million (2013: DKK 602 million). First-half organic revenue growth was 8.1%.
- Second-quarter EBITDA was DKK 49 million (2013: DKK 38 million). First-half EBITDA was DKK 57 million (2013: DKK 32 million).
- The second quarter brought a profit of DKK 7 million (2013: loss of DKK 2 million) and the first half a loss of DKK 23 million (2013: loss of DKK 79 million).
- Equity at 30 June 2014 was DKK 255 million.
- Second-quarter investments were DKK 9 million (2013: DKK 4 million). First-half investments were DKK 22 million (2013: DKK 10 million).
- Net interest-bearing debt at 30 June 2014 was DKK 595 million (30 June 2013: DKK 570 million).
- H+H changes its outlook for 2014:
  - Organic revenue growth is upgraded and is now expected to be in the region of 4-8%, against the previously announced 3-6%.
  - EBITDA before special items is upgraded and is now expected to be in the region of DKK 120-135 million for continuing operations, against the previously announced DKK 110-130 million.
  - Investments are still expected to be in the region of DKK 60 million.

*Quote:*

*"The second quarter of 2014 showed strong development with EBITDA up DKK 11 million on last year despite lower revenue," says Michael T Andersen, CEO. "The improvement was due primarily to higher average prices and better capacity utilisation in the quarter."*

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*For further information please contact:  
Michael T Andersen, CEO, or Niels Eldrup Meidahl, CFO, tel. +45 35 27 02 00.*

## Key figures – H+H Group

Amounts in DKK million	Q2 2014	Q2 2013	H1 2014	H1 2013	Full-year 2013
<b>Income statement</b>					
Revenue	361.3	369.1	650.6	601.7	1,260.1
Gross profit	92.8	79.0	147.6	118.1	261.5
Operating profit before depreciation, amortisation and financial items (EBITDA)	48.9	37.7	57.0	32.0	93.6
Operating profit (EBIT)	27.5	17.0	13.3	(9.6)	5.9
Net financials	(11.2)	(11.0)	(22.1)	(20.8)	(42.5)
Profit before tax from continuing operations	16.3	6.0	(8.8)	(30.4)	(36.6)
Profit from continuing operations	10.5	3.7	(16.8)	(33.7)	(40.1)
Profit from discontinued operations	(3.6)	(5.5)	(6.0)	(45.2)	(52.4)
Profit for the period	6.9	(1.8)	(22.8)	(78.9)	(92.5)
<b>Balance sheet</b>					
Non-current assets	929.0	977.6	929.0	977.6	962.4
Current assets	347.5	371.9	347.5	371.9	330.5
Share capital	490.5	490.5	490.5	490.5	490.5
Equity	254.6	319.9	254.6	319.9	293.9
Non-current liabilities	755.0	781.7	755.0	781.7	750.1
Current liabilities	266.9	247.9	266.9	247.9	248.9
Total equity and liabilities	1,276.5	1,349.5	1,276.5	1,349.5	1,292.9
Investments in property, plant and equipment	9.2	3.9	21.8	10.0	35.5
Interest-bearing debt (net)	594.9	570.1	594.9	570.1	531.6
<b>Cash flow</b>					
Cash flow from operating activities	47.1	42.3	(24.2)	(11.1)	58.2
Cash flow from investing activities	(9.0)	(0.9)	(12.3)	(7.0)	(30.1)
Free cash flow	38.1	41.4	(36.5)	(18.1)	28.1
Cash flow from discontinued operations	(2.9)	(9.8)	(3.6)	(31.1)	(28.8)
<b>Financial ratios</b>					
Gross margin	25.7%	21.4%	22.7%	19.6%	20.8%
Operating margin (EBIT margin)	7.6%	4.6%	8.8%	5.3%	0.5%
Return on invested capital (ROIC)	3.7%	2.8%	3.7%	2.8%	0.7%
Return on equity	(12.7%)	(28.8%)	(12.7%)	(28.8%)	(26.0%)
Solvency ratio	0.2	0.2	0.2	0.2	0.2
Net interest-bearing debt/EBITDA	5.0	5.9	5.0	5.9	5.7
<b>Share and dividend figures</b>					
Share price, end of period (DKK)	42.9	30.0	42.9	30.0	47.7
Book value per share, end of period (DKK)	26.0	32.7	26.0	32.7	30.0
Earnings per share (adjusted)	0.7	(0.2)	(2.3)	(8.0)	(9.5)
Diluted earnings per share (adjusted)	0.7	(0.2)	(2.3)	(8.0)	(9.5)

## MANAGEMENT'S REVIEW

Second-quarter revenue was down 2.1% on 2013, and measured in local currency revenue was down 1.9%. The decline in sales compared to the same period last year was due primarily to very high sales growth in the first quarter, driven by the mild weather in Europe. Revenue for the first half of 2014 was up 8.1% on 2013. Organic growth was 8.1%.

Second-quarter earnings as measured by EBITDA were up DKK 11 million on last year. Average selling prices were higher than in the same period last year, particularly in the UK. Production volumes in the second quarter were significantly higher than last year, which resulted in higher capacity utilisation. Both had a positive impact on earnings.

Price levels for raw materials, especially energy, and transport were higher than last year but as expected. The excellence programme is running to schedule.

### Revenue

Second-quarter revenue was DKK 361 million, against DKK 369 million in 2013, a decrease of DKK 8 million or 2.1%. Expressed in local currency, revenue was down 1.9% on last year.

The RUB exchange rate had a negative effect on revenue of DKK 7.2 million, while the GBP exchange rate had a positive effect of DKK 6.7 million.

### Gross profit

The overall gross margin in the second quarter was 25.7%, against 21.4% in 2013. Average selling prices were higher than last year, but better capacity utilisation due to higher production volumes also raised the gross margin. Higher raw material prices partially offset the improvement in production and selling prices.

### Special items

The second-quarter results for 2014 include negative special items of DKK 0.4 million, consisting of costs for implementing the final phase of the new strategy.

### EBITDA

Second-quarter EBITDA was DKK 48.9 million, against DKK 37.7 million last year. EBITDA before special items was DKK 49.3 million.

The increase in EBITDA was due to a higher gross profit. Other external expenses in the quarter were slightly higher than last year. The second quarter brought net other operating income of DKK 0.7 million, against net other operating income of DKK 2.8 million last year.

## Operating profit (EBIT)

H+H made a second-quarter operating profit of DKK 27.5 million in 2014, against DKK 17.0 million in 2013, an improvement of DKK 10.5 million.

## Profit before tax from continuing operations

H+H recorded a second-quarter profit before tax of DKK 16.3 million, against DKK 6.0 million in 2013, an improvement of DKK 10.3 million.

Profit before tax from continuing operations				
	Q2		H1	
Amounts in DKK million	2014	2013	2014	2013
Western Europe	22.1	12.7	19.7	(4.6)
Eastern Europe	0.1	2.9	(14.6)	(8.9)
Eliminations and unallocated items	(5.9)	(9.6)	(13.9)	(16.9)
<b>Total</b>	<b>16.3</b>	<b>6.0</b>	<b>(8.8)</b>	<b>(30.4)</b>

## Taxation

The tax figure for the second quarter of 2014 is a negative DKK 5.8 million, against a negative DKK 2.3 million in 2013. The higher tax expenses are due to higher income, mainly in the UK.

## Discontinued operations

As announced in the interim report for the first quarter of 2013, it was decided to close H+H Finland Oy's factory in Ikaalinen, and production ceased in April that year.

The Finnish operation has therefore been reclassified as discontinued in H+H's financial reporting.

Discontinued operations generated a loss of DKK 3.6 million in the second quarter of 2014, against a loss of DKK 5.5 million in the same period last year.

## Cash flow

Second-quarter free cash flow was a positive DKK 38.1 million, against a positive DKK 41.4 million in the same period of 2013.

Cash flow from operating activities in the second quarter was a positive DKK 47.1 million, due primarily to high net working capital as a result of higher inventories due to high production volumes in the second quarter.

## Investments

Investments of DKK 9.2 million were made during the second quarter. In the second quarter of 2013 investments totalled DKK 3.9 million.

Investments	Q2		H1	
	2014	2013	2014	2013
Amounts in DKK million				
Western Europe	7.3	3.2	17.0	7.6
Eastern Europe	1.4	0.7	4.3	2.3
Unallocated items	0.5	0.0	0.5	0.1
Total	9.2	3.9	21.8	10.0

### Financing

Net interest-bearing debt totalled DKK 595 million on 30 June 2014, up DKK 63 million since the beginning of the year and up DKK 25 million on 30 June 2013.

Net working capital to sales weakened from 9.5% on 30 June 2013 to 9.8% on 30 June 2014, mainly driven by higher inventories.

Second-quarter net financials totalled DKK 11.2 million in 2014, against DKK 11.0 million in 2013. Besides interest expenses and foreign exchange adjustments, the figure includes amortisation of borrowing costs, payments for an unused committed credit facility and expenses for the pension scheme in the UK.

### Equity

H+H's equity increased by DKK 9 million in the second quarter of 2014. The profit for the period increased equity by DKK 6.9 million, and foreign exchange adjustments of investments in subsidiaries increased equity by DKK 1.8 million. During the first half of 2014, equity fell by DKK 39.3 million.

Equity	H1	H1
Amounts in DKK million	2014	2013
1 January	293.9	417.9
Profit for the period	(22.8)	(78.9)
Foreign exchange adjustments	(17.0)	(19.3)
Other adjustments	0.5	0.2
30 June	254.6	319.9

## SEGMENTS

### Western Europe

Second-quarter revenue in Western Europe was DKK 281.2 million, an increase of DKK 5.4 million or 1.9% on 2013. Expressed in local currency, revenue was down 0.4% on 2013.

Revenue was affected by the very mild weather in the first quarter, which brought sales forward and had a negative effect on sales in the second quarter.

There are clear signs of a strong recovery in construction activity in the UK, partly driven by government initiatives that continue to stimulate the UK market.

Revenue in the second quarter increased in the Nordic countries but was much lower in Germany due to the weather impact and lack of sales to Africa. Revenue for all markets was up in the first half of the year.

Visibility in the various markets remains poor, except for the UK where the strong recovery in 2013 continued into 2014.

Second-quarter EBITDA was DKK 41.5 million, against DKK 31.0 million in 2013. The increase was due to higher sales prices and better utilisation of the factories. A more favourable GBP exchange rate improved earnings by DKK 1.4 million.

Second-quarter profit before tax was DKK 22.1 million, against DKK 12.7 million in 2013, an improvement of DKK 9.4 million.

### Eastern Europe

Second-quarter revenue in Eastern Europe was DKK 80.1 million, a decrease of DKK 13.2 million or 14.1% on 2013. Expressed in local currency, revenue was down 6.3% on last year.

In Russia, the second quarter saw growth in both sales volumes and revenue, expressed in local currency, but average prices were lower than last year, due to higher sales at lower prices to customers further away from the factory and generally increased uncertainty in the market. However, there have been no dramatic changes in market conditions as yet due to the political situation in Russia and Ukraine.

In Poland, sales volumes and revenue were lower than last year. H+H has shut down production temporarily at the factory in Skawina and has increased prices, which has had a negative effect on volumes. EBITDA, however, was higher than last year. There is still a major need for restructuring in the Polish market, since overcapacity remains high and therefore selling prices are low.

Second-quarter EBITDA was DKK 12.6 million, against DKK 15.7 million in 2013, a decrease of DKK 3.1 million, of which DKK 2.4 million is due to a weaker RUB.

The second quarter brought a profit before tax of DKK 0.1 million, against a profit of DKK 2.9 million in 2013, a decrease of DKK 2.8 million.

Revenue	Q2		H1	
	2014	2013	2014	2013
Amounts in DKK million				
Western Europe	281.2	275.8	510.0	447.7
Eastern Europe	80.1	93.3	140.6	154.0
Total	361.3	369.1	650.6	601.7

#### Eliminations and unallocated items

Unallocated net expenses amounted to DKK 5.9 million in the second quarter of 2014, down DKK 2.7 million on the same period in 2013.

#### OUTLOOK FOR 2014

H+H upgrades its outlook for organic revenue growth, which is now expected to be in the region of 4-8%, against the previously announced 3-6%.

H+H upgrades its outlook for EBITDA before special items, which is now expected to be around DKK 120-135 million for continuing operations, against the previously announced DKK 110-130 million.

Investments are still expected to be in the region of DKK 60 million.

These expectations for H+H's financial performance in 2014 are based partly on the following specific assumptions:

- Economic growth of around 2% in our geographical footprint.
- The operational excellence programme continues and reduces production costs further.
- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold at their mid-August 2014 levels, which in the case of RUB is a lower level than in 2013.
- Energy and raw material prices rise only in line with inflation from their mid-August 2014 levels.
- The current political situation in Russia and Ukraine does not result in changed market conditions in Russia.

#### ABOUT THE OUTLOOK FOR 2014

The expectations for H+H's financial performance are also based on a number of general assumptions.

Management believes that the most significant assumptions underlying H+H's expectations relate to:

- Sales volumes and product mix
- Price competition
- General economic developments
- Developments in the market for building materials
- Distribution factors
- Weather conditions

H+H International A/S will update and adjust the expectations presented where so required by Danish legislation, including the Danish Securities Trading Act, or the rules for issuers on NASDAQ OMX Copenhagen.

#### DISCLAIMER

This interim financial report 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 report.

## STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first half of 2014.

The interim financial report, which has not been audited or reviewed by the company's auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for the interim financial reports of listed companies.

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 30 June 2014 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2014.

Further, it is our opinion that management's review provides a fair account of developments in H+H's operations and financial conditions, the results for the period and H+H's overall financial position, as well as a description of the most significant risks and uncertainties that H+H faces.

Copenhagen, 20 August 2014

## EXECUTIVE BOARD

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**Michael T Andersen**  
CEO

**Niels Eldrup Meidahl**  
CFO

## BOARD OF DIRECTORS

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**Kent Arentoft**  
Chairman

**Asbjørn Berge**

**Stewart A Baseley**

**Pierre-Yves Jullien**

**Henriette Schütze**

## CONDENSED INCOME STATEMENT

	Group				
	Q2 2014	Q2 2013	H1 2014	H1 2013	Full-year 2013
Amounts in DKK million					
Revenue	361.3	369.1	650.6	601.7	1,260.1
Production costs	(268.5)	(290.1)	(503.0)	(483.6)	(998.6)
<b>Gross profit</b>	<b>92.8</b>	<b>79.0</b>	<b>147.6</b>	<b>118.1</b>	<b>261.5</b>
Other external expenses	(44.6)	(44.1)	(92.7)	(88.4)	(175.5)
Other operating income and expenses	0.7	2.8	2.1	2.3	7.6
<b>Profit/loss before depreciation, amortisation and financial items (EBITDA)</b>	<b>48.9</b>	<b>37.7</b>	<b>57.0</b>	<b>32.0</b>	<b>93.6</b>
Depreciation	(21.4)	(20.7)	(42.4)	(41.6)	(86.7)
Impairment losses	0.0	0.0	(1.3)	0.0	(1.0)
<b>Operating profit/loss (EBIT)</b>	<b>27.5</b>	<b>17.0</b>	<b>13.3</b>	<b>(9.6)</b>	<b>5.9</b>
Net financials	(11.2)	(11.0)	(22.1)	(20.8)	(42.5)
<b>Profit before tax from continuing operations</b>	<b>16.3</b>	<b>6.0</b>	<b>(8.8)</b>	<b>(30.4)</b>	<b>(36.6)</b>
Tax on profit from continuing operations	(5.8)	(2.3)	(8.0)	(3.3)	(3.5)
<b>Profit from continuing operations</b>	<b>10.5</b>	<b>3.7</b>	<b>(16.8)</b>	<b>(33.7)</b>	<b>(40.1)</b>
Profit from discontinued operations	(3.6)	(5.5)	(6.0)	(45.2)	(52.4)
<b>Profit for the period</b>	<b>6.9</b>	<b>(1.8)</b>	<b>(22.8)</b>	<b>(78.9)</b>	<b>(92.5)</b>
Earnings per share (EPS-Basic)	0.7	(0.2)	(2.3)	(8.0)	(9.5)
Diluted earnings per share (EPS-D)	0.7	(0.2)	(2.3)	(8.0)	(9.5)

## STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q2 2014	Q2 2013	H1 2014	H1 2013	Full-year 2013
Amounts in DKK million					
Profit for the period	6.9	(1.8)	(22.8)	(78.9)	(92.5)
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Foreign exchange adjustments, foreign companies	1.8	(24.9)	(17.0)	(19.3)	(31.2)
Tax on foreign exchange adjustments, foreign comp	0.0	0.0	0.0	0.0	4.2
	<b>1.8</b>	<b>(24.9)</b>	<b>(17.0)</b>	<b>(19.3)</b>	<b>(27.0)</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Actuarial losses and gains	0.0	0.0	0.0	0.0	(6.3)
Tax on actuarial losses and gains	0.0	0.0	0.0	0.0	1.3
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(5.0)</b>
<b>Other comprehensive income after tax</b>	<b>1.8</b>	<b>(24.9)</b>	<b>(17.0)</b>	<b>(19.3)</b>	<b>(32.0)</b>
<b>Total comprehensive income</b>	<b>8.7</b>	<b>(26.7)</b>	<b>(39.8)</b>	<b>(98.2)</b>	<b>(124.5)</b>

## BALANCE SHEET

	Group			
	30 June 2014	31 Dec. 2013	30 June 2013	31 Dec. 2012
Amounts in DKK million				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	63.9	63.2	67.0	70.9
Property, plant and equipment	832.8	882.9	875.1	961.0
Other non-current assets	32.3	16.3	35.5	13.7
<b>Total non-current assets</b>	<b>929.0</b>	<b>962.4</b>	<b>977.6</b>	<b>1,045.6</b>
<b>Current assets</b>				
Inventories	188.0	166.2	157.7	194.2
Receivables	108.9	59.7	105.1	46.4
Cash and cash equivalents	8.0	40.1	9.8	15.5
	<b>304.9</b>	<b>266.0</b>	<b>272.6</b>	<b>256.1</b>
Assets held for sale	42.6	64.5	99.3	87.7
<b>Total current assets</b>	<b>347.5</b>	<b>330.5</b>	<b>371.9</b>	<b>343.8</b>
<b>TOTAL ASSETS</b>	<b>1,276.5</b>	<b>1,292.9</b>	<b>1,349.5</b>	<b>1,389.4</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	490.5	490.5	490.5	490.5
Retained earnings/losses	(104.1)	(81.8)	(63.6)	15.1
Other reserves	(131.8)	(114.8)	(107.0)	(87.7)
<b>Total equity</b>	<b>254.6</b>	<b>293.9</b>	<b>319.9</b>	<b>417.9</b>
<b>Liabilities</b>				
<b>Total non-current liabilities</b>	<b>755.0</b>	<b>750.1</b>	<b>781.7</b>	<b>746.5</b>
<b>Current liabilities</b>				
Trade payables	151.2	119.5	122.5	107.1
Other current liabilities	63.0	79.7	83.3	65.7
Liabilities relating to assets held for sale	52.7	49.7	42.1	52.2
<b>Total current liabilities</b>	<b>266.9</b>	<b>248.9</b>	<b>247.9</b>	<b>225.0</b>
<b>Total liabilities</b>	<b>1,021.9</b>	<b>999.0</b>	<b>1,029.6</b>	<b>971.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,276.5</b>	<b>1,292.9</b>	<b>1,349.5</b>	<b>1,389.4</b>
Net interest-bearing debt	594.9	531.6	570.1	538.6



## CASH FLOW STATEMENT

Amounts in DKK million	Q2	Q2	H1	H1
	2014	2013	2014	2013
Operating activities	47.1	42.3	(24.2)	(11.1)
Investing activities	(9.0)	(0.9)	(12.3)	(7.0)
Financing activities	(34.9)	(28.0)	8.1	43.6
Cash flow from discontinued operations	(2.9)	(9.8)	(3.6)	(31.1)
<b>Total cash flow</b>	<b>0.3</b>	<b>3.6</b>	<b>(32.0)</b>	<b>(5.6)</b>
Cash and cash equivalents, opening	7.8	6.3	40.1	15.5
Foreign exchange adjustments of cash and cash equivalents	0.0	0.0	0.0	0.0
<b>Cash and cash equivalents at 30 June</b>	<b>8.1</b>	<b>9.9</b>	<b>8.1</b>	<b>9.9</b>

## STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
<b>Equity at 1 January 2014</b>	<b>490.5</b>	<b>(114.8)</b>	<b>0.0</b>	<b>(81.8)</b>	<b>0.0</b>	<b>293.9</b>
<b>Total changes in equity in 2014</b>						
Profit for the period	0.0	0.0	0.0	(22.8)	0.0	(22.8)
Other comprehensive income	0.0	(17.0)	0.0	0.0	0.0	(17.0)
<b>Total comprehensive income</b>	<b>0.0</b>	<b>(17.0)</b>	<b>0.0</b>	<b>(22.8)</b>	<b>0.0</b>	<b>(39.8)</b>
Share-based payment	0.0	0.0	0.0	0.5	0.0	0.5
<b>Total changes in equity in 2014</b>	<b>0.0</b>	<b>(17.0)</b>	<b>0.0</b>	<b>(22.3)</b>	<b>0.0</b>	<b>(39.3)</b>
<b>Equity at 30 June 2014</b>	<b>490.5</b>	<b>(131.8)</b>	<b>0.0</b>	<b>(104.1)</b>	<b>0.0</b>	<b>254.6</b>
<b>Equity at 1 January 2013</b>	<b>490.5</b>	<b>(87.7)</b>	<b>0.0</b>	<b>15.1</b>	<b>0.0</b>	<b>417.9</b>
<b>Total changes in equity 2013</b>						
Profit for the period	0.0	0.0	0.0	(78.9)	0.0	(78.9)
Other comprehensive income	0.0	(19.3)	0.0	0.0	0.0	(19.3)
<b>Total comprehensive income</b>	<b>0.0</b>	<b>(19.3)</b>	<b>0.0</b>	<b>(78.9)</b>	<b>0.0</b>	<b>(98.2)</b>
Share-based payment	0.0	0.0	0.0	0.2	0.0	0.2
<b>Total changes in equity in 2013</b>	<b>0.0</b>	<b>(19.3)</b>	<b>0.0</b>	<b>(78.7)</b>	<b>0.0</b>	<b>(98.0)</b>
<b>Equity at 30 June 2013</b>	<b>490.5</b>	<b>(107.0)</b>	<b>0.0</b>	<b>(63.6)</b>	<b>0.0</b>	<b>319.9</b>

## NOTES

### 1. Accounting policies

The interim financial report for the period 1 January to 30 June 2014 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, but that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. This interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2013 annual report, which includes a full description of the accounting policies applied.

## 2. Segment information

Amounts in DKK million		H1 2014					
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	420.6	89.4	510.0	140.0	0.6	140.6	650.6
Revenue, internal	38.3	0.0	38.3	0.4	0.0	0.4	38.7
EBITDA	57.5	1.7	59.2	10.6	(0.5)	10.1	69.3
Depreciation and amortisation	(25.8)	(0.4)	(26.2)	(15.1)	(0.4)	(15.5)	(41.7)
EBIT before impairment	31.7	1.3	33.0	(4.5)	(0.9)	(5.4)	27.6
Impairment losses	(1.3)	0.0	(1.3)	0.0	0.0	0.0	(1.3)
Operating profit (loss) (EBIT)	30.4	1.3	31.7	(4.5)	(0.9)	(5.4)	26.3
Net financing costs	(7.1)	(4.9)	(12.0)	(8.3)	(0.9)	(9.2)	(21.2)
Profit (loss) before tax	23.3	(3.6)	19.7	(12.8)	(1.8)	(14.6)	5.1
Non-current assets	476.4	11.7	488.1	455.5	0.6	456.1	944.2
Investments in non-current assets	16.8	0.2	17.0	4.3	0.0	4.3	21.3
Assets	658.1	315.6	973.7	561.0	12.4	573.4	1,547.1
Equity	414.5	(22.1)	392.4	180.3	(43.7)	136.6	529.0
Liabilities	243.6	337.7	581.3	380.7	56.1	436.8	1,018.1

Amounts in DKK million		H1 2013					
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	367.4	80.3	447.7	153.6	0.4	154.0	601.7
Revenue, internal	29.9	0.0	29.9	0.0	0.0	0.0	29.9
EBITDA	30.4	1.3	31.7	17.6	(1.0)	16.6	48.3
Depreciation and amortisation	(24.1)	(0.5)	(24.6)	(16.3)	0.0	(16.3)	(40.9)
EBIT before impairment	6.3	0.8	7.1	1.3	(1.0)	0.3	7.4
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	6.3	0.8	7.1	1.3	(1.0)	0.3	7.4
Net financing costs	(11.0)	(0.7)	(11.7)	(8.5)	(0.7)	(9.2)	(20.9)
Profit (loss) before tax	(4.7)	0.1	(4.6)	(7.2)	(1.7)	(8.9)	(13.5)
Non-current assets	443.6	19.0	462.6	486.6	1.2	487.8	950.4
Investments in non-current assets	7.5	0.1	7.6	2.3	0.0	2.3	9.9
Assets	654.7	304.6	959.3	571.6	12.5	584.1	1,543.4
Equity	377.9	3.0	380.9	207.9	(38.5)	169.4	550.3
Liabilities	276.8	301.6	578.4	363.7	51.0	414.7	993.1

### Reconciliation of reportable segments' earnings before tax

	H1	H1
Amounts in DKK million	2014	2013
Segment profit (loss) before tax for reportable segments	5.1	(13.5)
Unallocated group costs, corporate functions	(13.9)	(16.9)
Impairment losses, non-reportable segment	0.0	0.0
Total	(8.8)	(30.4)

Amounts in DKK million	Q2 2014						
	Western Europe			Eastern Europe			Reportable segments, total
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	
Revenue, external	231.5	49.7	281.2	79.9	0.2	80.1	361.3
Revenue, internal	21.3	0.0	21.3	0.4	0.0	0.4	21.7
EBITDA	39.9	1.6	41.5	12.8	(0.2)	12.6	54.1
Depreciation	(13.0)	(0.2)	(13.2)	(7.6)	(0.2)	(7.8)	(21.0)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	26.9	1.4	28.3	5.2	(0.4)	4.8	33.1
Net financing costs	(1.7)	(4.5)	(6.2)	(4.2)	(0.5)	(4.7)	(10.9)
Profit before tax	25.2	(3.1)	22.1	1.0	(0.9)	0.1	22.2
Non-current assets	476.4	11.7	488.1	455.5	0.6	456.1	944.2
Investments in non-current assets	7.2	0.1	7.3	1.4	0.0	1.4	8.7
Assets	658.1	315.6	973.7	561.0	12.4	573.4	1,547.1
Equity	414.5	(22.1)	392.4	180.3	(43.7)	136.6	529.0
Liabilities	243.6	337.7	581.3	380.7	56.1	436.8	1,018.1

Amounts in DKK million	Q2 2013						
	Western Europe			Eastern Europe			Reportable segments, total
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	
Revenue, external	228.5	47.3	275.8	92.9	0.4	93.3	369.1
Revenue, internal	17.5	0.0	17.5	0.0	0.0	0.0	17.5
EBITDA	28.3	2.6	31.0	16.4	(0.7)	15.7	46.7
Depreciation	(12.0)	(0.3)	(12.3)	(8.1)	0.0	(8.1)	(20.3)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	16.3	2.4	18.7	8.3	(0.7)	7.7	26.4
Net financing costs	(5.7)	(0.3)	(6.0)	(4.4)	(0.4)	(4.8)	(10.7)
Profit before tax	10.6	2.1	12.7	4.0	(1.0)	2.9	15.6
Non-current assets	443.6	19.0	462.6	486.6	1.2	487.7	950.4
Investments in non-current assets	3.2	0.0	3.2	0.7	0.0	0.7	3.9
Assets	654.7	304.6	959.3	571.6	12.5	584.1	1,543.3
Equity	377.9	3.0	380.9	207.9	(38.5)	169.4	550.4
Liabilities	276.8	301.6	578.4	363.6	51.0	414.6	992.9

### Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q2	Q2
	2014	2013
Segment profit before tax for reportable segments	22.2	15.6
Unallocated group costs, corporate functions	(5.9)	(9.6)
Impairment losses, non-reportable segment	0.0	0.0
<b>Total</b>	<b>16.3</b>	<b>6.0</b>

### 3. Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make a number of estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

In the case of the H+H Group, significant changes in the estimates and assumptions on which values are based may have a material effect on the measurement of assets, including impairment testing of goodwill and non-current assets.

The estimates and judgements made are based on assumptions that are believed by management to be sound, but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete, and unforeseen future events or circumstances may occur.

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2013 annual report.

### 4. Seasonal and cyclical fluctuations

#### Seasonal fluctuations

The sales pattern for H+H's products is seasonal. Sales in the second and third quarters are traditionally significantly higher than during the rest of the year. As a large part of H+H's cost base is not directly variable with revenue, deviations from projected sales may result in considerable fluctuations in H+H's earnings.

Furthermore, because H+H's sales are predominantly based on short-term orders, the Group is unable, or only to a very limited extent able, to align its cost base to actual customer demand. Historically, revenue and earnings generated by H+H's operations have fluctuated significantly during the financial year, and management expects this to remain the case.

#### Cyclical fluctuations

Activity levels in the countries and markets in which H+H's products are sold have a major impact on demand for these products. H+H's sales go predominantly to new dense low-rise housing, making H+H particularly vulnerable to fluctuations in the level of activity in this building segment. H+H's products are mainly sold in geographical markets that are situated relatively close to its factories – the specific geographical market for each factory depends on local transport prices, the state of the infrastructure and the competitive situation, including price levels.

### 5. Pension obligations

H+H has defined-benefit pension plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded. H+H's pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation as at 31 December 2013 shows a shortfall of DKK 147.3 million net (the present value of the obligations exceeds the fair value of the plan assets). The whole of this shortfall has been recognised in the balance sheet.

## 6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 595 million on 30 June 2014, up DKK 63 million since the beginning of the year and up DKK 25 million on 30 June 2013.

H+H has a committed loan agreement with Danske Bank A/S corresponding to around DKK 712 million, which is committed until 15 February 2018.

H+H will continue to be dependent on debt financing in the coming years. Maintenance of the committed credit facility is conditional upon compliance with a number of financial covenants. The loan agreement can also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors (defined in the agreement as Danish, Swedish, Norwegian and Finnish financial institutions operating in financial markets and subject to public supervision) individually or through coordinated collaboration gain control of more than one-third of the shares or more than one-third of the total number of voting rights carried by the shares in H+H International A/S.

## 7. Discontinued operations and assets held for sale

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the course of 2014. Various plots of land in Poland, a plot of land in the Czech Republic and unused production equipment have therefore been readied for sale and classified as assets held for sale. If all of these assets are sold at their expected value, the sale proceeds will be around DKK 40-50 million and result in an expected accounting gain before tax of around DKK 10 million.

As part of H+H's continued focus on core business, the Finnish subsidiary Jämerä-kivitalot Oy, which designs, builds and sells aircrete houses for private individuals, was divested in 2012 through the disposal of the bulk of the company's activities. All that is left in the company, subsequently renamed Stone Kivitalot Oy, is a few projects due to be completed in 2014. Stone Kivitalot Oy has therefore been classified as a discontinued operation.

Furthermore it was decided in the first quarter of 2013 to close H+H Finland Oy's factory in Ikaalinen in order to boost overall competitiveness and optimise the capacity utilisation of H+H's other factories. The closure took place in April 2013 and is not expected to affect sales volumes in H+H's European markets, but exports to Africa will be substantially reduced. The Finnish operation has therefore been reclassified as discontinued in the financial reporting.

In the first quarter of 2014 the plot of land in the UK was sold for DKK 9 million. No sales of assets were recorded in the second quarter of 2014.

**Key figures for discontinued operations**

	Q2	Q2	H1	H1
Amounts in DKK million	2014	2013	2014	2013
Revenue	3.8	8.5	7.6	32.3
Expenses	(7.4)	(14.0)	(13.6)	(77.5)
<b>Profit before tax</b>	<b>(3.6)</b>	<b>(5.5)</b>	<b>(6.0)</b>	<b>(45.2)</b>
Tax	0.0	0.0	0.0	0.0
<b>Profit for the period</b>	<b>(3.6)</b>	<b>(5.5)</b>	<b>(6.0)</b>	<b>(45.2)</b>
<b>Profit from discontinued operations</b>	<b>(3.6)</b>	<b>(5.5)</b>	<b>(6.0)</b>	<b>(45.2)</b>
Cash flow from operating activities	(2.9)	(9.5)	(3.6)	(30.6)
Cash flow from investing activities	0.0	(0.3)	0.0	(0.4)
Cash flow from financing activities	0.0	0.0	0.0	(0.1)
<b>Total cash flow</b>	<b>(2.9)</b>	<b>(9.8)</b>	<b>(3.6)</b>	<b>(31.1)</b>
<b>Assets held for sale</b>				
Intangible assets	1.9			
Property, plant and equipment	29.4			
Deferred tax	0.0			
Inventories	5.7			
Cash	0.1			
Receivables	5.5			
<b>Assets held for sale, total</b>	<b>42.6</b>			
<b>Liabilities relating to assets held for sale</b>				
Credit institutions	20.9			
Trade payables	2.0			
Other liabilities	29.8			
<b>Liabilities relating to assets held for sale</b>	<b>52.7</b>			

**8. Share-based payment**

The H+H Group introduced a share option plan for the Executive Board and other senior executives in 2007. Matching share programmes for the Executive Board and other key employees were also implemented in 2011, 2012 and 2013. These schemes are presented in the consolidated financial statements and annual report for 2013. An amount of DKK 0.0 million was recognised under staff costs in the second quarter of 2014 in respect of the three schemes, against DKK 0.2 million in the same period in 2013.

A fourth matching share programme for the Executive Board and other key employees was implemented in the second quarter of 2014. It will be largely identical to the previous programmes in terms of vesting criteria, etc.

**9. Events after the balance sheet date**

No events have occurred after the balance sheet date that will have a material effect on the company's financial position.