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H+H signs agreement to acquire GRUPA Ozarow's aircrete activities in Poland

It is expected that the combined Polish aircrete activities will gain from economy of scale in the competitive Polish market and will be able to capture significant cost and efficiency synergies.

Today, H+H International A/S' subsidiary H+H Polska Sp. z o.o. has signed an agreement with Grupa Ozarow S.A. to acquire 100% of the shares in its Polish aircrete company Grupa Prefabet S.A. for a total consideration of PLN 60 million (DKK 108 million) (enterprise value). The purchase price will be paid according to an agreed deferred payment schedule. Closing of the transaction is subject to customary approval by the Polish competition authorities. The transaction is expected to close around year-end 2014.

Grupa Prefabet Sp. S.A. is one of the main aircrete producers in Poland with five production plants. Revenue in 2013 was DKK 133 million and EBIT was slightly negative. The company employs approximately 325 persons. Grupa Prefabet S.A. is 100% owned by Grupa Ozarow S.A., a leading manufacturer of cement in Poland.

Poland is the biggest aircrete market in Europe, but activity levels have dropped significantly in recent years due to the market economic slowdown, which has led to extensive overcapacity and lack of profitability among producers. H+H International A/S has earlier stated that there is a need for a restructuring of the Polish market.

Michael T. Andersen, CEO of H+H International A/S says:

"This is in line with our announced strategy of consolidating H+H's position as one of the leading European aircrete suppliers and become the overall number one within our chosen geographical footprint. It is expected that the combined Polish aircrete activities will gain from economy of scale in the competitive Polish market and will be able to capture significant cost and efficiency synergies. We see this as a perfect match and an excellent opportunity to create value for the H+H shareholders."

For additional information please contact:
Michael T Andersen, CEO, on telephone +45 35 27 02 00 or Kent Arentoft, chairman of the Board of Directors, on telephone +45 43 50 02 09

This is a translation of the company's announcement in Danish. In case of inconsistency between the Danish text and this English translation, the Danish text will take precedence.



Transaction details

The agreed purchase price is DKK 108 million (enterprise value) in cash. The purchase price will be paid according to an agreed deferred payment schedule where approximately DKK 40 million will be paid at closing and the remaining amount will be payable in two instalments by mid-2016 (DKK 32 million) and by mid-2017 (DKK 36 million), respectively. As part of the restructuring plan, it is expected that H+H will be able to sell combined Polish assets over the coming years at a value exceeding DKK 70 million. Additional investments of DKK 15-20 million are expected to be required in order to support the restructuring.

The transaction is financed with bank debt within existing credit facilities of H+H. However, upon closing of the transaction it is the intention to strengthen the capital base through an issue of new shares.

Call for an extraordinary general meeting

Within the next 14 days, the Board of Directors of H+H International A/S expects to call for an extraordinary general meeting with the following proposals:

1. Reduction of the Company's share capital by a nominal amount of DKK 392,400,000 at par value for allocation to a special fund in accordance with section 188(1)(3) of the Danish Companies Act and at the same time a change of the denomination of the Company's shares from multiples of DKK 5.00 issued in shares of DKK 50.00 each to issues of nom DKK 10.00 for each share.
2. Authorisation to the Board of Directors to issue new shares of an amount equal to up to 9.99% of the Company's share capital following the completion of the share capital reduction cf. 1 above.

The motivation for the proposed reduction of the share capital and of the denomination of the Company's shares is to facilitate that the potential capital increase can be carried out, as the Company may not issue new shares below nominal value.

The change in denomination is purely technical and the number of shares will remain unchanged and so will, *all else equal*, the share price. If you, as a shareholder, owned 100 shares before the reduction of the denomination and the share price was DKK 45 then you will still own 100 shares after the reduced denomination and the share price will, *all else equal*, still be DKK 45. The change in denomination will not change the actual share price, *all else equal*.

The ownership structure in H+H will also remain unchanged as a consequence of the reduction in the denomination.

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The six largest shareholders of H+ H International A/S, representing around 38% of the total share capital, support the acquisition of Grupa Prefabet S.A. and the above proposals.

Outlook 2014

As the transaction is expected to close year-end, the financial impact on the P&L for the year is insignificant. Transaction costs will be recognised as special items and therefore have no impact on the previously announced guidance for 2014.

Outlook 2015 and beyond

Provided that the transaction is approved before the end of 2014, it is expected that EBITDA in 2015, excluding special items, will increase by approximately DKK 10 million, among others due to planned synergies, and that working capital can be reduced by DKK 15-20 million. Integration costs, recognised as special items, will be approximately DKK 20 million. Over the next four years, it is the ambition to increase the EBIT margin for the combined Polish activities to a level in line with H+H's long-term EBIT margin target of over 6%, assuming that the Polish market conditions improve and that the restructuring plan progresses as scheduled.

Advisors

SEB Corporate Finance acted as financial advisor and Accura Advokatpartnerskab acted as legal advisor to H+H International A/S.

Telephone conference

There will be a telephone conference today at 14:00 o'clock, where Michael T Andersen, CEO, will present the main message of this company announcement incl.Q&A. A brief presentation can be downloaded from www.HplusH.com.

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Dial-in: +45 32 72 80 20 (DK)

Conference code: 6903846583

Kent Arentoft
Chairman of the Board of Directors

Michael T Andersen
CEO