



Company Announcement No. 305, 2014

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Date:

19 November 2014

Key figures for the period 1 January to 30 September 2014

- Third-quarter revenue was DKK 405 million (2013: DKK 377 million). Revenue for the first three quarters was DKK 1,055 million (2013: DKK 978 million). Organic revenue growth in the first three quarters was 7.4%.
- Third-quarter EBITDA was DKK 51 million (2013: DKK 42 million). EBITDA for the first three quarters was DKK 108 million (2013: DKK 74 million).
- The third quarter brought a profit of DKK 8 million (2013: DKK 6 million) and the first three quarters a loss of DKK 15 million (2013: loss of DKK 73 million).
- Third-quarter investments were DKK 5 million (2013: DKK 8 million). Investments in the first three quarters were DKK 27 million (2013: DKK 18 million).
- Net interest-bearing debt at 30 September 2014 was DKK 523 million (30 September 2013: DKK 528 million).
- On 9 October 2014 H+H International A/S's subsidiary H+H Polska Sp. z o.o. 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), of which DKK 40 million will be paid at closing. Closing of the transaction is subject to customary approval by the Polish competition authorities.
- H+H changes its outlook for 2014:
 - Organic revenue growth is adjusted to be in the region of 6-8%, against previously announced 4-8%.
 - EBITDA before special items is slightly upgraded and is expected to be in the region of DKK 125-140 million for continuing operations, against the previously announced DKK 120-135 million.
 - Investments, excluding the potential acquisition, are reduced and are now expected to be in the region of DKK 45 million, against the previously announced DKK 60 million.

Quote:

"The third quarter of 2014 brought a strong performance with revenue up more than 6% and EBITDA up DKK 9 million on last year," says Michael T Andersen, CEO. "The improvement was due primarily to higher average prices and a strong market in the UK."

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Michael T Andersen, CEO, or Niels Eldrup Meidahl, CFO, tel. +45 35 27 02 00.*

Key figures – H+H Group

	Q3	Q3	Q1-Q3	Q1-Q3	Full-year
Amounts in DKK million	2014	2013	2014	2013	2013
Income statement					
Revenue	404.6	376.5	1,055.2	978.2	1,260.1
Gross profit	101.7	82.6	249.3	200.7	261.5
Operating profit before depreciation, amortisation and financial items (EBITDA)	51.1	41.8	108.1	73.8	93.6
Operating profit (EBIT)	29.9	19.0	43.2	9.4	5.9
Net financials	(11.6)	(10.6)	(33.7)	(31.4)	(42.5)
Profit before tax from continuing operations	18.3	8.4	9.5	(22.0)	(36.6)
Profit from continuing operations	11.6	5.7	(5.2)	(28.0)	(40.1)
Profit from discontinued operations	(3.8)	0.1	(9.8)	(45.1)	(52.4)
Profit for the period	7.8	5.8	(15.0)	(73.1)	(92.5)
Balance sheet					
Non-current assets	933.8	957.0	933.8	957.0	962.4
Current assets	311.2	325.2	311.2	325.2	330.5
Share capital	490.5	490.5	490.5	490.5	490.5
Equity	244.6	320.2	244.6	320.2	293.9
Non-current liabilities	736.7	690.2	736.7	690.2	750.1
Current liabilities	263.7	271.8	263.7	271.8	248.9
Total equity and liabilities	1,245.0	1,282.2	1,245.0	1,282.2	1,292.9
Investments in property, plant and equipment	5.4	7.7	27.2	17.7	35.5
Interest-bearing debt (net)	522.8	528.3	522.8	528.3	531.6
Cash flow					
Cash flow from operating activities	80.6	64.8	56.4	53.7	58.2
Cash flow from investing activities	(5.2)	(6.4)	(17.5)	(13.4)	(30.1)
Free cash flow	75.4	58.4	38.9	40.3	28.1
Cash flow from discontinued operations	(3.2)	(5.3)	(6.8)	(36.4)	(28.8)
Financial ratios					
Gross margin	25.1%	21.9%	23.6%	20.5%	20.8%
Operating margin (EBIT margin)	7.4%	5.0%	10.2%	7.5%	0.5%
Return on invested capital (ROIC)	5.6%	7.4%	5.6%	7.4%	0.7%
Return on equity	(12.2%)	(13.4%)	(12.2%)	(13.4%)	(26.0%)
Solvency ratio	19.6%	25.0%	19.6%	25.0%	22.7%
Net interest-bearing debt/EBITDA	4.1	5.2	4.1	5.2	5.7
Share data					
Share price, end of period (DKK)	42.5	31.1	42.5	31.1	47.7
Book value per share, end of period (DKK)	25.0	32.7	25.0	32.7	30.0
Earnings per share (adjusted)	0.8	0.6	(1.5)	(7.5)	(9.5)
Diluted earnings per share (adjusted)	0.8	0.6	(1.5)	(7.5)	(9.5)

MANAGEMENT'S REVIEW

Third-quarter revenue was up 7.5% on 2013, and both organic growth and DKK revenue were up 7.5%. The increase in sales compared to the same period last year was due primarily to very high sales growth in high-price areas whereas we have seen a drop in sales in low-price areas. Revenue for the first three quarters of 2014 was up 7.9% on 2013. Organic growth was 7.4%.

Third-quarter earnings as measured by EBITDA were up DKK 9 million on last year. Average selling prices were higher than in the same period last year, particularly in the UK, which improved earnings. Production volumes in the third quarter were, however, lower than last year, which resulted in lower capacity utilisation and had a negative 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

Revenue for the third quarter was DKK 405 million, against DKK 377 million in 2013, an increase of DKK 28 million.

The RUB exchange rate had a negative effect on revenue of DKK 9.6 million, while the GBP exchange rate had a positive effect of DKK 9.6 million. Other currencies were virtually unchanged from last year.

Gross profit

The overall gross margin in the third quarter was 25.1%, against 21.9% in 2013. Average selling prices were higher than last year, but lower capacity utilisation due to lower production volumes had a slight negative impact on margins. The operational excellence programme had a positive impact offset by higher raw material costs.

Special items

The third-quarter results for 2014 include negative special items of DKK 1.1 million, consisting mainly of costs for the potential takeover of Grupa Prefabet S.A. in Poland.

EBITDA

Third-quarter EBITDA was DKK 51.1 million, against DKK 41.8 million last year. EBITDA before special items was DKK 52.2 million.

The increase in EBITDA was due to a higher gross profit. Other external expenses in the quarter were higher than last year. The third quarter brought net other

operating expenses of DKK 1.4 million, against net other operating income of DKK 1.3 million last year.

Operating profit (EBIT)

Operating profit for the third quarter was DKK 29.9 million in 2014, against DKK 19.0 million in 2013, an improvement of DKK 10.9 million. Excluding special items, EBIT was DKK 31.0 million in 2014.

Profit before tax from continuing operations

Third-quarter profit before tax was DKK 18.3 million, against DKK 8.4 million in 2013, an improvement of DKK 9.9 million.

Profit before tax from continuing operations				
	Q3		Q1-Q3	
Amounts in DKK million	2014	2013	2014	2013
Western Europe	25.0	14.3	44.7	9.6
Eastern Europe	5.9	6.0	(8.7)	(2.8)
Eliminations and unallocated items	(12.6)	(11.9)	(26.5)	(28.8)
Total	18.3	8.4	9.5	(22.0)

Taxation

Tax for the third quarter of 2014 was DKK 6.7 million, against DKK 2.7 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 was therefore reclassified as discontinued in H+H's financial reporting.

Discontinued operations generated a loss of DKK 3.8 million in the third quarter of 2014, against a profit of DKK 0.1 million in the same period last year.

Cash flow

Third-quarter free cash flow was a positive DKK 75.4 million, against a positive DKK 58.4 million in the same period of 2013.

Cash flow from operating activities in the third quarter was a positive DKK 80.6 million, due primarily to lower net working capital and the impact of the positive result in the third quarter.

Investments

Investments of DKK 5.4 million were made during the third quarter. In the third quarter of 2013 investments totalled DKK 7.7 million.

Due to the potential takeover of Grupa Prefabet S.A. in Poland, expected investments for the year have been reduced by around DKK 15 million from in the region of DKK 60 million to DKK 45 million.

Investments	Q3		Q1-Q3	
	2014	2013	2014	2013
Amounts in DKK million				
Western Europe	3.9	4.5	20.9	12.0
Eastern Europe	1.4	3.2	5.7	5.6
Unallocated items	0.1	0.0	0.6	0.1
Total	5.4	7.7	27.2	17.7

If the acquisition of Grupa Prefabet S.A. is closed before the end of 2014, an additional investment of DKK 40 million will be incurred.

Financing

Net interest-bearing debt totalled DKK 523 million on 30 September 2014, down DKK 9 million since the beginning of the year and down DKK 6 million on 30 September 2013.

Net working capital to sales increased from 6.9% on 30 September 2013 to 7.6% on 30 September 2014, mainly driven by higher inventories.

Third-quarter net financials totalled DKK 11.6 million in 2014, against DKK 10.6 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 decreased by DKK 10 million in the third quarter of 2014. The profit for the period increased equity by DKK 7.8 million, and foreign exchange adjustments of investments in subsidiaries decreased equity by DKK 18.0 million. During the first three quarters of 2014, equity fell by DKK 49.3 million. Especially, the fall in the RUB exchange rate had a negative impact on foreign exchange adjustments.

Equity	Q1-Q3	Q1-Q3
Amounts in DKK million	2014	2013
1 January	293.9	417.9
Profit for the period	(15.0)	(73.1)
Foreign exchange adjustments	(35.0)	(25.0)
Other adjustments	0.7	0.4
30 Sep.	244.6	320.2

Eliminations and unallocated items

Unallocated net expenses amounted to DKK 12.6 million in the third quarter of 2014, up DKK 0.7 million on the same period in 2013.

Interest in taking over H+H International A/S

In March 2012 the Bundeskartellamt (the German competition authority) issued a prohibition against a possible merger between Xella International Holding S.a.r.l. ("Xella") and H+H with regard to the German market. Xella appealed the prohibition decision to the Oberlandesgericht Düsseldorf (Düsseldorf Higher Regional Court), but in September 2013 the court rejected Xella's objections against the prohibition decision as well as denied Xella access to appeal the court's judgment. Xella went on to appeal the decision to deny Xella access to further appeal, but in late September 2014 Xella lost this appeal as well. As a result hereof, the decision to prohibit the notified potential merger in the German market between Xella and H+H is now final.

Events after the balance sheet date

On 9 October 2014 H+H International A/S's subsidiary H+H Polska Sp. z o.o. 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).

Closing of the transaction is subject to customary approval by the Polish competition authorities. The transaction is expected to close around year-end 2014.

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

At an extraordinary general meeting on 4 November 2014, resolutions were adopted to reduce the company's share capital from nominally DKK 490,500,000 down to DKK 98,100,000 by transferring the capital reduction amount of DKK 392,400,000 to a

special fund. At the same time, the denomination of the shares will be changed from a nominal value of DKK 5 or multiples thereof issued in shares of DKK 50 to a nominal value of DKK 10 or multiples thereof issued in shares of DKK 10. Furthermore, it was decided to authorise the Board of Directors to increase the company's share capital by nominally up to DKK 9,800,190, equal to 9.99% of the company's share capital after implementation of the above share capital reduction. Finally, Søren Østergaard Sørensen was elected a new member of the Board of Directors, while Asbjørn Berge resigned from the Board of Directors. Reference is made to company announcement No. 303 of 4 November 2014.

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

SEGMENTS

Western Europe

Third-quarter revenue in Western Europe was DKK 302.5 million, an increase of DKK 28.0 million or 10.2% on 2013. Expressed in local currency, revenue was up 6.9% on 2013.

Revenue growth in the third quarter in Western Europe was driven primarily by higher revenue in the UK, where mainly prices but also volumes increased.

Revenue in the third quarter also increased in the Nordic and Benelux countries but was lower in Germany due to a weak market and a lack of sales to Africa.

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

Third-quarter EBITDA was DKK 43.8 million, against DKK 30.8 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 1.7 million.

Third-quarter profit before tax was DKK 25.0 million, against DKK 14.3 million in 2013, an improvement of DKK 10.7 million.

Eastern Europe

Third-quarter revenue in Eastern Europe was DKK 102.1 million, an increase of DKK 0.1 million or 0.1% on 2013. Expressed in local currency, revenue was up 9.2% on last year.

In Russia, the third quarter saw high 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.

Third-quarter EBITDA was DKK 18.6 million, against DKK 17.5 million in 2013, an increase of DKK 1.1 million, despite a weaker RUB making a negative contribution of DKK 2.8 million.

The third quarter brought a profit before tax of DKK 5.9 million, against a profit of DKK 6.0 million in 2013, a decrease of DKK 0.1 million.

Revenue	Q3		Q1-Q3	
	2014	2013	2014	2013
Amounts in DKK million				
Western Europe	302.5	274.5	812.5	722.2
Eastern Europe	102.1	102.0	242.7	256.0
Total	404.6	376.5	1,055.2	978.2

OUTLOOK FOR 2014

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

H+H slightly upgrades its outlook for EBITDA before special items, which is expected to be in the region of DKK 125-140 million for continuing operations, against the previously announced DKK 120-135 million.

Transaction costs related to the potential acquisition are expected to be DKK 5-6 million.

H+H reduces its outlook for investments, which are expected to be in the region of DKK 45 million, against the previously announced 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-November 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-November 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 Copenhagen.

FINANCIAL CALENDAR FOR 2015

2014 Annual Report.....16 Mar. 2015

Annual general meeting including
adoption of annual report for 2014*14 Apr. 2015

Interim financial report Q1 2015..... 20 May 2015

Interim financial report H1 2015 19 Aug. 2015

Interim financial report Q1-Q3 2015 18 Nov. 2015

* Items for the agenda must be submitted at least six weeks before the meeting (i.e. before 3 March 2015).

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 nine months 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 September 2014 and of the results of H+H's operations and its cash flows for the period 1 January to 30 September 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, 19 November 2014

EXECUTIVE BOARD

Michael T Andersen
CEO

Niels Eldrup Meidahl
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Stewart A Baseley

Pierre-Yves Jullien

Henriette Schütze

Søren Østergaard Sørensen

CONDENSED INCOME STATEMENT

	Group				
	Q3 2014	Q3 2013	Q1-Q3 2014	Q1-Q3 2013	Full-year 2013
Amounts in DKK million					
Revenue	404.6	376.5	1,055.2	978.2	1,260.1
Production costs	(302.9)	(293.9)	(805.9)	(777.5)	(998.6)
Gross profit	101.7	82.6	249.3	200.7	261.5
Other external expenses	(49.2)	(42.1)	(141.9)	(130.5)	(175.5)
Other operating income and expenses	(1.4)	1.3	0.7	3.6	7.6
Profit/loss before depreciation, amortisation and financial items (EBITDA)	51.1	41.8	108.1	73.8	93.6
Depreciation	(21.2)	(22.8)	(63.6)	(64.4)	(86.7)
Impairment losses	0.0	0.0	(1.3)	0.0	(1.0)
Operating profit/loss (EBIT)	29.9	19.0	43.2	9.4	5.9
Net financials	(11.6)	(10.6)	(33.7)	(31.4)	(42.5)
Profit before tax from continuing operations	18.3	8.4	9.5	(22.0)	(36.6)
Tax on profit from continuing operations	(6.7)	(2.7)	(14.7)	(6.0)	(3.5)
Profit from continuing operations	11.6	5.7	(5.2)	(28.0)	(40.1)
Profit from discontinued operations	(3.8)	0.1	(9.8)	(45.1)	(52.4)
Profit for the period	7.8	5.8	(15.0)	(73.1)	(92.5)
Earnings per share (EPS-Basic)	0.8	0.6	(1.5)	(7.5)	(9.5)
Diluted earnings per share (EPS-D)	0.8	0.6	(1.5)	(7.5)	(9.5)

STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q3 2014	Q3 2013	Q1-Q3 2014	Q1-Q3 2013	Full-year 2013
Amounts in DKK million					
Profit for the period	7.8	5.8	(15.0)	(73.1)	(92.5)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign companies	(18.0)	(5.7)	(35.0)	(25.0)	(31.2)
Tax on foreign exchange adjustments, foreign companies	0.0	0.0	0.0	0.0	4.2
	(18.0)	(5.7)	(35.0)	(25.0)	(27.0)
Items that will not be reclassified subsequently to profit or loss:					
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
	0.0	0.0	0.0	0.0	(5.0)
Other comprehensive income after tax	(18.0)	(5.7)	(35.0)	(25.0)	(32.0)
Total comprehensive income	(10.2)	0.1	(50.0)	(98.1)	(124.5)

BALANCE SHEET

	Group			
	30 Sep. 2014	31 Dec. 2013	30 Sep. 2013	31 Dec. 2012
Amounts in DKK million				
ASSETS				
Non-current assets				
Intangible assets	62.9	63.2	79.9	70.9
Property, plant and equipment	837.7	882.9	835.1	961.0
Other non-current assets	33.2	16.3	42.0	13.7
Total non-current assets	933.8	962.4	957.0	1,045.6
Current assets				
Inventories	173.8	166.2	150.3	194.2
Receivables	87.3	59.7	90.5	46.4
Cash and cash equivalents	9.0	40.1	14.4	15.5
	270.1	266.0	255.2	256.1
Assets held for sale	41.1	64.5	70.0	87.7
Total current assets	311.2	330.5	325.2	343.8
TOTAL ASSETS	1,245.0	1,292.9	1,282.2	1,389.4
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings/losses	(96.1)	(81.8)	(57.6)	15.1
Other reserves	(149.8)	(114.8)	(112.7)	(87.7)
Total equity	244.6	293.9	320.2	417.9
Liabilities				
Total non-current liabilities	736.7	750.1	690.2	746.5
Current liabilities				
Trade payables	132.5	119.5	133.2	107.1
Other current liabilities	100.2	79.7	99.2	65.7
Liabilities relating to assets held for sale	31.0	49.7	39.4	52.2
Total current liabilities	263.7	248.9	271.8	225.0
Total liabilities	1,000.4	999.0	962.0	971.5
TOTAL EQUITY AND LIABILITIES	1,245.0	1,292.9	1,282.2	1,389.4
Net interest-bearing debt	522.8	531.6	528.3	538.6

CASH FLOW STATEMENT

Amounts in DKK million	Q3	Q3	Q1-Q3	Q1-Q3
	2014	2013	2014	2013
Operating activities	80.6	64.8	56.4	53.7
Investing activities	(5.2)	(6.4)	(17.5)	(13.4)
Financing activities	(71.3)	(48.6)	(63.2)	(5.0)
Cash flow from discontinued operations	(3.2)	(5.3)	(6.8)	(36.4)
Total cash flow	0.9	4.5	(31.1)	(1.1)
Cash and cash equivalents, opening	8.1	9.9	40.1	15.5
Foreign exchange adjustments of cash and cash equivalents	0.0	0.0	0.0	0.0
Cash and cash equivalents at 30 Sep.	9.0	14.4	9.0	14.4

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2014	490.5	(114.8)	0.0	(81.8)	0.0	293.9
Total changes in equity in 2014						
Profit for the period	0.0	0.0	0.0	(15.0)	0.0	(15.0)
Other comprehensive income	0.0	(35.0)	0.0	0.0	0.0	(35.0)
Total comprehensive income	0.0	(35.0)	0.0	(15.0)	0.0	(50.0)
Share-based payment	0.0	0.0	0.0	0.7	0.0	0.7
Total changes in equity in 2014	0.0	(35.0)	0.0	(14.3)	0.0	(49.3)
Equity at 30 Sep. 2014	490.5	(149.8)	0.0	(96.1)	0.0	244.6
Equity at 1 January 2013	490.5	(87.7)	0.0	15.1	0.0	417.9
Total changes in equity 2013						
Profit for the period	0.0	0.0	0.0	(73.1)	0.0	(73.1)
Other comprehensive income	0.0	(25.0)	0.0	0.0	0.0	(25.0)
Total comprehensive income	0.0	(25.0)	0.0	(73.1)	0.0	(98.1)
Share-based payment	0.0	0.0	0.0	0.4	0.0	0.4
Total changes in equity in 2013	0.0	(25.0)	0.0	(72.7)	0.0	(97.7)
Equity at 30 Sep. 2013	490.5	(112.7)	0.0	(57.6)	0.0	320.2

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 September 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		Q1-Q3 2014					
	Western Europe			Eastern Europe			Reportable segments, total
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	
Revenue, external	675.6	136.9	812.5	241.7	1.0	242.7	1,055.2
Revenue, internal	60.0	0.0	60.0	3.3	0.0	3.3	63.3
EBITDA	99.1	3.9	103.0	29.3	(0.6)	28.7	131.7
Depreciation and amortisation	(38.8)	(0.6)	(39.4)	(22.6)	(0.5)	(23.1)	(62.5)
EBIT before impairment	60.3	3.3	63.6	6.7	(1.1)	5.6	69.2
Impairment losses	(1.3)	0.0	(1.3)	0.0	0.0	0.0	(1.3)
Operating profit (loss) (EBIT)	59.0	3.3	62.3	6.7	(1.1)	5.6	67.9
Net financing costs	(16.5)	(1.1)	(17.6)	(13.1)	(1.2)	(14.3)	(31.9)
Profit (loss) before tax	42.5	2.2	44.7	(6.4)	(2.3)	(8.7)	36.0
Non-current assets	472.5	3.0	475.5	432.3	0.8	433.1	908.6
Investments in non-current assets	20.6	0.3	20.9	5.7	0.0	5.7	26.6
Assets	623.1	332.8	955.9	522.6	12.1	534.7	1,490.6
Equity	441.5	(25.4)	416.1	170.1	(44.8)	125.3	541.4
Liabilities	181.6	358.2	539.8	352.5	56.9	409.4	949.2

Amounts in DKK million		Q1-Q3 2013					
	Western Europe			Eastern Europe			Reportable segments, total
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	
Revenue, external	601.8	120.4	722.2	255.4	0.6	256.0	978.2
Revenue, internal	45.8	0.0	45.8	0.0	0.0	0.0	45.8
EBITDA	59.6	2.8	62.4	35.4	(1.3)	34.1	96.5
Depreciation and amortisation	(34.7)	(0.7)	(35.4)	(24.4)	0.0	(24.4)	(59.8)
EBIT before impairment	24.9	2.1	27.0	11.0	(1.3)	9.7	36.7
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	24.9	2.1	27.0	11.0	(1.3)	9.7	36.7
Net financing costs	(16.4)	(1.0)	(17.4)	(11.5)	(1.0)	(12.5)	(29.9)
Profit (loss) before tax	8.5	1.1	9.6	(0.5)	(2.3)	(2.8)	6.8
Non-current assets	483.6	3.4	487.0	482.6	1.4	484.0	971.0
Investments in non-current assets	11.9	0.1	12.0	5.6	0.0	5.6	17.6
Assets	632.3	300.6	932.9	570.0	12.5	582.5	1,515.4
Equity	395.4	(4.7)	390.7	211.0	(39.6)	171.4	562.1
Liabilities	236.9	305.3	542.2	359.0	52.1	411.1	953.3

Reconciliation of reportable segments' earnings before tax

	Q1-Q3	Q1-Q3
Amounts in DKK million	2014	2013
Segment profit (loss) before tax for reportable segments	36.0	6.8
Unallocated group costs, corporate functions	(26.5)	(28.8)
Impairment losses, non-reportable segment	0.0	0.0
Total	9.5	(22.0)

Amounts in DKK million		Q3 2014					
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	255.0	47.5	302.5	101.7	0.4	102.1	404.6
Revenue, internal	21.7	0.0	21.7	2.9	0.0	2.9	24.6
EBITDA	41.6	2.2	43.8	18.7	(0.1)	18.6	62.4
Depreciation	(13.0)	(0.2)	(13.2)	(7.5)	(0.1)	(7.6)	(20.8)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	28.6	2.0	30.6	11.2	(0.2)	11.0	41.6
Net financing costs	(5.4)	(0.2)	(5.6)	(4.8)	(0.3)	(5.1)	(10.7)
Profit before tax	23.2	1.8	25.0	6.4	(0.5)	5.9	30.9
Non-current assets	472.5	3.0	475.5	432.3	0.8	433.1	908.6
Investments in non-current assets	3.8	0.1	3.9	1.4	0.0	1.4	5.3
Assets	623.1	332.8	955.9	522.6	12.1	534.7	1,490.6
Equity	441.5	(25.4)	416.1	170.1	(44.8)	125.3	541.4
Liabilities	181.6	358.2	539.8	352.5	56.9	409.4	949.2

Amounts in DKK million		Q3 2013					
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reportable segments, total
Revenue, external	234.4	40.1	274.5	101.8	0.2	102.0	376.5
Revenue, internal	16.0	0.0	16.0	0.0	0.0	0.0	16.0
EBITDA	29.2	1.6	30.8	17.8	(0.3)	17.5	48.3
Depreciation	(10.6)	(0.2)	(10.8)	(8.1)	0.0	(8.1)	(18.9)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	18.6	1.4	20.0	9.7	(0.3)	9.4	29.4
Net financing costs	(5.3)	(0.4)	(5.7)	(3.0)	(0.4)	(3.4)	(9.1)
Profit before tax	13.3	1.0	14.3	6.7	(0.7)	6.0	20.3
Non-current assets	483.6	3.4	487.0	482.6	1.4	484.0	971.0
Investments in non-current assets	4.5	0.0	4.5	3.2	0.0	3.2	7.7
Assets	632.3	300.6	932.9	570.0	12.5	582.5	1,515.4
Equity	395.4	(4.7)	390.7	211.0	(39.6)	171.4	562.1
Liabilities	236.9	305.3	542.2	359.0	52.1	411.1	953.3

Reconciliation of reportable segments' earnings before tax

	Q3	Q3
Amounts in DKK million	2014	2013
Segment profit before tax for reportable segments	30.9	20.3
Unallocated group costs, corporate functions	(12.6)	(11.9)
Impairment losses, non-reportable segment	0.0	0.0
Total	18.3	8.4

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 523 million on 30 September 2014, down DKK 9 million since the beginning of the year and down DKK 5 million on 30 September 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 and third quarters of 2014.

Key figures for discontinued operations

	Q3	Q3	Q1-Q3	Q1-Q3
Amounts in DKK million	2014	2013	2014	2013
Revenue	4.5	6.7	12.1	39.0
Expenses	(8.3)	(6.6)	(21.9)	(84.1)
Profit before tax	(3.8)	0.1	(9.8)	(45.1)
Tax	0.0	0.0	0.0	0.0
Profit for the period	(3.8)	0.1	(9.8)	(45.1)
Profit from discontinued operations	(3.8)	0.1	(9.8)	(45.1)
Cash flow from operating activities	(3.2)	(5.4)	(6.8)	(36.0)
Cash flow from investing activities	0.0	0.0	0.0	(0.4)
Cash flow from financing activities	0.0	0.1	0.0	0.0
Total cash flow	(3.2)	(5.3)	(6.8)	(36.4)
Assets held for sale				
Intangible assets	1.8			
Property, plant and equipment	29.1			
Inventories	4.2			
Receivables	6.0			
Assets held for sale, total	41.1			
Liabilities relating to assets held for sale				
Trade payables	1.3			
Other liabilities	29.7			
Liabilities relating to assets held for sale	31.0			

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 0.6 million was recognised under staff costs in the first three quarters of 2014 in respect of the three schemes, against DKK 0.4 million in the same period in 2013.

A fourth matching share programme for the Executive Board and other key employees was introduced in the second quarter of 2014. It is largely identical to the previous programmes in terms of vesting criteria, etc. The value of the programme at inception in May 2014 is estimated at DKK 0.9 million and will be recognised over the next three years. An amount of DKK 0.1 million was recognised in respect of this scheme in the third quarter of 2014.