



**Q1-Q3 2014**

Investor presentation  
20 November 2014

build with ease

**H+H**

# Forward-looking statement

The forward-looking statements in this presentations reflect management's current expectations for certain future events and financial results.

Statements regarding the future are, of course, subject to risks and uncertainties which may result in material deviations from expectations.

Factors that may cause the actual results to deviate materially from expectations are: aircrete products, the market's acceptance of new products, the introduction of competing products etc.

# Agenda

- Highlights of Q1-Q3 2014
- Market development
- Financial performance
- Outlook for 2014
- Q&A

## Highlights for Q3 and the first three quarters

- 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).

## Highlights for Q3 and the first three quarters

- 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.

# Market development

In the third quarter revenue was up 7.5% on 2013. The increase in sales compared to the same period last year was mainly carried out by the UK. Revenue for the first three quarters of 2014 was up 7.8% on 2013.

Gross margin improved both in the third quarter and in the first three quarters of the year. Average selling prices were higher than last year, but lower capacity utilisation due to lower production volumes had a slight negative impact on margins. Higher raw material costs partially offset the above mentioned improvements.

## Western Europe

- 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.

# Market development

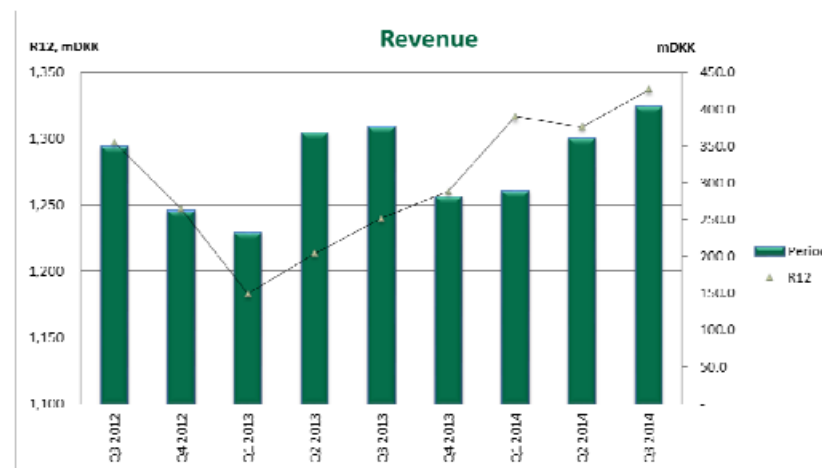
## Eastern Europe

- In Poland, sales volumes and revenue were lower than last year. EBITDA, however, was higher than last year.
- H+H has taken an active step into restructuring the Polish market. As earlier stated we have observed high overcapacity and consequently low selling prices.
- In Russia, the third quarter saw growth in both sales volumes and revenue, expressed in local currency, but average prices were lower than last year.
- No dramatic changes in market conditions in Russia.

# Group financial performance

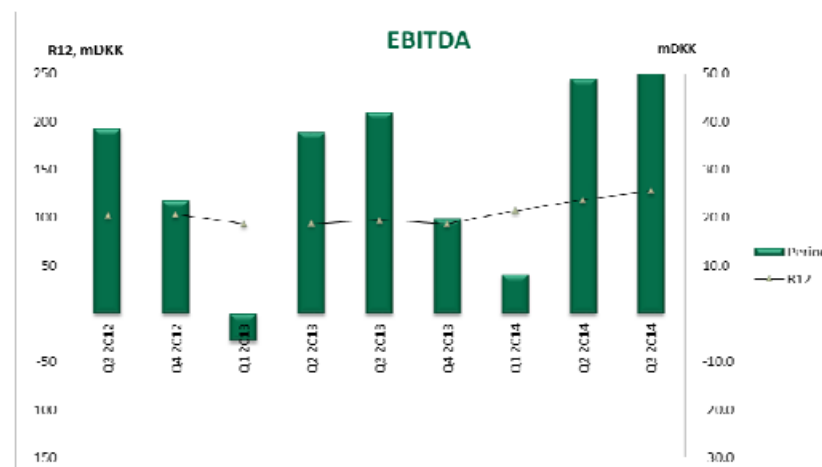
## Q3 2014

- Revenue up 7.5% in DKK and up 7.5% in local currencies on Q3 2013.
- The RUB exchange rate had a negative effect on revenue of DKK 9.6 million, while the GBP exchange rate had a similar positive effect of DKK 9.6 million. Other currencies had nearly no fluctuations since last year.
- EBITDA was DKK 51.1 million, against DKK 41.8 million in Q3 2013.
- Profit for the period of DKK 7.8 million, against DKK 5.8 million in Q3 2013.



## Q1-Q3 2014

- Revenue up 7.9% in DKK and up 7.4% in local currencies on Q1-Q3 2013.
- EBITDA was DKK 108.1 million, against DKK 73.8 million in Q1-Q3 2013.
- Loss for the period of DKK 15.0 million, against loss of DKK 73.1 million in Q1-Q3 2013.

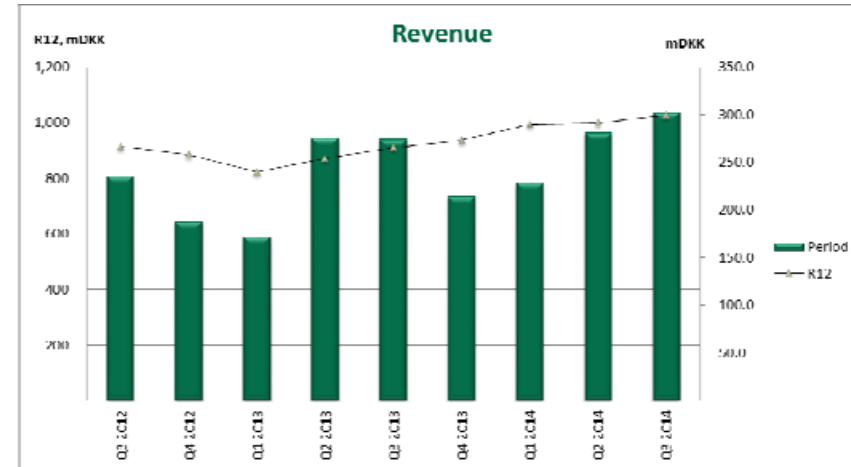




# Segments - Western Europe

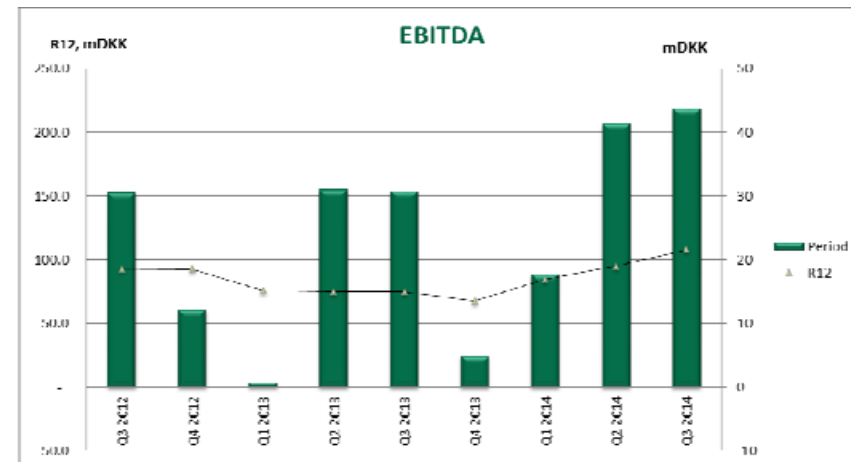
## Q3 2014

- Revenue up 10.2% in DKK, up 6.9% in local currencies on Q3 2013.
- Revenue growth in the third quarter in Western Europe was primarily driven by higher revenue in the UK where mainly prices but also volumes have increased
- EBITDA of DKK 48.3 million, against DKK 30.8 million in Q3 2013.
- Profit before tax of DKK 25.0 million, against DKK 14.3 million in Q3 2013.



## Q1-Q3 2014

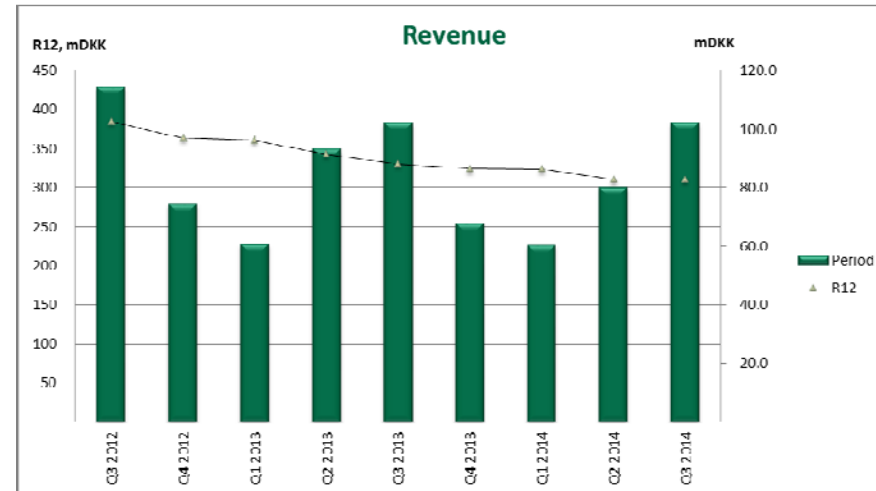
- Revenue up 12.5% in DKK, up 9.3% in local currencies on Q1-Q3 2013.
- EBITDA of DKK 103.0 million, against DKK 62.4 million in Q1-Q3 2013.
- Profit before tax of DKK 44.7 million, against DKK 9.6 million in Q1-Q3 2013.



# Segments - Eastern Europe

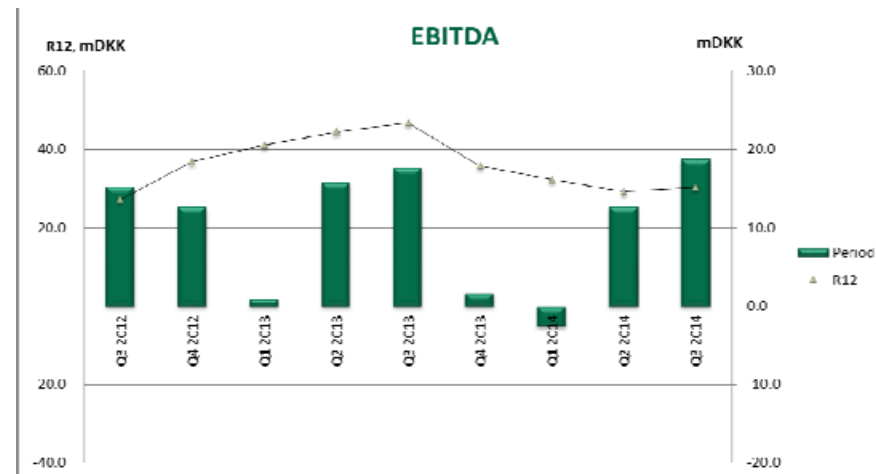
## Q3 2014

- Revenue up 0.1% in DKK, up 9.2% in local currencies on Q3 2013.
- In Russia, the third quarter saw high growth in both sales volumes and revenue, expressed in local currency.
- EBITDA of DKK 18.6 million, against DKK 17.5 million in Q3 2013.
- Profit before tax of DKK 5.9 million, against DKK 6.0 million in Q3 2013.



## Q1-Q3 2014

- Revenue down 5.2% in DKK, up 2.1% in local currencies on Q1-Q3 2013.
- EBITDA of DKK 28.7 million, against DKK 34.1 million in Q1-Q3 2013.
- Loss before tax of DKK 8.7 million, against loss of DKK 2.8 million in Q1-Q3 2013.



# 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, the 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.
- 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.

	Investments			
	Q3		Q1-Q3	
Amounts in DKK million	2014	2013	2014	2013

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
<b>Total</b>	<b>5.4</b>	<b>7.7</b>	<b>27.2</b>	<b>17.7</b>

## Net interest-bearing debt

- 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 weakened 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.

## 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.



## Outlook for 2014



*Coming out of the autoclave the aircrete products are cooled and are packed ready for transport.*

# Outlook for 2014

## H+H changes its outlook for 2014:

- Organic revenue growth is adjusted and is now expected to be in the region of 6-8%, against the previously announced 4-8%.
- EBITDA before special items is slightly upgraded and is now 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.

## Comments to outlook for 2014

The 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.
- 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.





## Q&A



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