

Annual Report 2010

H+H International A/S



build with ease

H+H

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Five-year summary

Income statement (DKKkM)	2010	2009	2008	2007	2006
Revenue	1,254.5	1,068.0	1,439.5	1,850.2	1,662.4
Gross profit	251.8	247.7	437.3	652.0	559.8
Profit before depreciation, amortisation and financial items (EBITDA)	(15.3)	1.0	135.5	347.1	234.5
Operating profit (EBIT)	(256.8)	(205.3)	19.0	222.4	128.9
Net financing costs	(29.4)	(58.3)	(17.6)	(17.4)	(14.8)
Profit before tax	(286.2)	(263.5)	1.4	205.1	114.0
Profit for the year	(270.5)	(232.5)	1.7	157.5	74.3
Balance sheet – assets (DKKkM)					
Non-current assets	1,359.2	1,495.4	1,558.9	1,361.7	1,248.4
Current assets	294.9	359.6	363.9	422.1	389.8
Total assets	1,654.1	1,855.0	1,922.8	1,783.7	1,638.2
Balance sheet – equity and liabilities (DKKkM)					
Share capital	490.5	490.5	109.0	116.0	116.0
Equity	725.6	958.2	743.2	990.3	870.4
Non-current liabilities	759.0	749.6	1,015.7	180.0	180.9
Current liabilities	169.5	147.2	163.9	613.4	586.8
Total equity and liabilities	1,654.1	1,855.0	1,922.8	1,783.7	1,638.2
Cash flow (DKKkM)					
Cash flow from operating activities	31.9	(41.7)	60.8	266.5	59.9
Cash flow from investing activities	(33.0)	(119.4)	(476.9)	(259.5)	(246.4)
Free cash flow	(1.1)	(161.1)	(416.1)	7.0	(186.5)
Investments and debt (DKKkM)					
Investments in non-current assets during the period	36.4	104.6	492.7	263.0	156.0
Interest-bearing debt (net)	613.6	595.8	863.0	380.8	353.1
Financial ratios					
Gross margin	20.1%	23.2%	30.4%	33.2%	33.7%
Operating margin (EBITA margin)	(10.8%)	(11.3%)	1.3%	12.5%	7.8%
Return on invested capital (ROIC)	(8.9%)	(7.2%)	1.2%	16.1%	10.6%
Return on equity	(32.1%)	(27.3%)	0.2%	16.9%	8.8%
Solvency ratio	43.9%	51.7%	38.7%	55.5%	53.1%
Average number of shares outstanding	9,789,511	1,432,844	1,090,436	1,146,072	1,147,872
Adjusted average number of shares outstanding	9,789,511	2,457,792	2,180,872	2,292,144	2,295,744
Share price, year-end (DKK)	53	63	304	1,362	1,842
Book value per share, year-end (DKK)	74	98	682	854	750
Price/book value	0.7	0.6	0.4	1.6	2.5
Price-earnings ratio (PE)	(1.9)	(0.7)	199.9	9.9	28.3
Earnings per share (adjusted)	(27.6)	(94.6)	0.8	68.7	32.5
Diluted earnings per share (adjusted)	(27.6)	(94.6)	0.8	68.5	32.5
Dividend per share (adjusted)	0	0	0	15.0	10.0
Payout ratio	0%	0%	0%	22.1%	31.1%
Average full-time equivalent staff	1,175	1,238	1,282	1,379	1,385

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33 (note 11).

The other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Ratios 2010'.

Reference is made to definitions and concepts in note 1 'Accounting policies'.

We will be our customers' trusted partner in business

Building with ease requires a reliable long-term partner with in-depth technical knowledge and know-how. At H+H we are always ready to share our expertise and advise our customers on both their current and future building projects.



Summary

Loss before tax of DKK 286.2 million after special items of DKK 140.3 million (2009: loss of DKK 263.5 million after special items of DKK 105 million). This is in line with the most recently announced outlook of a loss before tax in the region of DKK 270-290 million after special items.

- Revenue was DKK 1,255 million (2009: DKK 1,068 million), an increase of 17.5%.
- Sales were satisfactory in most markets but prices are still at a very low level and lower than average selling prices in 2009. Activity in the residential newbuild market in the majority of H+H's markets is believed to have bottomed out, and there are indications of moderate growth.
- Revised strategic direction with a focus on profitability and cash flow through increased customer and market concentration. An extended efficiency programme has been launched to cut costs and improve working capital. These measures will reduce cost levels by more than DKK 75 million in 2011.
- Equity decreased by DKK 232 million to DKK 726 million at the end of 2010. With total assets of DKK 1,654 million, this gives an equity ratio of 43.9%.
- The Board of Directors will recommend at the annual general meeting that no dividend be paid for 2010.
- H+H expects an EBITDA before special items for the 2011 financial year in the region of DKK 100-140 million. Free cash flow is expected to be positive at around DKK 20-60 million, while total investments are expected to be less than DKK 50 million.

Review of the year

Significant events

The economic downturn and the severe winter weather at either end of the year had a substantial negative impact on both activity and earnings. The economic crisis and consequent slump in construction activity generated a widespread increase in price competition and affected earnings harder than was expected at the beginning of the financial year. This led the company to focus particularly on restructuring the business. H+H is therefore expected to deliver better results in 2011.

While many large industrial companies recorded substantial growth in sales and earnings in 2010, there are still considerable challenges facing manufacturers of products for the residential construction industry, such as H+H. Construction activity across Northern Europe has continued to be affected by the crisis. H+H's primary source of revenue is the construction of new single-family houses, which is the market that has been hit hardest by the economic crisis. H+H has responded to these developments and adjusted its production capacity and cost structure. There has been extensive realignment of the Group's selling costs, administrative expenses and production overheads, as well as a reduction in staff numbers. The focus has been on changes in production structure and clear prioritisation of business activities. Developments in H+H's sales were satisfactory in most markets in 2010. All in all, sales grew by 17.5%.

Prices in H+H's markets remained under pressure and were lower on average than in 2009, meaning that the increase in revenue was due solely to higher volumes. Activity in the residential newbuild market in the majority of H+H's markets is believed to have bottomed out, and there are indications of moderate growth.

Developments in most markets suggest growth in volumes and stability in prices, and so the main priority is improving earnings, which are still not satisfactory despite the increase in revenue.

H+H made a loss before tax of DKK 286.2 million after special items of DKK 140.3 million (2009: loss of DKK 263.5 million after special items of DKK 105 million). This result is not satisfactory.

Revised strategy

To improve earnings, the Board of Directors and the management team decided to revise H+H's strategy with a view to improving profitability and free cash flow through increased customer and market concentration.

New strategic focus

For many years, H+H had a two-pronged strategy. One side of the strategy was to increase sales of solutions in existing geographical markets – the Build with ease concept. This is to be retained.

The other side of the strategy was further geographical expansion through the acquisition or construction of new aircrete factories in new markets adjoining existing markets. This part of H+H's strategy has been put on hold for the next few years due to the prevailing business conditions and H+H's financial position.

New efficiency programme

The expansionary growth strategy has been replaced by a strategy of consolidation where the emphasis is on increasing profitability through optimisation of the production plant and further reductions in the cost structure. The main areas for the new efficiency programme in 2011 are:

- Maintaining or increasing H+H's market share in its most important markets while reducing selling costs and administrative expenses by more than 6%.
- Closing business units that are not strategic and do not make a positive contribution to H+H's operating results. This has led to the closure of H+H's sales offices in Ukraine, the Baltic States and Norway, which is expected to boost annual earnings by around DKK 10 million in future.
- Optimising H+H's production facilities by carrying out a Lean project, including further improvements in capacity utilisation and a reduction in distribution costs. These measures are expected to cut production and distribution costs by almost 5%.
- Optimising H+H's working capital by reducing inventories, optimising procedures, and obtaining better terms of payment from customers and suppliers.

This extended efficiency programme will cut costs in 2011 by more than DKK 75 million relative to 2010. The programme has entailed a further reduction in staff numbers of around 60 employees in 2010. Since the economic crisis struck in autumn 2008, the number of full-time employees has been lowered by almost 320 (gross), equivalent to around 25% of the workforce (excluding recruitment for the new factories in Kikerino in Russia and Most in the Czech Republic).

Investments are also to be kept to a minimum, and so 2010 brought investments in maintenance and the rollout of a new ERP system (financial reporting system) in the Group. Altogether, around DKK 36 million was invested in 2010.

In the current trading environment, H+H will focus on essential maintenance investments in 2011, which are expected to amount to less than DKK 50 million. Expansionary investment initiatives have been put on hold.

Offer to acquire H+H

In autumn 2010, H+H International A/S's Board of Directors received expressions of interest from potential buyers, including an offer from Goldman Sachs Capital Partners and PAI Partners containing a number of conditions. After an assessment of the offer, the Board of Directors was of the opinion that the terms of the offer represented too high a risk for the shareholders, considering that the price offered did not reflect the value of the company, inter alia based on the revised strategic direction presented above. The Board of Directors had a dialogue with a group of the company's larger shareholders, who all shared the opinion of the Board of Directors, and on this basis it was decided to discontinue the dialogue with Goldman Sachs Capital Partners and PAI Partners. The expressions of interest received from others were significantly less specific and these dialogues were discontinued too.

Subsequent event

In January 2011, H+H learned that Xella International Holdings S.à.r.l. (Xella) (owned by Goldman Sachs Capital Partners and PAI Partners) had announced on its website an intention to make an offer for the shares of H+H International A/S and that Xella had filed merger control notification with the authorities including the European Commission. H+H informed the European Commission that Xella's announcement does not constitute good faith intention to make a public bid as required by the Merger Regulation (see H+H's company announcement No.233 of 28 January 2011). H+H referred to (i) the events preceding Xella's announcement where Xella had failed to submit a credible offer, (ii) the fact that pursuant to Xella's announcement, Xella would not be obliged to make the offer at any point in time, and (iii) the indicated offer price of DKK 67.50 per share being exactly the offer price which had already been rejected with the consent of a group of major shareholders in November 2010. On 1 March 2011 the European Commission has referred the German part of the merger control notification to BundesKartellAmt. To the knowledge of H+H, the European Commission has not made any decision yet with respect to if the announcement from Xella is sufficient to start the merger control notification process.

Changes on the Board of Directors and management

At the annual general meeting in April 2010, four new members were elected to the Board of Directors.

As a result of the dialogue between H+H International A/S's Board of Directors and the management concerning the revised strategy for the Group, CEO Hans Gormsen decided at the end of November 2010, with the understanding of the Board of Directors, to resign from his position as CEO of H+H International A/S.

Effective from 4 April 2011, the Board of Directors has appointed Michael Troensegaard Andersen as the new CEO. The Executive Board will hereafter comprise CEO Michael Troensegaard Andersen and CFO Niels Eldrup Meidahl, who joined the Executive Board at the end of November 2010.

Dividends

The Board of Directors will recommend at the annual general meeting on 14 April 2011 that no dividend be paid for the 2010 financial year.

Capital structure and cash flow

In the period 2005-2007, it was decided to invest a total of around DKK 1.4 billion, primarily in the expansion and improvement of production facilities. By the end of 2009, these investments had led to a doubling in H+H's production capacity and had expanded H+H's markets to include Russia, Poland and the Czech Republic.

The substantial investments made in Eastern Europe in particular led to a substantial increase in net interest-bearing debt, especially in 2008-2009. With a view to generating an injection of capital, a rights issue was completed at the end of 2009 and resulted in net proceeds of around DKK 436 million. At the end of 2010, H+H had net interest-bearing debt of DKK 613.6 million, up DKK 17.8 million on the end of 2009. The Board of Directors believes that the current capital structure serves the interests of both shareholders and the company. The Board of Directors regularly assesses the company's capital structure in the light of its earnings, debt, loan covenants etc.

Positioned for growth

The substantial investment in production capacity in recent years, coupled with a significant decrease in revenue, has meant that H+H's production capacity is not being fully utilised. As a result, when markets turn and sales volumes rise again, H+H will be able to handle the increase in sales volumes with its existing production capacity.

Key figures

H+H made a loss before tax in 2010 of DKK 286.2 million after special items of DKK 140.3 million (2009: loss of DKK 263.5 million after special items of DKK 105 million), which is in line with the most recently announced outlook of a loss in the region of DKK 270-290 million after special items. Adjusted for special items the loss before tax in 2010 was DKK 145.9 million, which is unsatisfactory but in line with the original outlook for the year and the outlook in the Prospectus 2009 of a loss before tax somewhat smaller than the DKK 158.5 million loss for 2009 before tax and special items.

Revenue was DKK 1,255 million (2009: DKK 1,068 million), an increase of 17.5%.

Free cash flow was negative at DKK 1.1 million, which is in line with the original expectation that the year's free cash flow would be neutral. Net interest-bearing debt amounted to DKK 613.6 million at the end of the year compared with the previously announced figure of around DKK 610 million. With exchange rates unchanged throughout the year, debt would have been DKK 14 million lower.

WESTERN EUROPE

H+H Danmark A/S

Sales in Denmark in 2010 were hit by a continued low level of residential construction in the country. The year was also affected by very severe winter weather from January to March and again from the end of November until the end of the year. Activity levels are expected to recover slightly in 2011, but market uncertainty will remain high.

H+H Deutschland GmbH

The German residential newbuild market continued to contract in 2010. The number of housing completions is expected to stabilise in 2011, and slight growth is anticipated relative to 2010.

The downturn in construction meant that H+H's revenue in Germany fell from 2009 to 2010. The year was also affected by severe winter weather from January to March and again from the end of November until the end of the year.

Prices for H+H's products in Germany were relatively stable in 2010, but average prices were lower than in 2009. Sales from the German factories to sister companies were slightly higher than in 2009. Gently rising sales and relatively stable prices are anticipated in 2011. The focus during the year will be on prices ahead of increasing market share.

H+H Finland Oy

H+H's factory manufactures blocks and reinforced products, supplying not only Finland but also the Swedish market. There were very low levels of both commercial and residential construction in Finland in 2010. Activity is expected to continue at a low level in 2011, but there are some signs of improvement in the Finnish market.

H+H Nederland B.V.

A sales company was started up in the Netherlands in autumn 2008 to increase sales in this market. Sales increased in 2010 despite a sharp decline in construction activity in the country, and further growth in sales is anticipated in 2011.

H+H Sverige AB

The Swedish construction market was hit hard by the economic crisis. The Swedish krona fell against the euro, which impaired the company's competitiveness relative to locally manufactured substitute building materials. In 2010, the market situation turned in the right direction for residential construction and the Swedish krona rallied strongly. A slight improvement in the market for both residential and commercial construction is expected in 2011.

H+H UK Limited

The UK residential construction market was hit hard by the economic crisis. The market bottomed out in mid-2009, since when activity has risen steadily, leading to very healthy growth in H+H's sales in 2010.

Private and public housebuilding are expected to decline in 2011 due to limited mortgage availability, cuts in public spending on social housing, and reduced buyer confidence due to fears of falling house prices and an uncertain employment outlook.

In terms of sales of aircrete, however, this development is expected to be offset by an increased shift from the construction of apartments to the construction of houses and consequently increased use of aircrete. All in all, sales in 2011 are expected to be unchanged from 2010.

Jämerä-kivitalot Oy

The Finnish company designs and sells the construction of aircrete houses for private individuals. Activity levels in 2010 were relatively low but are expected to rise in 2011. In 2010, the company made increasing use of its own sales staff rather than agents in order to increase sales.

EASTERN EUROPE

H+H Česká republika s.r.o.

Sales in the Czech Republic grew in 2010 despite very difficult market conditions and are expected to continue to do so in 2011. The Czech factory supplies the markets in the Czech Republic, Slovakia and southern Germany. The factory was rebuilt in 2008-2009 to manufacture high-quality products for these markets.

H+H Polska Sp. z o.o.

The Polish newbuild market was hit hard by the economic crisis, and the number of starts has been falling in recent years. There has also been fierce price competition for aircrete. Slightly better market conditions are expected in 2011.

In 2010 the factories in Poland supplied not only the Polish market but also the Baltic and Ukrainian markets through H+H's sales companies in Latvia and Ukraine. Both the Baltic and Ukrainian markets have been hit particularly hard by falling exchange rates and very low levels of activity, prompting a decision in the second half of 2010 to close the sales companies in Latvia and Ukraine.

As a result of lower sales, it was also decided in mid-2010 to reduce the number of production shifts at H+H's factories in Poland. This is equivalent to the closure of production at one factory.

OOO H+H

The factory near St Petersburg, Russia, was completed in late 2009, making 2010 the first year in which H+H could properly establish itself in the Russian market. The factory was ready to start production in mid-2009 and has been manufacturing and selling products for the Russian market ever since. The Russian market was hit hard by the economic crisis and, after a very hard winter, capacity utilisation and prices in mid-2010 were significantly lower than originally anticipated, causing H+H's assets to be written down by DKK 120 million. However, there are still high expectations for the Russian operation and for the market as a whole.

Increased production and sales are anticipated in 2011.

The factory could also supply the Finnish and the Swedish markets in future.

H+H believes that the Eastern European market will be attractive for the Group in future with good growth potential, despite the economic crisis.

SEGMENT INFORMATION

Segment information				
Amounts in DKK million	2010	2009	2010	2009
	Western Europe		Eastern Europe	
Revenue	879.8	753.4	374.7	314.6
EBITDA	27.1	30.9	(6.0)	12.0
EBITA	(45.3)	(55.5)	(52.3)	(22.2)
EBIT	(45.5)	(76.5)	(172.3)	(28.2)
Profit (loss) before tax*	(60.9)	(96.5)	(209.8)	(62.8)
Non-current assets	615.6	666.5	733.6	811.3
Investments in intangible assets and property, plant and equipment	16.5	14.2	15.6	80.3
Depreciation and amortisation	72.4	86.4	46.5	34.2
Assets	881.1	920.3	820.4	930.2
Equity	295.3	314.3	63.8	206.0
Liabilities	585.8	606.0	756.6	724.2
Average full-time equivalent staff	514	520	645	699

* The H+H Group's consolidated profit before tax, management fee etc.

Further information about the Group's segments is disclosed in note 3.



Our distinctive green logo

is the sign of our commitment to aircrete.

From our production sites we manufacture and supply the building industry with millions of pallets of H+H aircrete.

Outlook for 2011

Expectations for 2011

An EBITDA before special items in the region of DKK 100-140 million.

Positive free cash flow in the region of DKK 20-60 million.

Total investments of less than DKK 50 million.

These expectations for H+H's financial performance in 2011 are based partly on the following assumptions:

- Prices are expected to rise more than inflation in most markets.
- Rising sales volumes are anticipated in 2011.
- The extended efficiency programme will cut costs in 2011 by more than DKK 75 million relative to 2010.
- No currency hedging by H+H for 2011 and unchanged exchange rates for GBP, EUR, PLN, RUB and CZK relative to the end of 2010.
- Gently rising energy and raw material prices relative to the end of 2010.

Market outlook

The relatively low levels of residential construction activity due to the economic crisis are expected to persist in most of H+H's markets in 2011, although the impact of the crisis is likely to vary considerably from market to market. All in all, slightly rising sales volumes are anticipated in 2011, while prices for H+H's products are expected to rise with inflation in the individual markets.

Forward-looking statements

The forward-looking statements in this annual report reflect management's current expectations of certain future events and financial results. Statements regarding the future are by their very nature associated with uncertainty, and actual results may therefore depart materially from expectations. Factors that may cause actual results to deviate materially from expectations include, but are not limited to, developments in business conditions and financial markets, changes in energy and raw material prices, changes in the pricing of aircrete products, market acceptance of new products, and the launch of competing products.

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

Financial review

INCOME STATEMENT

Earnings

H+H made a loss before tax in 2010 of DKK 286.2 million after special items of DKK 140.3 million (2009: loss of DKK 263.5 million after special items of DKK 105 million), which is in line with the most recently announced outlook of a loss in the region of DKK 270-290 million after special items. Adjusted for special items the loss before tax in 2010 was DKK 145.9 million, which is unsatisfactory but in line with the original outlook for the year and the outlook in the Prospectus 2009 of a loss smaller than the DKK 158.5 million loss in 2009 before tax and special items.

Earnings in 2010 were adversely affected by special items of DKK 140.3 million, although most of these had no impact on cash flow. Further details on these special items are given under 'Depreciation, amortisation and impairment losses' below.

Development in H+H's sales was satisfactory in most markets in 2010. All in all, sales grew by 12.5% excluding currency effects. Activity in the residential newbuild market in most of H+H's markets is thought to have bottomed out, and there are indications of moderate growth.

Revenue

Revenue was DKK 1,255 million (2009: DKK 1,068 million), an increase of DKK 187 million or 17.5% of which 5% is due to changes in exchange rates. The increase in revenue was due to higher volumes, as average prices in 2010 were slightly lower overall than in 2009.

In the Western European segment, sales grew by DKK 126 million, including a positive exchange rate effect of DKK 22.3 million. Sales volumes in Western Europe were somewhat up on 2009, due largely to growth in the UK, where sales rose significantly, while there was only very limited growth in volumes in other markets. The increase in sales is believed to be largely in line with overall growth in the aircrete market. Average prices were lower than in 2009.

In the Eastern European segment, sales grew by DKK 60 million, including a positive exchange rate effect of DKK 32.0 million. Sales volumes in Eastern Europe were marginally higher than in 2009, due primarily to Russia, a new market for H+H. Average prices were slightly down on 2009.

Production costs

Total production costs were higher in 2010 than in 2009, due primarily to larger production volumes in response to increased

sales. The year also brought a number of cost reductions, with the result that average production costs were lower than in 2009. Average unit production costs are expected to be further reduced in 2011.

Other external expenses

Other external expenses were higher than in 2009, due mainly to increased production and higher exchange rates.

Depreciation, amortisation and impairment losses

Depreciation and amortisation for the year totalled DKK 120 million.

H+H recognised substantial impairment losses in 2010. In mid-2010, it was decided to write down the Russian factory by DKK 120 million due to lower capacity utilisation and lower prices than originally anticipated. There were also a number of other special items totalling DKK 20.3 million relating to the implementation of the efficiency programme.

Overall, special items amounted to DKK 140.3 million.

Special items		
Amounts in DKK million	2010	2009
Impairment losses on non-current assets and provision for onerous contract	121.7	58.5
Impairment losses and provisions relating to UK factory	0.0	19.0
Impairment losses on development projects	0.0	15.9
Value adjustments to inventories	0.0	7.6
Termination costs	13.4	0.0
Shutdown expenses in Norway, Ukraine and the Baltic States	5.2	0.0
Other items	0.0	4.0
Total	140.3	105.0

In the income statement, special items have been recognised as impairment losses of DKK 121.7 million, other operating expenses of DKK 11.7 and staff costs of DKK 6.9 million.

Financial income and expenses

Financial income and expenses amounted to a net charge of DKK 29 million, down DKK 29 million on 2009. The decrease was due largely to lower net interest-bearing debt and exchange rate gains.

Tax on profit

Tax on profit was positive by DKK 16 million as a result of the capitalisation of tax loss carry-forwards (2009: DKK 31 million).

BALANCE SHEET

Investments in property, plant and equipment and intangible assets

Investments totalled DKK 36.4 million (2009: DKK 104.6 million) and consisted of investments in maintenance and the rollout of a new ERP system in the Group.

No financing costs or own costs were capitalised in 2010, whereas financing costs of DKK 9.2 million and own costs of DKK 7.0 million were capitalised in 2009.

Financing

Net interest-bearing debt totalled DKK 613.6 million at the end of the year (2009: DKK 596 million), an increase of DKK 17.6 million. With exchange rates unchanged throughout the year, net interest-bearing debt would have been DKK 598 million.

The level of debt at the end of the year is in line with the outlook announced for 2010 of DKK 610 million. Adjusted for changes in exchange rates the debt is slightly lower than the outlook announced. Operating activities generated a cash inflow of DKK 32 million (2009: outflow of DKK 42 million). EBITDA contributed inflow of DKK 72.2 million (2009: DKK 12.8 million), including a positive development in working capital of DKK 87.0 million (2009: inflow of DKK 11.9 million).

Cash flow from investing activities was DKK 33 million (2009: DKK 119 million), including the disposal of non-current assets of DKK 3.3 million (2009: DKK 3.1 million).

Equity

H+H's equity fell by DKK 232 million to DKK 726 million during the year.

The loss for the year reduced equity by DKK 270.5 million, while foreign exchange adjustments of investments in subsidiaries etc. increased equity by DKK 37.7 million.

Changes in equity

Amounts in DKK million	2010	2009
Balance at 1 January	958.2	743.2
Profit for the year	(270.5)	(232.5)
Treasury shares, net	0	0.9
Foreign exchange adjustments in subsidiaries	37.7	7.6
Fair value adjustments of hedging instruments	0	1.4
Increase in share capital, net	0	434.9
Other adjustments	0.2	2.7
Balance at 31 December	725.6	958.2

Dividends

The Board of Directors will recommend at the annual general meeting on 14 April 2011 that no dividend be paid for the 2010 financial year.

Risk management

H+H works systematically on identifying and evaluating risks related to its business activities. Where feasible and appropriate, action to counter or limit the effects of these risks is taken on an ongoing basis.

H+H's activities focus on the manufacture and sale of aircrete products in Western and Eastern Europe. Sales relate primarily to in-house production and only to a lesser extent to goods for resale. Products are sold mainly to local markets close to the manufacturing facilities and normally only transported over long distances to markets where there is no locally produced aircrete.

MARKET RISKS

Market conditions and demand

With significant operational gearing in the form of heavy capital expenditure and fixed costs, fluctuations in demand have a noticeable effect on H+H's financial performance. In the last few years, H+H's gross margin has been around 22% of revenue. All other things being equal, if revenue were to fall by 100, this would have an immediate adverse effect of 22 on earnings before tax, before any adjustments to staff and fixed costs.

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 is striving to expand the market for aircrete to include buildings other than dense low-rise housing to a greater extent, such as apartments and commercial buildings.

A large proportion of sales are made via annual framework agreements with housebuilders and builders' merchants. Some sales are made without framework agreements being entered into. Selling prices for sales not subject to framework agreements can be highly volatile. Framework agreements typically include price levels and indications of anticipated demand. Actual sales depend on the level of building activity achieved by housebuilders and the actual sales recorded by builders' merchants. Order books in H+H's largest markets are very modest. Sales visibility beyond one to two weeks ahead is consequently poor and primarily based on reports from customers and on various external indicators such as trends in building permits and mortgage approvals. Visibility is further restricted by the fact that H+H's products are used mainly in the initial phases of the building process. A boom or a slowdown in construction activity is therefore rapidly reflected in H+H's sales.

Developments in the global economy, and in particular the construction sector, have a significant direct and indirect impact

on H+H. Developments in recent years have led to sharply rising unemployment, a growing number of business failures, and falling consumer spending, and it has become considerably more difficult to access finance for newbuilding and refurbishment. The effect is global and has hit many countries, sectors and industries, including the primary geographical markets to which most of the Group's revenue relates.

H+H may still be affected by further decline and setbacks, directly and indirectly, and the crisis may also have other negative consequences.

H+H focuses on keeping its production plant in 24-hour operation, with the option of reducing the number of shifts in response to a downturn in demand. Where possible, non-core activities such as logistics are outsourced with relatively short notice periods.

Competition

H+H's aircrete products and building systems are sold mainly in the local markets in which the factories are located. H+H's competitors are other local manufacturers of aircrete products and manufacturers of other products that can be used in competition with aircrete.

H+H has built a strong market position relative to other aircrete manufacturers and is known as a supplier of high-quality products. This position has been achieved via strong, locally based sales organisations. H+H generally differentiates itself from other aircrete manufacturers by being more solution-oriented. Through dialogue with its customers, H+H offers solutions that have advantages for customers in the form of lower total costs and/or shorter construction times. H+H's factories manufacture standard products, and it is important that the factories operate with high capacity utilisation, giving the lowest possible unit costs. This is paramount in order to ensure that H+H can always compete on price in all markets.

The competitive climate has become increasingly fierce during the economic crisis and has generally led to lower prices for H+H's products.

The construction industry is relatively conservative, which means that aircrete's market share relative to other types of building material is reasonably stable, although minor shifts occur on a regular basis.

H+H strives continuously to raise awareness of its products and the advantages they have over other building systems. H+H believes that aircrete's properties are so unique that aircrete will continue to enjoy a strong position in future.

Raw material supplies and prices

The principal raw materials used in the production of aircrete products are cement, lime, water and sand or pulverised fuel ash, as well as reinforcing steel, along with considerable energy consumption during production. Transport costs also account for a substantial proportion of product costs. In the event of significant increases in the prices of the raw materials and energy used in production or in transport costs, and H+H being unable to offset this by raising the prices of its products, this may have an adverse impact on H+H's profitability.

H+H has historically experienced considerable volatility in raw material, energy and transport costs and is consequently exposed to price fluctuations.

Cement costs account for roughly one-third of total raw material consumption, excluding energy, and around 8-10% of revenue.

Costs for energy consumption in production correspond to around 6-8% of revenue. The production of steam for the autoclaving process accounts for a substantial part of energy consumption. The primary energy sources are gas and electricity. H+H strives continuously to reduce energy consumption.

FINANCIAL RISKS

Foreign exchange

H+H presents its consolidated financial statements in Danish kroner. Most of the Group's products are produced and sold abroad. Sales in markets outside Denmark accounted for more than 90% of consolidated revenue in the 2010 financial year, with Germany, the UK and Poland as the largest markets.

H+H's net inflows are denominated mainly in EUR, GBP and PLN, and its principal exposure is currently related to these currencies. The main net exposure in terms of outflows is also to EUR, GBP and PLN. H+H is also exposed to CZK and RUB. H+H has considerable net investments in subsidiaries abroad, including in non-euro countries, resulting in a higher currency exposure. The associated foreign exchange adjustments are taken to consolidated equity.

H+H mainly has net investments in the following currencies: EUR, GBP, PLN, CZK and RUB.

H+H does not engage in currency speculation. The individual H+H companies are not authorised to take positions in foreign currencies unless commercially warranted, and commercial positions above a limited ceiling must be hedged. Conversely, it is H+H's policy to accept unhedged currency exposure to subsidiaries and their results, although such risk is minimised with a view to financial strength and taxes.

H+H's currency risks were not hedged with financial instruments at the balance sheet date.

Capital structure and cash flow

In recent years, H+H has made major investments in Eastern Europe in particular, and this has led to a substantial increase in net interest-bearing debt, especially in 2008-2009.

In future, H+H will operate with a considerable level of debt financing. At the end of 2010, H+H's net interest-bearing debt stood at DKK 613.6 million, up DKK 17.8 million from the end of 2009.

H+H has a committed loan agreement with Danske Bank A/S corresponding to around DKK 850 million, which is committed until 31 December 2014, and in addition to this a short-term DKK 50 million uncommitted credit line.

H+H will continue to be dependent on debt financing in the coming years. Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants. If earnings suffer because of the impacts described under 'Market risks' and 'Financial risks', this could result in a breach of the financial covenants. Financial covenants are described in note 23.


The effective interest rate for H+H in 2010 was around 5.6% (2009: 6.5%), partly reflecting the interest rate levels of the individual currencies. The effective interest rate for 2011 is expected to be on a par with 2010.

Interest rates

With the expected development in net interest-bearing debt, a 1 percentage point change in the interest rate will affect earnings before tax in 2011 by around DKK 6 million. H+H International A/S's interest-bearing financial assets consist mainly of loans to subsidiaries, while its interest-bearing liabilities consist of bank overdrafts.

Trade credit

H+H invoices the majority of its sales through a number of builders' merchants across more than 14 countries. This reduces the Group's credit exposure to contractors and housebuilders, but consequently increases its credit exposure to builders' merchants. In keeping with H+H's credit policy, all major customers are credit-rated internally on a regular basis, but H+H is still exposed to the risk of bad debts. H+H's use of credit insurance against bad debts is very limited.



Technical expertise

Working with aircrete

for around 70 years has made us aircrete experts. From recommending type and volume of products to suggesting the most efficient way to build, we understand our customers and have the answers they need.

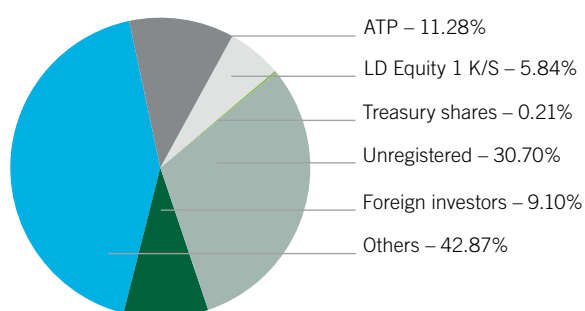
Investor relations

SHARE CAPITAL AND SHAREHOLDERS

H+H International A/S has share capital with a nominal value of DKK 490,500,000 and carrying a total of 98,100,000 votes, divided into 9,810,000 shares each with a nominal value of DKK 50 and carrying 10 votes.

As at 1 January 2011, H+H International A/S had 3,060 registered shareholders (corresponding to 69% of the share capital), including 160 foreign shareholders, and the company held 20,489 treasury shares.

Members of H+H International A/S's Board of Directors and Executive Board are included in the company's insider register. These persons and persons connected to them are only allowed to buy and sell shares in the company during the four weeks immediately after each preliminary announcement of financial statements. If in possession of inside information, such persons are prohibited from trading even during this period for as long as this inside information exists and has not been made public in the form of a company announcement. The company may not buy or sell its own shares during a period of three weeks immediately preceding each preliminary announcement of financial statements, and the company may not trade whilst in possession of inside information.



CAPITAL STRUCTURE

The Board of Directors and Executive Board regularly evaluate the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

As part of its expansion strategy, H+H decided to make substantial investments in upgrading and increasing its production capacity in new geographical markets in Eastern Europe. These investments were the primary reason for H+H's net interest-bearing debt of around DKK 1 billion for most of 2009. These investment decisions were made and implemented in the period

2005-2007 at a time when H+H's earnings rose sharply to profit before tax of DKK 205 million in 2007. In mid-2008, however, after the start-up of the investment projects, H+H was hit hard by the sudden financial crisis, which meant that its revenue, and consequently its earnings, fell drastically in the second half of 2008. Profit before tax for 2008 was therefore only DKK 1.4 million. As revenue and earnings continued to decline in the first half of 2009, the Board of Directors started exploring opportunities for recapitalising H+H International A/S.

In October 2009, the Board of Directors' soundings led to a decision to seek recapitalisation in the form of a rights issue. The resolution to complete the rights issue, along with a small capital reduction required for technical legal reasons, was passed at an extraordinary general meeting on 27 November 2009 and carried into effect on 23 December 2009.

The issue's net proceeds of around DKK 436 million were used to reduce H+H International A/S's debt, which stood at around DKK 610 million at the beginning of 2010. By the end of 2010, the company's debt totalled DKK 613.6 million.

H+H International A/S had an equity ratio of 43.9% at the end of 2010, compared with 51.5% at the end of 2009.

In December 2010, the Board of Directors of H+H International A/S discussed the company's capital structure and concluded that the current structure serves the interests of both shareholders and the company. The Board of Directors regularly assesses the company's capital structure in the light of its earnings, debt, loan covenants etc.

SHARES

H+H International A/S's shares are listed on NASDAQ OMX Copenhagen (HH and ISIN code DK0015202451).

The rights issue in December 2009 resulted in the merger of A and B shares into a single share class, the reduction of the nominal value of each share from DKK 100 to DKK 50 and the issuance of 8,720,000 new shares each with a nominal value of DKK 50.

The company's share price fell by around 16% to DKK 53 per DKK 50 share in 2010. By way of comparison, the OMXC20 index gained around 35.9%.

Turnover in 2010 was 6,084,823 shares at a total price of DKK 373.7 million.

DIVIDENDS

All major investment projects were completed in 2009 and, in the current trading environment, H+H expects investments of less than DKK 50 million in 2011. However, H+H International A/S's net interest-bearing debt is still relatively high compared with H+H's current revenue and earnings levels, and it is still uncertain when and how quickly these will return to stable growth.

Given the loss before tax for 2010 of DKK 286 million, and given the above uncertainty with respect to H+H's future earnings, the Board of Directors will recommend at the annual general meeting on 14 April 2011 that no dividend be paid for the 2010 financial year. It should also be noted that, under the terms of H+H International A/S's loan agreements with Danske Bank A/S, the Board of Directors is subject to an obligation to the effect that any proposed resolution concerning the distribution of dividends for a given financial year must not exceed 50% of the company's profit after tax in the financial year in question.

It is a natural overall objective for H+H International A/S to generate a competitive return for its shareholders in the form of share price appreciation and the distribution of dividends and/or reduction of share capital through the buyback and cancellation of shares in the company.

INVESTOR RELATIONS POLICY

The purpose of H+H International A/S's financial communications and other IR activities is to seek a valuation of the company's shares that constantly reflects H+H's current situation and expectations and to achieve adequate liquidity in trading in the shares.

All communications reflect the requirements that the information must be open, honest and timely. The main financial communications are via the annual report, interim financial reports and other company announcements. H+H International A/S is also in regular dialogue with professional and private investors, analysts and the business press. This dialogue takes the form of individual presentations to major investors or presentations to groups

of investors. The company is not normally available for dialogue about financial matters in the three-week period leading up to the presentation of financial statements.

Relevant investor information is available on the company's website www.HplusH.com. Enquiries concerning IR issues should be addressed to CFO Niels Eldrup Meidahl at shareholder@HplusH.com or by telephone on +45 35 27 02 00.

ANNUAL GENERAL MEETING 2011

The annual general meeting of H+H International A/S will be held on 14 April 2011 at 2 pm at Charlottenhaven, Hjørtinggade 12C, 2100 Copenhagen Ø, Denmark. Notice of the meeting will be sent by e-mail to registered shareholders whose e-mail address is entered in the company's register of shareholders, and by post to registered shareholders who have asked the company in writing to notify them by post. The notice will also be published via a company announcement, on the company's website www.HplusH.com and on the Danish Commerce and Companies Agency's website www.cvr.dk.

Shareholders wishing to have their shares registered in their own name should contact their own depository bank or advise VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark. Shareholders who are already registered but wish to enter or amend an e-mail address in order to receive the company's notices of general meeting by e-mail can do so via the H+H Shareholder Portal on the company's website www.HplusH.com/shareholder_portal or by contacting the company's registrar Computershare A/S, Kongevejen 418, 2840 Holte, Denmark.

Financial calendar 2011

10 March 2011	Annual Report 2010
14 April 2011	Annual General Meeting
26 May 2011	Interim financial report Q1 2011
24 August 2011	Interim financial report H1 2011
22 November 2011	Interim financial report Q3 2011

Analysts covering H+H International A/S

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SEB Enskilda, Equities, Research	Anders Hjort	anders.hjort@enskilda.dk	tel. +45 36 97 75 22

Published announcements 2010 and up to 1 February 2011*

31 January 2011	New CEO of H+H International A/S
28 January 2011	Letter to the European Commission regarding Xella's announcement
17 January 2011	Leakage of Xella's intention to make a takeover bid
22 December 2010	Report of transactions by managerial staff of shares and related securities in H+H International A/S – Omission of salary increase and incentive pay in 2010
26 November 2010	Management Changes
16 November 2010	Discontinuation of dialogue with potential buyers
16 November 2010	Interim financial report Q3 2010
9 November 2010	Change of financial calendar 2010 for H+H International A/S
27 October 2010	H+H International A/S – dialogue with potential buyers
22 October 2010	Announcement from H+H International
31 August 2010	Interim financial report H1 2010
27 May 2010	Interim financial report Q1 2010
9 April 2010	Articles of Association for H+H International A/S
8 April 2010	Revised financial calendar 2010
8 April 2010	Business transacted at Annual General Meeting and first meeting of the Board of Directors
7 April 2010	Announcement on the granting of proxies to the Board of Directors
26 March 2010	Share option plan – exercise price for share options granted for 2009
18 March 2010	Notice of Annual General Meeting of H+H International A/S
11 March 2010	Annual Report 2009
29 January 2010	Announcement on expiry of stabilisation period in relation to the rights issue completed on 23 December 2009

* Other company announcements concerning transactions by key management personnel and their connected persons involving H+H International A/S's shares and securities related to these are not included. All announcements can be viewed at www.HplusH.com.



Good insulation Aircrete's inherent thermal qualities provide good insulation while ensuring resistance to rot and fire.

Corporate governance

CORPORATE GOVERNANCE

As a company listed on NASDAQ OMX Copenhagen, H+H International A/S is subject to the rules for issuers of shares on that exchange, including the obligation to comply with the *Recommendations on Corporate Governance* of the Committee on Corporate Governance in Denmark or explain why specific recommendations are not complied with. The recommendations can be viewed on the Committee's website www.corporategovernance.dk.

In accordance with these recommendations, H+H International A/S reports the degree to which the company complied with the recommendations in 2010. The report takes the form of a table and comments relative to each individual recommendation. The corporate governance report for 2010 forms part of the company's *Statutory annual corporate governance statement*, cf. *Section 107b of the Danish Financial Statements Act*, which can be viewed on the company's website www.HplusH.com/governance_statement.

The full statutory statement is part of the management's review in the annual report for 2010. Besides the report on the company's corporate governance practices, the statutory statement includes two sections, 'The composition and function of the management entities' and 'Internal control and risk management systems for the financial reporting process', which are covered by the auditors' report in the annual report for 2010, whereas the other information in the statutory statement is not covered by the auditors' report.

Among other things, the Board of Directors set up a number of committees and introduced a self-assessment process in 2010, and is of the opinion that H+H International A/S essentially complies with the *Recommendations on Corporate Governance* revised in April 2010. However, the Board of Directors is aware that continued good corporate governance requires constant alignment of management and company practices, processes etc. in relation to the company's activities and the expectations of external stakeholders such as shareholders, customers, suppliers and society in general.

Corporate responsibility

CORPORATE RESPONSIBILITY (CR)

H+H develops, manufactures and sells aircrete products for construction projects in Western and Eastern Europe and is responsible for doing this in a sustainable manner – from a business, work and environmental point of view. This responsibility is an integral part of H+H's activities.

Aircrete is an extremely eco-friendly building material, not only because of its excellent thermal insulation properties but also because it is easy on the environment during the production process. Most of the materials used in the production of aircrete, such as lime and sand, are readily available, non-scarce natural resources, and pulverised fuel ash is used as a raw material in some countries. This ash is a residual product from power generation at coal-fired power stations. At the end of their life cycle, aircrete products can be reused, for example as road base.

CR POLICIES

H+H has a long tradition of sound ethical conduct and ensuring good health and safety and sustainability in its operations. As such, H+H has worked on CR for many years in practice, despite not having formal, consistent CR policies across the Group's companies. Action has been taken individually in the various countries on the basis of local legislation, trends and, to some extent, traditions.

In 2011, H+H expects to prepare and implement general Group-wide CR policies in order to contribute positively to the Group's development and take account of H+H's external stakeholder groups and the environment.

H+H has provisionally formulated the following guiding principles for the CR focus areas of environment, health and safety, and business ethics within which the individual CR policies are to be prepared:

Environment

H+H is to work actively to reduce the environmental impact of its manufacture of aircrete, and H+H's production and products are always to comply with applicable requirements and standards.

H+H is to work actively to increase the sustainability of its business in the production, transport and recycling of its products.

H+H's product development is to focus on further improving aircrete's positive environmental characteristics.

Health and safety

H+H is to be a safe place to work and is always to comply with statutory health and safety requirements wherever it does business.

H+H is to be an attractive and exciting place to work and able to attract skilled employees by offering competitive terms of employment and opportunities for personal and professional development.

H+H supports and respects internationally recognised human rights as set out in the Universal Declaration of Human Rights, including but not limited to:

- Freedom of organisation.
- Equal opportunities regardless of sex, religion, colour, ethnic or national origin and political convictions.

Business ethics

H+H is to comply as far as possible with generally accepted principles of good corporate governance, and H+H International A/S is to publish an annual corporate governance report on its website www.HplusH.com.

H+H is not to participate directly or indirectly in corruption, bribery or extortion of any kind.

H+H is to ensure that all of its suppliers comply with certain CR-related minimum requirements.

ACTIVITIES IN 2010

As mentioned above, despite not having formal CR policies in place, H+H has conducted its business based on corporate responsibility for many years.

Examples of the results of this informal approach to CR in 2010 include the steps taken to reduce energy consumption at the Finnish and Czech factories – projects set to continue in 2011.

It was also decided to install a new facility for handling aluminium at the Czech factory in order to improve health and safety and increase flexibility in terms of using different types of aluminium.

In addition, the individual factories' safety precautions and safety procedures were mapped with the aim of producing an overall policy for factory safety.

Production, innovation and development

Aircrete – a building material with unique properties

It is a light yet strong building material that provides good thermal insulation, making it ideally suited to building walls. The combination of vapour permeability, good insulation properties and inorganic natural materials also makes for a pleasant indoor climate in the finished building.

Key benefits of aircrete from H+H:

- Lightweight
- Excellent thermal insulation
- Strong for its weight
- Fire-safe
- Resistant to rot and fungal attack
- Quick and easy to build with
- Workable and easy to handle
- Vapour-permeable for a good indoor climate

Aircrete is extremely eco-friendly, not only because of its properties but also because it is easy on the environment during the production process compared with the production of other stone blocks such as cement blocks, LECA blocks and similar. Most of the materials used in its production, such as lime and sand, are readily available, non-scarce natural resources. In some countries, pulverised fuel ash, a residual product from power generation at coal-fired power stations, is used as a raw material.

At the end of their life cycle, aircrete products can be crushed and reused, for example as road base.

Manufacturing process

Aircrete is made from a combination of water, sand and/or pulverised fuel ash, cement, lime and a little aluminium powder.

The sand is ground in a ball mill to obtain a sufficiently fine-grained consistency and then mixed with the other main raw materials. To achieve aircrete's characteristic aerated structure, aluminium powder is added before the mixture is poured into moulds. With reinforced products, the reinforcing steel is laid into the moulds before they are filled. The mixture is then left to set until it reaches the desired hardness, after which it is cut to the desired sizes. Finally, the product is autoclaved for 10-12 hours and packed ready for use. The process requires considerable technical and manufacturing know-how and experience to ensure high and consistent quality.

Quality assurance

One of the cornerstones of H+H's business strategy for solution sales, Build with ease, is always to be able to produce and supply

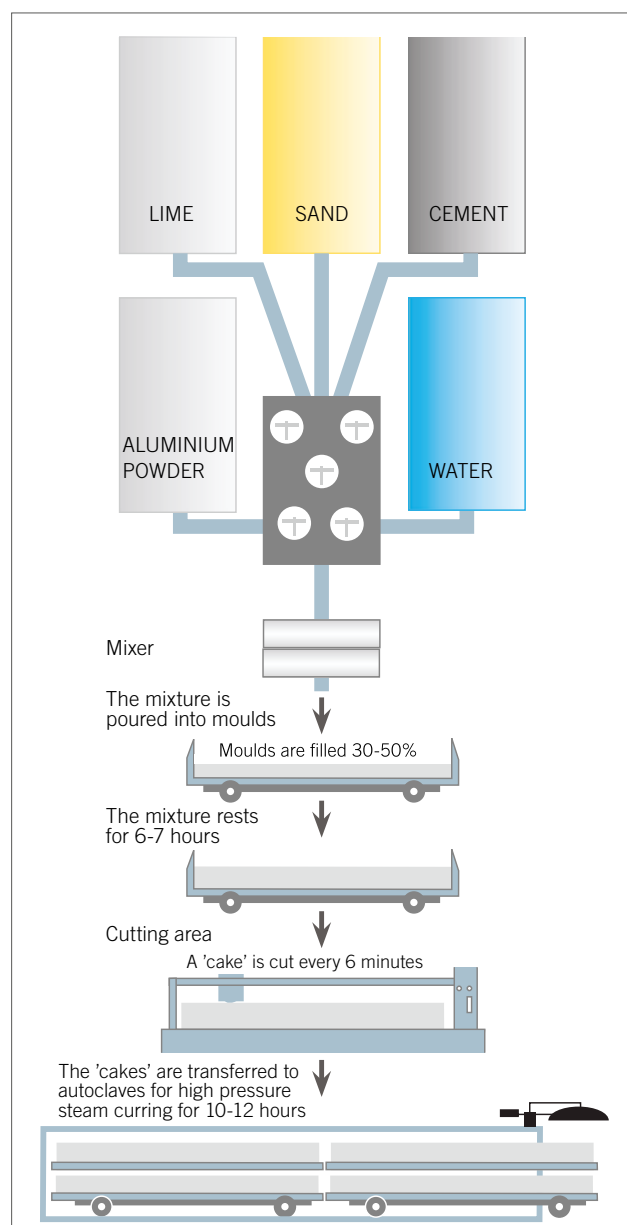


Figure: manufacturing process (in principle)

products of high and consistent quality. Quality assurance activities span a variety of well-established procedures, including both daily local checks at the individual factories and periodic chemical and mineralogical analyses and other tests at H+H's central R&D laboratory.

Lean manufacturing at H+H

The individual factories are assessed on a regular basis to ensure that H+H is always competitive. As a result of the economic crisis, there has also been a particular focus since mid-2008 on increasing productivity in order to fortify the production plant and costs against fiercer competition.

Besides continuous improvements at the individual factories, a benchmarking system was introduced in the first half of 2010 for comparing the various factories' performance. The aim is to systematically increase transparency and facilitate the exchange of experience between factories so that all apply best manufacturing practice.

On the basis of a pilot project at the Wittenborn II factory in Germany, it was decided at the same time as the introduction of the benchmarking system to use the Lean manufacturing methodology as a means of bringing about further efficiency improvements in both the short and the long term.

The overall objective of introducing Lean at the factories is to equip management with the tools and processes needed to establish a production culture focused on continuous improvements in productivity.

The Lean project is based around workshops and so-called Kaizen events (freestanding sessions focusing on a specific problem or measure), where participants are trained in using Lean tools to increase productivity at the individual factories.

The optimisation of H+H's production facilities through the Lean project, including further improvements in capacity utilisation at the factories, is expected to cut manufacturing costs by almost 5% in 2011 relative to 2010, which is a relatively ambitious target in the light of the many previous measures that have already been implemented and have led to production improvements.

Innovation and development

Most research and development work takes place at the R&D laboratory in Wittenborn in Germany, which focuses on developing and improving the properties of aircrete, testing alternative raw materials, optimising the production process, and finding new applications for aircrete.

Product development and innovation are generally the domain of the individual subsidiaries, as the development of new products needs to be tailored to local building regulations and traditions. However, newly developed products can often be marketed in other countries too with relatively few modifications.

One example of H+H's innovative product development is the thermo block launched in 2010.

This is a 3-in-1 solid block which combines the well-known, solid properties of aircrete with a core of insulation material. Together this gives a block which offers both effective insulation and rational

construction. H+H's thermo block measures 400 x 200 x 600 mm and has a U-value of just 0.13 W/m²K, which meets both the requirements for passive buildings and the new insulation requirements expected to be introduced within the European Union in 2020.

Thermo block walls make for a good indoor climate, not only because of these thermal insulation properties but also because aircrete is a fully breathable material.

Thermo blocks establish both bearing walls and insulation in one rapid process compared with the usual three (assembly of inner bearing wall, insulation layer and finally outer wall), and naturally contribute to a fairly significant reduction in both material costs and building time compared with traditional building.



With a total wall thickness of just 400 mm, the thermo block also results in more interior space than with other structures normally used to achieve the same U-value in terms of insulation. For example, a single-family home with a 150 m² external footprint will be around 3 m² larger inside than with a traditional solution. The new block also allows lower initial costs in the construction phase thanks to the rapid 3-in-1 assembly offered by H+H's thermo block.

The thermo block has attracted considerable interest in Germany, Denmark and Sweden, and a variation on it is also being produced and marketed in Finland, Poland and the Czech Republic.

Management

The Board of Directors held 11 meetings in 2010, including one strategy meeting. Remuneration of the individual members of the Board of Directors and the Executive Board for 2010 is presented in note 4.

The rules of procedure for the Board of Directors impose an age limit of 70 for its members. At the annual general meeting on 14 April 2011 and pursuant to the *Recommendations on Corporate Governance*, the Board of Directors will propose that this age limit be included in H+H International A/S's Articles of Association.

During the winter of 2010/2011, the Board of Directors undertook a self-evaluation based on input from each member's replies to a questionnaire. The results of this evaluation were discussed by the Board of Directors at a board meeting in March 2011. At the meeting the results of the evaluation were considered partly in the light of the Board of Directors' competence profile published on the company's website, and will be used together with recommendations from the Nomination Committee to decide who to nominate as candidates for the Board of Directors at the company's annual general meeting.

BOARD OF DIRECTORS

Anders C Karlsson (60)	Asbjørn Berge (55)	Stewart A Baseley (52)
<p>Industrial advisor.</p> <ul style="list-style-type: none"> Chairman. Joined the Board of Directors in 2005 and since re-elected. Chairman since April 2006. Member of the Audit Committee, Nomination Committee (chairman) and Remuneration Committee (chairman). Management experience in international companies in the building materials and contracting sector, including strategy development, and long-standing experience in international board work. Independent as defined by the Committee on Corporate Governance. Indirectly holds 4,500 H+H shares via his company Lasabotte AB, and there have been no changes in the holding in 2010. <p>Management positions and directorships</p> <ul style="list-style-type: none"> Chairman of the boards of AH Industries A/S, Inwido AB (Sweden), Rapid Granulator AB (Sweden) and WSP Europe AB (Sweden). Member of the boards of Lindab International AB (Sweden) and WSP Group plc (UK). Industrial advisor to Ratos AB (Sweden). Owner of and member of the boards of Anders C. Management AB (Sweden) and Lasabotte AB (Sweden). 	<p>Professional board member.</p> <ul style="list-style-type: none"> Deputy Chairman. Joined the Board of Directors in 2010. Member of the Nomination Committee and Remuneration Committee. Experience with management of production companies within the building materials sector and the building industry, and long-standing experience in board work. Management experience in international companies in the building materials and contracting sector, including strategy development, and long-standing experience in international board work. Independent as defined by the Committee on Corporate Governance. Holds 6,000 H+H shares, all acquired in 2010 before joining the Board of Directors. <p>Management positions and directorships</p> <ul style="list-style-type: none"> Chairman of the boards of Carnad A/S, Da'core Holding A/S and one subsidiary, Due Plast Holding A/S and one subsidiary, FM-Søkjær Holding 1 A/S and the subsidiary HusCompagniet as, InterBuild A/S and five subsidiaries, KA. Interiør Holding A/S and one subsidiary. Deputy chairman of Jørck og Larsen A/S. Member of the boards and director of Berge Invest ApS and Industri Invest Herning A/S. Member of the boards of C.C. Contractor A/S, Door Holding A/S, Ejendoms-selskabet Berlin og Hamborg A/S, Freja Transport & Logistics A/S, Junckers Industrier A/S and Godt Smil Holding ApS. 	<p>Executive Chairman, Home Builders Federation (UK).</p> <ul style="list-style-type: none"> Joined the Board of Directors in 2010. Member of the Remuneration Committee. Experience with the international housebuilding industry and the developer industry, particularly in the UK, as well as international management experience. Independent as defined by the Committee on Corporate Governance. <p>Management positions and directorships</p> <ul style="list-style-type: none"> Member of the board of the National House-Building Council (UK). Non-executive director of Banner Homes Group PLC (UK). Senior Advisor in regard to Central and Eastern Europe for Highlander Partners L.P. (USA). Director of Habitat for Humanity Great Britain (UK). Patron of Children with Special Needs Foundation (UK).

BOARD OF DIRECTORS

Heine Dalsgaard (39)

CFO, Grundfos Holding AG (Switzerland).

- Joined the Board of Directors in 2010. Member of the Audit Committee (chairman).
- Experience in management of group finance in a major global production company, including financing and risk management as well as turnarounds.
- Independent as defined by the Committee on Corporate Governance.

Management positions and directorships

- Managing director, chairman or member of the boards of eight companies in the Grundfos Group.

Pierre-Yves Jullien (60)

President and CEO, Hempel A/S.

- Joined the Board of Directors in 2010. Member of the Audit Committee.
- Experience in management of a major global production company, including turnarounds and efficiency improvement as well as B-t-B sales.
- Independent as defined by the Committee on Corporate Governance.

Management positions and directorships

- Managing director, chairman or member of the boards of 12 companies in the Hempel Group.

Henrik Lind (63)

Partner in the law firm Gorrissen Federspiel.

- Joined the Board of Directors in 1987 and since re-elected. Member of the Nomination Committee.
- Experience in international transactions and financing as well as board work and insight into stock exchange and other commercial law issues.
- Not independent as defined by the Committee on Corporate Governance – has been member of the Board of Directors longer than the recommended maximum 12-year period.

Management positions and directorships

- Deputy chairman of the Association of Danish Law Firms (Danske Advokater).

EXECUTIVE BOARD

Hans Gormsen (59)

CEO.

- CEO since 2004 and before that member of the Board of Directors of H+H International A/S (2002-2004). Hans Gormsen has resigned and will leave the company on 4 April 2011.
- In the period 2001-2004 Hans Gormsen was a member of the executive board of NCC AB (Sweden) and from 2002 to 2004 President of NCC Roads Holding AB (Sweden) (NCC AB's total activities within concrete, raw materials, asphalt as well as service and maintenance of roads). In 2001-2002 Hans Gormsen was Business Area Manager of NCC AB's business area Industry (asphalt, raw materials, concrete and rental of machinery). In connection with the merger between Superfos Construction A/S and NCC Rasmussen & Schiøtz in 1999, Hans Gormsen was appointed Deputy Managing Director of NCC Danmark A/S and manager of NCC Danmark A/S's business area Industry. Hans Gormsen worked for Superfos Construction A/S from 1989 and was appointed Managing Director in 1991. Before that Hans Gormsen was Technical Director of Chemcrete in Belgium.
- Hans Gormsen holds an MSc (Chemistry).
- Holds 16,200 H+H shares, and there have been no changes in the holding in 2010.

Management positions and directorships

- Chairman of the board of Veloso A/S.

Niels Eldrup Meidahl (38)

CFO.

- CFO since 2009 and member of the Executive Board since 2010. Member of the management team since 2009.
- Niels Eldrup Meidahl came to H+H from a position as CFO of DSV Miljø A/S (2006-2009). In the period 2002-2006 Niels Eldrup Meidahl worked with investor relations among, i.a. for Novozymes A/S, and in 2001-2002 he was CFO of Learning Lab Danmark. Prior to that he worked for Arthur Andersen as accountant and tax advisor (1997-2001).
- Niels Eldrup Meidahl holds an LL M and an MSc (Business Administration and Auditing).
- Holds 1,000 H+H shares, and there have been no changes in the holding in 2010.

Management positions and directorships

- Chairman of the board of Pharma 2100 ApS.

Description of the management

OTHER SENIOR EXECUTIVES

Henrik Dietrichsen (39)

Senior Vice President.

- Senior Vice President and member of the management team since 2006.
- Today Henrik Dietrichsen has area responsibility for Germany, the Netherlands, Belgium, Denmark, Norway and Sweden (since 2008) and also Managing Director of H+H Deutschland GmbH (since 2009).
- In the period 2006-2008 Henrik Dietrichsen was responsible for development and coordination of the H+H Group's sales and marketing activities. Before that Henrik Dietrichsen was Managing Director of H+H Danmark A/S (2003-2006) and Financial Controller of the H+H Group (2001-2003).
- Henrik Dietrichsen holds an MSc (Business Administration and Auditing).
- Holds 270 H+H shares, and there have been no changes in the holding in 2010.

Thomas Høi Terndrup-Larsen (46)

Senior Vice President.

- Senior Vice President of Production Technology and R&D and member of the management team since 2008.
- Thomas Høi Terndrup-Larsen came to H+H from a position as General Manager of Project Management, Project Division 1, FLSmidth A/S, and before that he served as Department Manager of Project Management, Project Division 1, FLSmidth A/S (2005-2008). Thomas Høi Terndrup-Larsen was Head of Operations (2001-2005) and served as Sales Manager (1998-2001) at FLSmidth Ltda. in Brazil. Prior to that Thomas Høi Terndrup-Larsen worked with FLSmidth A/S as sales engineer interrupted only by postings as erection manager in Chile (1997-1998) and as sales engineer in China (1992-1994).
- Thomas Høi Terndrup-Larsen holds an MSc (Engineering).



Lightness and flexibility

With no

special equipment needed, precision alterations and adjustments can easily be made on site.

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2010.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2010 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2010.

Copenhagen, 10 March 2011

In our opinion, the Management's review includes a fair review of the development in the parent company's and the Group's operations and financial conditions, the results for the year and the parent company's financial position, and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the more significant risks and uncertainty factors that the parent company and the Group face.

We recommend that the annual report be approved at the annual general meeting.

Executive Board

Hans Gormsen
CEO

Niels Eldrup Meidahl
CFO

Board of Directors

Anders C Karlsson
Chairman

Asbjørn Berge
Deputy Chairman

Stewart A Baseley

Heine Dalsgaard

Pierre-Yves Jullien

Henrik Lind

Independent auditors' report

To the shareholders of H+H International A/S

We have audited the consolidated financial statements and the parent company financial statements of H+H International A/S for the financial year 1 January – 31 December 2010, pp 32-81. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements for listed companies and provided a statement hereon.

Management's responsibility

Management is responsible for the preparation and presentation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of consolidated financial statements and parent company financial statements that give a true and fair view free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management is also responsible for the preparation of a Management's review that gives a fair review in accordance with Danish disclosure requirements for listed companies.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

Copenhagen, 10 March 2011

KPMG

Statsautoriseret Revisionspartnerselskab

Jesper Koefoed
State Authorised Public Accountant

Lau Bent Baun
State Authorised Public Accountant

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and presentation of the consolidated financial statements and the parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2010 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Income statement

Note (DKK '000)	Group		Parent company	
	2010	2009	2010	2009
3 Revenue	1,254,509	1,067,957	0	0
4, 15 Production costs	(1,002,756)	(820,277)	0	0
Gross profit	251,753	247,680	0	0
4 Other external expenses	(259,583)	(230,897)	(37,134)	(29,478)
5 Other operating income and expenses	(7,486)	(15,820)	14,907	5,849
Profit before depreciation, amortisation and financial items (EBITDA)	(15,316)	963	(22,227)	(23,629)
6 Depreciation	(119,775)	(121,505)	(950)	(910)
7 Impairment losses	(121,697)	(84,748)	(43,167)	(349,378)
Operating profit (EBIT)	(256,788)	(205,290)	(66,344)	(373,917)
8 Financial income	14,996	2,143	44,404	42,115
9 Financial expenses	(44,413)	(60,396)	(26,320)	(66,104)
Profit before tax	(286,205)	(263,543)	(48,260)	(397,906)
10 Tax on profit	15,727	31,046	(9,500)	4,784
Profit for the year	(270,478)	(232,497)	(57,760)	(393,122)
Attributable to:				
Shareholders in H+H International A/S	(270,478)	(232,496)		
Non-controlling interests	0	(1)		
	(270,478)	(232,497)		
Distribution of profit				
Retained earnings			(57,760)	(393,122)
Dividend for the year of DKK 0 per nominal share of DKK 50 (2009: DKK 0)			0	0
Profit for the year			(57,760)	(393,122)
11 Earnings per share (EPS-Basic)	(27.63)	(94.60)		
11 Diluted earnings per share (EPS-D)	(27.63)	(94.60)		

Statement of comprehensive income

Note (DKK '000)	Group		Parent company	
	2010	2009	2010	2009
Profit for the year	(270,478)	(232,497)	(57,760)	(393,122)
Other comprehensive income				
Foreign exchange adjustments, foreign companies	41,057	7,554	0	0
Value adjustments transferred to financial items	0	1,844	0	1,274
Tax on other comprehensive income	(3,365)	(422)	0	(319)
Other comprehensive income after tax	37,692	8,976	0	955
Total comprehensive income	(232,786)	(223,521)	(57,760)	(392,167)
Attributable to:				
Shareholders in H+H International A/S	(232,786)	(223,520)		
Non-controlling interests	0	(1)		
	(232,786)	(223,521)		

Balance sheet at 31 December

ASSETS

Note (DKK '000)	Group		Parent company	
	2010	2009	2010	2009
Non-current assets				
Intangible assets				
Goodwill	88,388	85,902	0	0
Other intangible assets	28,207	23,830	6,445	3,082
12	116,595	109,732	6,445	3,082
Property, plant and equipment				
Land and buildings	467,789	469,815	0	0
Plant and machinery	560,231	673,843	0	0
Fixtures and fittings, tools and equipment	137,187	182,529	897	1,882
Property, plant and equipment under construction	22,183	15,098	0	0
12	1,187,390	1,341,285	897	1,882
Other non-current assets				
13 Deferred tax assets	55,183	44,348	0	7,991
14 Investments in subsidiaries	0	0	1,129,072	1,120,103
Receivables from subsidiaries	0	0	649,808	699,836
	55,183	44,348	1,778,880	1,827,930
Total non-current assets	1,359,168	1,495,365	1,786,222	1,832,894
Current assets				
15 Inventories	181,779	209,913	0	0
16 Receivables from sale of goods	78,275	107,838	0	0
Tax receivable	599	1,630	0	0
16 Other receivables	12,180	14,738	1,117	1,245
Prepayments	9,039	7,877	0	0
Cash and cash equivalents	13,062	17,625	19	32
Total current assets	294,934	359,621	1,136	1,277
TOTAL ASSETS	1,654,102	1,854,986	1,787,358	1,834,171

EQUITY AND LIABILITIES

Note (DKK '000)	Group		Parent company	
	2010	2009	2010	2009
Equity				
Share capital	490,500	490,500	490,500	490,500
Translation reserve	(69,903)	(107,595)	0	0
Retained earnings	304,955	575,235	951,136	1,008,698
Proposed dividend	0	0	0	0
Shareholders in H+H International A/S' share of equity	725,552	958,140	1,441,636	1,499,198
Non-controlling interests	0	21	0	0
Total equity	725,552	958,161	1,441,636	1,499,198
Liabilities				
Non-current liabilities				
17 Pension obligations	80,585	74,078	0	0
18 Other provisions	20,137	17,076	0	0
13 Deferred tax liabilities	32,085	46,282	8,773	7,264
19 Credit institutions	626,174	612,190	286,643	311,432
Total non-current liabilities	758,981	749,626	295,416	318,696
Current liabilities				
19 Credit institutions	493	1,209	23	0
Trade payables	72,193	56,242	2,872	3,214
Income tax	12,876	2,014	0	0
Payables to subsidiaries	0	0	34,961	1,388
Other payables	84,007	87,734	12,450	11,675
Total current liabilities	169,569	147,199	50,306	16,277
Total liabilities	928,550	896,825	345,722	334,973
TOTAL EQUITY AND LIABILITIES	1,654,102	1,854,986	1,787,358	1,834,171

Cash flow statement

Note (DKK '000)	Group		Parent company	
	2010	2009	2010	2009
Operating activities				
Operating profit	(256,788)	(205,290)	(66,344)	(373,917)
Financial items	(41,008)	(58,253)	18,084	(23,989)
Depreciation, amortisation and impairment losses	241,472	206,253	44,117	350,288
Other adjustments	3,984	(3,781)	198	(1,757)
Change in inventories	34,055	7,890	0	0
Change in receivables	37,802	7,495	128	(717)
Change in trade payables and other payables	15,111	(3,526)	7,036	(4,457)
Onerous contract for 2009, paid in 2010	(2,660)	0	(2,660)	0
Income tax paid	(76)	7,477	0	2,800
	31,892	(41,735)	559	(51,749)
Investing activities				
Sale of property, plant and equipment	3,338	3,096	594	180
Acquisition of entities and capital contributions in subsidiaries	0	0	0	(9,492)
Acquisition of property, plant and equipment and intangible assets	(36,363)	(104,614)	(3,922)	(3,082)
Property, plant and equipment and intangible assets held under finance leases	0	0	220	0
Change in trade payables relating to investments	0	(17,834)	0	0
	(33,025)	(119,352)	(3,108)	(12,394)
Free cash flow	(1,133)	(161,087)	(2,549)	(64,143)
Financing activities				
Net proceeds from share issue	0	434,904	0	434,904
Unpaid expenses in connection with share issue	0	3,942	0	3,942
Paid expenses in connection with share issue	(3,942)	0	(3,942)	0
Buyback/sale of treasury shares and rights	0	848	0	848
Change in intragroup balances	0	0	31,464	(309,450)
Change in non-current payables	28	(268,652)	(24,986)	(66,100)
	(3,914)	171,042	2,536	64,144
Cash flow for the year	(5,047)	9,955	(13)	1
Cash and cash equivalents at 1 January	17,625	7,741	32	31
Foreign exchange adjustments of cash and cash equivalents	484	(71)	0	0
Cash and cash equivalents at 31 December 2010	13,062	17,625	19	32

Note Accounting and supplementary information

- | | |
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Statement of changes in equity

Group								
(DKK '000)								
	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total
Equity at 1 January 2009	109,000	(115,149)	(1,422)	750,729	0	743,158	22	743,180
Changes in equity in 2009								
Foreign exchange adjustments, foreign companies	0	7,554	0	0	0	7,554	0	7,554
Value adjustments transferred to financial expenses	0	0	1,844	0	0	1,844	0	1,844
Tax on changes in equity	0	0	(422)	0	0	(422)	0	(422)
Net gains recognised directly in equity	0	7,554	1,422	0	0	8,976	0	8,976
Profit for the year	0	0	0	(232,496)	0	(232,496)	(1)	(232,497)
Total comprehensive income	0	7,554	1,422	(232,496)	0	(223,520)	(1)	(223,521)
Capital reduction	(54,500)	0	0	54,500	0	0	0	0
Capital increase	436,000	0	0	34,880	0	470,880	0	470,880
Expenses in connection with share issue	0	0	0	(35,976)	0	(35,976)	0	(35,976)
Tax on changes in equity	0	0	0	2,367	0	2,367	0	2,367
Share-based payment	0	0	0	383	0	383	0	383
Sale of rights	0	0	0	848	0	848	0	848
Total changes in equity in 2009	381,500	7,554	1,422	(175,494)	0	214,982	(1)	214,981
Equity at 31 December 2009	490,500	(107,595)	0	575,235	0	958,140	21	958,161
Changes in equity in 2010								
Foreign exchange adjustments, foreign companies	0	41,057	0	0	0	41,057	0	41,057
Tax on changes in equity	0	(3,365)	0	0	0	(3,365)	0	(3,365)
Net gains recognised directly in equity	0	37,692	0	0	0	37,692	0	37,692
Profit for the year	0	0	0	(270,478)	0	(270,478)	0	(270,478)
Total comprehensive income	0	37,692	0	(270,478)	0	(232,786)	0	(232,786)
Expenses in connection with share issue	0	0	0	(311)	0	(311)	0	(311)
Share-based payment	0	0	0	509	0	509	0	509
Purchase of non-controlling interests	0	0	0	0	0	0	(21)	(21)
Total changes in equity in 2010	0	37,692	0	(270,280)	0	(232,588)	(21)	(232,609)
Equity at 31 December 2010	490,500	(69,903)	0	304,955	0	725,552	0	725,552

Statement of changes in equity

Parent company					
(DKK '000)					
	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2009	109,000	(955)	1,344,818	0	1,452,863
Changes in equity in 2009					
Value adjustments for the year	0	1,274	0	0	1,274
Tax on changes in equity	0	(319)	0	0	(319)
Profit for the year	0	0	(393,122)	0	(393,122)
Total comprehensive income	0	955	(393,122)	0	(392,167)
Capital reduction	(54,500)	0	54,500	0	0
Capital increase	436,000	0	34,880	0	470,880
Expenses in connection with share issue	0	0	(35,976)	0	(35,976)
Tax on changes in equity	0	0	2,367	0	2,367
Share-based payment	0	0	383	0	383
Sale of rights	0	0	848	0	848
Total changes in equity in 2009	381,500	955	(336,120)	0	46,335
Equity at 31 December 2009	490,500	0	1,008,698	0	1,499,198
Changes in equity in 2010					
Profit for the year	0	0	(57,760)	0	(57,760)
Total comprehensive income	0	0	(57,760)	0	(57,760)
Expenses in connection with share issue	0	0	(311)	0	(311)
Share-based payment	0	0	509	0	509
Total changes in equity in 2010	0	0	(57,562)	0	(57,562)
Equity at 31 December 2010	490,500	0	951,136	0	1,441,636

Treasury shares

	Number	Nominal value, DKK 1,000	% of share capital, year-end
Holding at 1 January 2009	20,489	2,049	1.9%
Purchased during the year	0	0	0%
Sold during the year	0	0	0%
Dilution effect	0	(1,025)	(1.7%)
Holding at 31 December 2009	20,489	1,024	0.2%
Purchased during the year	0	0	0%
Sold during the year	0	0	0%
Holding at 31 December 2010	20,489	1,024	0.2%

The selling price for the shares sold in 2010 totalled DKK 0 thousand (2009: DKK 0 thousand). However, rights totalling DKK 848 thousand were sold in connection with the share issue in 2009.

Treasury shares are acquired partly in order to hedge liabilities related to the company's option plans.

At 31 December 2010 a total of 71,739 shares are required in connection with the company's option plans (2009: 27,679 shares). Management has chosen not to hedge all the outstanding options as it is unlikely that all the options will be exercised.

Notes

1 Accounting policies

H+H International A/S is a public limited company registered in Denmark. The annual report for the period 1 January – 31 December 2010 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

The annual report of H+H International A/S for 2010 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In addition, the annual report has been prepared in compliance with the IFRSs issued by the IASB.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2010 on 10 March 2011. The annual report will be put before H+H International A/S' shareholders for approval at the annual general meeting on 14 April 2011.

Basis of preparation

The annual report is presented in DKK rounded to the nearest DKK 1,000.

The annual report has been prepared using the historical cost principle. However, recognised derivatives are measured at fair value, and non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less costs to sell.

The accounting policies set out below have been applied consistently during the financial year and to the comparative figures.

There have been no changes to the accounting policies compared with last year, except for implementation of new accounting standards.

Adoption of new and revised IFRSs

H+H International A/S has adopted the new or revised and amended International Financial Reporting Standards (IFRSs) issued by IASB and IFRSs endorsed by the Euro-

pean Union effective for the accounting year 2010. Based on an analysis carried out by H+H International A/S, the application of the new IFRSs has not had a material impact on the consolidated financial statements in 2010 and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

New IFRSs that have been issued but not yet come into effect

In addition to the above, IASB has issued a number of new or amended standards and interpretations (IFRSs) which have been endorsed by the European Union but not yet come into effect. H+H International A/S has thoroughly assessed the impact of these IFRSs that are not yet effective and determined that we do not anticipate any significant impact on the consolidated financial statements from the adoption of these standards.

Furthermore, IASB has issued IFRS 9 Financial Instruments which is required to be adopted by 1 January 2013. This is part of the IASB's project to replace IAS 39, and the new standard will substantially change the classification and measurement of financial instruments and hedging requirements. IFRS 9 has not been endorsed by the European Union, and a decision to do so is currently postponed. H+H International A/S has assessed the impact of the standard and determined that it will not have a significant impact on the consolidated financial statements.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the parent company H+H International A/S and subsidiaries in which H+H International A/S has control of the subsidiary's financial and operating policies so as to obtain returns or other benefits from the subsidiary's activities. Control exists when H+H International A/S holds or has the ability to exercise, directly or indirectly, more than 50% of the voting rights or otherwise has control of the subsidiary in question.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' financial statements, applying the H+H Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised

Notes

1 Accounting policies – continued

and unrealised gains arising from intragroup transactions are eliminated on consolidation.

Investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition.

Subsidiaries' items are recognised in full in the consolidated financial statements. Non-controlling interests' share of profit for the year and equity in subsidiaries that are not wholly owned is recognised as part of consolidated profit and equity respectively but disclosed separately.

Business combinations

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Entities disposed of or wound up during the year are recognised in the consolidated income statement up to the date of disposal. Comparative figures are not restated to reflect acquisitions.

On the acquisition of entities whereby the parent company obtains control of the acquiree, the purchase method is applied. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on the restatements made is recognised.

The acquisition date is the date on which H+H International A/S obtains control of the acquiree.

Any excess of, on the one hand, the consideration transferred, the recognised amount of non-controlling interests in the acquiree, and the fair value of any previously held equity interests, and, on the other, the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is recognised as goodwill under intangible assets.

Goodwill is not amortised, but tested at least annually for impairment. The first impairment test is carried out before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair

value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and translated on initial recognition into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The consideration for an entity consists of the fair value of the agreed consideration in the form of assets given, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or fulfilment of agreed terms and consideration, this part is recognised at fair value at the acquisition date. Costs attributable to business combinations are recognised directly in the income statement when incurred.

Should there be uncertainty about the identification or measurement of the assets acquired, the liabilities and contingent liabilities assumed, or the calculation of the consideration transferred, these are recognised initially on the basis of provisional values. Should the identification or measurement of the consideration transferred, the assets acquired or the liabilities and contingent liabilities assumed on initial recognition prove incorrect, the amounts (including goodwill) may be adjusted with retrospective effect for up to 12 months from the acquisition date, and the comparative figures restated accordingly. After this, no adjustments may be made. Changes in estimated contingent consideration are generally recognised directly in the income statement.

Gains or losses on disposal or winding-up of subsidiaries are determined as the difference between proceeds on disposal and the carrying amount of net assets including goodwill at the date of disposal and costs to sell. Insofar as goodwill from business combinations occurring before 1 January 2002 has been written off immediately directly against equity, the carrying amount at the date of disposal is DKK 0.

Foreign currency translation

For each entity included in the consolidated financial statements, a functional currency has been determined. The functional currency of an entity is the currency of the primary

1 Accounting policies – continued

economic environment in which the entity operates. Transactions in currencies other than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date at which the receivable or payable arose or the exchange rate used in the last annual report is recognised in the income statement as financial income or financial expenses.

On the recognition in the consolidated financial statements of foreign entities with a functional currency other than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not give a significantly different view. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date, and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date, are recognised directly in equity under a separate translation reserve. These differences are allocated between the parent company shareholders' share of equity and non-controlling interests' share of equity.

Foreign exchange adjustments of balances considered part of the overall net investment in entities with a functional currency other than DKK are recognised in the consolidated financial statements directly in equity under a separate translation reserve. Correspondingly, foreign exchange gains and losses on that part of loans and derivative financial instruments entered into to hedge the net investment in such entities which effectively hedges against corresponding exchange gains/losses on the net investment in the entity

are recognised directly in equity under a separate translation reserve.

On the complete or partial disposal of a foreign operation, or on the repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised directly in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised. On the disposal of partially owned foreign subsidiaries, the part of the translation reserve attributable to non-controlling interests is not transferred to the income statement.

On the partial disposal of foreign subsidiaries without loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to non-controlling interests' share of equity.

The repayment of balances that are considered part of the net investment is not itself considered to constitute partial disposal of the subsidiary.

Derivative financial instruments

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables respectively, and offsetting of positive and negative fair values is only effected if the entity is permitted to and intends to settle several financial instruments net in cash. Fair values of derivative financial instruments are determined on the basis of current market data and recognised valuation methods.

Fair value hedges. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability to the extent of the hedged risk. Hedges of the value of future cash flows from contracts concluded (firm commitments) are accounted for as fair value hedges, except in the case of foreign currency hedging.

That part of a derivative financial instrument that is not part of a hedging relationship is presented under financial items.

Notes

1 Accounting policies – continued

Cash flow hedges. Changes in the portion of the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of future cash flows and providing an effective hedge against changes in the value of the hedged item are recognised in equity under a separate hedging reserve until the hedged cash flows affect the income statement. The resulting gain or loss is then transferred from equity and recognised in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative gain or loss recognised in equity is transferred to the income statement when the hedged cash flows affect the income statement.

If the hedged cash flows are no longer expected to be realised, the cumulative gain or loss is recognised immediately in the income statement.

That part of a derivative financial instrument that is not part of a hedging relationship is presented under financial items.

Hedges of a net investment. Changes in the fair value of derivative financial instruments that are used to hedge net investments in foreign Group entities and that provide an effective hedge against changes in foreign exchange rates in these Group entities are recognised in the consolidated financial statements directly in equity under a separate translation reserve.

That part of a derivative financial instrument that is not part of a hedging relationship is presented under financial items.

Other derivative financial instruments. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement under financial items on a continuing basis.

Some contracts have terms and conditions equivalent to derivative financial instruments. Such embedded financial instruments are recognised separately and measured at fair value on a continuing basis if they differ significantly from the host contract, unless the entire combined contract is recognised and measured at fair value on a continuing basis.

INCOME STATEMENT

Revenue from the sale of goods for resale and finished goods is recognised in the income statement if delivery and transfer of risk to the buyer have taken place, and if the income can be measured reliably and is expected to be received.

Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

Production costs comprise costs incurred in generating the revenue for the year. The trading entities recognise cost of sales and the producing entities' production costs, equivalent to revenue for the year. This includes the direct and indirect cost of raw materials and consumables, and wages and salaries.

Other external expenses cover other expenses, including purchases of goods and services that are not directly attributable to production. Also included in this item are staff costs that are not directly attributable to production.

Other external expenses also include research and development costs that do not meet the criteria for capitalisation.

Other operating income and expenses comprise items secondary to the entities' activities, such as gains and losses on disposal of property, plant and equipment. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less selling costs and the carrying amount at the date of disposal.

Financial income and expenses comprise interest income and expenses, capital gains and losses, and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including finance lease obligations, and surcharges and allowances under the tax prepayment scheme etc. Financial income and expenses also include realised and unrealised gains and losses relating to derivative financial instruments that cannot be designated as hedging transactions.

However, borrowing costs related to the financing of the production of the H+H Group's assets are recognised in the cost of the assets.

1 Accounting policies – continued

Dividends from investments in subsidiaries are credited to the parent company's income statement in the financial year in which they are declared.

Tax on profit comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that relates to amounts recognised directly in equity is recognised directly in equity.

H+H International A/S is taxed jointly with all its Danish companies. The current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income. Subsidiaries that utilise tax losses in other subsidiaries pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses, while subsidiaries with tax losses that are utilised by other subsidiaries receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Where the H+H Group receives a tax deduction in the calculation of taxable income in Denmark or abroad as a result of share-based payment schemes, the tax effect of these schemes is recognised in tax on profit. If the total deduction exceeds the total remuneration expense, the tax effect of the excess deduction is recognised directly in equity.

BALANCE SHEET

Goodwill is recognised initially in the balance sheet at cost as described under Business combinations. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the H+H Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the H+H Group's organisational and internal reporting structure.

Other intangible assets comprise development projects, patents, licences and other intangible assets.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the entity

can be demonstrated, and which the entity intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Recognised development costs are measured at cost less cumulative amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the H+H Group's development activities and interest expenses on loans to finance the production of development projects that relate to the production period.

On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

Patents and licences are measured at cost less cumulative amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the shorter of the remaining patent or contract period and the useful life. The amortisation base is reduced by any impairment losses.

Other intangible assets are amortised on a straight-line basis over the expected useful lives of the assets.

Property, plant and equipment. Land and buildings, plant and machinery, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition up to the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Cost is increased by estimated costs for dismantling and removal of the asset and restoration costs, to the extent that they are recognised as a provision, and interest expenses on loans to finance the production of property, plant and equipment that relate to the production period. The cost of a combined asset is divided into separate com-

Notes

1 Accounting policies – continued

ponents that are depreciated separately if the components have different useful lives.

In the case of assets held under finance leases, cost is determined at the lower of the assets' fair value and the present value of the future minimum lease payments. In determining the present value, the interest rate implicit in the lease is used as the discount rate or the H+H Group's incremental borrowing rate.

Subsequent costs, for example in connection with replacement of part of an item of property, plant or equipment, are recognised in the carrying amount of the asset if it is probable that future economic benefits will flow to the H+H Group from the expenses incurred. The replaced part is derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Buildings 10-50 years
- Plant and machinery 2-20 years
- Fixtures and fittings, tools and equipment 2-10 years
- Intangible assets 3-35 years

Land is not depreciated.

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount.

The effect on depreciation of any changes in depreciation period or residual value is recognised prospectively as a change in accounting estimates.

Investments in subsidiaries in the parent company's financial statements. Investments in subsidiaries are measured at cost. If there is any indication of impairment, an impairment test is carried out as described in the H+H

Group's accounting policies. Cost is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount.

Impairment of non-current assets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, the first time before the end of the year of acquisition. Development projects in process are similarly tested for impairment annually.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates. Impairment losses relating to goodwill are recognised as a separate line item in the income statement.

The carrying amounts of other non-current assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less expected disposal costs and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under depreciation, amortisation and impairment losses.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment loss have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation/amortisation if no impairment losses had been charged.

1 Accounting policies – continued

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value.

In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

In the case of finished goods and work in progress, cost comprises raw materials, consumables, direct labour, and production overheads. Production overheads comprise indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process, and the cost of factory administration and management.

The net realisable value of inventories is determined as the selling price less any costs of completion and costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and developments in expected selling price.

A write-down for bad and doubtful debts is recorded if there is any objective evidence that an impairment loss on a receivable has been incurred. If objective evidence of impairment exists, the impairment loss is determined individually. Receivables that have been found not to be individually impaired are tested for impairment in groups. Impairment losses are calculated as the difference between the carrying amount and the present value of the estimated future cash flows, including the realisable value of any collateral received. The discount rate applied is the effective interest rate of the individual receivable. Write-downs and losses on receivables are recognised as other external expenses.

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less write-downs for bad and doubtful debts.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years. Prepayments are measured at amortised cost.

EQUITY

Proposed dividends are recognised as a liability at the date of adoption at the annual general meeting (declaration date). The expected dividend for the year is disclosed as a separate item under equity.

Treasury shares. Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly in retained earnings under equity. Capital reductions on the cancellation of treasury shares reduce the share capital by an amount equivalent to the nominal value of the shares.

Proceeds from the sale of treasury shares in H+H International A/S in connection with the exercise of share options are taken directly to equity.

Translation reserve. This comprises parent company shareholders' share of foreign exchange differences arising on the translation of financial statements of entities with a functional currency other than DKK, foreign exchange adjustments relating to assets and liabilities that form part of the H+H Group's net investment in such entities, and foreign exchange adjustments relating to hedging transactions that hedge the H+H Group's net investment in such entities.

Hedging reserve. This comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised.

Incentive schemes. The H+H Group's incentive schemes comprise a share option plan for senior executives.

The value of services rendered by employees in return for option grants is measured at the fair value of the options.

For equity-settled share options, the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period.

The costs are set off directly against equity.

On initial recognition of the share options, the number of options expected to vest is estimated, cf. the service condition described in note 4. The estimate of the number

Notes

1 Accounting policies – continued

of vested options is adjusted subsequently, so that the total recognition is based on the actual number of vested options.

The fair value of the options granted is estimated using an option pricing model. The calculation takes account of the terms and conditions attaching to the share options granted.

Pension obligations. The H+H Group has entered into pension agreements and similar agreements with some of its employees.

Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions concerning future trends in factors such as salary levels, interest rates, inflation and mortality.

The value in use is determined only for the benefits attributable to service already rendered to the H+H Group. The actuarially determined value in use less the fair value of any plan assets is recognised in the balance sheet under pension obligations, except as stated below.

The pension cost for the year is recognised in the income statement based on actuarial estimates and the financial outlook at the start of the year. If the cumulative actuarial gains and losses at the start of a financial year exceed the greater of the numerical value of 10% of the pension obligations and 10% of the fair value of the plan assets, the excess is recognised in the income statement. The amount in question is recognised in the income statement over the participating employees' expected average remaining working lives with the company. The proportion of actuarial gains/losses that is not recognised is disclosed in a note.

In the case of a change in benefits for employee service with the entity in prior periods, a change in the actuarially determined value in use arises which is designated as a historical cost. Historical costs are charged to the income statement immediately to the extent that the amended benefits have

already vested. If not, they are recognised in the income statement over the vesting period for the amended benefits.

If the calculation results in plan assets exceeding liabilities to the H+H Group, the recognised asset is limited to the net total of any future refunds from the plan or reductions in future contributions to the plan.

Income tax and deferred tax. Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. However, the following temporary differences are not recognised: goodwill not deductible for tax purposes, office properties and other items – apart from business combinations – where temporary differences have arisen at the date of acquisition that affect neither accounting nor taxable profit. Where alternative tax rules can be applied to compute the tax base, deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the H+H Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously.

Adjustment of deferred tax is made in respect of elimination of unrealised intragroup profits and losses.

Deferred tax is measured on the basis of the tax rules and at the tax rates that will apply under the legislation enacted at the balance sheet date in the respective countries when the

1 Accounting policies – continued

deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Under the joint taxation rules, H+H International A/S, as the administration company, becomes liable for the subsidiaries' income taxes to the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable and receivable are recognised in the balance sheet under Receivables/payables from Group entities.

Provisions. Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the H+H Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

The measurement of provisions is based on management's best estimate of the amount expected to be required to settle the obligation.

In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation. A pre-tax discount rate is applied that reflects society's general interest rate level plus the specific risks attaching to the provision. The changes in present values during the financial year are recognised under financial expenses.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

A provision for restructuring is recognised when a detailed formal plan for the restructuring has been made public, no later than the balance sheet date, to those affected by the plan.

A provision for onerous contracts is recognised when the benefits expected to be derived by the H+H Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

When the H+H Group has an obligation to dismantle or remove an asset or restore the site on which the asset has

been used, a provision equivalent to the present value of the expected future expenses is recognised.

Leasing. Lease commitments are accounted for as commitments under finance leases and commitments under operating leases respectively. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the leased asset. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the associated liability is described in the sections on property, plant and equipment, and financial liabilities respectively.

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Financial liabilities. Bank loans etc. are recognised at the date of borrowing at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal amount is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, measured at amortised cost.

Other liabilities are measured at amortised cost.

CASH FLOW STATEMENT

The cash flow statement shows the cash flows for the year, broken down by operating, investing and financing activities, and the year's change in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately under cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition, and cash flows from disposals of entities are recognised up to the date of disposal.

Notes

1 Accounting policies – continued

Cash flows in currencies different from the functional currency are translated at average exchange rates, unless these deviate significantly from the rates at the transaction date.

Cash flows from operating activities are determined as pre-tax profit adjusted for non-cash operating items, change in working capital, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities; acquisitions and disposals of intangible assets, property, plant and equipment, and other non-current assets; and acquisitions and disposals of securities that are not recognised as cash and cash equivalents.

Finance leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated expenses as well as the raising of loans, repayment of interest-bearing debt, repurchase and sale of treasury shares, and payment of dividends.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash and securities with a maturity of less than three months at the time of acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.

SEGMENT INFORMATION

Segment information is prepared in accordance with the H+H Group's accounting policies and internal financial reporting.

Segment income, segment expenses, segment assets and segment liabilities are those items that are directly attributable to the individual segment or can be allocated to the segment on a reliable basis. Unallocated items comprise primarily assets, liabilities, income and expenses relating to the H+H Group's administrative functions, investing activities etc.

Non-current segment assets are those non-current assets that are employed directly by the segment in its operating activities, including intangible assets and property, plant and equipment.

Current segment assets are those current assets that are employed directly by the segment in its operating activities, including inventories, trade receivables, other receivables, prepayments, and cash and cash equivalents.

Segment liabilities are those liabilities that result from the segment's operating activities, including trade payables and other payables.

1 Accounting policies – continued

FINANCIAL RATIOS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.

Other financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2010'.

The financial ratios under financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on invested capital (ROIC)	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Profit	Profit attributable to the shareholders in the parent company
Earnings per share (EPS-Basic)	$\frac{\text{Profit}}{\text{Average number of shares outstanding}}$
Diluted earnings per share (EPS-D)	$\frac{\text{Diluted earnings}}{\text{Diluted average number of shares outstanding}}$
Return on equity	$\frac{\text{Profit} \times 100}{\text{Average equity excl. non-controlling interests}}$
Solvency ratio	$\frac{\text{Equity at year-end attributable to the H+H Group} \times 100}{\text{Total equity and liabilities, year-end}}$
Book value per share, year-end	$\frac{\text{H+H Group equity, year-end}}{\text{Number of shares, year-end}}$
Price/book value	$\frac{\text{Share price}}{\text{Book value per share, year-end}}$
Price-earnings ratio (PE)	$\frac{\text{Share price}}{\text{Earnings per share}}$
Payout ratio	$\frac{\text{Total dividend paid} \times 100}{\text{Profit}}$
Free cash flow	The sum of cash flow from operating and investment activities

Notes

2 Management's estimates and judgements

Estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires management to make judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on historical experience and other factors that are believed by management to be sound under the circumstances, but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the H+H Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates. Particular risks to the H+H Group are discussed in the management review on page 14-16 and in note 23.

It may be necessary to change estimates made previously as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events.

Due to developments in the global economy and financial markets in 2009 and 2010, the uncertainty related to a number of key assumptions concerning the future, including credit risks, interest rate levels, sales volume, volatility etc., is greater than in previous years.

Estimates that have a significant effect on the financial reporting are made in connection with, for example, the determination of depreciation, amortisation and impairment losses, provisions, fair values, and pension obligations. The H+H Group is dependent on debt financing in the coming years and maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 23.

Impairment testing. Annual impairment testing of goodwill and property, plant and equipment is based on the value in use of the individual cash-generating unit, using the discounted cash flow method. The calculation is based on budgets approved by management. Cash flows after the budget period are extrapolated using individual growth rates. The discount rate used for the calculation does not contain possible impacts of future risks, as these are included in future cash flows.

The cash flows and growth rates take account of previous experiences, and represent management's best estimate of future developments. In combination with the discount rate, however, these judgements may have a significant impact on the calculated values. Further information can be found in note 12. The total carrying amount of goodwill at the end of 2010 was DKK 88 million (2009: DKK 85 million). The total carrying amount of property, plant and equipment at the end of 2010 was DKK 1,187 million (2009: DKK 1,341 million).

Defined benefit pension plans. The present value of pension obligations depends on the actuarial assumptions made. These assumptions comprise the discount rate, the estimated return on plan assets, future salary increases, mortality and future developments in pension obligations.

All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations. Estimates regarding pension obligations are discussed in note 17.

Accounting policies

As part of the application of the H+H Group's accounting policies, management makes judgements, in addition to estimates, that may have a significant effect on the amounts recognised in the consolidated financial statements and the annual report.

No special judgements were made in either 2009 or 2010.

3 Segment information

Group

DKK million

2010

	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reporting segments
Revenue, external	624.9	254.9	879.8	359.6	15.1	374.7	1,254.5
Revenue, internal	124.4	0	124.4	11.8	0	11.8	136.2
EBITDA	49.1	(22.0)	27.1	3.3	(9.3)	(6.0)	21.1
Depreciation and amortisation	(69.9)	(2.5)	(72.4)	(46.1)	(0.2)	(46.3)	(118.7)
EBITA	(20.8)	(24.5)	(45.3)	(42.8)	(9.5)	(52.3)	(97.6)
Impairment losses	0	(0.2)	(0.2)	(120.0)	0	(120.0)	(120.2)
Operating profit (EBIT)	(20.8)	(24.7)	(45.5)	(162.8)	(9.5)	(172.3)	(217.8)
Financial income	0.5	0.2	0.7	2.0	1.9	3.9	4.6
Financial expenses	(13.9)	(2.2)	(16.1)	(40.1)	(1.3)	(41.4)	(57.5)
Profit before tax*	(34.2)	(26.7)	(60.9)	(200.9)	(8.9)	(209.8)	(270.7)
Non-current assets	583.0	32.6	615.6	732.4	1.2	733.6	1,349.2
Investments in intangible assets and property, plant and equipment	13.4	3.1	16.5	14.4	1.2	15.6	32.1
Assets	786.9	94.2	881.1	817.9	2.5	820.4	1,701.5
Equity	282.2	13.1	295.3	95.5	(31.7)	63.8	359.1
Liabilities	504.7	81.1	585.8	722.4	34.2	756.6	1,342.4
Average full-time equivalent staff	446	68	514	629	16	645	1,159

2009

	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reporting segments
Revenue, external	534.8	218.6	753.4	294.9	19.7	314.6	1,068.0
Revenue, internal	130.0	0	130.0	14.7	0	14.7	144.7
EBITDA	52.0	(21.1)	30.9	19.3	(7.3)	12.0	42.9
Depreciation and amortisation	(83.8)	(2.6)	(86.4)	(34.1)	(0.1)	(34.2)	(120.6)
EBITA	(31.8)	(23.7)	(55.5)	(14.8)	(7.4)	(22.2)	(77.7)
Impairment losses	(20.4)	(0.6)	(21.0)	0	(6.0)	(6.0)	(27.0)
Operating profit (EBIT)	(52.2)	(24.3)	(76.5)	(14.8)	(13.4)	(28.2)	(104.7)
Financial income	0	0.4	0.4	1.7	0.1	1.8	2.2
Financial expenses	(18.8)	(1.6)	(20.4)	(34.8)	(1.5)	(36.3)	(56.7)
Profit before tax*	(71.0)	(25.5)	(96.5)	(47.9)	(14.9)	(62.8)	(159.3)
Non-current assets	637.7	28.8	666.5	805.1	6.2	811.3	1,477.8
Investments in intangible assets and property, plant and equipment	10.0	4.2	14.2	80.0	0.3	80.3	94.5
Assets	846.5	73.8	920.3	917.6	12.6	930.2	1,850.5
Equity	304.6	9.7	314.3	221.4	(15.4)	206.0	520.3
Liabilities	541.9	64.1	606.0	696.2	28.0	724.2	1,330.2
Average full-time equivalent staff	448	72	520	681	18	699	1,219

* The H+H Group's consolidated profit before tax and management fee etc.
Transactions between segments are carried out at arm's length.

Notes

3 Segment information – continued

Group

Reconciliation of revenue, profit before tax, assets and liabilities of reporting segments		
Revenue	2010	2009
Segment revenue for the reporting segments	1,390.7	1,212.7
Revenue for other operating segments	0	0
Elimination of inter-segment sales	(136.2)	(144.7)
	1,254.5	1,068.0
Profit before tax		
Segment profit before tax for reporting segments	(272.6)	(159.3)
Profit for other operating segments	0	0
Elimination of inter-segment transactions	0	0
Impairment losses, non-reporting segment	(1.5)	(65.7)
Non-allocated Group expenses, central functions	(12.1)	(38.5)
	(286.2)	(263.5)
Assets		
Total assets for reporting segments	1,701.5	1,850.5
Elimination of internal profit on assets	0	(2.2)
Other non-allocated assets, eliminations and similar	(47.4)	6.7
	1,654.1	1,855.0
Liabilities		
Total liabilities for reporting segments	1,342.4	1,330.2
Other non-allocated obligations, eliminations and similar	(413.8)	(433.4)
	928.6	896.8

Revenue in Denmark was DKK 83,082 thousand in 2010 (2009: DKK 73,704 thousand). Non-current assets in Denmark at year-end 2010 amounted to DKK 20,862 thousand (2009: DKK 24,938 thousand).

Key customers

None of the H+H Group's customers represented more than 10% of the H+H Group's total revenue in 2009 or 2010. The following countries represent more than 10% of revenue or non-current assets.

DKK million	2010		2009	
	Revenue	Non-current assets	Revenue	Non-current assets
UK	415.9	240.3	294.2	252.2
Germany	261.8	314.7	302.6	342.4
Poland	231.9	364.4	236.6	363.1
Russia	80.8	210.3	24.2	269.1
Czech Republic	58.8	169.0	48.8	172.9
Other countries and eliminations	205.3	60.5	161.6	95.7
	1,254.5	1,359.2	1,068.0	1,495.4

When presenting information on geographical areas, information on revenue is based on the legal entity.

4 Staff costs	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Wages and salaries	254,380	227,486	21,943	13,662
Defined benefit plans, see note 17	12,719	11,022	0	0
Defined contribution plans	5,352	3,257	0	0
Share-based payment	509	383	252	310
Remuneration to the Board of Directors	1,825	1,731	1,825	1,731
Other staff costs	29,910	28,929	596	304
	304,695	272,808	24,616	16,007
Staff costs are recognised as follows:				
Production costs	151,978	139,047	0	0
Other external expenses	152,717	133,761	24,616	16,007
	304,695	272,808	24,616	16,007
Remuneration to the Executive Board:				
Hans Gormsen:				
Salaries and fees	2,866	2,866	2,866	2,866
Bonus plans	0	0	0	0
Share-based payment	244	346	244	346
Termination benefit	5,330	0	5,330	0
Niels Eldrup Meidahl:				
Salaries and fees	125	0	125	0
Bonus plans	0	0	0	0
	8,565	3,212	8,565	3,212
Remuneration to other senior executives:				
Salaries and fees	4,055	4,260	3,341	3,546
Bonus plans	0	0	0	0
Share-based payment	182	(36)	182	(36)
	4,237	4,224	3,523	3,510
Average full-time equivalent staff	1,175	1,238	16	19

Board of Directors

As in 2009, the Board's ordinary remuneration for 2010 as determined by the annual general meeting breaks down into DKK 500,000 to the Chairman of the Board and DKK 200,000 to each of the other five members. The Board of Directors had eight members in 2009 until two resigned, in September and November respectively, after which there were six members through to the annual general meeting on 8 April 2010, at which six members were elected.

Unlike previously, when the entire Board of Directors handled committee functions, the Board of Directors elected in April 2010 appointed an audit committee, a remuneration committee and a nomination committee, each consisting of three board members. Unlike in 2009, when no special remuneration was paid to the Board of Directors, the Board of Directors has decided, subject to the approval of the annual general meeting as part of its adoption of the annual report for 2010, to pay special remuneration of DKK 75,000 to Asbjørn Berge for his work as deputy chairman during the period April – December 2010. Similarly, the Board of Directors has decided that each of its six members should receive special remuneration of DKK 75,000 for committee work. It should be noted that because the previous Board of Directors did not appoint a deputy chairman or any committees, the annual general meeting's decision in April 2010 on the Board of Directors' remuneration for 2010 did not take this into account. At the annual general meeting on 14 April 2011, the Board of Directors' proposal for its remuneration will cover both ordinary board duties and committee work.

Executive Board

Until November 2010, the Executive Board consisted solely of CEO Hans Gormsen. CFO Niels Eldrup Meidahl joined the Executive Board on 26 November 2010.

Senior executives

Until November 2010, the group of senior executives numbered three people. CFO Niels Eldrup Meidahl transferred to the Executive Board on 26 November 2010. Of the total staff costs for 2010, 50% was attributable to aircrete manufacture (2009: 51%).

Notes

4 Staff costs – continued

Share-based incentive schemes

In May 2007, the Board of Directors of H+H International A/S established a share option plan for the Executive Board and other senior executives with a vesting period of 2007-2009. No option plan was adopted for 2010. The Board of Directors of H+H International A/S is not included in the company's share option plan.

As a consequence of the changes made to H+H International A/S' capital and share structure through the merger of share classes, the rights issue resulting in a net increase in share capital of DKK 436 million at DKK 50 per share, and the general adjustment clause in the original share option agreements concluded between the company and the respective recipients of share options before these capital changes were made, the company must adjust the allocated share options.

This adjustment has been performed such that the value of the allocated share options is the same after the aforementioned capital changes as before, i.e. the moneyness of the allocated share options (the degree to which they are in or out of the money) remains the same. The adjustments are based on the Black-Scholes formula, and the calculations have been made by the company's external auditors on the basis of assumptions provided by the company for volatility, time of exercise and dividends.

Each share option entitles the holder to buy one share. The total number of underlying shares in the share option plan for grants for 2007, 2008 and 2009 is 5,325 shares, 5,250 shares and 6,044 shares (the number of shares is prior to adjustment). The exercise price is fixed immediately after the publication of the annual report for the year in question, calculated as the average price in the ten business days after the publication of the annual report plus 20%. The options are exercisable during a one-year period beginning three years and ending four years after the publication of the annual report for the financial year. The right to be granted and to exercise share options is conditional upon the option holder's employment with the company not having ceased, either due to the option holder having given notice of termination or due to breach of contract on the part of the option holder. There are no other vesting conditions. The fair value of the share option plan has been calculated at DKK 4.5 million in total, and breaks down into DKK 1.5 million for the 2007 grant, DKK 1.5 million for the 2008 grant and DKK 1.5 million for the 2009 grant.

Costs will be recognised in the financial statements as staff costs over the period from 2007 to 2013. The fair value of options granted to the Executive Board totals DKK 2.0 million and breaks down into DKK 0.7 million for the 2007 grant, DKK 0.7 million for the 2008 grant and DKK 0.6 million for the 2009 grant. The costs related to the options granted to the Executive Board will also be recognised in the financial statements as staff costs over the period from 2007 to 2013. Fair values have been calculated using the Black-Scholes formula. The main assumptions for the calculation of fair values using the Black-Scholes formula are a share price of DKK 2,160 and an exercise price of DKK 2,592 per DKK 100 share, a volatility of 25%, an interest rate of 4%, a dividend rate of 2%, and average exercise three years after the grant date (the assumptions for calculation of fair value have not been updated since the adjustment). Volatility has been determined on the basis of an expected future level based on historical volatility. No other special circumstances relating to option grants have been taken into account in calculating the fair value, such as requirements concerning employment or the non-negotiability of the options, even though these factors would reduce the fair value.

No share options were exercised in 2009 or 2010. At year-end 2010 there were no more outstanding exercisable options (2009: 9,459). In 2010, 0 granted options were forfeited (2009: 3,680). In addition, 1,662 granted options expired. At year-end 2010, the total share option plans amounted to 71,739 shares with exercise windows in the periods 2009-2010, 2010-2011, 2011-2012, 2012-2013 and 2013-2014. The outstanding options correspond to 0.7% of the share capital. All the options are subject to final pricing. The options can only be settled in shares. The share option plans that are expected to be exercisable are substantially hedged by treasury shares at the date of final pricing, however no hedging has been carried out in recent years as the relatively large drop in the company's share price means that the probability of the oldest years of share options still exercisable being able to be used before expiry of the exercise period is considered very low. Treasury shares amounted to 20,489 shares at year-end 2010 and 20,489 shares at year-end 2009. The outstanding options have an average remaining contractual life of 2.6 years (2009: 2.8 years) and an exercise price in the range of DKK 79-638 per option (2009: DKK 79-638 per option). The cost recognised in the 2010 income statement in respect of share options was DKK 509 thousand (2009: DKK 383 thousand).

4 Staff costs – continued

(DKK '000)	Total		Executive Board		Other employees	
	Number	Avg exercise price	Number	Avg exercise price	Number	Avg exercise price
Outstanding options						
Outstanding options at 31 December 2008	95,913		22,191		73,722	
Additions	3,150	93	0		3,150	93
Forfeited	(11,040)		0		(11,040)	
Expired	(4,986)		0		(4,986)	
Outstanding options at 31 December 2009	83,037		22,191		60,846	
Additions	0		0		0	
Forfeited	0		0		0	
Expired	(11,298)		(2,850)		(8,448)	
Outstanding options at 31 December 2010	71,739		19,341		52,398	
Breakdown of outstanding options by exercise period:						
Outstanding option plans at 31 December 2009						
2008-2010	11,298	490	2,850	490	8,448	490
2009-2011	8,850	476	2,703	476	6,147	476
2010-2012	13,032	638	3,813	638	9,219	638
2011-2012	15,975	541	4,275	541	11,700	541
2012-2013	15,750	93	4,275	93	11,475	93
2013-2014	18,132	79	4,275	79	13,857	79
Total	83,037		22,191		60,846	
Outstanding option plans at 31 December 2010						
2009-2011	8,850	476	2,703	476	6,147	476
2010-2012	13,032	638	3,813	638	9,219	638
2011-2012	15,975	541	4,275	541	11,700	541
2012-2013	15,750	93	4,275	93	11,475	93
2013-2014	18,132	79	4,275	79	13,857	79
Total	71,739		19,341		52,398	

There has been a significant dilution of the share options in connection with the company's rights issue in December 2009. The number of options and the exercise price have been recalculated as a result of the rights issue and the comparative figures for 2009 have been restated to reflect the adjustment in connection with the rights issue. This adjustment is equivalent to three times the number of share options. The exercise price has also been adjusted. The total value of the options is unchanged.

Notes

4 Staff costs – continued

Cash-based incentive schemes

The Executive Board and the company's senior executives have the opportunity to earn an annual cash bonus. The maximum bonus payment is 40% of the person's fixed annual salary in the year in which the bonus was earned. The earning of bonuses is dependent on profit before tax in the year in which the bonus was earned, and the bonus is therefore not guaranteed. The bonus payment will depend on profit before tax relative to budgeted profit, with the bonus payment being calculated on a straight-line basis within a fixed range for budget performance beyond the budgeted profit. Bonus earned is paid eight days after the adoption by the annual general meeting of the annual report for the year in which the bonus was earned. In case of termination of employment, regardless of the cause, the person in question is entitled to proportionately earned bonus up to the date of termination of his or her employment.

The results for 2009 and 2010 have not led to any entitlement to a cash bonus for either the Executive Board or any senior executive.

Management's terms of employment

The Executive Board and other senior executives in H+H International A/S may resign with six months' notice. The company may dismiss the Executive Board and other senior executives with 12 months' notice. Under normal circumstances, if the company gives notice to the Executive Board and other senior executives without reason, those concerned are entitled to a termination benefit equivalent to 12 months' fixed salary. However, if a shareholder acquires the majority of votes in the company as a result of a compulsory or voluntary offer in accordance with the rules governing this in the Danish Securities Trading Act, or if the company's operations are transferred to a new owner, the period of notice the company must give to the CEO is extended to 24 months and the period of notice the CEO must give the company is shortened to three months for a period of two years. The company's CFO, who is the second member of the Executive Board, is not subject to amended periods of notice in an equivalent takeover situation but has a claim to twice the termination benefit, equivalent to 24 months' fixed salary.

5 Other operating income and expenses

	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Management fee	0	0	15,000	17,500
Gain on disposal of property, plant and equipment	3,185	427	542	31
Loss on disposal of property, plant and equipment	(338)	(250)	0	0
Expenses in connection with litigation	0	(1,456)	0	0
Provision for vacating factory – UK	0	(2,859)	0	0
Provision for onerous contract	0	(7,995)	0	(7,995)
Expenses in connection with strengthening of the capital base	0	(3,687)	0	(3,687)
Transaction costs	(635)	0	(635)	0
Special costs related to closure of business units and terminated employees	(11,657)	0	0	0
Insurance premium received	1,927	0	0	0
Other	32	0	0	0
	(7,486)	(15,820)	14,907	5,849

6 Depreciation and amortisation

	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Other intangible assets	3,720	2,139	0	0
Land and buildings	19,458	17,396	0	0
Plant and machinery	76,124	84,156	0	0
Fixtures and fittings, tools and equipment	20,473	17,814	950	910
	119,775	121,505	950	910

7 Impairment losses	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Other intangible assets	0	11,922	0	0
Land and buildings	0	7,188	0	0
Disbursements for plant and machinery	0	0	0	48,366
Plant and machinery	78,982	57,463	0	0
Fixtures and fittings, tools and equipment	42,715	756	0	0
Property, plant and equipment under construction	0	7,419	0	0
Impairment losses in subsidiaries	0	0	43,167	301,012
	121,697	84,748	43,167	349,378

Assets in Russia have been written down by DKK 120 million due to lower capacity utilisation and prices than originally anticipated. Impairment losses have also been recognised in connection with the closures in Norway, Ukraine and the Baltic States.

Impairment losses recognised in 2009 related to the closure of the factory in Westbury, UK. Impairment losses were also recognised in connection with development projects. Finally, production equipment was written down for impairment.

8 Financial income	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Interest income	124	209	7	39
Interest income from subsidiaries	0	0	33,429	27,060
Dividend from subsidiaries	0	0	0	15,000
Realised foreign exchange gain relating to loans to subsidiaries	0	0	4,024	0
Exchange rate adjustments relating to loans to subsidiaries	0	0	6,436	0
Other exchange rate adjustments	13,909	1,707	0	16
Other financial income	963	227	508	0
	14,996	2,143	44,404	42,115

The H+H Group's total interest income in 2010 amounted to DKK 124 thousand (2009: DKK 209 thousand). The parent company's total interest income in 2010 amounted to DKK 33,436 thousand (2009: DKK 27,099 thousand).

9 Financial expenses	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Interest expenses	35,030	62,246	13,289	28,228
Interest expenses to subsidiaries	0	0	338	73
Fair value adjustments transferred from equity relating to hedging transactions	0	1,844	0	1,274
Other exchange rate adjustments	2,319	2,084	954	213
Foreign exchange losses on derivatives	0	127	0	0
Write-down of intragroup loans	0	0	5,522	33,691
Other financial expenses	7,064	3,338	6,217	2,625
Of which capitalised borrowing expenses	0	(9,243)	0	0
	44,413	60,396	26,320	66,104

The H+H Group's total interest expenses in 2010 amounted to DKK 35,030 thousand (2009: DKK 62,246 thousand). The parent company's total interest expenses in 2010 amounted to DKK 13,627 thousand (2009: DKK 28,301 thousand).

Notes

10 Tax

	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Tax on profit	(15,727)	(31,046)	9,500	(4,784)
Tax on other comprehensive income	3,365	422	0	319
Tax on changes in equity	0	(2,367)	0	(2,367)
	(12,362)	(32,991)	9,500	(6,832)
Which can be broken down as follows:				
Current tax for the year	12,866	827	0	0
Adjustment relating to change in tax rate	0	0	0	0
Adjustment of deferred tax	(25,600)	(32,941)	9,500	(6,832)
Prior-year adjustments	372	(877)	0	0
	(12,362)	(32,991)	9,500	(6,832)
Current joint taxation contribution for the year	0	0	0	0
	(12,362)	(32,991)	9,500	(6,832)
Tax on profit from ordinary activities can be broken down as follows:				
Calculated 25% (2009: 25%) tax on profit from ordinary activities	(71,551)	(65,886)	(12,065)	(99,477)
Less tax in foreign Group entities compared with 25% rate (2009: 25%)	16,806	3,663	0	0
Tax effect of:				
Not capitalised deferred tax asset	13,675	0	9,350	0
Other adjustments	11,329	2,940	0	0
Tax on changes in equity	3,365	(1,945)	0	(2,048)
Non-deductible expenses	13,642	29,114	12,215	98,443
Prior-year adjustments	372	(877)	0	0
Non-taxable income	0	0	0	(3,750)
	(12,362)	(32,991)	9,500	(6,832)

Group						
(DKK '000)	2010			2009		
Tax on other comprehensive income	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
Exchange rate adjustments, foreign entities	41,057	(3,365)	37,692	7,554	0	7,554
Value adjustment of hedging instruments	0	0	0	0	0	0
Value adjustments transferred to financial items	0	0	0	1,844	(422)	1,422
	41,057	(3,365)	37,692	9,398	(422)	8,976

Parent company						
	2010			2009		
Tax on other comprehensive income	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
Value adjustment of hedging instruments	0	0	0	0	0	0
Value adjustments transferred to financial items	0	0	0	1,274	(319)	955
	0	0	0	1,274	(319)	955

11 Earnings per share (EPS)

	Group	
(DKK '000)	2010	2009
Average number of shares	9,810,000	1,453,333
Average number of treasury shares	(20,489)	(20,489)
Average number of outstanding shares	9,789,511	1,432,844
Dilution from share options	0	0
Average number of outstanding shares, diluted	9,789,511	1,432,844
Adjustment of number of DKK 50 shares		
Adjusted average number of outstanding shares	9,789,511	2,457,792
Adjusted average number of outstanding shares, diluted	9,789,511	2,457,792
Profit for the year	(270,478)	(232,497)
Attributable to non-controlling interests	0	(1)
Shareholders in H+H International A/S	(270,478)	(232,496)
Earnings per share (EPS)	(27.63)	(94.60)
Diluted earnings per share (EPS-D)	(27.63)	(94.60)

The calculation of diluted earnings per share excludes 71,739 share options (2009: 27,679, adjusted to 83,037) which are out of the money but may potentially dilute earnings per share in the future.

In accordance with IAS 33, an adjustment has been made to the calculation of earnings per share (EPS) and diluted earnings per share (EPS-D) such that the average number of shares has been adapted to a face value of DKK 50.

12 Intangible assets and property, plant and equipment

	Parent company			
(DKK '000)	2010		2009	
	Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
Total cost at 1 January	3,082	4,329	0	4,776
Additions during the year	3,363	559	3,082	0
Disposals during the year	0	(3,207)	0	(447)
Total cost at 31 December	6,445	1,681	3,082	4,329
Total depreciation and amortisation at 1 January	0	2,447	0	1,835
Depreciation and amortisation of assets disposed of	0	(2,613)	0	(298)
Depreciation and amortisation for the year	0	950	0	910
Total depreciation and amortisation at 31 December	0	784	0	2,447
Carrying amount	6,445	897	3,082	1,882

Notes

12 Intangible assets and property, plant and equipment – continued

Group

(DKK '000)	2010					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2010	85,902	45,981	599,214	1,291,830	253,603	22,517
Transfers	0	2,922	788	149	392	(4,251)
Foreign exchange adjustment, year-end rate	2,486	399	16,873	47,965	10,504	1,037
Additions during the year	0	4,997	3,409	6,403	10,006	11,548
Disposals during the year	0	(9,487)	(184)	(2,287)	(7,410)	(735)
Total cost at 31 December 2010	88,388	44,812	620,100	1,344,060	267,095	30,116
Total depreciation and amortisation at 1 January 2010	0	22,151	129,399	617,987	71,074	7,419
Foreign exchange adjustment, year-end rate	0	181	3,402	12,872	917	514
Foreign exchange adjustments for the year	0	18	52	(429)	(410)	0
Depreciation and amortisation of assets disposed of	0	(9,465)	0	(1,707)	(4,861)	0
Depreciation and amortisation for the year	0	3,720	19,458	76,124	20,473	0
Impairment losses for the year	0	0	0	78,982	42,715	0
Total depreciation, amortisation and impairment losses at 31 December 2010	0	16,605	152,311	783,829	129,908	7,933
Carrying amount	88,388	28,207	467,789	560,231	137,187	22,183
Of which, assets held under finance leases	0	0	399	111	220	0

Group

(DKK '000)	2009					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2009	85,691	42,924	519,551	859,646	142,978	529,317
Transfers	0	555	67,098	349,141	86,785	(503,579)
Foreign exchange adjustments, year-end rate	211	43	10,756	39,701	2,103	(11,747)
Additions during the year	0	5,606	1,869	55,108	33,058	8,973
Disposals during the year	0	(3,147)	(60)	(11,766)	(11,321)	(447)
Total cost at 31 December 2009	85,902	45,981	599,214	1,291,830	253,603	22,517
Total depreciation and amortisation at 1 January 2009	0	11,157	101,462	469,070	62,008	0
Foreign exchange adjustments, year-end rate	0	(3)	3,290	18,472	272	0
Changes in foreign exchange rates for the year	0	44	86	189	103	0
Depreciation and amortisation of assets disposed of	0	(3,108)	(23)	(11,363)	(9,879)	0
Depreciation and amortisation for the year	0	2,139	17,396	84,156	17,814	0
Impairment losses for the year	0	11,922	7,188	57,463	756	7,419
Total depreciation, amortisation and impairment losses at 31 December 2009	0	22,151	129,399	617,987	71,074	7,419
Carrying amount	85,902	23,830	469,815	673,843	182,529	15,098
Of which, assets held under finance leases	0	0	0	3,541	0	0

12 Intangible assets and property, plant and equipment – continued

Interest totalling DKK 0 thousand was capitalised in 2010 (2009: DKK 9,243 thousand).

Development costs totalling DKK 0 thousand were capitalised in 2010 (2009: DKK 921 thousand).

Development costs in the region of DKK 5 million were expensed in 2009 and 2010.

Impairment test of goodwill

On 31 December 2010, management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill among the cash-generating units. Of total goodwill of DKK 88,388 thousand (2009: DKK 85,902 thousand), DKK 60,145 thousand (2009: DKK 57,698 thousand) related to the Eastern European segment, while DKK 28,242 thousand (2009: DKK 28,204 thousand) related to the Western European segment.

Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is at company level in each country.

The recoverable amount was defined as the value in use for the purpose of impairment testing.

In general the impairment tests were based on the budget for 2011 and strategy projections for 2012-2016, as approved by management. Average annual growth in revenue of 7.3-20.4% has been assumed for the period 2011-2016. Growth has been assessed by local and Group management. An assumed growth rate of 2% p.a. has been used for the years after 2016. The growth rate is not expected to exceed the average long-term growth rate in the H+H Group's markets. A rising gross margin has been estimated for the period 2011-2016, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases. A discount rate after tax (WACC) of 7.2-10.3% has been applied. The WACC is based on generally recognised principles and assumptions provided by external analysts.

The assumptions made can be summarised as follows:

	Poland	Germany	Czech Republic
Carrying amount of goodwill at 31 December 2010	57,435	28,242	2,711
Estimated average annual growth in revenue 2011-2016 (CAGR)	10.9%	7.3%	20.4%
Estimated gross margin 2011-2016	14-26%	26-30%	24-37%
WACC	10.3%	7.2%	8.4%

Assumed annual growth in the Czech Republic is 20.4%, which is because this concerns a relatively new market and a newly converted factory, and the level of market penetration is currently low.

The impairment tests performed do not indicate any need for impairment losses. Based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of goodwill.

If the assumptions above are not met, it could result in impairment. The main assumptions and associated risks relate to annual growth and estimated gross margins.

Impairment tests of non-current assets

The Group's key non-current assets were tested for impairment in 2010, including with regard to assets in Poland, Germany, the UK, Russia, the Czech Republic and Finland which together represent approx. 93% of the Group's total non-current assets at 31 December 2010.

The impairment tests were based on the budget for 2011 and strategy projections for 2012-2016, as approved by management. Average annual growth in revenue of 7.3-24.6% has been assumed for the period 2011-2016. Growth has been assessed by local and Group management. An assumed growth rate of 2-4% p.a. has been used for the years after 2016. The growth rate is not expected to exceed the average long-term growth rate in the H+H Group's markets. A rising gross margin has been assumed for the period 2011-2016, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity and weak price increases. A discount rate after tax (WACC) of 7.2-19.2% has been applied. The WACC is based on generally recognised principles and assumptions provided by external analysts.

Notes

12 Intangible assets and property, plant and equipment – continued

The assumptions made can be summarised as follows:

	Poland	Germany	UK	Russia	Czech Republic	Finland
Carrying amount of property, plant and equipment at 31 December 2010	289,693	274,234	240,316	193,125	160,995	16,392
Average annual growth in revenue 2011-2016 (CAGR)	10.9%	7.3%	8.4%	24.6%	20.4%	11.3%
Estimated gross margin 2011-2016	14-26%	26-29%	24-28%	29-38%	24-37%	22-23%
WACC	10.3%	7.2%	7.6%	19.2%	8.4%	7.5%

Assumed annual growth in Russia and the Czech Republic is 24.6% and 20.4% respectively, which is because in Russia there is a completely new factory in a new market and in the Czech Republic a newly converted factory and the level of market penetration is currently low.

The impairment tests performed at 31 December 2010 do not indicate any need for impairment losses, apart from the special circumstances mentioned below. Based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of property, plant and equipment.

If the assumptions above are not met, it could result in impairment. The main assumptions and associated risks relate to annual growth and estimated gross margins.

During 2010, the impairment test for the cash generating unit Russia resulted in recognition of an impairment loss of DKK 120 million mainly due to lower capacity utilization and prices than originally anticipated.

As a result of the economic situation for the group, there is a specific risk that the future will bring further impairment losses in some subsidiaries. The assets in Poland are the most exposed to an impairment loss in relation to the assumptions mentioned above.

On 31 December 2010 the recoverable amount for the cash generating unit Poland exceeds the unit's carrying amount by DKK 139 million. Key assumption sensitivities are illustrated below. From the sensitivity analysis it appears that key assumptions must change as stated below in order for the unit's recoverable amount to be equal to its carrying amount:

- Average annual growth in revenue 2011-2016 (CAGR) can decrease by 2.6 percentage point to 8.3%
- The discount rate (WACC) can increase by 2.9 percentage point to 13.2%
- The gross margin for the years 2011-2016 can decrease by 4 percentage point to an interval of 14-22%

13 Deferred tax, assets

	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Deferred tax assets at 1 January	44,348	22,472	7,991	1,651
Foreign exchange adjustments	1,031	131	0	0
Change in deferred tax	9,804	20,868	(7,991)	6,832
Other adjustments	0	0	0	(492)
Prior-year adjustments	0	877	0	0
Deferred tax assets at 31 December	55,183	44,348	0	7,991
Deferred tax assets relate to:				
Non-current assets	8,441	(1,569)	0	(740)
Current assets	969	3,411	0	0
Liabilities	159	(7,111)	0	0
Tax loss carry-forwards	45,614	49,617	0	8,731
	55,183	44,348	0	7,991

Deferred tax, liabilities	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Deferred tax liabilities at 1 January	46,282	56,997	7,264	7,264
Foreign exchange adjustments	1,599	1,358	0	0
Change in deferred tax	(15,796)	(12,073)	1,509	0
Deferred tax liabilities at 31 December	32,085	46,282	8,773	7,264
Provisions for deferred tax relate to:				
Non-current assets	40,181	24,973	1,509	0
Current assets	(15,360)	11,174	0	0
Liabilities	0	2,871	0	0
Retaxation balance relating to discontinued joint taxation	7,264	7,264	7,264	7,264
	32,085	46,282	8,773	7,264

No provision has been made in respect of deferred tax in connection with the share option plan, as the price of the shares at the balance sheet date was less than the exercise price of the options.

No deferred tax has been recognised on the balance between the cost of equity investments and the estimated fair value. This is because the shareholdings in the equity investments are all considered to be 'shares in a subsidiary', and any gain/loss is therefore not taxable.

The tax value of loss carry-forwards has been recognised as deferred tax assets in the companies where it is considered likely that this can be utilised in future earnings. The tax value of loss carry-forwards of DKK 38 million at 31 December 2010 (2009: DKK 8 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised.

Notes

14 Investments in subsidiaries

	Parent company	
(DKK '000)	2010	2009
Cost at 1 January	1,448,807	1,287,146
Capital contribution in subsidiaries	52,283	161,661
Disposals, acquisition cost	(147)	0
Cost at 31 December	1,500,943	1,448,807
Impairment losses at 1 January	328,704	27,692
Impairment losses, investments	43,167	301,012
Impairment losses at 31 December	371,871	328,704
Carrying amount at 31 December	1,129,072	1,120,103

The cost of investments in subsidiaries was tested for impairment at the end of 2009 and 2010. The recoverable amount of the investments at 31 December 2010 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2011-2016 and a discount rate before tax of 7.2-19.2%. The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2016 has been estimated at 2-4%. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.

In connection with the closing of the financial statements for 2010, it was found that the recoverable amount of some of the Group's companies was lower than the parent company's original cost. As a result, significant impairment losses were recognised in the parent company. However, these impairment losses had no bearing on the consolidated financial statements.

		2010	2009
	Registered office	Equity interest, %	Equity interest, %
H+H UK Holding Limited*	UK	100	100
H+H Deutschland GmbH	Germany	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
H+H Finland Oy	Finland	100	100
Jämerä-Kivitalot Oy	Finland	100	100
H+H Sverige AB	Sweden	100	100
H+H Norge AS	Norway	100	100
H+H Polska Sp. z o.o.	Poland	100	100
H+H Česká republika s.r.o.	Czech Republic	100	100
H+H Slovenská republika s.r.o.	Slovakia	100	100
H+H Ukraina TOV	Ukraine	100	100
H+H UA TOV	Ukraine	100	100
OOO H+H	Russia	100	100
H+H Belgien SPRL	Belgium	100	100
H+H Nederland BV	Netherlands	100	100

The above list does not include indirectly owned companies without any activities.

* This activity comprises ownership of H+H UK Limited.

15 Inventories/production costs	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Raw materials and consumables	50,131	43,146	0	0
Finished goods and goods for resale	131,648	166,767	0	0
	181,779	209,913	0	0
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	14,403	13,934	0	0
Foreign exchange adjustments	393	437	0	0
Write-downs for the year	6,584	5,363	0	0
Realised during the year	(1,909)	(2,207)	0	0
Reversals	(7,023)	(3,124)	0	0
Inventory write-downs, year-end	12,448	14,403	0	0
Value of inventories recognised at net realisable value	0	5,925	0	0
Wages and salaries	151,978	139,047	0	0
Production overheads	96,908	86,638	0	0
Cost of sales	740,263	586,105	0	0
Write-downs for the year	6,584	5,363	0	0
Reversals of inventory write-downs	7,023	3,124	0	0
Total production costs	1,002,756	820,277	0	0

16 Receivables	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Trade receivables	78,275	107,838	0	0
Other receivables	12,180	14,738	1,117	1,245
	90,455	122,576	1,117	1,245
Write-downs of impaired receivables have developed as follows:				
Write-downs at 1 January	5,090	4,727	0	0
Foreign exchange adjustments	176	79	0	0
Write-downs for the year	2,350	2,094	0	0
Realised during the year	(820)	(1,059)	0	0
Reversals	(223)	(751)	0	0
Write-downs relating to receivables, year-end	6,573	5,090	0	0

Receivables that are not past due are deemed to predominantly have a high credit quality.

Security is not normally required in respect of claims. The Group's customers are typically large well-consolidated builders' merchants and housebuilders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December 2010.

Receivables are written down directly if the value of an individual debtor's ability to pay has deteriorated, for example as a result of suspension of payments, compulsory winding-up or similar, based on individual assessment of each receivable. Write-downs are made to estimated net realisable value. The income statement for 2010 recognises write-downs and losses on bad and doubtful debts of DKK 1,307 thousand (2009: DKK 284 thousand).

Notes

16 Receivables – continued	Group		Parent company	
Age analysis of trade receivables				
(DKK '000)	2010	2009	2010	2009
Not past due	46,482	86,303	0	0
0-30 days	25,046	18,289	0	0
30-90 days	5,226	1,840	0	0
Over 90 days	1,521	1,406	0	0
	78,275	107,838	0	0
Write-downs relating to receivables, year-end	6,573	5,090	0	0

Write-down of receivables by geographical region

(DKK '000)					
2010					
	UK	Germany Netherlands Belgium Denmark	Norway Sweden Finland	Eastern Europe	Total
Write-downs	807	1,006	1,047	2,230	5,090
Foreign exchange adjustments	43	3	42	88	176
Write-downs for the year	35	670	458	1,187	2,350
Realised during the year	0	0	(270)	(550)	(820)
Reversals	0	(223)	0	0	(223)
Write-downs relating to receivables, year-end	885	1,456	1,277	2,955	6,573

2009					
Write-downs	988	160	903	2,676	4,727
Foreign exchange adjustments	79	0	94	(94)	79
Write-downs for the year	0	846	119	1,129	2,094
Realised during the year	0	0	(69)	(990)	(1,059)
Reversals	(260)	0	0	(491)	(751)
Write-downs relating to receivables, year-end	807	1,006	1,047	2,230	5,090

17 Pension obligations

Under defined contribution plans, the employer is under obligation to pay a specific contribution (e.g. a fixed amount or a fixed percentage of salary). Under defined contribution plans, the H+H Group does not bear the risk associated with future development in interest rates, inflation, mortality and disability.

Under defined benefit plans, the employer is under obligation to pay a specific amount (e.g. a retirement pension as a fixed amount or a fixed percentage of final salary). Under defined benefit plans, the H+H Group bears the risk associated with future developments in interest rates, inflation, mortality and disability.

Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate their obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements, an amount of DKK 80,585 thousand (2009: DKK 74,078 thousand) has been recognised under liabilities in respect of the H+H Group's obligations to existing and former employees after deduction of the assets associated with the plans.

In the consolidated income statement, an amount of DKK 5,352 thousand (2009: DKK 3,257 thousand) has been recognised in respect of expenses relating to insured plans (defined contribution). For non-insured plans (defined benefit plans), an amount of DKK 12,719 thousand (2009: DKK 11,022 thousand) has been recognised in the consolidated income statement in respect of expenses.

The H+H Group has defined benefit 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 Celcon Pension Fund is supervised by an independent fund manager, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, among other things the fund manager must ensure that a limited actuarial calculation of the pension obligations is carried out each year and a more detailed actuarial calculation of the pension obligations every three years. A detailed actuarial calculation carried out in April 2008 showed an unfunded pension obligation of DKK 128 million (GBP 15.6 million). Based on this calculation, on 26 June 2009 H+H UK Limited and H+H Celcon Pension Fund Trustee Limited entered into an agreement on the payment of contributions to cover the unfunded pension obligation (Schedule of Contributions). The agreement sets out a 15-year repayment profile under which H+H UK Limited will pay DKK 1.0 million (GBP 0.12 million) per year in the period April 2009 – March 2011 and DKK 18 million (GBP 2,171 million) per year in the period April 2011 – March 2023.

Notes

17 Pension obligations – continued

	Group	
(DKK '000)	2010	2009
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	462,130	420,689
Fair value of plan assets	312,367	274,453
Underfunding	149,763	146,236
Unrecognised actuarial losses/(gains) relating to fully or partly funded plans	76,503	79,444
Present value of unfunded defined benefit plans	8,162	7,885
Unrecognised actuarial losses/(gains) relating to unfunded plans	837	599
Net obligation recognised in the balance sheet	80,585	74,078
Development in present value of fully or partly funded defined benefit obligation:		
Obligation at 1 January	420,689	324,340
Foreign exchange adjustments	22,089	23,650
Pension costs relating to the current financial year	4,250	3,377
Calculated interest on obligation	25,719	21,441
Actuarial losses (gains)	7,281	64,608
Pensions paid	(17,898)	(16,727)
Obligation at 31 December	462,130	420,689
Development in present value of unfunded defined benefit obligation:		
Obligation at 1 January	7,885	7,017
Foreign exchange adjustments	15	(7)
Pension costs relating to the current financial year	42	31
Calculated interest on obligation	397	424
Actuarial losses (gains)	323	911
Pensions paid	(500)	(491)
Obligation at 31 December	8,162	7,885

17 Pension obligations – continued

	Group	
(DKK '000)	2010	2009
Development in fair value of pension assets:		
Pension assets at 1 January	274,453	228,932
Foreign exchange adjustments	14,355	17,042
Expected return on plan assets	17,689	14,670
Actuarial gains (losses)	14,919	24,024
The company's contributions to plan assets	8,849	6,512
Pensions paid	(17,898)	(16,727)
Pension assets at 31 December	312,367	274,453
Pension costs relating to the current financial year	4,292	3,442
Calculated interest on obligation	26,116	22,250
Expected return on plan assets	(17,689)	(14,670)
Total amount recognised in respect of defined benefit plans	12,719	11,022
Total amount recognised in respect of defined contribution plans	5,352	3,257
Total amount recognised in the income statement	18,071	14,279
The cost has been recognised in the income statement under staff costs. Costs recognised under production costs amount to DKK 4,920 thousand (2009: DKK 3,887 thousand), and costs recognised under other external expenses amount to DKK 13,151 thousand (2009: DKK 10,392 thousand).		
Cumulative actuarial gains/(losses)	0	(842)
Pension assets can be broken down as follows:		
Shares	124,947	112,526
Bonds	183,984	159,183
Cash	3,436	2,744
Total	312,367	274,453
Return on plan assets:		
Actual return on plan assets	32,608	38,694
Expected return on plan assets	17,689	14,670
Actuarial gain (loss) on plan assets	14,919	24,02
Discount rate (avg)	5.50%	5.80%
Expected return on plan assets	5.90%	5.80%
Future rate of salary increases	5.00%	5.60%

The expected return on plan assets has been determined by an external actuary on the basis of the composition of the assets and the general economic outlook.

Notes

17 Pension obligations – continued

	Group				
(DKK '000)	2010	2009	2008	2007	2006
The amounts for the Group's pension obligations for the current and previous years are as follows:					
Actuarially determined pension obligations	462,130	420,689	324,340	445,752	490,164
Pension assets	312,368	274,453	228,932	344,802	364,928
Present value of unfunded defined benefit plans	8,162	7,885	7,017	7,338	7,326
Over-/underfunding	(157,924)	(154,121)	(102,425)	(108,288)	(132,562)
Empirical changes to obligations	8,075	65,520	(30,357)	(23,149)	44
Empirical changes to pension assets	14,919	24,024	(52,032)	(8,342)	(20,240)

18 Other provisions

	Group			
(DKK '000)	2010	2009	2010	2009
	Non-current portion		Current portion	
Warranty obligations at 1 January	4,454	5,518	0	0
Foreign exchange adjustments	147	61	0	0
Transfers	0	0	0	0
Provisions for the year	981	760	0	0
Utilised during the year	(126)	(162)	0	0
Reversals during the year	(257)	(1,723)	0	0
Warranty obligations at 31 December	5,199	4,454	0	0
Other provisions at 1 January				
Foreign exchange adjustments	0	0	0	0
Transfers	0	0	0	0
Provisions for the year	1,836	0	0	0
Utilised during the year	0	0	0	0
Reversals during the year	0	0	0	0
Other provisions at 31 December	1,836	0	0	0
Obligation relating to restoration of sites at 1 January	12,622	12,499	0	0
Foreign exchange adjustments	480	560	0	0
Provisions for the year	0	98	0	0
Utilised during the year	0	(48)	0	0
Reversals during the year	0	(487)	0	0
Obligation relating to restoration of sites at 31 December	13,102	12,622	0	0
Total other provisions	20,137	17,076	0	0

The H+H Group's companies provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs. At 31 December 2010 warranty obligations relate predominantly to Germany.

Warranty obligations also include a bank guarantee pledged on behalf of a business partner.

The obligation in respect of restoration of sites relates to the company's sites in Finland, Germany, Poland and the UK. The obligation has been calculated on the basis of external assessments of the restoration costs. Restoration is expected to take place after five years.

19 Credit institutions

	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Bank loans	629,670	615,527	290,165	315,151
Lease commitments	716	1,591	220	0
Amortised borrowing costs	(3,719)	(3,719)	(3,719)	(3,719)
	626,667	613,399	286,666	311,432
Payables to credit institutions are recognised in the balance sheet as follows:				
Non-current	626,174	612,190	286,643	311,432
Current	493	1,209	23	0
	626,667	613,399	286,666	311,432

The H+H Group is dependent on debt financing in the coming years and maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 23.

	2010			2009		
	Lease payments	Interest	Carrying amount	Lease payments	Interest	Carrying amount
Finance leases						
0-1 year	507	14	493	1,272	63	1,209
1-5 years	242	19	223	444	62	382
	749	33	716	1,716	125	1,591

The H+H Group leases production equipment under finance leases. The lease term is typically between two and five years, with an option to purchase the asset in question at a favourable price on expiry of the lease term.

All leases follow a fixed repayment profile and none of the leases include provisions about conditional lease payments apart from provisions on indexation based on public indices. The leases are non-cancellable during the agreed lease term, but may be extended on renewed terms. The leases are normally based on a fixed interest rate.

	2010	2009	2010	2009
	Lease payments	Lease payments	Lease payments	Lease payments
Operating leases				
0-1 year	2,806	641	0	0
1-5 years	3,988	2,334	0	0
Over 5 years	0	0	0	0
Total minimum lease payments	6,794	2,975	0	0

The H+H Group leases property, production equipment and vehicles under operating leases in a few cases.

	2010	2009	2010	2009
	Rental payments	Rental payments	Rental payments	Rental payments
Rental obligations				
0-1 year	2,799	2,818	577	488
1-5 years	7,984	6,444	2,424	0
Over 5 years	58,725	53,973	151	0
	69,508	63,235	3,152	488

The H+H Group's key rental obligations consist of long-term land leases in Poland and the UK.

An amount of DKK 4,318 thousand (2009: DKK 2,869 thousand) has been recognised in the consolidated income statement for 2010 in respect of operating leases and rental obligations.

Notes

20 Contingent liabilities	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Financial guarantee	0	0	339,505	299,490
	0	0	339,505	299,490

The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's credit facility.

The parent company H+H International A/S has issued letters of support to some of the subsidiaries. Management does not expect these to give rise to losses for the parent company.

The H+H Group is a party to a few pending legal proceedings. In management's opinion, the outcome of these proceedings will not have any impact on the Group's financial position apart from the receivables and payables recognised in the balance sheet.

Taxes and duties

The Group's Danish companies are jointly and severally liable for joint registration of VAT.

21 Auditors' remuneration	Group		Parent company	
(DKK '000)	2010	2009	2010	2009
Total fees for statutory audit:				
KPMG	3,083	7,119	875	4,586
PKF Kresten Foged	0	656	0	656
	3,083	7,775	875	5,242
The fee to KPMG can be broken down as follows:				
Statutory audit	2,187	2,483	400	450
Other assurance engagements	0	3,642	0	3,642
Tax and VAT assistance	134	444	100	92
Other services	762	550	375	402
	3,083	7,119	875	4,586
The fee to PKF Kresten Foged can be broken down as follows:				
Statutory audit	0	175	0	175
Other assurance engagements	0	481	0	481
	0	656	0	656

22 Related parties

The Group's related parties are the Executive Board, the Board of Directors and senior executives in the H+H Group.

On 31 December 2010, the company's CEO Hans Gormsen purchased a car from the company at its market value of DKK 275,685.

Apart from contracts of employment and the above sale of an asset, no agreements or transactions have been entered into between the company, the Executive Board, the Board of Directors and senior executives. Remuneration to the Board of Directors, the Executive Board and senior executives is disclosed in note 4.

A member of the Board of Directors – Henrik Lind – is a partner in the law firm Gorrissen Federspiel, which was paid fees totalling DKK 145 thousand in 2010 for legal assistance (2009: DKK 146 thousand).

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries, cf. note 14.

A management fee totalling DKK 15,000 thousand (2009: DKK 17,500 thousand) was received by the parent company from the remainder of the Group.

Transactions between the parent company and subsidiaries also include deposits, loans and interest; these are shown in the parent company balance sheet and notes 8 and 9.

Trading with related parties is at arm's length.

Notes

23 Financial instruments and financial risks

The H+H Group's risk management policy

As a result of its operating, investing and financing activities, the H+H Group is exposed to various financial risks, including market risks (currency, interest rate and commodity risks), credit risks and liquidity risks. It is the H+H Group's policy not to speculate actively in financial risks.

The H+H Group's financial risk management is thus aimed exclusively at managing the financial risks that are a direct consequence of the H+H Group's operating, investing and financing activities. This note relates exclusively to financial risks directly associated with the H+H Group's financial instruments. There have been no material changes in the H+H Group's risk exposure or risk management compared with last year.

MARKET RISKS

Currency risks

The H+H Group's companies are exposed to currency risks. Financial instruments are primarily entered into in the individual consolidated entities' functional currencies as a result of their purchase and sales transactions. However, the H+H Group has a translation risk, and as a result of this the H+H Group's profit/loss is exposed to fluctuations in the functional currencies.

The H+H Group does not engage in currency speculation. The individual consolidated entities do not enter into financial instruments denominated in foreign currencies unless commercially warranted, and expected transactions and financial instruments in foreign currencies that exceed a limited level and time horizon require hedging. Derivatives and other financial instruments are used only to a limited extent to hedge currency risks. The H+H Group did not use derivatives or other financial instruments to hedge currency risks in 2010 and 2009.

The individual subsidiaries do not have any material exposure to currencies other than the functional currency. The table on the following page shows the Group's monetary items by currency.

Capital management

The H+H Group regularly evaluates the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

In future H+H will continue to operate with significant loan financing. At year-end 2010 H+H had net interest-bearing debt of DKK 613.6 million, an increase of DKK 17 million compared with year-end 2009.

Retention of the committed credit facilities requires compliance with a number of financial key figures; see page 73.

The effective interest rate for H+H in 2010 was in the region of 5.6% (2009: 6.5%).

The interest rate for 2011 is expected to be in line with 2010.

At year-end 2010 H+H International A/S had a solvency ratio of 43.9%, compared with 51.7% at year-end 2009.

23 Financial instruments and financial risks – continued

Monetary items in foreign currency

(DKK '000)		2010					
	EUR	GBP	PLN	DKK	RUB	Others	Total
Trade receivables	11,513	31,343	9,733	11,915	4,244	9,527	78,275
Cash and cash equivalents	2,625	36	4,776	49	1,097	4,479	13,062
Trade payables	(27,784)	(19,988)	(10,993)	(5,748)	(1,098)	(6,582)	(72,193)
Credit institutions	(14,218)	(12,339)	(189,028)	(291,492)	(98)	(119,492)	(626,667)
Gross exposure	(27,864)	(948)	(185,512)	(285,276)	4,145	(112,068)	(607,523)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(27,864)	(948)	(185,512)	(285,276)	4,145	(112,068)	(607,523)

Monetary items in foreign currency

(DKK '000)		2009					
	EUR	GBP	PLN	DKK	RUB	Others	Total
Trade receivables	8,123	68,000	10,070	7,866	3,247	10,532	107,838
Cash and cash equivalents	7,056	101	4,260	194	2,392	3,622	17,625
Trade payables	(14,872)	(19,069)	(7,618)	(7,261)	(878)	(6,544)	(56,242)
Credit institutions	(808)	(1,839)	(184,365)	(311,435)	0	(114,952)	(613,399)
Gross exposure	(501)	47,193	(177,653)	(310,636)	4,761	(107,342)	(544,178)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(501)	47,193	(177,653)	(310,636)	4,761	(107,342)	(544,178)

Parent company's monetary items and sensitivity

(DKK '000)		2010			2009			
	Position	Sensitivity			Position	Sensitivity		
	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity
EUR/DKK	540,543	1%	5,405	4,054	532,287	1%	5,323	3,992
GBP/DKK	(29,113)	5%	(1,456)	(1,092)	71,240	5%	3,562	2,672
PLN/DKK	86,067	5%	4,303	3,228	77,588	5%	3,879	2,910
			8,252	6,190			12,764	9,574

* The hypothetical impact on profit/loss and equity is significant to the parent company's financial statements but not necessarily to the consolidated financial statements.

The parent company has significant monetary items in currencies other than the functional currency in the form of loans to subsidiaries.

The table above shows the parent company's key monetary positions broken down by currency and derived sensitivity.

Notes

23 Financial instruments and financial risks – continued

Sensitivity of profit and equity to market fluctuations				
(DKK '000)	2010		2009	
	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	749	7,943	(1,670)	6,837
5% increase in PLN/DKK	(2,038)	4,706	(727)	6,491
5% increase in RUB/DKK	(4,757)	(1,689)	(661)	2,138
	(6,046)	10,960	(3,058)	15,466

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A decline in the GBP/DKK, RUB/DKK and PLN/DKK exchange rates would result in a corresponding increase in profit/loss after tax and equity. The sensitivity analysis has been calculated at the balance sheet date on the basis of the exposure to the stated currencies at the balance sheet date. The calculations are based solely on the stated change in the exchange rate and do not take into account any knock-on effects on interest rates, other exchange rates etc.

Commodity price risks

The principal raw materials used in the production of aircrete are cement, lime, water and sand or pulverised fuel ash. Costs for cement account for roughly one-third of total raw materials consumed, excluding energy consumption. Energy costs also account for a substantial proportion of total variable costs. The pricing of most of the raw materials is hedged through standard fixed-price contracts with suppliers with a term of less than one year, under which committed minimum quantities can be purchased at fixed prices.

Interest rate risks

As a result of its investing and financing activities, the H+H Group is exposed to interest rate fluctuations both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR.

It is the H+H Group's policy to hedge interest rate risks on the H+H Group's loans if it estimates that the interest payments can be hedged at a satisfactory level. Hedging is normally effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans.

The table below illustrates the H+H Group's interest rate exposure on financial instruments at the balance sheet date.

At 31 December 2010 the Group is not involved in any interest rate swaps.

All other things being equal, based on the H+H Group's average net interest-bearing debt (expressed by quarter), a 1% p.a. increase in the interest rate level in relation to the average interest rate level in 2010 would reduce profit/loss before tax by DKK 6.1 million (2009: DKK 8.1 million).

23 Financial instruments and financial risks – continued

Interest rate exposure

(DKK '000)	2010				2009			
	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging
DKK	291,443	0	291,443	0	311,241	0	311,241	0
EUR	11,594	0	11,597	0	(6,247)	0	(6,247)	0
PLN	184,252	0	184,252	0	180,105	0	180,105	0
CZK	116,595	0	116,595	0	110,466	0	110,466	0
RUB	(999)	0	(999)	0	(2,392)	0	(2,392)	0
GBP	12,303	0	12,303	0	1,738	0	1,738	0
Others	(152)	0	(152)	0	863	0	863	0
Total	613,605	0	613,605	0	595,774	0	595,774	0

Liquidity risks

The H+H Group's liquidity risk is defined as the risk that the H+H Group will not, in a worst-case scenario, be able to meet its financial obligations due to insufficient liquidity. It is the H+H Group's policy for capital procurement and placing of surplus funds to be managed centrally by the parent company.

Loan agreements

In connection with the share issue, in 2009 the company entered into new loan agreements with Danske Bank A/S to continue the H+H Group's financing facility with a total credit line equivalent to approx. DKK 900 million, DKK 850 million of which is committed until 31 December 2014 and DKK 50 million of which is an uncommitted credit line. As a result of the H+H Group's current situation, the loan agreements do not entail any financial covenants for 2010 and 2011, except for a capex maximum of DKK 50 million, whereas standard restrictive financial covenants see below will apply with effect from the 2012 financial year and until the expiry of the agreements at the end of 2014; see below.

There is no obligation to make ordinary repayments prior to the expiry of the loan agreements on 31 December 2014.

The company and those of its subsidiaries that are participating in the loan agreements, or that may be considered a material subsidiary, provide cross-guarantees for each other's obligations under the loan agreements.

The loan agreements may also be cancelled without notice by the lender if the company's shares are delisted from NASDAQ OMX Copenhagen.

The loan agreements prevent the Board of Directors, without the prior permission of the lender, from recommending annual dividend distributions to shareholders of an amount that exceeds 50% of the company's profit after tax in the preceding financial year. The company is also subject to restrictions on its right of disposal over its assets without the prior permission of the lender, including:

- The sale of key assets
- Delisting the shares from NASDAQ OMX Copenhagen
- Significant acquisitions, mergers, restructuring or similar transactions
- Entering into significant leases

	First measurement date
Total net interest-bearing debt to EBITDA	31 Mar. 2012
Equity to total assets	31 Dec. 2012
Debt service cover	31 Dec. 2012
EBITDA interest cover	31 Dec. 2012

Notes

23 Financial instruments and financial risks – continued

The H+H Group's financial liabilities fall due as follows

(DKK '000)		2010			
Non-derivative financial instruments	Carrying amount	0-1 year	1-5 years	Over 5 years	
Credit institutions and banks	625,918	32,918	593,033	0	
Finance lease commitments	749	508	241	0	
Trade payables	72,193	72,193	0	0	
	698,860	105,619	593,274	0	
		2009			
Credit institutions and banks	611,808	0	611,808	0	
Finance lease commitments	1,591	1,209	382	0	
Trade payables	56,242	56,242	0	0	
	669,641	57,451	612,190	0	

Credit risks

The H+H Group is exposed to credit risks in the course of its activities. These risks are primarily related to receivables in respect of sales of the H+H Group's products. Other credit risks, which relate to bank deposits and counterparties under financial contracts, are considered to be insignificant.

The maximum credit risk related to financial assets corresponds to the carrying amounts recognised in the balance sheet. The H+H Group does not have any material risks relating to a single customer, business partner or country.

The H+H Group's customers are primarily large well-consolidated builders' merchants. The H+H Group has modest credit exposure to housebuilders and developers in a few markets. In keeping with the H+H Group's credit policy, all major customers are credit rated on a regular basis. Credit limits are determined on the basis of the individual customer's credit rating.

If the credit rating of a customer is considered not to be sufficient, the payment terms will be changed or security or credit insurance will be obtained. The H+H Group regularly monitors its credit exposure to customers as part of its risk management. The customer types in the individual segments are typically very similar, regardless of which segment they come from. The H+H Group has historically suffered relatively small losses as a result of non-payment on the part of customers. These losses have been evenly distributed among the H+H Group's geographical segments.

The credit quality of receivables is consequently considered to be identical, regardless of which segment the receivables come from.

The H+H Group's maximum credit risk is equivalent to the carrying amount of the receivables and amounts to DKK 90,455 thousand (2009: DKK 122,576 thousand).

Hedge accounting

The H+H Group uses financial instruments, including derivatives, to only a very limited extent to hedge financial risks.

Hedging of expected future transactions (cash flow hedges)

The fair value of those financial instruments that qualify for designation as hedge accounting under IAS 39 is recognised directly in equity until the hedged items are recognised in the income statement. No such financial instruments were used in 2009 or 2010.

No long-term contracts fixing purchase prices for gas or supplies of other raw materials were entered into in 2009 and 2010.

Other derivatives

The fair value of those financial instruments that do not qualify for hedge accounting under IAS 39 is recognised directly in the income statement and disclosed in notes 8 and 9. No such financial instruments were used in 2010.

23 Financial instruments and financial risks – continued

Financial instruments that hedge expected transactions but do not qualify for hedge accounting under IAS 39

(DKK '000)	2010			2009		
	Gain/loss recognised in the income statement	Fair value at 31 December	Time to maturity	Gain/loss recognised in the income statement	Fair value at 31 December	Time to maturity
Interest rate swap – PLN 80 million	0	0	0	(127)	(127)	0-1 year
				(127)	(127)	

Classification and fair value of financial instruments

The fair value of unlisted financial instruments is determined as the present value of expected future instalments and interest payments. The current market rate for instruments with similar maturities is used as the discount rate.

It is estimated that the fair value of financial instruments relating to the purchase and sale of products etc. with a short credit period matches the carrying amount. For a description of accounting policies and methods, including recognition criteria and basis of measurement, reference is made to the relevant sections of the accounting policies.

Categories of financial instruments

(DKK '000)	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	78,275	78,275	107,838	107,838
Other receivables	21,820	21,820	24,245	24,245
Cash and cash equivalents	13,062	13,062	17,625	17,625
Total receivables	113,157	113,157	149,708	149,708
Financial liabilities (derivatives) measured at fair value via the income statement	0	0	(127)	(127)
Financial liabilities (derivatives) used as hedging instruments	0	0	0	0
Finance lease liabilities	749	749	1,591	1,591
Loans	625,918	629,670	611,808	615,527
Trade payables and other payables	156,200	156,200	143,976	143,976
Total financial liabilities measured at amortised cost	782,867	786,619	757,375	761,094

Level 2 estimates are used for the fair value of derivatives.

Classification and assumptions for the calculation of fair value

Derivative financial instruments: Forward exchange contracts and interest rate swaps are valued using generally recognised valuation methods based on relevant observable swap rates and exchange rates.

Other financial instruments: Current bank loans at variable interest rates are valued at a rate of 100. The fair value of long-term loans and finance leases is calculated using mod-

els that discount all estimated and fixed cash flows to net present value. The expected cash flows for the individual loan or lease are based on contractual cash flows. Financial instruments relating to sale and purchase of goods etc. with a short credit period are considered to have a fair value equal to the carrying amount.

The methods are unchanged from 2009.

Notes

24 Management's holdings of shares in H+H International A/S

The internal rules for trading in H+H International A/S's securities by board members, executives and certain employees only permit trading in the 4-week period following each quarterly announcement.

Shares in H+H International A/S

(DKK '000)	1 Jan. 2010	Additions	Sold/settled during the year	31 Dec. 2010	Market value*
Board of Directors:					
Anders C Karlsson	4,500	0	0	4,500	239
Asbjørn Berge	0	6,000	0	6,000	318
Stewart A Baseley	0	0	0	0	0
Heine Dalsgaard	0	0	0	0	0
Pierre-Yves Jullien	0	0	0	0	0
Henrik Lind	0	0	0	0	0
Board of Directors, total	4,500	6,000	0	10,500	557
Executive Board:					
Hans Gormsen	16,200	0	0	16,200	859
Niels Eldrup Meidahl	1,000	0	0	1,000	53
Executive Board, total	17,200	0	0	17,200	912
Other executives	270	0	0	270	14
Total	21,970	6,000	0	27,970	1,483

* Calculation of the market value is based on the quoted share price of DKK 53 at the end of the year.

25 Major shareholders and shareholder groups

(DKK '000)	Parent company			
	Nominal value	% of total	Votes	% of total
Share capital at 1 January 2010:				
Shares of DKK 50	490,500	100.0%	98,100	100.0%
Total	490,500		98,100	

All shares carry the same rights.
Each share carries 10 votes at general meetings.

Major shareholders

(DKK '000)	Nominal value	% of total	Votes	% of total
The following shareholders hold more than 5% of the share capital or at least 5% of the voting rights in H+H International A/S at 1 February 2011:				
Danish Labour Market Supplementary Pension Fund (ATP)	55,310	11.28%	11,062,140	11.28%
LD Equity 1 K/S	28,624	5.84%	5,724,810	5.84%

Groups of shareholders at 1 February 2011

DKK	Nominal value	% of total	Votes	% of total
Board of Directors and Executive Board	1,385	0.29	284	0.29
ATP and LD Equity 1 K/S (major shareholders)	83,934	17.12	16,787	17.12
Foreign investors	44,712	9.10	8,942	9.10
H+H International A/S	1,024	0.21	205	0.21
Other registered shareholders	208,884	42.58	41,777	42.58
Unregistered shareholders	150,561	30.70	30,105	30.70
Total	490,500	100.00	98,100	100.00

26 Events after the balance sheet date

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



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