

H+H International A/S

Interim financial report
Q3 2010

Company Announcement No 228



build with ease

H+H

Copenhagen, 16 November 2010

Highlights for the period 1 January - 30 September 2010

- Revised strategic direction with a focus on profitability and cash flow through concentration on key markets and key customers.
- Extended efficiency programme in order to reduce the costs and improve working capital has been decided. These initiatives will reduce costs by more than DKK 75 million in 2011.
- Third-quarter revenue was DKK 380.5 million (2009: DKK 320.5 million). Revenue for the first three quarters was DKK 982.0 million (2009: DKK 816.6 million).
- Third-quarter EBITDA was DKK 24.0 million (2009: DKK 21.4 million). EBITDA for the first three quarters was DKK 12.1 million (2009: DKK 15.0 million).
- The third-quarter result before tax was a loss of DKK 9.1 million (2009: loss of DKK 82.4 million). The result before tax for the first three quarters was a loss of DKK 226.7 million (2009: loss of DKK 207.4 million).
- Equity at 30 September 2010 stood at DKK 809.0 million.
- Net interest-bearing debt at 30 September 2010 was DKK 591.3 million.
- For 2010, an unchanged outlook with a negative result before tax and special items in the range of DKK 140-160 million is expected. Special items expected to increase to DKK 130 million due to a DKK 10 million provision for restructuring costs. Including special items, a negative result before tax in the range of DKK 270-290 million is expected.
- Free cash flow is expected to be neutral, and interest-bearing debt at the end of 2010 is consequently expected to be in the DKK 610 million region.
- Total investments are expected to be less than DKK 50 million.
- H+H International continues to explore expressions of interest received from potential buyers. The company has received an updated offer from Goldman Sachs Capital Partners and PAI Partners at DKK 67.5 per share, which still contains a number of unsolved conditions. All expressions of interest are being assessed by the Board of Directors. More information will be disclosed to the market as and when considered appropriate or required by H+H International.

*For further information please contact:
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This is a translation of the company's announcement in Danish. In case of inconsistency between the Danish text and this English translation, the Danish text shall prevail.

Financial highlights - H+H Group

(Amounts in DKK million)	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Year 2009
Income statement					
Revenue	380.5	320.5	982.0	816.6	1,068.0
EBITDA	24.0	21.4	12.1	15.0	1.0
EBIT before impairment	(2.6)	(9.1)	(77.8)	(74.1)	(120.5)
Operating profit (loss) (EBIT)	(2.6)	(67.6)	(197.8)	(164.6)	(205.3)
Profit (loss) before tax	(9.1)	(82.4)	(226.7)	(207.4)	(263.5)
Profit (loss)	(10.2)	(63.6)	(190.3)	(166.2)	(232.5)
Balance sheet					
Non-current assets	1,385.3	1,518.1	1,385.3	1,518.1	1,495.4
Current assets	372.5	386.7	372.5	386.7	359.6
Total assets	1,757.8	1,904.8	1,757.8	1,904.8	1,855.0
Equity	809.0	583.1	809.0	583.1	958.2
Non-current liabilities	729.6	131.8	729.6	131.8	749.6
Current liabilities	219.2	1,189.9	219.2	1,189.9	147.2
Total equity and liabilities	1,757.8	1,904.8	1,757.8	1,904.8	1,855.0
Investments and debt					
Investments in non-current assets	9.6	11.5	23.1	78.7	104.6
Interest-bearing debt (net)	591.3	990.7	591.3	990.7	595.8
Cash flow					
Operating activities	48.2	45.9	35.0	(51.1)	(41.7)
Investing activities	(8.9)	(11.3)	(21.9)	(76.6)	(119.4)
Free cash flow	39.3	34.6	13.1	(127.7)	(161.1)
Financial ratios					
Gross margin	22.8%	25.5%	20.8%	24.3%	23.2%
Earnings per share	(1.0)	(59.4)	(19.4)	(155.4)	(94.6)
Diluted earnings per share	(1.0)	(59.4)	(19.4)	(155.4)	(94.6)
Return on equity, p.a.	5.0%	(41.3%)	(43.1%)	(33.4%)	(27.3%)
Share price, end of period, DKK	41.4	219.0	41.4	219.0	63.0
Book value per share, end of period, DKK	82.5	535.0	82.5	535.0	98.0
Solvency ratio	46.0%	30.6%	46.0%	30.6%	51.7%

With respect to recognition and measurement, the interim financial report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and which are expected to apply to the presentation of the full-year financial statements for 2010.

The interim financial statements have not been audited or reviewed.

Management's review

The third quarter of 2010 was characterised by a considerable improvement in sales volume, resulting in a 19% increase in revenue compared with the same period in 2009.

Despite the difficult start to the year due to the very cold winter in the first quarter, consolidated revenue for the first three quarters was 20% ahead of the corresponding period in 2009, overall.

The sales trend was satisfactory in most markets. It is estimated that the level of activity for new housing units in most of the Group's markets has generally bottomed out and there are indications of moderate increases.

The development in most markets shows stability in volumes and prices and the main focus is to enhance profitability.

The revised strategic direction with a focus on profitability and cash flow through concentration on key markets and key customers is being implemented.

The efficiency programme in order to reduce costs and improve working capital has been extended. Key areas of the programme are:

- maintaining or growing the Group's market shares in its key markets, while at the same time reducing the Group's selling costs and administrative expenses by more than 6%. The reduction of these costs and expenses will result in the number of staff being cut by 12. The staff reduction will result in special non-recurring costs of approx. DKK 6 million;
- closing down non-strategic business entities that do not make a positive contribution to the Group's operations. The closures will result in the number of staff being cut by 11. The closures, including redundancy costs, will result in special non-recurring costs of approx. DKK 4 million. Looking ahead, the closures are expected to add approx. DKK 10 million to annual earnings;
- optimising the Group's manufacturing facilities by implementing a Lean project, including improving capacity utilisation at the factories still further, and reducing distribution costs. Overall, it is expected that these initiatives will be able to reduce production costs and distribution costs by nearly 5%. The changes in production set-up are expected to reduce the number of production staff by approx. 35-40 persons;
- optimising the Group's working capital by reducing inventories, optimising procedures and negotiating more favourable terms of payment with customers and suppliers.

The extended efficiency programme will reduce costs in 2011 by more than DKK 75 million, overall, compared with 2010. In addition, non-recurring costs of DKK 25 million during 2010 will further improve the result in 2011.

Events after the balance sheet date

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

H+H International continues to explore expressions of interest received from potential buyers. The company has received an updated offer from Goldman Sachs Capital Partners and PAI Partners at DKK 67.5 per share, which still contains a number of unsolved conditions. All expressions of interest are being assessed by the Board of Directors. More information will be disclosed to the market as and when considered appropriate or required by H+H International.

Revenue

Third-quarter revenue was DKK 380.5 million versus DKK 320.5 million in the third quarter of 2009, up DKK 60.0 million or 19%. Expressed in local currency, revenue was up 14% on the third quarter of 2009. Recognised revenue benefited from the development in GBP, PLN, SEK, CZK and RUB.

In the Western European segment, third-quarter 2010 revenue was significantly ahead in the UK and slightly ahead in the other Western European countries, with the exception of Germany, which saw a small decline in third-quarter 2010 revenue compared with the same period in 2009. Overall, revenue in Western Europe was DKK 262.9 million compared with DKK 216.1 million in the same period in 2009, up DKK 46.8 million or 22%. Expressed in local currency, revenue was 19% ahead of the third quarter of 2009.

Revenue				
	Q3		Q1-Q3	
(Amounts in DKK million)	2010	2009	2010	2009
Western Europe	262.9	216.1	687.4	572.0
Eastern Europe	117.6	104.4	294.6	244.6
Total	380.5	320.5	982.0	816.6

In the Eastern European segment, third-quarter 2010 revenue in Russia was significantly higher than in the same period in 2009. Revenue in the Czech Republic showed a moderate increase, while revenue in Poland, Ukraine and the Baltic States declined. Overall, third-quarter 2010 revenue in Eastern Europe was DKK 117.6 million against DKK 104.4 million in the same period in 2009, up DKK 13.2 million or 13%. Expressed in local currency, revenue was 3% ahead of the third quarter of 2009.

Revenue for the first three quarters of 2010 was DKK 982.0 million versus DKK 816.6 million in the first three quarters of 2009, up DKK 165.4 million or 20%.

Expressed in local currency, revenue for the first three quarters of 2010 was up 16% compared with the first three quarters of 2009. Recognised revenue benefited from the development in GBP, PLN, SEK, CZK and RUB.

Gross profit

The consolidated overall gross margin for the third quarter of 2010 was 22.8% compared with 25.5% in the same period in 2009.

The third-quarter 2010 gross margin was lower than in the same period in 2009, primarily reflecting lower average selling prices for the Group's products than in the same period last year. The gross margin was also adversely affected by the lower utilisation ratio at the factories due to the decision to reduce the Group's inventories.

Pressure on prices continued in the third quarter of 2010, especially in Germany and Poland, which are two of the Group's principal markets. However, price pressure in these markets did not intensify compared with the second quarter of 2010, and prices in Germany showed a slight increase. The selling prices in these markets were below the prices in the same period in 2009.

The consolidated overall gross margin for the first three quarters of 2010 was 20.8% compared with 24.3% in the same period in 2009. The lower gross margin for the first three quarters of 2010 compared with the same period in 2009 primarily reflected the hard winter in the first quarter of 2010, which left its mark on consolidated revenue, and price pressure on the Group's products. At some factories, production was cut further as a result of optimisation of the Group's inventories.

Operating profit (loss) (EBIT)

The consolidated third-quarter 2010 operating result was a loss of DKK 2.6 million compared with a loss of DKK 67.6 million in the same period in 2009. The third quarter of 2010 was adversely affected by special items for closures and staff reductions of DKK 4 million, while the third quarter of 2009 was adversely affected by impairment losses and provisions totalling DKK 63.7 million.

The start-up of the factory in Russia resulted in higher overall depreciation in the third quarter of 2010 than in the same period in 2009.

The consolidated operating result for the first three quarters of 2010 was a loss of DKK 197.8 million compared with a loss of DKK 164.6 million in the same period in 2009. Special items totalling DKK 124.0 million have been recognised in the first three quarters of 2010 compared with DKK 104.1 million in the same period in 2009. Adjusted for special items, the consolidated operating result for the first three quarters was a loss of DKK 73.8 million compared with a loss of DKK 60.5 million in the same period last year.

Profit (loss) before tax

The third-quarter 2010 result before tax was a loss of DKK 9.1 million compared with a loss before tax of DKK 82.4 million in the third quarter of 2009, an improvement of the result before tax of DKK 73.2 million. The result before tax included special items of DKK 4.0 million in the third quarter of 2010 compared with DKK 63.7 million in the third quarter of 2009.

Rising exchange rates, primarily PLN and RUB, depressed the result before tax, although the increases were offset to a limited extent by a strengthening GBP exchange rate. Overall, the exchange rate development eroded the third-quarter 2010 result before tax by DKK 1.0 million compared with the same period in 2009.

Profit (loss) before tax				
	Q3		Q1-Q3	
(Amounts in DKK million)	2010	2009	2010	2009
Western Europe	4.6	(6.5)	(31.6)	(70.1)
Eastern Europe	(13.3)	(9.3)	(183.3)	(42.7)
Eliminations and unallocated items	(0.4)	(66.6)	(11.8)	(94.6)
Total	(9.1)	(82.4)	(226.7)	(207.4)

The result before tax for the first three quarters of 2010 was a loss of DKK 226.7 million compared with a loss before tax of DKK 207.4 million in the same period in 2009, corresponding to a DKK 19.4 million decrease in the result before tax. Special items totalling DKK 124.0 million have been recognised in the first three quarters of 2010 compared with DKK 104.1 million in the same period in 2009. Adjusted for special items, the consolidated result before tax for the first three quarters of 2010 was a loss of DKK 102.8 million compared with a loss of DKK 103.3 million in the same period in 2009.

Special items

As described, H+H has initiated a process where non-strategic business entities that do not make a positive contribution to the Group's operations are closed down.

Special items				
	Q3		Q1-Q3	
(Amounts in DKK million)	2010	2009	2010	2009
Closure of activities	4.0	0.0	4.0	0.0
Impairment losses on non-current assets	0.0	58.5	120.0	58.5
Impairment losses on development projects	0.0	0.0	0.0	15.9
Value adjustments to inventories	0.0	1.2	0.0	6.7
Impairment losses and provisions relating to UK factory	0.0	0.0	0.0	19.0
Other items	0.0	4.0	0.0	4.0
Total	4.0	63.7	124.0	104.1

Costs of DKK 4.0 million related to the closure of such activities have consequently been recognised in the third quarter.

In the second quarter of 2010, the assets in Russia were impaired with DKK 120 million due to a slower ramp-up of the utilisation of the production capacity and lower prices than initially anticipated. The outlook for the Russian operation and the market is still positive.

Investments

Third-quarter investments totalled DKK 9.6 million (2009: DKK 11.5 million). Investments for the first three quarters of 2010 totalled DKK 23.1 million (2009: DKK 78.7 million). Total investments for the year are still expected to be less than DKK 50 million. The temporary hold on all new investment initiatives, apart from necessary maintenance investments, has been maintained.

Investments				
	Q3		Q1-Q3	
(Amounts in DKK million)	2010	2009	2010	2009
Western Europe	4.7	2.1	8.0	9.4
Eastern Europe	3.1	9.6	10.0	66.7
Unallocated items	1.8	(0.2)	5.1	2.6
Total	9.6	11.5	23.1	78.7

Investments in the third quarter were predominantly related to the roll-out of a new ERP system in the Group. All other investments were maintenance-related.

Financing

Net interest-bearing debt stood at DKK 591.3 million at 30 September 2010, corresponding to a decrease of DKK 4.5 million since the start of the year. To this should be added non-recurring expenses of DKK 15 million for prospectus and an onerous contract yet to be settled for which the debt at the end of 2009 had not been adjusted. The adjusted decrease was thus just under DKK 20 million.

The net interest-bearing debt is negatively influenced by the development in exchange rates by approx. DKK 20 million.

Total net interest-bearing debt is still expected to be in the DKK 610 million region at the end of the year.

Net financing costs amounted to DKK 6.5 million in the third quarter of 2010 compared with DKK 14.8 million in the third quarter of 2009. No financing costs were capitalised in the third quarter of 2010. In the corresponding period in 2009, financing costs totalling DKK 2.4 million were capitalised in connection with the Group's large investment projects. Besides interest expense and foreign exchange adjustments, financing costs in 2010 include amortisation of borrowing costs and payment for undrawn committed credit facilities.

Taxation

Income tax expense for the period has been partially estimated. Income of DKK 1.1 million has been recognised for the third quarter of 2010, corresponding to an effective tax rate of 16%. For the third quarter of 2009, income of DKK 18.8 million was recognised, corresponding to an effective tax rate of 23%.

Equity

Consolidated equity decreased by DKK 28.4 million in the third quarter. The results for the period reduced equity by DKK 10.2 million, while foreign exchange adjustments of investments reduced equity by DKK 18.2 million.

Equity		
	Q1-Q3	
(Amounts in DKK million)	2010	2009
1 January	958.2	743.2
Profit (loss) for the period	(190.3)	(166.2)
Foreign exchange adjustments	42.2	4.9
Other adjustments	(1.1)	1.2
30 September	809.0	583.1

Segments

Western Europe

Third-quarter 2010 revenue in Western Europe amounted to DKK 262.9 million, up DKK 46.8 million or 22% on the third quarter of 2009. Expressed in local currency, the increase in revenue was 19%.

Revenue in Western Europe for the first three quarters of 2010 amounted to DKK 687.4 million, up DKK 115.4 million or 20% on the first three quarters of 2009. Expressed in local currency, the increase in revenue was 15%.

The level of activity in the markets in Western Europe in the third quarter of 2010 was largely on a par with expectations, except in the UK. The level of activity in the UK continued to exceed expectations.

The price level in the German market is falling short of expectations. Prices in the other markets in Western Europe match expectations. Except in the case of Germany, third-quarter revenue was ahead of the same period in 2009. Overall, the third quarter of 2010 matched expectations for Western Europe.

The result before tax was a profit of DKK 4.6 million compared with a loss of DKK 6.5 million in the third quarter of 2009, an improvement of DKK 11.0 million.

The average selling prices realised on the volume sold in Western Europe in the third quarter of 2010 were at a lower level than in the third quarter of 2009.

It is estimated that the level of activity in the market for new housing units has now bottomed out, and there are indications of a moderate upturn.

Eastern Europe

Third-quarter 2010 revenue in Eastern Europe amounted to DKK 117.6 million, up DKK 13.2 million or 13% on the third quarter of 2009. Expressed in local currency, revenue was up 3%.

Revenue in Eastern Europe for the first three quarters of 2010 amounted to DKK 294.6 million, up DKK 50.0 million or 20% on the first three quarters of 2009. Expressed in local currency, revenue was up 10%.

The level of activity in Eastern Europe in the first three quarters did not match expectations in the Czech Republic and Poland. However, demand in the Russian market was considerably higher in the third quarter of 2010 than in the previous quarters, partly reflecting sales to Moscow.

Prices fell slightly short of expectations both in Poland and Russia, and earnings in Eastern Europe consequently did not match expectations. In addition, the Czech Republic experienced increased price pressure at the end of the third quarter.

Selling prices in the Polish and Czech markets were realised at a lower level than in the third quarter of 2009.

The third-quarter 2010 result before tax was a loss of DKK 13.3 million compared with a third-quarter 2009 loss of DKK 9.3 million, a decrease of DKK 4.0 million. Sales volume was significantly ahead of the same period in 2009. The decrease in the result before tax primarily reflected significantly lower earnings per m³ of aircrete sold, higher depreciation and higher interest expense. The higher depreciation and interest expense reflected the completion of the factory in Russia. The rising PLN, RUB and CZK exchange rates also depressed the result.

The result before tax for Eastern Europe for the first three quarters of 2010 was a loss of DKK 183.3 million compared with a loss of DKK 42.7 million for the first three quarters of 2009, corresponding to a decrease of DKK 140.6 million. The most significant deviation was due to the impairment on the non-current assets in Russia.

Eliminations and unallocated items

Unallocated net expenses amounted to DKK 0.5 million in the third quarter of 2010, a decrease of DKK 7.6 million on the same period in 2009.

Full-year profit outlook

For 2010, an unchanged outlook with a negative result before tax and special items in the range of DKK 140-160 million is expected. Special items expected to increase to DKK 130 million due to a DKK 10 million provision for restructuring costs. Including special items, a negative result before tax in the range of DKK 270-290 million is expected.

Free cash flow is expected to be neutral, and interest-bearing debt at the end of 2010 is consequently expected to be in the DKK 610 million region.

Total investments are expected to be less than DKK 50 million.

Outlook for 2011

At the present time, the preliminary outlook for 2011 indicates a negative result before tax and special items that is better than the 2010 profit outlook.

An extended efficiency programme in order to reduce the costs and improve working capital has been decided. These initiatives will reduce costs by more than DKK 75 million in 2011.

Free cash flow for 2011 is expected to be positive.

Total investments in 2011 are expected to be less than DKK 50 million.

The assumptions on which the H+H Group's profit outlook for the 2011 financial year is based include the following:

- stable selling prices for the Group's products compared with November 2010;
- that the H+H Group has not concluded any currency hedging contracts for 2011, and that exchange rates, primarily for GBP, EUR, PLN, RUB and CZK, are on a par with the exchange rates for November 2010;
- slightly increasing energy and raw material prices compared with November 2010.

Financial calendar 2011

2010 annual report	10 March 2011
Annual General Meeting, including adoption of annual report for 2010*	14 April 2011
Interim financial report Q1 2011	26 May 2011
Interim financial report H1 2011	24 August 2011
Interim financial report Q3 2011	22 November 2011

* Proposals to the agenda of the Annual General Meeting must be submitted no later than six weeks before the meeting (i.e. before 3 March 2011).

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the interim financial report of H+H International A/S for the third quarter of 2010.

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

In our opinion, the interim financial statements give a true and fair view of the Group's financial position at 30 September 2010 and of the results of the Group's operations and consolidated cash flow for the period 1 January - 30 September 2010.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's operations and financial matters, the results for the period and the Group's financial position and a description of the most significant risks and elements of uncertainty which the Group faces.

Copenhagen, 16 November 2010

Executive Board

Hans Gormsen
CEO

Board of Directors

Anders C Karlsson
Chairman

Asbjørn Berge
Deputy Chairman

Stewart A Baseley

Heine Dalsgaard

Pierre-Yves Jullien

Henrik Lind

Forward-looking statements:

The forward-looking statements in this interim financial report reflect management's current expectations for certain future events and financial results. Statements regarding the future are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Factors that may cause the actual results to deviate materially from expectations include but are not limited to general economic developments and developments in the financial markets, changes in pricing for aircrete products, the market's acceptance of new products, introduction of competing products and the integration of company acquisitions.

H+H International A/S is only required to update and adjust the expectations presented when this is required under Danish law, including the Danish Securities Trading, etc. Act.

Income statement

	Group				
(Amounts in DKK million)	Q3 2010	Q3 2009	Q1-3Q 2010	Q1-Q3 2009	Year 2009
Revenue	380.5	320.5	982.0	816.6	1.068.0
Production costs	(293.6)	(238.8)	(777.7)	(617.9)	(820.3)
Gross profit	86.8	81.7	204.3	198.7	247.7
Other external expenses	(54.3)	(49.2)	(183.7)	(167.9)	(230.9)
Other operating income and expenses	(8.5)	(11.1)	(8.5)	(15.8)	(15.8)
EBITDA	24.0	21.4	12.1	15.0	1.0
Depreciation and amortisation	(26.6)	(30.5)	(89.9)	(89.1)	(121.5)
EBIT before impairment	(2.6)	(9.1)	(77.8)	(74.1)	(120.5)
Impairment losses	0.0	(58.5)	(120.0)	(90.5)	(84.8)
EBIT	(2.6)	(67.6)	(197.8)	(164.6)	(205.3)
Net financing costs	(6.5)	(14.8)	(28.9)	(42.8)	(58.2)
Profit (loss) before tax	(9.1)	(82.4)	(226.7)	(207.4)	(263.5)
Income tax expense	(1.1)	18.8	36.4	41.2	31.0
Profit (loss) for the period	(10.2)	(63.6)	(190.3)	(166.2)	(232.5)
Earnings per share	(1.0)	(59.4)	(19.4)	(155.4)	(94.6)
Diluted earnings per share	(1.0)	(59.4)	(19.4)	(155.4)	(94.6)

Statement of comprehensive income

	Group				
(Amounts in DKK million)	Q3 2010	Q3 2009	Q1-3Q 2010	Q1-Q3 2009	Year 2009
Profit (loss) for the period	(10.2)	(63.6)	(190.3)	(166.2)	(232.5)
Other comprehensive income					
Foreign exchange adjustments, foreign enterprises	(21.5)	(1.3)	42.3	4.9	7.6
Tax on changes in equity	3.3	0.0	(1.6)	(0.3)	(0.4)
Value adjustments of hedging instruments	0.0	0.0	0.0	1.2	1.8
Other comprehensive income	(18.2)	(1.3)	40.7	5.8	9.0
Total comprehensive income	(28.4)	(64.9)	(149.6)	(160.4)	(223.5)

Balance sheet

(Amounts in DKK million)	Group			
	30 Sep 2010	31 Dec 2009	30 Sep 2009	31 Dec 2008
ASSETS				
Non-current assets				
Intangible assets	113.8	109.7	107.7	117.5
Property, plant and equipment	1,203.1	1,341.3	1,362.9	1,418.9
Other non-current assets	68.4	44.4	47.5	22.5
Total non-current assets	1,385.3	1,495.4	1,518.1	1,558.9
Current assets				
Inventories	180.1	209.9	193.0	212.0
Receivables	181.8	132.1	169.1	144.2
Cash and cash equivalents	10.6	17.6	24.6	7.7
Total current assets	372.5	359.6	386.7	363.9
TOTAL ASSETS	1,757.8	1,855.0	1,904.8	1,922.8
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	109.0	109.0
Retained earnings	385.4	575.3	584.8	750.7
Other reserves	(66.9)	(107.6)	(110.7)	(116.5)
Total equity	809.0	958.2	583.1	743.2
Liabilities				
Non-current liabilities	729.6	749.6	131.8	1,015.7
Current liabilities	219.2	147.2	1,189.9	163.9
Total liabilities	948.8	896.8	1,321.7	1,179.6
TOTAL EQUITY AND LIABILITIES	1,757.8	1,855.0	1,904.8	1,922.8
Net interest-bearing debt	591.3	595.8	990.7	863.0

Cash flow statement

(Amounts in DKK million)	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009
Operating activities	48.2	45.9	35.0	(51.1)
Investing activities	(8.9)	(11.3)	(21.9)	(76.6)
Financing activities	(38.1)	(16.9)	(20.7)	144.6
Net increase (decrease) in cash and cash equivalents	1.2	17.7	(7.6)	16.9
Cash and cash equivalents, opening	9.6	6.7	17.6	7.7
Foreign exchange adjustments of cash and cash equivalents	(0.2)	0.2	0.6	0.0
Cash and cash equivalents at 30 September	10.6	24.6	10.6	24.6

Statement of changes in equity

(Amounts in DKK million)	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2010	490.5	(107.6)	0.0	575.3	0.0	958.2
Total changes in equity in 2010						
Result for the period	0.0	0.0	0.0	(190.3)	0.0	(190.3)
Other comprehensive income	0.0	40.7	0.0	0.0	0.0	40.7
Total comprehensive income	0.0	40.7	0.0	(190.3)	0.0	(149.6)
Share-based payment	0.0	0.0	0.0	0.4	0.0	0.4
Total changes in equity in 2010	0.0	40.7	0.0	(189.9)	0.0	(149.2)
Equity at 30 September 2010	490.5	(66.9)	0.0	385.4	0.0	809.0
Equity at 1 January 2009	109.0	(115.1)	(1.4)	750.7	0.0	743.2
Total changes in equity 2009						
Result for the period	0.0	0.0	0.0	(166.2)	0.0	(166.2)
Other comprehensive income	0.0	4.9	0.9	0.0	0.0	5.8
Total comprehensive income	0.0	4.9	0.9	(166.2)	0.0	(160.4)
Share-based payment	0.0	0.0	0.0	0.3	0.0	0.3
Total changes in equity in 2009	0.0	4.9	0.9	(165.9)	0.0	(160.1)
Equity at 30 September 2009	109.0	(110.2)	(0.5)	584.8	0.0	583.1

Notes

- 1 Accounting policies
- 2 Significant accounting estimates and judgements
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Notes

1. Accounting policies

The interim financial report for the period 1 January - 30 September 2010 is presented in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reports of listed companies. The application of IAS 34 means that the presentation is more limited than the presentation of a complete annual report, and that the recognition and measurement principles in the international financial reporting standards (IFRS) have been complied with. The interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2009 annual report. The 2009 annual report includes a full description of the accounting policies.

In 2010, no new financial reporting standards or interpretations have been implemented that have had a material impact on recognition and measurement.

2. Significant accounting estimates and judgements

In the process of preparing the consolidated financial statements management makes a number of estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

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

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

Further details of the Group's principal risks and the external factors that may affect the Group are provided in the 2009 annual report.

3. Segment information

(Amounts in DKK million)			Q3 2010				
Western Europe				Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments
Revenue, external	182.3	80.6	262.9	111.9	5.7	117.6	380.5
Revenue, internal	40.0	-	0.6	2.5	-	-	0.6
EBITDA	23.7	0.3	24.0	10.1	(2.1)	8.0	32.0
Depreciation and amortisation	(15.1)	(0.5)	(15.6)	(10.8)	-	(10.8)	(26.4)
EBIT before impairment	8.6	(0.2)	8.4	(0.7)	(2.1)	(2.8)	5.6
Impairment losses	-	-	-	-	-	-	-
Operating profit (loss) (EBIT)	8.6	(0.2)	8.4	(0.7)	(2.1)	(2.8)	5.6
Net financing costs	(3.1)	(0.7)	(3.8)	(10.1)	(0.4)	(10.5)	(14.3)
Profit (loss) before tax	5.5	(0.9)	4.6	(10.8)	(2.5)	(13.3)	(8.7)
Non-current assets	602.4	11.4	613.8	718.7	7.6	726.3	1,340.1
Investments in non-current assets	4.4	0.3	4.7	3.1	0.0	3.1	7.8
Assets	841.4	72.5	913.9	802.7	10.1	812.8	1,726.7
Equity	316.9	8.0	324.9	119.8	(20.5)	99.3	424.2
Liabilities	841.4	72.5	913.9	802.7	10.1	812.8	1,726.7

Q3 2009							
(Amounts in DKK million)							
Western Europe				Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments
Revenue, external	155.4	60.7	216.1	96.9	7.5	104.4	320.5
Revenue, internal	32.0	-	1.4	5.1	-	0.4	1.8
EBITDA	23.2	(2.6)	20.6	10.5	(1.3)	9.2	29.8
Depreciation and amortisation	(20.9)	(0.8)	(21.7)	(8.6)	(0.1)	(8.7)	(30.4)
EBIT before impairment	2.3	(3.4)	(1.1)	1.9	(1.4)	0.5	(0.6)
Impairment losses	-	-	-	-	-	-	-
Operating profit (loss) (EBIT)	2.3	(3.4)	(1.1)	1.9	(1.4)	0.5	(0.6)
Net financing costs	(5.0)	(0.4)	(5.4)	(9.2)	(0.7)	(9.9)	(15.3)
Profit (loss) before tax	(2.7)	(3.8)	(6.5)	(7.3)	(2.1)	(9.4)	(15.9)
Non-current assets	636.1	12.9	649.0	787.4	5.9	793.3	1,442.3
Investments in non-current assets	1.8	0.3	2.1	9.6	-	9.6	11.7
Assets	866.8	66.7	933.5	877.8	12.6	890.4	1,823.9
Equity	303.8	20.5	324.3	232.0	(12.9)	219.1	543.3
Liabilities	866.8	66.7	933.5	877.8	12.6	890.4	1,823.9

Reconciliation of reportable segments' results before tax

Q3		
(Amounts in DKK million)		
	2010	2009
Segment profit (loss) before tax for reportable segments	(8.7)	(15.8)
Unallocated Group costs, corporate functions	(0.5)	(8.1)
Impairment losses, non-reportable segment	0.0	(58.5)
	(9.2)	(82.4)

Intersegment trading is based on market prices.

3. Segment information - continued

(Amounts in DKK million)							
Q1-Q3 2010							
Western Europe				Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments
Revenue, external	502.3	185.1	687.4	281.8	12.8	294.6	982.0
Revenue, internal	88.3	-	2.3	6.7	-	0.5	2.8
EBITDA	46.5	(10.8)	35.7	5.5	(5.2)	0.3	36.0
Depreciation and amortisation	(54.0)	(1.8)	(55.8)	(33.5)	(0.1)	(33.6)	(89.4)
EBIT before impairment	(7.5)	(12.6)	(20.1)	(28.0)	(5.3)	(33.3)	(53.4)
Impairment losses	-	-	-	(120.0)	-	(120.0)	(120.0)
Operating profit (loss) (EBIT)	(7.5)	(12.6)	(20.1)	(148.0)	(5.3)	(153.3)	(173.4)
Net financing costs	(10.0)	(1.5)	(11.5)	(29.0)	(1.0)	(30.0)	(41.5)
Profit (loss) before tax	(17.5)	(14.1)	(31.6)	(177.0)	(6.3)	(183.3)	(214.9)
Non-current assets	602.4	11.4	613.8	718.7	7.6	726.3	1,340.1
Investments in non-current assets	6.4	1.6	8.0	8.9	1.1	10.0	18.0
Assets	841.4	72.5	913.9	802.7	10.1	812.8	1,726.7
Equity	316.9	8.0	324.9	119.8	(20.5)	99.3	424.2
Liabilities	841.4	72.5	913.9	802.7	10.1	812.8	1,726.7

(Amounts in DKK million)							
Q1-Q3 2009							
Western Europe				Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments
Revenue, external	408.8	163.2	572.0	227.9	16.7	244.6	816.6
Revenue, internal	97.9	-	7.5	10.8	-	0.5	8.0
EBITDA	40.5	(13.4)	27.1	14.9	(3.7)	11.2	38.3
Depreciation and amortisation	(63.1)	(2.0)	(65.1)	(23.1)	(0.1)	(23.2)	(88.3)
EBIT before impairment	(22.6)	(15.4)	(38.0)	(8.2)	(3.8)	(12.0)	(50.0)
Impairment losses	(16.1)	-	(16.1)	(6.6)	-	(6.6)	(22.7)
Operating profit (loss) (EBIT)	(38.7)	(15.4)	(54.1)	(14.8)	(3.8)	(18.6)	(72.7)
Net financing costs	(15.2)	(0.8)	(16.0)	(22.9)	(1.2)	(24.1)	(40.1)
Profit (loss) before tax	(53.9)	(16.2)	(70.1)	(37.7)	(5.0)	(42.7)	(112.8)
Non-current assets	636.1	12.9	649.0	787.4	5.9	793.3	1,442.3
Investments in non-current assets	6.2	3.2	9.4	66.5	0.2	66.7	76.1
Assets	866.8	66.7	933.5	877.8	12.6	890.4	1,823.9
Equity	303.8	20.5	324.3	232.0	(12.9)	219.1	543.4
Liabilities	866.8	66.7	933.5	877.8	12.6	890.4	1,823.9

Reconciliation of reportable segments' results before tax

(Amounts in DKK million)			Q1-Q3	
			2010	2009
Segment profit (loss) before tax for reportable segments			(214.9)	(112.8)
Unallocated group costs, corporate functions			(11.9)	(26.8)
Impairments losses, non-reportable segment			0.0	(67.8)
			(226.8)	(207.4)

Intersegment trading is based on market prices.

Notes

4. Seasonal and cyclical fluctuations

Seasonal fluctuations

The sales pattern for the Group's products is seasonal. Sales in the second and third quarters are traditionally significantly higher than during the rest of the year. As a large proportion of the Group's cost base is not directly variable with revenue, deviations from projected sales may result in considerable fluctuations in the Group's results. Seasonal fluctuations also affect the Group's cash resources during the year.

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

Cyclical fluctuations

The economic development in the countries and markets in which the Group's products are sold has a major impact on demand for the Group's products. The Group's sales go predominantly to new dense low-rise housing, and the Group is consequently particularly vulnerable to fluctuations in the level of activity in this building segment. The Group's products are primarily sold in the geographical markets that are situated relatively close to its factories – the specific geographical market for each factory depends on local transport prices, the state of the infrastructure and the competitive situation, including the price level.

5. Pension obligations

The Group has defined pension 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. Pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation was prepared at 31 December 2009 that shows a shortfall of DKK 105 million net (the present value of the obligations exceeds the fair value of the plan assets).

As a result of the Group's application of the corridor approach, DKK 38 million of the shortfall has not been recognised in the balance sheet or equity at 31 December 2009. New actuarial calculations are only carried out once a year, in connection with the preparation of the consolidated financial statements, and no change has therefore been recognised at 30 September 2010.

6. Financial resources and cash flow

Net interest-bearing debt stood at DKK 591.3 million at 30 September 2010, corresponding to a decrease of DKK 4.5 million since the start of the year. The decrease reflected the financial results and seasonal changes in working capital. Interest-bearing debt is still expected to be in the DKK 610 million region at the end of 2010.

The company has a loan agreement with Danske Bank A/S with a total credit line corresponding to approx. DKK 900 million, of which DKK 850 million is committed until 31 December 2014, and DKK 50 million is a short-term uncommitted credit line.

In the third quarter of 2010, the company has decided to reduce the committed credit line earlier than originally planned to DKK 850 million to save costs. The reduction, amounting to DKK 100 million overall, had been scheduled to be made with DKK 50 million in October 2010 and DKK 50 million in January 2011.

7. Events after the balance sheet date

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

H+H International continues to explore expressions of interest received from potential buyers. The company has received an updated offer from Goldman Sachs Capital Partners and PAI Partners at DKK 67.5 per share, which still contains a number of unsolved conditions. All expressions of interest are being assessed by the Board of Directors. More information will be disclosed to the market as and when considered appropriate or required by H+H International.