



Annual Report 2011
Investor presentation

15 March 2012

build with ease



Forward-looking statement

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

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

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



Agenda

- Highlights
- Financial performance
- Dialogue with potential buyers
- Market update
- Outlook for 2012
- New strategy 2012-2014
- Q&A



H+H

Highlights

Improved market situation in Europe:

- Higher activity level in Q4 2011 compared with Q4 2010, revenue up 23%.
- Good performance in most markets. EBITDA for Q4 2011 for the continuing operations improved by DKK 41 million on Q4 2010.
- Market shares have been either held or increased.
- The extended efficiency programme has been successfully implemented. Costs in 2011 have been reduced by more than DKK 75 million relative to 2010.
- New strategic plan has been prepared.
- The new strategic plan of H+H has enabled the company to extend its committed credit facility with Danske Bank A/S until 15 February 2015. The associated financial covenants have been adjusted at the same time.



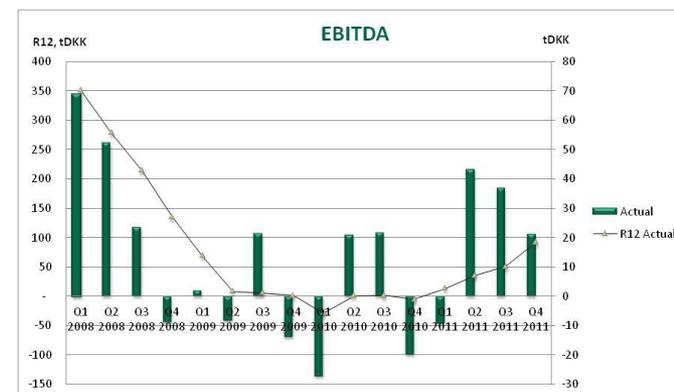
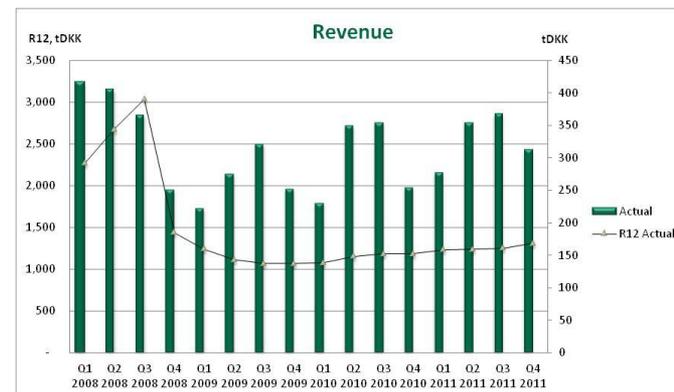
Group financial performance

Q4

- Revenue up 23.1% in DKK (up 22.7% in local currencies) on Q4 2010
- EBITDA DKK 21.0 million compared with DKK (19.9) million in 2010
- Special items of DKK (1.6) million
- Excluding special items EBITDA of DKK 22.6 compared with DKK (3.6) million in 2010
- Loss before tax of DKK 14.8 million compared with loss of DKK 51.7 million in 2010

Full-year 2011

- Revenue up 10.5% in DKK (11.2% in local currencies) on full-year 2010
- EBITDA DKK 91.5 million versus DKK (4.8) million in 2010
- Special items of DKK (5.1) million versus DKK (140.3) in 2010
- Loss before tax of DKK 52.8 million versus loss of DKK 274.5 million in 2010



Special items in 2011

DKK in million	2011	2010
Impairment losses on non-current assets and provision for onerous contract	-	121.7
Costs in connection with competition case	1.5	-
Additional energy tax related to 2008 and 2009	2.4	-
Termination costs	1.7	13.4
Shutdown expenses in Norway, Ukraine and the Baltic States	-	5.2
Other items	(0.5)	-
Total	5.1	140.3

- 2011 brought special items of DKK 5.1 million, consisting primarily of legal fees for dealings with the European competition authorities, extra energy tax related to 2008 and 2009 and severance costs, compared with DKK 140.3 million in 2010.
- H+H did not recognise any impairment losses in 2011, whereas in 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.

Investments

- Total investments in Q4 of DKK 14.6 million. For the year, the investments amounted to DKK 36.9 million.
- The investments in 2011 were primarily related to maintenance and the rollout of a new ERP system.
- As in 2010, no financing costs or own costs were capitalised.
- No significant investments are expected in the coming year, and total investments are expected to be around DKK 50 million in 2012.

DKK in million	2011	2010
Westen Europe	23.4	16.5
Eastern Europe	11.4	15.6
Non-allocated items	2.1	3.1
Total	36.9	35.2

Net interest-bearing debt

- Net interest-bearing debt was DKK 628 million end of December 2011, up DKK 15 million on 31 December 2010
- The exchange rate development has increased the net interest-bearing debt by DKK 15 million
- Cash flow in 2011 has been positive with DKK 10.8 million
- Free cash flow for 2012 is expected to be positive with DKK 0-20 million, before disposal of assets

Result for 2011 compared with most recently announced outlook

- Most recently announced outlook for continuing operations: EBITDA before special items in the region of DKK 95-100 million
 - EBITDA before special items for continuing operations was DKK 96.6 million
- Most recently announced outlook for free cash flow: Free cash flow of around DKK 10-20 million
 - Free cash flow was positive at DKK 10.8 million
- Most recently announced outlook for investments: Full-year investments expected to be less than DKK 50 million
 - Full-year investments DKK 37 million

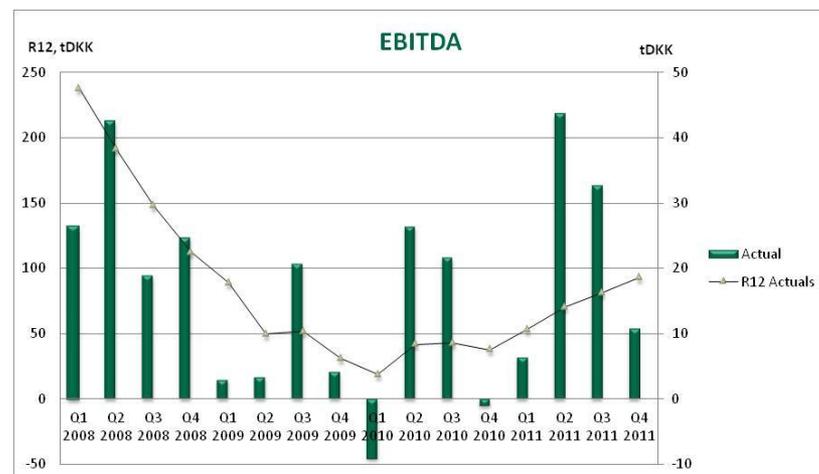
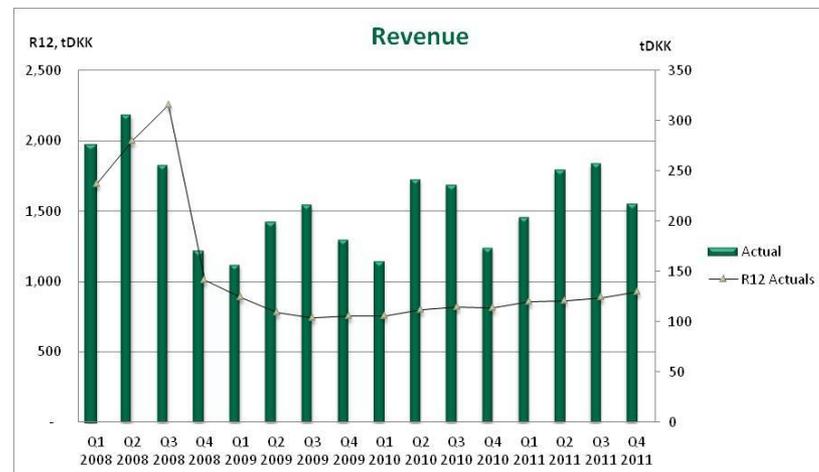
Segments - Western Europe

Q4

- Revenue up 24.8%, up 25.1% in local currencies
- EBITDA DKK 10.7 million compared with DKK (1.1) million in 2010
- Loss before tax of DKK 8.7 million, up DKK 12.7 million on Q4 2010

Full-year

- Revenue up 14.5%, up 14.7% in local currencies on full-year 2010
- EBITDA DKK 93.2 million versus DKK 37.6 million in 2010
- Profit before tax of DKK 17.5 million, up DKK 66.7 million on full-year 2010



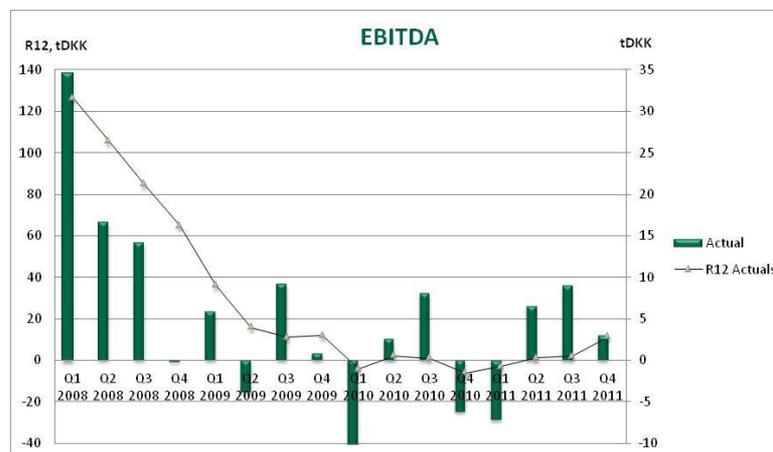
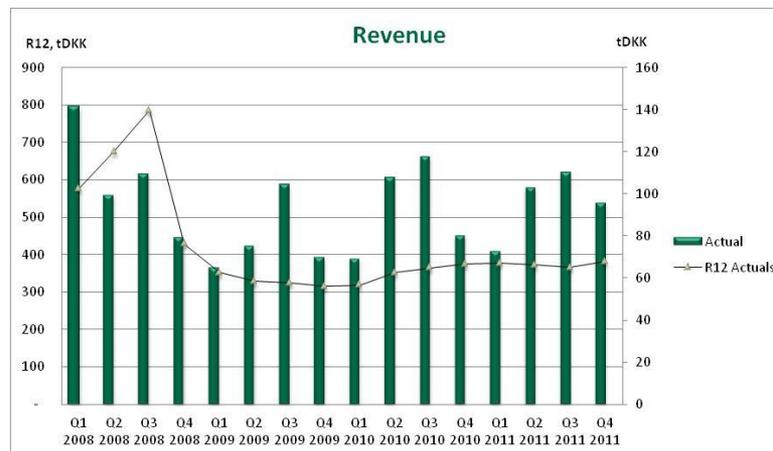
Segments - Eastern Europe

Q4

- Revenue up 19.4%, up 17.5% in local currencies
- EBITDA DKK 3.0 million compared with DKK (6.2) million in 2010
- Loss before tax of DKK 14.4 million, up DKK 12.1 million on Q4 2010

Full-year

- Revenue up 1.8%, up 3.4% in local currencies on full-year 2010
- EBITDA DKK 11.3 million compared with DKK (6.0) million in 2010
- Loss before tax of DKK 68.7 million, up DKK 141.1 million on full-year 2010



Takeover interest in H+H International A/S

- On its own initiative and without the involvement of H+H International A/S, Xella International Holdings S.à.r.l. (“Xella”) submitted a pre-merger notification with H+H to the relevant competition authorities in the EU and Germany (due to the European Commission’s referral of the German part of the matter to the German competition authority (“Bundeskartellamt”). Reference is made to prior company announcements.
- During the evaluation period an offer for commitments submitted by Xella to try to counter the negative competitive consequences in relation to a merger was rejected by the Bundeskartellamt.
- On 14 March 2012, the Bundeskartellamt issued a decision in relation to Xella’s notification whereby the Bundeskartellamt prohibited a possible merger between Xella and H+H within the German market.
- Xella may appeal the decision by the Bundeskartellamt by bringing the decision before Oberlandesgericht Düsseldorf (Düsseldorf Higher Regional Court). Regardless of a potential appeal from Xella, H+H will continue to pursue its strategy on a stand-alone basis as described in this annual report.



Market update



Market update

UK

- The market was slightly positive in 2011, contracting in the first half of the year and expanding in the second half.
- Private and public housebuilding are expected to decline slightly in 2012 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 decline is expected to be offset by an increased shift from the construction of apartments to the construction of houses, resulting in increased use of aircrete. All in all, sales volumes are expected to be largely unchanged from 2011.

Market update

Germany

- The German residential newbuild market expanded significantly in 2011, due partly to the downturn in construction in 2009 and 2010. Growth in completions is expected to slow in 2012 but remain slightly positive.
- Prices for H+H's products in Germany climbed in 2011 and are beginning to approach the levels seen before the economic crisis. Sales from the German factories to sister companies were slightly higher than in 2010. Gently rising sales and relatively stable prices are anticipated in 2012. For 2012 the focus remains on achieving higher prices ahead of increasing market shares.

Denmark

- Sales in Denmark reflected nascent optimism in the residential construction market and came out substantially higher than in 2010. The increase in activity in 2011 is unlikely to continue into 2012, however, and largely unchanged sales volumes are anticipated in a market still dogged by uncertainty.



Market update

Finland

- 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 2011, and activity has remained subdued into 2012. The focus during the year will be on expanding the Finnish market to include construction of apartments and more of the industrial segment.

Jämerä-kivitalot (Finland)

- As part of its continued focus on core business, H+H has decided to divest its Finnish subsidiary Jämerä-kivitalot Oy, which designs and sells the construction of aircrete houses for private individuals. As the company has been loss-making for a number of years, the divestment will have a positive effect on H+H's future earnings. It is expected that the divestment can be completed by the end of the third quarter of 2012. Jämerä's activities are therefore no longer reported as continuing operations.

Sweden

- The last couple of years have seen healthy growth in residential and commercial construction, and the market is expected to be relatively flat in 2012. The Swedish krona appreciated against the euro in 2010 and 2011, making the company's products more competitive relative to locally manufactured substitute building materials.



Market update

Poland

- The Polish newbuild market was hit hard by the economic crisis, and the number of starts has been falling in recent years. There was also a small increase in market share in 2011, as the focus in Poland is on raising prices ahead of maintaining volumes, and there has been fierce price competition for aircrete. Slightly improved market conditions are anticipated in 2012.

Russia

- The factory near St Petersburg in Russia was completed in late 2009, making 2011 H+H's second year in the Russian market. The market expanded in 2011, and demand far outstripped supply for long periods. Prices in the aircrete market climbed as a result of increased demand and rising raw material costs.
- Increased production and sales are anticipated in 2012.

Czech Republic

- Sales in the Czech Republic grew in 2011 despite very difficult market conditions and are expected to continue to do so in 2012.



Outlook for 2012



Outlook for 2012

- An increase in earnings is anticipated in 2012, with EBITDA for continuing operations DKK 110-140 million before special items.
- Free cash flow is expected to be positive DKK 0-20 million before disposal of assets.
- Total investments are expected to be in the region of DKK 50 million.

Comments to outlook for 2012

These expectations for H+H's financial performance in 2012 are based partly on the following assumptions:

- The increased financial turmoil does not result in falling sales relative to 2011, and average selling prices generally track or exceed inflation in all markets.
- Contracts are signed with new and existing customers to support revenue expectations, and no impairment losses or restructuring costs are incurred.
- Exchange rates hold around their mid-March 2012 levels, primarily for GBP, EUR, PLN, RUB and CZK.
- Energy and raw material prices rise only in line with inflation from their mid-March 2012 levels.



New strategy 2012-2014

- The strategic plan covers the period from 2012 up to and including 2014, during which time the aim is to deliver satisfactory financial results and reduce H+H's debt levels.

- In the light of H+H's current financial performance and debt levels, the following overall guiding principles apply to the strategic planning period:
 - To focus on the potential in existing geographical markets
 - To have sufficient production capacity to support planned growth
 - To remain focused on the aircrete market only
 - To build on existing technology and develop solutions based on this
 - To grow organically rather than through mergers and acquisitions

- Within these guiding principles, H+H should be able to grow the top line by 30% with its existing production capacity, assuming geographically balanced market growth.



New strategy 2012-2014

H+H has defined three strategic goals that need to be fulfilled within the time span of the strategic plan:

- **Become or remain number 1 or 2 in all chosen geographical markets.** H+H will position itself as a full-fledged branded aircrete supplier.
- **Be financially independent.** Long-term growth for H+H will require H+H to be able to reinvest cash from operations in market expansion and development of new technology. Therefore net debt should not exceed EBITDA by more than a factor of 2 in 2014.
- **Achieve capacity utilisation above 75%.** Capacity utilisation below 75% at any plant is loss-making, and it would be more desirable to consolidate production capacity if this is not achieved.



Long-term financial objectives 2012-2014

- Annual revenue growth of 4-8%
- EBITDA margin of minimum 13%
- ROIC of 10%
- Solvency ratio of min. 30%
- Net debt max. 2 times EBITDA

Selected elements:

- H+H should be able to grow the top line by 30%, with its existing production capacity, assuming a geographically balanced market growth.
- H+H has started implementing operational excellence, which will continue and include manufacturing, sourcing and administration. This will enable H+H to reduce production costs by around 2% annually.
- The Lean project continues. Savings of DKK 25 million made in 2011 and similar level expected in 2012.
- H+H will continue its drive to sell off non-core assets. Various plots of land in Poland, a sand pit in Germany, an office property in Denmark, a plot of land in the UK and unused production equipment are classified as assets held for sale.



Q&A

