

ent 4 0.50 625x300x625



Annual Report 2012

Investor presentation

14 March 2013

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
- Market development
- Financial performance
- Dialogue with potential buyers
- Outlook for 2013
- Strategy
- Q&A

Highlights 2012

- Significant decline in residential construction activity resulted in double digit volume decline in Europe.
- Market shares have been either held or increased in H+H's markets.
- Despite very difficult market condition revenue increased by 1%. Total revenue of DKK 1,322 million against DKK 1,309 in 2011.
- Continued focus on cost savings, staff reduction of 8% during 2012.
- EBITDA before special items for continuing operations was DKK 92 million.
- Free cash flow of DKK 125 million including sale of subsidiaries, but also positive cash flow from operation. Working capital ratio has been improved significantly the last years.



Highlights 2012-2013

- The very positive development in Russia during 2012 has resulted in a reversal of write-down. Net of depreciation a reversal of DKK 104 million. On the contrast, goodwill in Poland was written down by DKK 24 million due to recent years' very difficult market conditions.
- In October 2012 H+H International A/S sold all shares in H+H Česká republika s.r.o. to a company in the Xella Group for DKK 114 million, excluding real estate. In connection with the sale of H+H Česká, H+H reduced its committed credit facility and obtained more favourable financial covenants.
- In January 2013 it was decided to start negotiations with the unions concerning a possible closure of the factory in Finland.



Market developments in general

- 2012 was impacted by growing economic turmoil in the euro area, which led to significant tightening of credit conditions for homebuilding and reduced interest in buying new homes.
- Activity levels in several of H+H's main markets were even lower than in 2009, the first full year of crisis, when construction was hit hard. The positive in 2012 was performance in Russia, where demand outstripped supply for most of the year, leading to considerable price increases for H+H's products.
- The fourth quarter of 2012 brought a decrease in sales volumes, rising prices and positive impact from product mix, which together resulted in a decrease in revenue compared with the same period in 2011.
- The fourth quarter was impacted by increased sales of reinforced products to Africa. These are low-margin sales but helped offset decline in volumes and improved capacity utilisation at factories producing reinforced products.



Market developments, by country

Germany

- The German residential newbuild market declined in 2012 after growing strongly in 2011, but revenue was still slightly up on 2011 after considerable exports of reinforced products to Africa.
- Prices for H+H's products in Germany climbed gently in 2012 and are beginning to approach the levels seen before the economic crisis.

UK

- The market deteriorated in 2012, contracting in the first half of the year, due partly to high levels of rainfall in the second quarter, while sales picked up in the second half. Besides the weather, sales were hit by 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.

Market developments, by country

Poland

- The Polish newbuild market was again hit hard by the economic crisis and the economic slowdown after the European Football Championship. The number of newbuilds has been falling in recent years and continued to decline in 2012, and there is still fierce price competition in the aircrete market.

Russia

- The Russian market expanded in 2012, and demand far outstripped supply for long periods. H+H managed to increase its production volumes during the course of the year.
- Prices in the aircrete market also climbed as a result of increased demand and rising raw material costs.

Russia

- Sales volume increased by 34% since 2010.
- Prices increased by 33% since 2010.
- Plan to increase production capacity by 25% during 2013-2014.
- The very positive development in Russia during 2012 has resulted in a reversal of impairment, net of depreciation, amounting to DKK 104 million.



H+H's plant in Kikerino, Russia

Group financial performance

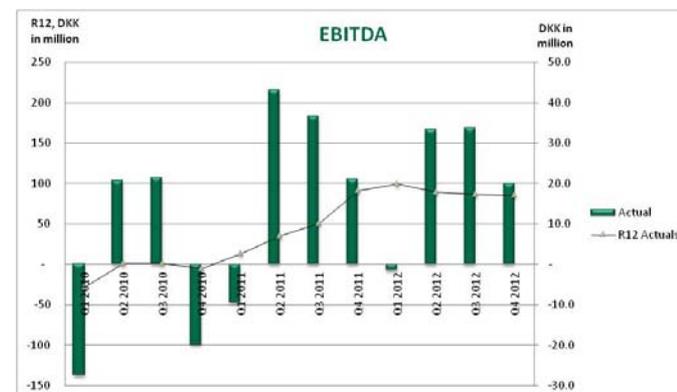
Q4

- Revenue down by 7% in DKK (down 9.4% in local currencies) on Q4 2011
- EBITDA DKK 20 million compared with DKK 21 million in 2011
- Special items of DKK 0.5 million
- Profit before tax of DKK 54.7 million compared with loss of DKK 14.8 million in 2011



Full-year 2012

- Revenue up 1% in DKK (down 0.1% in local currencies) on full-year 2011
- EBITDA DKK 86 million versus DKK 92 million in 2011
- Special items of DKK (6.0) million versus DKK (5.1) in 2011
- Loss before tax of DKK 82 million versus loss of DKK 124 million in 2011



Change in accounting policies – moving away from the corridor approach on pension obligation

- H+H International A/S implemented IAS 19R (2011) 'Employee benefits' with effect from 1 January 2012, ahead of the revision's effective date.
- H+H has ceased using the corridor approach for actuarial gains and losses. All changes in the expected pension obligation and plan assets will in future be recognised immediately in other comprehensive income. Previously, the corridor approach made it possible to defer recognition of certain actuarial gains and losses.
- The change has led to a reduction in equity due to unrecognised accumulated actuarial losses calculated at 31 December 2012 of DKK 91 million after tax. Net result has been lowered by around DKK 3 million.

Special items in 2012

DKK in million	2012	2011
Profit on sale of H+H Česká	(-5.7)	0
Cost in connection with competition case	0.8	1.5
Additional energy tax	0.9	2.4
Termination costs	4.5	1.7
Implementation of new organisation	3.9	0
Other items	1.6	-0.5
Total	6.0	5.1

- 2012 brought net negative special items of DKK 6 million, mainly costs relating to the implementation of the new strategy and organisation, and costs for advisers etc. in connection with the sale of H+H Česká republika s.r.o., compared with DKK 5.1 million in 2011.
- In 2010 it was decided to write down the Russian factory by DKK 120 million due to lower capacity utilisation and prices than originally anticipated. The Russian market has now recovered to the extent that this write-down can be reversed. Net of depreciation a reversal of DKK 104 million. In addition, goodwill in Poland was written down by DKK 24 million due to recent years' very difficult market conditions.
- The value of the remaining real estate in the Czech Republic was written down by DKK 46.4 million in 2012 in connection with the sale of H+H Česká republika s.r.o. to Xella.

Investments

- Investments of DKK 6 million were made during the fourth quarter, against DKK 15 million in 2011. 2012 investments of DKK 27 million against DKK 37 million in 2011.
- The investments in Q4 2012 were primarily related to minor investments related to ongoing maintenance.
- The investment level in 2012 has been extremely low.

DKK in million	2012	2011
Westen Europe	19.4	23.4
Eastern Europe	7.2	11.4
Non-allocated items	0.4	2.1
Total	27.0	36.9

Net interest-bearing debt

- Net interest-bearing debt was DKK 539 million end of December 2012, down DKK 90 million on 31 December 2011.
- The exchange rate development has increased the net interest-bearing debt by DKK 7 million.
- Free cash flow was positive at DKK 125 million, including disposal of subsidiaries. Adjusted for the disposal of subsidiaries, free cash flow was positive at DKK 4 million, which is better than the most recently announced outlook of a negative free cash flow of around DKK 0-15 million.
- Working capital has during the last years improved significantly. In 2012 new working capital improved by DKK 38 million.

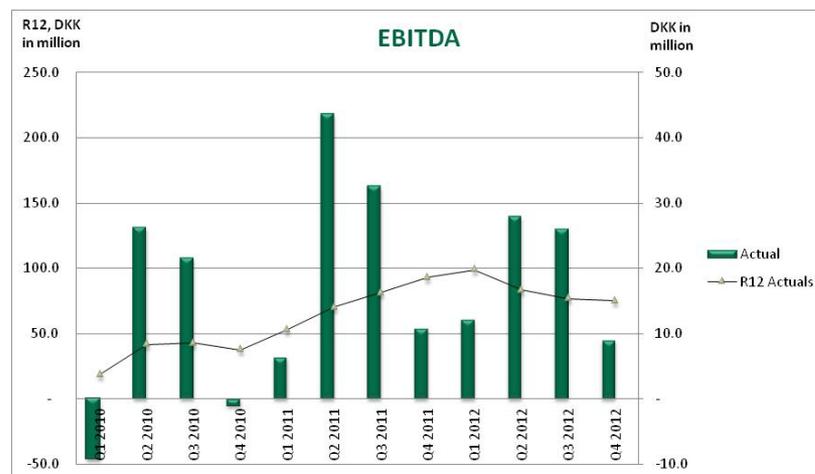
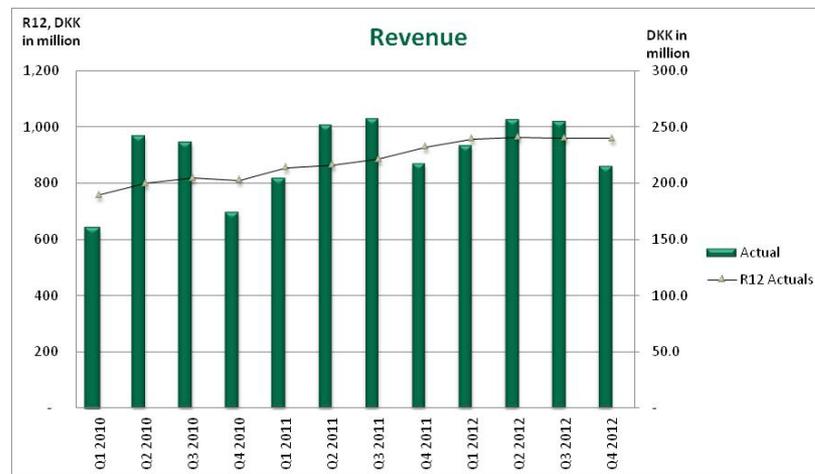
Segments - Western Europe

Q4

- Revenue down 0.8%, down 3.8% in local currencies
- EBITDA DKK 9.0 million compared with DKK 10.7 million in 2011
- Loss before tax of DKK 17.1 million, down DKK 8.4 million on Q4 2011

Full-year

- Revenue up 3.3%, up 0.2% in local currencies on full-year 2011
- EBITDA DKK 75.1 million versus DKK 94.3 million in 2011
- Loss before tax of DKK 8.2 million, down DKK 18.8 million on full-year 2011



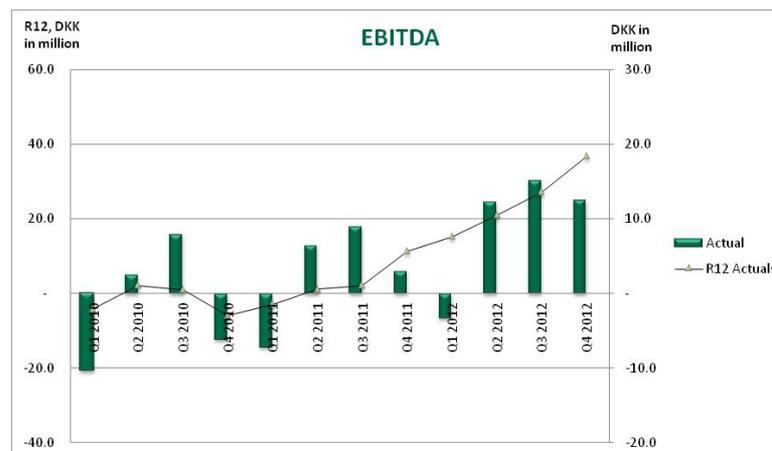
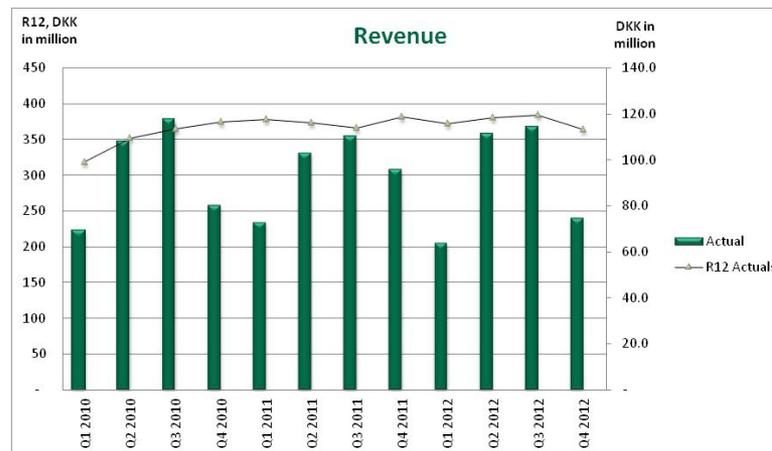
Segments - Eastern Europe

Q4

- Revenue down 22.1%, down 21.9% in local currencies
- EBITDA DKK 12.6 million compared with DKK 3.0 million in 2011
- Profit before tax of DKK 73.3 million, up DKK 87.7 million on Q4 2011

Full-year

- Revenue down 4.7%, down 4.4% in local currencies on full-year 2011
- EBITDA DKK 36.8 million compared with DKK 11.3 million in 2011
- Profit before tax of DKK 4.7 million, up DKK 73.4 million on full-year 2011



Takeover interest in H+H International A/S

- The Bundeskartellamt (German competition authority) decided on 14 March 2012 to prohibit a possible merger between Xella International Holdings S.à.r.l. and H+H International A/S in the German market.
- Xella has subsequently lodged an appeal against the decision at the Oberlandesgericht Düsseldorf (Düsseldorf Higher Regional Court).
- H+H has been advised by its legal adviser that the proceedings before the Oberlandesgericht Düsseldorf are likely to be concluded in 2013. The decision by the Oberlandesgericht Düsseldorf can be appealed to the Bundesgerichtshof (Federal Supreme Court). Such an appeal could take at least another one to two years.



Result for 2012 compared with most recently announced outlook

- Most recently announced outlook for continuing operations: EBITDA before special items in the region of DKK 90-110 million.
 - EBITDA before special items for continuing operations was DKK 92 million.
- Most recently announced outlook for free cash flow: Free cash flow including proceeds from the sale of H+H Česká of around DKK 90-105 million.
 - Free cash flow was positive at DKK 125 million.
- Most recently announced outlook for investments: Full-year investments expected to be around DKK 40 million.
 - Full-year investments DKK 27 million.



Outlook for 2013



Outlook for 2013

- EBITDA for 2013 is expected to be in the region of DKK 90 million. Efficiency gains and structure improvements are counterbalancing the difficult market situation in Europe, the negative effects of the divestment of H+H Česká and the weak British pound.
- Free cash flow is expected to be positive in the region of DKK 0-15 million before disposals of assets.
- Total investments are expected to be in the region of DKK 50 million.



Comments to outlook for 2013

These expectations for H+H's financial performance in 2013 are based partly on the following specific assumptions:

- The market situation is expected to remain stressed in 2013 except for Russia. Sales to Africa continue in 2013, but at a lower level.
- The Excellence programme continues and reduces production costs further.
- Exchange rates hold around their mid-March 2013 levels, primarily for GBP, EUR, PLN and RUB, which for GBP is at a lower level than in 2012.
- Energy and raw material prices rise only in line with inflation from their mid-March 2013 levels.

Strategy

- As a consequence of the economic crisis, H+H discontinued its sales activities in Ukraine, the Baltic States and Norway. For strategic reasons, H+H has in 2012 sold H+H Česká republika s.r.o. and decided to wind up H+H Slovenská republika s.r.o.

- In the light of H+H's current financial performance and debt levels, the following overall guiding principles apply for the coming years:
 - To focus on the potential in existing geographical markets.
 - To remain focused on the aircrete market only.
 - To build on existing technology and develop solutions based on this.
 - To grow organically.

Strategy

H+H has defined three strategic goals:

- **Be 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.
- **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

- Annual revenue growth of 4-8%
- EBITDA margin of min. 13%
- ROIC of min.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.
- H+H will continue its drive to sell off non-core assets. Various plots of land in Poland, a sand pit in Germany, a plot of land in the UK and unused production equipment are classified as assets held for sale. Assets for sale in the region of DKK 60-80 million.



Q&A

