

Nordea Construction & Building Material Trip

4 October 2013

build with ease

H+H

Forward-looking statement

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

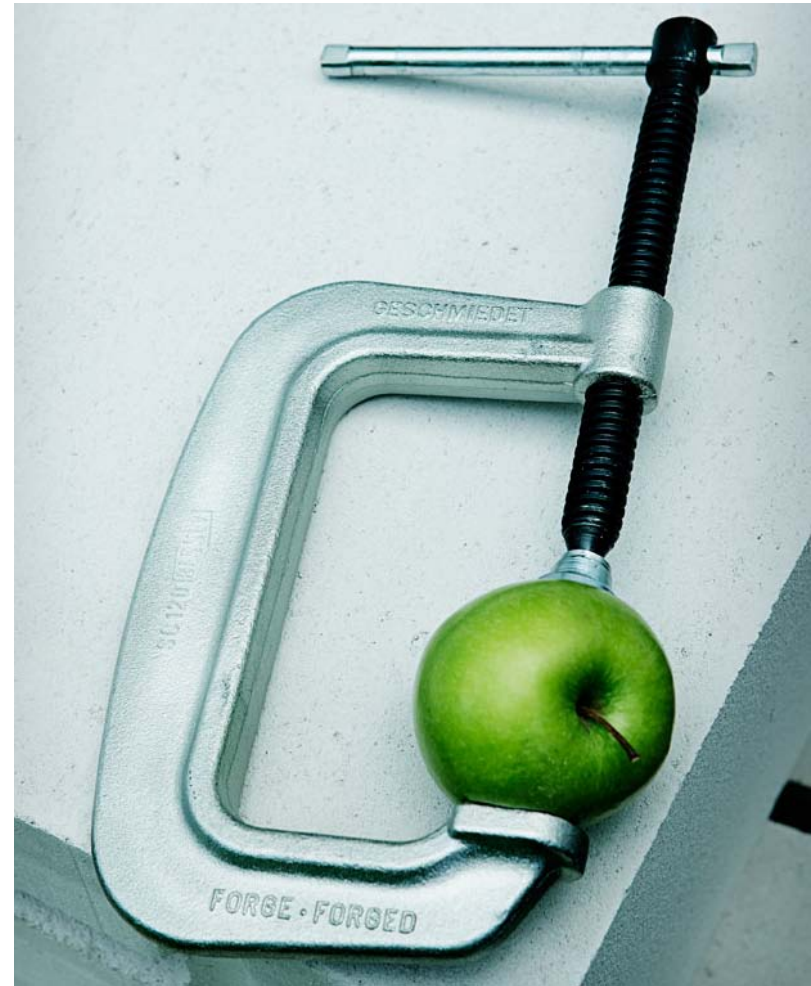
Statements regarding the future are, of course, subject to risks and uncertainties which may result in material deviations from expectations.

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

- Interest in taking over H+H International A/S
- Market developments
- Financial performance
- Outlook for 2013
- Q&A



Interest in taking over H+H International A/S



Interest in taking over H+H International A/S

- The Oberlandesgericht Düsseldorf delivered its judgement on 25 September 2013, and the outcome was that Xella's appeal was rejected and Xella was refused a right to appeal the judgement.
- In consequence, the prohibition decision by the Bundeskartellamt will stand and a potential merger between Xella and H+H in the German market will be prohibited provided the court's decision to refuse appeal is not appealed by Xella within one month from service of the judgement.
- H+H will continue to execute its existing strategy, which includes pursuing structural opportunities that may arise in the markets.

Market overview



Some overall market developments in Q2

- The second quarter of 2013 brought an increase in sales volumes of more than 5%, average selling prices more or less on a par with the same period in 2012.
- The rise in revenue in the second quarter was driven by significantly higher sales in the UK, and higher sales in Germany and the Benelux countries. The increase was due partly to sales being postponed from the first to the second quarter as a result of the cold winter, and partly to construction activity starting to pick up in the UK.
- It was mainly government initiatives that stimulated the UK market, leading to a general improvement. H+H's market share in the UK increased, due primarily to consolidation in the homebuilder market, where H+H's customers improved their market share.

Some overall market developments in Q2

- Second-quarter revenue in Russia was slightly down on last year, partly because many projects were postponed due to the cold winter, and partly because the economy has slowed in the wake of falling oil prices and larger public deficits.
- Second-quarter revenue in Poland was almost on a par with last year. Sales volumes were higher, but prices were lower, leading to a slight decrease in revenue.

Macro economics & specific market developments expected in 2014 for the UK

Key drivers in the market

- The UK economy is still in a depression which has been much deeper and longer than the previous three.
- But the economy is showing signs that it may have reached “escape velocity”. Latest OECD outlook for GDP growth is around 1.5% for 2013, the CBI (Confederation of British Industry) is forecasting 2% for 2014.
- Demand growth for new homes continues to be constrained by shortage of mortgages at affordable deposit levels and lack of affordability.
- However, the HelptoBuy and Funding for Lending initiatives have had a significant positive effect on housebuilding in 2013 . This is expected to be sustained in 2014.
- RMI growth should improve with GDP growth and improving consumer confidence. The government’s Green deal may drive RMI growth, but not for aircrete.

Trends in the market

- Proportion of apartments assumed to be similar to 2013 levels, but trends show apartment proportion increasing again.
- Proportion of social housing will continue to decrease with government spending cuts.
- Average sizes of new houses similar to 2013.
- “Cannot move - improve” philosophy could mean opportunity for increase in demand for home extensions.

Market forecasts in the UK

Forecast	2012 Starts	2013 Starts	2014 Starts	2015 Starts	2013 Starts Growth %	2014 Starts Growth %	2015 Starts Growth%	2013 RMI Growth %	2014 RMI Growth %	2015 RMI Growth %
Euroconstruct Copenhagen July 2013	117,000	126,000	135,000	143,000	8%	7%	6%	-0.2%	2.2%	3.6%
Experian Spring 2013	117,000	126,000	135,000	143,000	8%	7%	6%	0%	+1.5%	+2%
CPA Spring 2013	117,167	123,747	134,008	147,870	6%	8%	10%	1%	2.5%	4%
Experian Summer 2013	116,000	129,000	138,000	145,000	+11%	+7%	+5%	1%	+1.5%	+2%
CPA Summer 2013	119,734	135,059	145,873	158,190	+13%	+8%	+8%	2%	3%	4%

- Different government initiatives are starting to affect the building activity in the UK, which can also be seen in forecasts from various sources.
- Especially large housebuilders have managed to benefit from these initiatives and have established the necessary processes in order to utilize the various programmes.
- UK government seems determined to continue and expand stimulus of house building in the UK.



Some Russian market trends – short and long term

- The main challenges the construction industry is going to face in 2014 are the uncertainty about the economic development, the decrease in state financing and the current weakening demand from private customers.
- Major high-rise projects along the ring road of St Petersburg have already added a high amount of m² of low-quality apartments, which has increased inventory among large developers.
- People potentially living in low-quality apartment in high-rise buildings have limited financing possibilities and are quite affected by economic instability.
- Due to low quality of a large part of the current housing in St Petersburg and due to growing population, there is a “demographic” demand for new and better housing.
- In order to stimulate a demand for better homes, the state and banking sector are seeking to develop mortgage schemes and decrease the interest rate, so people with a monthly income of no more than RUB 30,000 can obtain mortgage.

High-rise NW Russia – visibility is low

2012	Building permits, units	Building permits, m ²
January	2	20.547
February	3	37.699
March	6	76.356
April	9	119.286
May	5	43.377
June	3	81.589
July	9	376.788
August	9	177.948
Total	46	873.590

2013	Building permits, units	Building permits, m ²
January	5	98.307
February	14	614.949
March	11	274.527
April	14	545.538
May	16	322.352
June	21	447.997
July	13	150.442
August	8	80.156
Total	102	2.547.170

- Change of government in St Petersburg halted building permits in the first part of 2012. More than 1.8 million m³ was approved during the last 4 months of the year.
- Since building permits do not expire in Russia the number of permits issued is not a precise prediction of building activity but rather a confirmation of the intent as well the demographic demand.
- In consequence quite large fluctuations in short term demand are likely despite confirmation of mid and long term demand.

Low-rise construction NW Russia

- H+H has build strong position in low-rise family housing in NW Russia and we consider ourselves as aircrete market leader in this segment.
 - As infrastructure develops, this segment will grow further.
 - The segment is largely serviced by the modern branded builders' merchant, where H+H has a strong position through sales strategy and knowledge.
 - The prospect of this segment is also driven by demographic developments through growing middle class.
 - The demand side is equally impacted by changes in sentiment and availability of mortgages.
- Short term fluctuations in demand to be expected despite good mid and long term prospects.



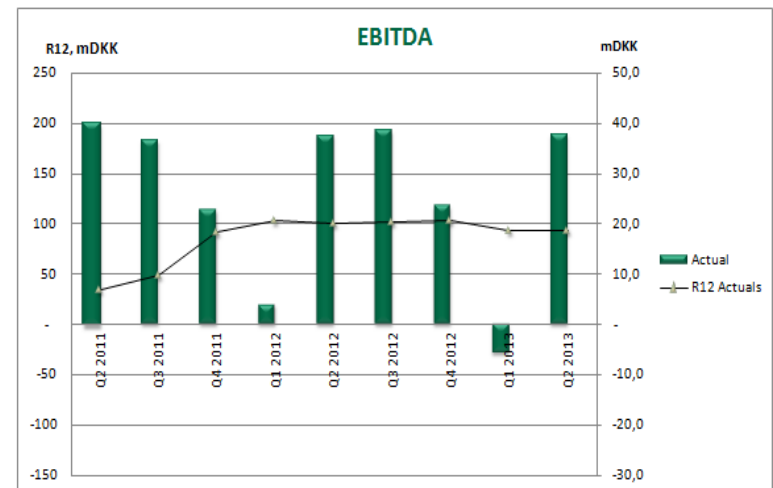
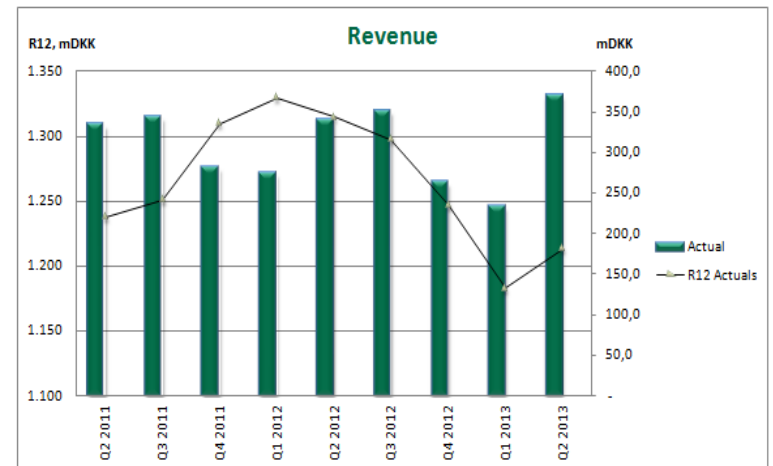
Financial performance



Group performance

Q2 2013

- Revenue up 9.0% in DKK and up 10.5% in local currencies on 2012.
- EBITDA of DKK 38 million, against DKK 38 million in 2012.
- Profit before tax of DKK 6 million, against DKK 4 million in 2012.
- The overall gross margin in the second quarter was 21.4% in 2013, against 24.2% in 2012.
- Sales volumes were markedly higher in the UK and also up in Germany and the Benelux countries, but lower in Russia, Denmark and Sweden.



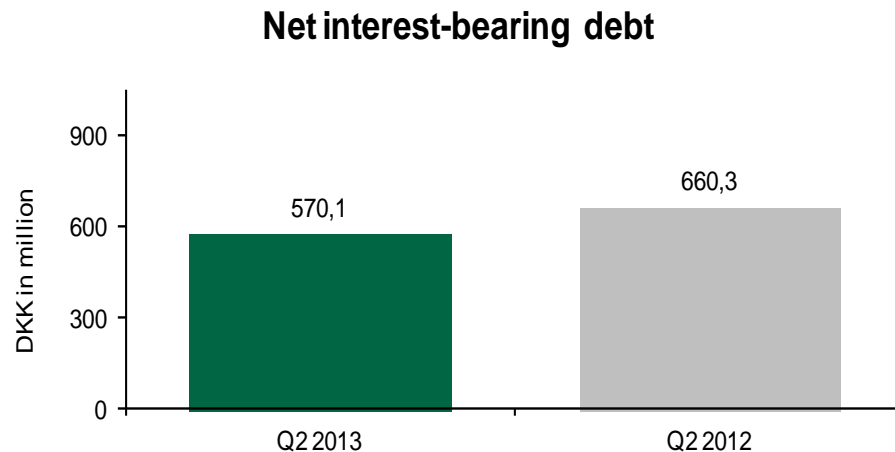
Investments

- Investments of DKK 3.9 million were made during the second quarter, against DKK 7.2 million in 2012.
- Investment levels for the second half of 2013 are expected to pick up.
- Total investments for the year are still expected to be in the region of DKK 50 million.

Investments				
	Q2		H1	
Amounts in DKK million	2013	2012	2013	2012
Western Europe	3.2	5.9	7.6	11.1
Eastern Europe	0.7	1.3	2.3	4.7
Unallocated items	0.0	0.0	0.1	0.0
Total	3.9	7.2	10.0	15.8

Net interest-bearing debt

- Net interest-bearing debt totalled DKK 570 million on 30 June 2013, an increase of DKK 31 million from the beginning of the year but a decrease of DKK 90 million since 30 June 2012.
- Debt tends to increase during the course of the year, but the rise since the beginning of this year has been smaller than previously due to the sale of H+H Česká for DKK 112 million and improvements in working capital.
- NWC has been improved during the last 12 months from NWC/sales end of June 2012 of 15.8% to 11.4% end of June 2013
- Second-quarter financing costs totalled DKK 11.0 million in 2013, against DKK 9.7 million in 2012.



Outlook for 2013

- H+H reiterates its outlook for EBITDA before special items for the 2013 financial year of around DKK 90 million for continuing operations.
 - The RUB and GBP have fallen 8% and 3% respectively against the DKK since the publication of H+H's interim financial report for the first quarter. The updated mid-August 2013 exchange rate levels will reduce EBITDA by DKK 4-5 million from mid May.
 - The negative effects from falling exchange rates are largely offset by the positive effect on EBITDA of DKK 3.5 million from the agreement with CEMEX.
- H+H also reiterates its outlook for free cash flow in 2013, which is expected to be positive in the region of DKK 0-15 million before disposals of assets.
- Total investments are still expected to be in the region of DKK 50 million.



Q&A

