Company Announcement No. 449, 2021

Interim Financial Report Q1-03 2021: best-ever nine-month results with strong organic growth and solid earnings margins

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Date:
10 November 2021

Today, the Board of Directors of H+H International A/S (hereinafter referred to as "H+H" or "the Group") has adopted the Interim Financial Report for the first three quarters of 2021 ("Q1-Q3 2021").

CEO Michael T. Andersen quote

"I am pleased with the continued strong organic growth and the solid earnings margins reported for the third quarter, marking the best-ever nine-month results for H+H. I am also very pleased with the two acquisitions announced since the last earnings report. These will further strengthen our German footprint and add important capacity to our German production network, as we plan to perform certain upgrades in 2022. While activity across all markets remains high, we are faced with continued inflation on input prices and higher transport costs, which in combination are putting pressure on our earnings margins, but we will aim to offset this negative impact through sales-price increases."

Performance highlights for Q3 2021

- Revenue increased by 14% to DKK 811 million (DKK 712 million in Q3 2020 and DKK 779 in Q3 2019). Revenue in local currencies (organic growth) increased by 13% (negative 7% in Q3 2020 and 5% in Q3 2019).
- Gross profit was DKK 250 million (DKK 241 million in Q3 2020 and DKK 263 in Q3 2019), corresponding to a gross margin of 31% (34% in Q3 2020 and 34% in Q3 2019).
- EBIT before special items[1] was DKK 125 million (DKK 116 million in Q3 2020 and DKK 137 million in Q3 2019), corresponding to an EBIT margin before special items of 15% (16% in Q3 2020 and 18% in Q3 2019).
- Net profit was DKK 88 million (DKK 83 million in Q3 2020 and DKK 97 million in Q3 2019).
- Cash flow from investing activities, including cash flow related to the acquisition of one aircrete factory in Germany, amounted to DKK 171 million (DKK 22 million in Q3 2020 and DKK 29 million in Q3 2019).
- Free cash flow was DKK 5 million (DKK 136 million in Q3 2020 and DKK 136 million in Q3 2019).
- Financial gearing was 0.3 times EBITDA at the end of the quarter compared to 0.5 times at the end of Q3 2020 and 0.9 times at the end of Q3 2019.
- The acquisition of one aircrete factory in Feuchtwangen in Bavaria, Germany, was completed on 15 September 2021.
- After the end of the quarter, H+H signed an agreement to acquire 52.5% of the shares in DOMAPOR GmbH & Co. KG, a German manufacturer of aircrete and calcium silicate blocks.

[1] No special items in 2020 or 2019

Financial highlights for the period 1 January 2021 to 30 September 2021

DKK million	Q3 2021	Q3 2020	Q3 2019	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2019
Sales volume (thousand cubic metres)	1,176	1,055	1,232	3,328	3,035	3,544
Organic growth	13%	(7)%	5%	14%	(9)%	10%
Revenue	811	712	779	2,289	2,012	2,215
Gross margin before special items	31%	34%	34%	30%	32%	31%
EBITDA before special items	171	162	182	452	396	435
EBIT before special items	125	116	137	314	258	306
EBIT margin before special items	15%	16%	18%	14%	13%	14%
Special items	(4)	-	-	(4)	-	-
Return on Invested Capital (ROIC)	21%	18%	19%	21%	18%	19%
NIBD/EBITDA before special items ratio	0.3x	0.5x	0.9x	0.3x	0.5x	0.9x
Free cash flow	5	136	136	145	166	175

Outlook for 2021

H+H narrows the previously communicated guidance intervals:

- Revenue growth before acquisitions and divestments measured in local currencies (organic growth) is expected to be around 11% (previously 8% to 11%).
- EBIT before special items is expected to be in the range of DKK 375 million to DKK 400 million (previously DKK 360 million to DKK 400 million).

The financial outlook for 2021 is based on the following specific assumptions:

- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains.
- Exchange rates, primarily GBP, EUR and PLN remain at end-October 2021 levels.
- Energy and raw material prices remain at end-October 2021 levels.

Q1-Q3 2021 Interim Financial Report conference call

In connection with the release of the Q1-Q3 2021 Interim Financial Report, a conference call for investors and analysts is scheduled for Wednesday 10 November 2021, at 10:00 a.m. CET. On the call, CEO Michael T. Andersen and CFO Peter Klovgaard-Jørgensen will present the interim financial report. The presentation will be followed by a Q&A session. Investors and analysts are invited to participate via phone:

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- Other participants can follow the conference call via live webcast here.
- The presentation slides for the conference call will be made available beforehand here.
- A replay of the conference call will be available afterwards on H+H's Investor Relations website here.

H+H's core activity is the manufacture and sale of wall building materials, with a revenue in 2020 of DKK 2.7 billion. The main product lines are aircrete blocks and calcium silicate units used for the residential new building segment. H+H has 30 factories in Northern and Central Europe with a total output of more than 4 million cubic metres of products annually and has a leading position in most of its markets. H+H has more than 1,500 employees and is listed on the Nasdaq Copenhagen stock exchange

Key figures – H+H Group

Amounts in DKK million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Full-year 2020
Income statement					
Revenue	811	712	2,289	2,012	2,654
Gross profit	250	241	689	640	836
EBITDA before special items	171	162	452	396	521
EBITDA	167	162	448	396	521
EBIT before special items	125	116	314	258	332
EBIT	121	116	310	258	332
Profit before tax	115	107	294	240	307
Profit after tax	88	83	230	185	251
Balance sheet					
Assets	3,291	2,979	3,291	2,979	2,909
Invested capital*	1,832	1,871	1,832	1,871	1,865
Investments in property, plant and equipment**	44	22	105	65	134
Acquisition and divestment of enterprises	127	-	127	74	72
Net working capital	39	79	39	79	55
Equity	1,693	1,477	1,693	1,477	1,509
Net Interest-bearing debt (NIBD)	181	273	181	273	230
Cash flow					
Cash flow from operating activities	176	158	377	305	425
Cash flow from investing activities	(171)	(22)	(232)	(139)	(206)
Cash flow from financing activities	1	(59)	31	44	6
Free cash flow	5	136	145	166	219
Financial ratios					
Organic growth	13%	(7)%	14%	(9)%	(6)%
Gross margin	31%	34%	30%	32%	31%
EBITDA margin before special items	21%	23%	20%	20%	20%
EBITDA margin	21%	23%	20%	20%	20%
EBIT margin before special items	15%	16%	14%	13%	13%
EBIT margin	15%	16%	14%	13%	13%
Return on invested capital (ROIC) (excl. Goodwill)	21%	18%	21%	18%	18%
Solvency ratio	49%	47%	49%	47%	50%
NIBD/EBITDA before special items ratio	0.3	0.5	0.3	0.5	0.4
Share data					
Share price, end of period (DKK)	224	126	224	126	132
Book value per share, end of period (DKK)	95	82	95	82	84
Earnings per share	4.7	4.4	12.7	10.0	13.5
Diluted earnings per share	4.7	4.4	12.7	10.0	13.5

Financial ratios have been calculated in accordance with recommendations from the Danish Society of Financial Analysts.

* Invested capital is measured on a rolling 12-months basis
** Investment in property, plant and equipment excludes effects from IFRS 16

MANAGEMENT'S REVIEW

INCOME STATEMENT FOR THE THIRD QUARTER OF 2021

Revenue
Total revenue increased by 14% to DKK 811 million in Q3 2021 compared to DKK 712 million in Q3 2020. Revenue growth before acquisitions and divestments measured in local currencies (organic growth) was 13% in Q3 2021 compared to negative 7% in Q3 2020.

Revenue in the Central Western Europe region increased by 7% to DKK 355 million compared to DKK 332 million in Q3 2020. Organic growth in the region was 6%, mainly driven by higher prices.

Revenue in the UK increased by 17% to DKK 247 million compared to DKK 211 million in Q3 2020. Organic growth in the UK was 11%, primarily driven by higher sales volumes.

Revenue in Poland increased by 24% to DKK 209 million compared to DKK 168 million in Q3 2020. Organic growth was 28%, driven by higher sales volumes for CSU and both higher sales volumes and sales prices for AAC.

Of the total revenue in Q3 2021 of DKK 811 million, AAC and CSU constituted 67% and 33%, respectively.

Production cost
Production costs were adversely impacted by increasing prices on certain raw materials, mainly cement, limestone, timber, and plastic foil, as well as higher transport prices in the UK and Germany from a continued high demand pressure causing shipment from sub-optimal locations.

During the third quarter of 2021, H+H has been conducting certain planned upgrades and maintenance at two of the factories in Germany, resulting in relatively lower production output from the factories in the period. The upgrades have also resulted in increased transport costs as H+H has had to ship products from other production facilities and often over longer distances.

Gross profit
Gross profit was DKK 250 million compared to DKK 241 million in Q3 2020, corresponding to gross margins of 31% and 34%, respectively.

The gross margin was adversely impacted by higher production costs, and H+H expects that this effect will continue for at least until the end of the year. The higher production costs and higher transport costs are putting pressure on H+H's earnings margins. H+H will aim to offset this negative impact through sales-price increases.

Gross profit in the AAC and CSU businesses was DKK 170 million and DKK 80 million in Q3 2021, respectively, corresponding to a gross margin of 31% and 30%, respectively.

EBITDA
EBITDA was DKK 171 million compared to DKK 162 million in Q3 2020, equalling EBITDA margins of 21% and 23%, respectively.

Combined with the higher earnings, the Group's continued cost focus resulted in a lower SG&A ratio of 10%, compared to 12% in Q3 2020.

Depreciation and amortisation
Depreciation and amortisation in Q3 2021 amounted to DKK 46 million, which is on par with Q3 2020.

EBIT before special items
EBIT before special items was DKK 125 million in Q3 2021, compared to DKK 116 million in Q3 2020, corresponding to an EBIT margin before special items of 15% and 16%, respectively.

Special items
Special items for the third quarter comprise transaction costs of DKK 4 million primarily related to the acquisition of an AAC factory located in Feuchtwangen in Bavaria, Germany. Please refer to note 14 for more information on the acquisition.

Net financials
Net financials totalled an expense of DKK 6 million in Q3 2021, compared to an expense of DKK 9 million in Q3 2020. Net financials for Q3 2020 were negatively impacted by foreign exchange losses of DKK 2 million.

Profit before tax
Profit before tax amounted to DKK 115 million in Q3 2021, compared to DKK 107 million in Q3 2020.

Tax
Tax in Q3 2021 was a net expense of DKK 27 million compared to a net expense of DKK 24 million in Q3 2020. Please refer to note 11 for more information on tax for the period.

Net profit
Net profit in Q3 2021 amounted to DKK 88 million, compared to a net profit of DKK 83 million in Q3 2020. Profit for the period is attributable to H+H International A/S' shareholders by DKK 85 million and to non-controlling interests by DKK 3 million compared to DKK 80 million and DKK 3 million, respectively, for Q3 2020.

Comprehensive income
Other comprehensive income for Q3 2021 was a loss of DKK 14 million compared to a loss of DKK 86 million in Q3 2020. The year-on-year increase was mainly driven by a favourable change in actuarial gain net of deferred tax of DKK 72 million related to pension obligations driven by the RPI Reform adjustment made in 2020.

INCOME STATEMENT FOR THE FIRST THREE QUARTERS OF 2021

Revenue
Total revenue increased by 14% to DKK 2,289 million. Organic growth was 14% in first three quarters of 2021 compared to negative 9% for the first three quarters of 2020. The higher organic growth year-on-year was primarily driven by higher organic growth in the UK due to the national lock-down in 2020.

Revenue, external				
	Q3		Q1-Q3	
Amounts in DKK million	2021	2020	2021	2020
	Revenue			
Central Western Europe	355	332	1,050	1,000
UK	247	211	691	452
Poland	209	168	548	560
Total	811	712	2,289	2,012

Of the total revenue in the first three quarters of 2021 of DKK 1,050 million, AAC and CSU constituted 71% and 29%, respectively.

Gross profit
The gross profit in the first three quarters of 2021 increased by 8% to DKK 689 million compared to DKK 640 million in 2020, corresponding to a gross margin of 30% and 32%, respectively.

Gross profit in the AAC and CSU businesses was DKK 501 million and DKK 188 million, respectively, compared to DKK 433 million and DKK 207 million in the first three quarters of 2020 for the AAC and CSU businesses, respectively.

EBITDA before special items
EBITDA before special items in the first three quarters of 2021 increased by 14% to DKK 452 million compared to DKK 396 million in 2020, corresponding to an EBITDA margin of 20% in both 2021 and 2020.

EBIT before special items
EBIT for the first three quarters of 2021 increased by 22% to DKK 314 million against DKK 258 million in 2020, equalling an EBIT margin of 14% and 13%, respectively.

Net profit
Profit in the first three quarters of 2021 increased by 24% to DKK 230 million, compared to DKK 185 million in 2020. Profit for the period is attributable to H+H International A/S' shareholders by DKK 227 million and to non-controlling interest by DKK 3 million compared to DKK 180 million and DKK 5 million, respectively, for the first three quarters of 2020.

Comprehensive income
Other comprehensive income for the first three quarters of 2021 was DKK 23 million against negative DKK 116 million in 2020, mainly driven by changes in actuarial gains net deferred tax of DKK 93 million related to pension obligations and foreign exchange adjustments of DKK 46 million.

CASH FLOW

Operating activities
Cash flow from operating activities in Q3 2021 was DKK 176 million against DKK 158 million in Q3 2020, mainly driven by improvements in working capital of DKK 13 million.

Cash flow from operating activities in the first three quarters of 2021 was DKK 377 million against DKK 305 million in 2020, a change of DKK 72 million, mainly driven by higher earnings and improved working capital.

Investing activities
Cash flow from investing activities in Q3 2021 was negative DKK 171 million, compared to negative DKK 22 million in Q3 2020. The year-on-year increase was mainly driven by the acquisition of one AAC factory located in Feuchtwangen in Bavaria, Germany, of DKK 127 million.

Cash flow from investing activities in first three quarters of 2021 was negative DKK 232 million, compared to negative DKK 139 million in the first three quarters of 2020.

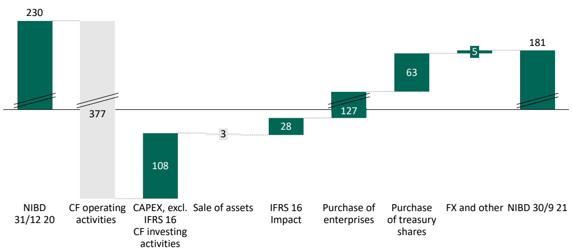
Financing activities
Cash flow from financing activities amounted to DKK 1 million in Q3 2021, compared to negative DKK 59 million in 2020. The year-on-year increase was primarily driven by a change in borrowings of DKK 85 million, partly offset by the purchase of treasury shares in Q3 2021 of DKK 27 million as part of the ongoing share buy-back programme.

Cash flow from financing activities in first three quarters of 2021 was positive DKK 31 million, compared to positive DKK 44 million in the first three quarters of 2020, a change of negative DKK 13 million, driven by a change in borrowings, partly offset by the purchase of treasury shares.

BALANCE SHEET

The balance sheet total on 30 September 2021 was DKK 3,291 million, against DKK 2,979 million on 30 September 2020.

Net interest-bearing debt
Net interest-bearing debt totalled DKK 181 million on 30 September 2021, a decrease of DKK 49 million since 31 December 2020.



The decline in net interest-bearing debt since the beginning of the year is primary driven by earnings for the period offset by acquisition of enterprises, capital expenditures, and the purchase of treasury shares.

On 30 September 2021, the Group's financial gearing was 0.3x net interest-bearing debt to EBITDA before special items, which is comfortably below the Group's long-term financial target of 1-2x EBITDA before special items.

The Group's net interest-bearing debt excluding leasing totalled DKK 70 million on 30 September 2021, corresponding to an unused committed bank facility of DKK 1.0 billion.

Equity
The consolidated equity increased by DKK 184 million compared to 30 September 2020 and by DKK 135 million compared to 31 December 2020.

Equity		
	Q1-Q3	Q1-Q3
Amounts in DKK million	2021	2020
1 January	1,509	1,371
Profit for the period	230	185
Actuarial gains on pension plans	22	(71)
Foreign exchange adjustments	1	(45)
Dividend to non-controlling interests	(10)	-
Non-controlling interests arising from acquisition	-	40
Purchase of treasury shares	(63)	-
Other adjustments	4	(3)
30 September	1,693	1,477

CURRENT MARKET ENVIRONMENT

In general, the European housing market is still expected to continue growing. This is supported by a structural undersupply of housing, demographic growth, and urbanisation.

The positive trends seen during Q2 2021 continued into Q3 2021 with strong demand and high activity levels across all geographies.

In Germany, a significant lack of housing space—especially in the larger cities—from a growing number of smaller households provides a solid demand outlook for both AAC and CSU.

However, due to a continued lack of installation capacity and available land, the number of issued permits has consistently outnumbered completions of new buildings causing order backlogs among housebuilders to grow considerably over the recent years.

The German Government continues its efforts to boost building activity by providing incentives to homeowners and through stimuli programmes targeting the availability and development of land. However, the effect of these programmes appears insufficient to convince builders to invest in overcoming the labour challenges, and growth in the German construction industry is therefore expected to remain restraint until a viable solution is found.

In the Nordic region, the number of issued building permits continues to increase, providing a solid demand outlook for H+H. Further, in the Benelux and Swiss markets, the industry continues to follow an overall positive trend as economies are returning to pre-Covid levels.

In the UK, the Government has recently been vocal around their ambitions to build more homes in the UK, as a structural undersupply of housing remains, but the exact roadmap towards a targeted 300,000 dwelling annually remains unclear.

Several Government stimuli programmes aiming to increase building activity are in place. These include the extension of the “Help to Buy” programme, which runs until end-March 2023, and the “stamp duty holiday” which expired in the end of September 2021.

House sales increased to the highest level in 33 years ahead of the stamp-duty deadline and the current outlook supports continued high activity levels beyond the expiry of the programme.

The UK private housing market remains buoyant, and third-party data providers expect double-digit growth in started dwellings in both 2021 and 2022 due to a strong demand for housing, especially outside of cities, as UK citizens appear to have changed their preferences and lifestyle choices in the COVID-19 pandemic.

During Q3 2021, the UK experienced a significant lack of both trucks and truck drivers, as well as diesel fuel. H+H UK is working closely with its transportation partners to make sure that both trucks and truck drivers are available to meet customer expectations and needs.

In Poland, underlying demand remains strong with a historical high number of building permits being issued in the period from January to September 2021. The issued permits cover construction work for both developers and for individual investors—and therefore both of H+H’s product categories.

The number of both issued permits and the number of dwellings started over the past 12 months far exceed the combined annual installation capacity of Polish construction companies and thus further support the short-to-medium-term demand outlook.

The Polish CSU market remains characterised by competition and price pressure due to the addition of capacity in 2020. While the situation appears to have stabilised due to the strong demand, and while price increased have been observed in certain regions, additional capacity may still be introduced which could cause further pricing pressure in the CSU market.

The competitive environment in the AAC market is relatively more moderate than that of the CSU market, with pricing following a positive trend, due to very strong demand in Q3 2021 as well as several of H+H’s competitors also increasing their prices as a response to the overall positive development in the AAC market.

MOST MATERIAL RISKS AND UNCERTAINTIES

For most material risk and uncertainties, please refer to note 5 “Significant accounting estimates and judgements” and to note 12 “Risks Management”.

EVENTS IN THE FIRST THREE QUARTERS OF 2021

On 4 February 2021, the committed credit facility with Nordea Danmark, a branch of Nordea Abp, Finland was extended by one year to mature in April 2024.

On 4 March 2021, the Board of Directors of H+H announced the initiation of a DKK 100 million share buy-back programme. On 18 March 2021, the share buy-back programme was increased by an additional DKK 15 million. Please refer to note 9 “Share buy-back programme”.

On 14 September 2021 H+H Group represented by H+H Deutschland GmbH made an agreement with Greisel Vertrieb GmbH and affiliated companies to acquire its aircrete factory located in Feuchtwangen in Bavaria, Germany. As previously communicated, H+H intends to integrate the factory into its existing production platform, and production at the factory will be shut down for a period of 2021 while certain targeted upgrades and adjustments to the production facilities are being performed. Revenue from the factory in 2021 is therefore expected to be limited and the acquisition will not impact H+H’s financial expectations for 2021. Following the targeted upgrades and adjustments to the production facilities, a certain ramp-up period should be expected. In addition to strengthening H+H’s presence in the German AAC market, the Feuchtwangen factory will provide support for Wittenborn which is scheduled to undergo certain upgrades and maintenance during 2022, during which production from the factory will be limited.

H+H expects to incur certain restructuring costs while the aforementioned upgrades are ongoing. For additional information on the acquisition, please refer to note 14 "Business combinations".

EVENTS AFTER THE BALANCE SHEET DATE

H+H is closely monitoring the development in the COVID-19 pandemic and the responses by the local Governments of the countries in which H+H operates.

The H+H Group ("H+H") has signed an agreement to acquire 52.5% of the shares in DOMAPOR GmbH & Co. KG ("DOMAPOR"), a German manufacturer of aircrete and calcium silicate blocks located in Mecklenburg-West Pomerania. Upon closing of the agreement, expectedly at year-end, H+H will obtain control of the business in an all-cash transaction. The acquisition is in line with H+H's strategy to expand its activities within the German wall-building materials market and further consolidate and restructure the industry. H+H plans to utilise its expanded factory network from the acquisitions of the DOMAPOR and Feuchtwangen factories to perform certain upgrades and maintenance at its Wittenborn factory, which in consequence will be temporarily closed for a period in 2022.

FINANCIAL OUTLOOK FOR 2021

- Revenue growth before acquisitions, divestments measured in local currencies (organic growth) is expected to be around 11% (previously 8% to 11%)
- EBIT before special items is expected to be in the range of DKK 375 million to DKK 400 million (previously DKK 360 million to DKK 400 million)

ASSUMPTIONS FOR THE FINANCIAL OUTLOOK FOR 2021

Specific assumptions
The expectations for H+H's financial performance in 2021 are based on the following specific assumptions:
- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains
- Exchange rates, primarily GBP, EUR and PLN remain at end-October 2021 levels
- Energy and raw material prices remain at end-October 2021 levels

General assumptions
The expectations for H+H's financial performance are also based on a number of general assumptions. Management believes that the most significant assumptions underlying H+H's expectations relate to:

- Sales volumes and product mix
- Price competition
- Developments in the market for building materials
- Distribution factors
- Weather conditions
- Macroeconomic and geopolitical developments
- The factories run without significant breakdowns

FINANCIAL CALENDAR 2022

2021 Annual Report	3 Mar. 2022
2022 Annual General Meeting	31 Mar. 2022
Q1 2022 Interim Financial Report	11 May 2022
H1 2022 Interim Financial Report	18 Aug. 2022
Q3 2022 Interim Financial Report	10 Nov. 2022

Please note that items for the agenda for the 2022 Annual General Meeting must be submitted at least six weeks before the meeting (i.e., before 17 February 2022).

FORWARD-LOOKING STATEMENTS

The Interim Financial Report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H, may cause actual developments and results to differ materially from the expectations expressed in this document. In no event shall H+H be liable for any direct, indirect, or consequential damages or any other damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action arising out of or in connection with the use of information in this document.

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first three quarters of 2021.

The interim financial report, which has not been audited or reviewed by the H+H's auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for the interim financial reports of listed companies.

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities, and financial position on 30 September 2021 and of the results of H+H's operations and its cash flows for the period 1 January to 30 September 2021.

Furthermore, it is our opinion that management's review provides a fair account of developments in H+H's operations and financial conditions, the results for the period and H+H's overall financial position, as well as a description of the most significant risks and uncertainties that H+H faces.

Copenhagen, 10 November 2021

EXECUTIVE BOARD

Michael Troensegaard Andersen
CEO

Peter Klovgaard-Jørgensen
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Stewart Antony Baseley

Volker Christmann

Pierre-Yves Jullien

Miguel Kohlmann

Helen MacPhee

CONDENSED INCOME STATEMENT

	Group				
Amounts in DKK million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Full-year 2020
Revenue	811	712	2,289	2,012	2,654
Cost of goods sold	(561)	(471)	(1,600)	(1,372)	(1,818)
Gross profit before special items	**250**	**241**	**689**	**640**	**836**
Sales costs	(36)	(37)	(108)	(110)	(151)
Administrative costs	(46)	(45)	(135)	(135)	(168)
Other operating income and costs, net	3	3	6	1	4
EBITDA before special items	**171**	**162**	**452**	**396**	**521**
Depreciation and amortisation	(46)	(46)	(138)	(138)	(189)
EBIT before special items	**125**	**116**	**314**	**258**	**332**
Special items, net	(4)	-	(4)	-	-
EBIT after special items	**121**	**116**	**310**	**258**	**332**
Financial income	1	-	2	2	2
Financial expenses	(7)	(9)	(18)	(20)	(27)
Profit before tax	**115**	**107**	**294**	**240**	**307**
Tax on profit	(27)	(24)	(64)	(55)	(56)
Profit for the period	**88**	**83**	**230**	**185**	**251**
Profit for the period attributable to:					
H+H International A/S' shareholders	85	80	227	180	241
Non-controlling interest	3	3	3	5	10
Profit for the period	**88**	**83**	**230**	**185**	**251**
Earnings per share (EPS-Basic)	4.7	4.4	12.7	10.0	13.5
Diluted earnings per share (EPS-D)	4.7	4.4	12.7	10.0	13.5

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q3	Q3	Q1-Q3	Q1-Q3	Full-year
Amounts in DKK million	2021	2020	2021	2020	2020
Profit for the period	**88**	**83**	**230**	**185**	**251**
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange adjustments, foreign entities	(9)	(9)	1	(45)	(48)
	(9)	(9)	1	(45)	(48)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	(6)	(92)	27	(83)	(110)
Tax on actuarial gains and losses	1	15	(5)	12	21
	(5)	(77)	22	(71)	(89)
Other comprehensive income after tax	**(14)**	**(86)**	**23**	**(116)**	**(137)**
Total comprehensive income for the period	**74**	**(3)**	**253**	**69**	**114**

CONDENSED BALANCE SHEET

	Group		
	30 September	31 Dec.	30 September
Amounts in DKK million	2021	2020	2020
ASSETS			
Non-current assets			
Goodwill	292	211	202
Other intangible assets	243	258	278
Property, plant and equipment	1,598	1,538	1,522
Deferred tax assets	12	18	14
Financial assets	6	6	8
Total non-current assets	**2,151**	**2,031**	**2,024**
Current assets			
Inventories	247	282	280
Receivables	233	115	210
Cash	660	481	465
Total current assets	**1,140**	**878**	**955**
TOTAL ASSETS	**3,291**	**2,909**	**2,979**
EQUITY AND LIABILITIES			
Equity			
Share capital	180	180	180
Retained earnings	1,595	1,405	1,359
Other reserves	(146)	(147)	(144)
Equity attributable to H+H International A/S' shareholders	1,629	1,438	1,395
Equity attributable to non-controlling interests	64	71	82
Total equity	**1,693**	**1,509**	**1,477**
Non-current liabilities			
Pension obligations	109	147	128
Provisions	33	34	29
Deferred tax liability	134	130	154
Credit institutions	730	609	636
Lease liabilities	90	84	85
Total non-current liabilities	**1,096**	**1,004**	**1,032**
Current liabilities			
Lease liabilities	21	18	17
Trade payables	250	180	192
Income tax	37	30	30
Provisions	3	6	9
Other payables	191	162	222
Total current liabilities	**502**	**396**	**470**
Total liabilities	**1,598**	**1,400**	**1,502**
TOTAL EQUITY AND LIABILITIES	**3,291**	**2,909**	**2,979**
Net interest-bearing debt	181	230	273

CONDENSED CASH FLOW STATEMENT

Amounts in DKK million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Operating profit (EBIT)	121	116	310	258
Financial income, received	1	-	2	2
Financial expenses, paid	(7)	(5)	(18)	(16)
Depreciation and amortisation	46	46	138	138
Gain and losses on sale of assets and other non-cash effects	4	-	4	8
Change in working capital	42	29	13	(20)
Change in provisions and pension contribution	(7)	(9)	(21)	(20)
Income tax paid	(24)	(19)	(51)	(45)
Operating activities	**176**	**158**	**377**	**305**
Acquisition of enterprises	(127)	-	(127)	(74)
Acquisition of property, plant and equipment and intangible assets*	(44)	(22)	(105)	(65)
Investing activities	**(171)**	**(22)**	**(232)**	**(139)**
Change in borrowings**	34	(51)	121	63
Change in lease liabilities	(6)	(4)	(20)	(15)
Purchase of treasury shares	(27)	(4)	(63)	(4)
Dividend to non controlling interets	-	-	(7)	-
Financing activities	**1**	**(59)**	**31**	**44**
Total cash flow for the period	**6**	**77**	**176**	**210**
Cash and cash equivalents, opening	657	390	481	262
Cash related to the acquired enterprises	-	-	-	8
Foreign exchange adjustments of cash	(3)	(2)	3	(15)
Cash and cash equivalents at 30 September	**660**	**465**	**660**	**465**

* Acquisition of property, plant and equipment and intangible assets for first three quarters 2021 is offset by sale of assets of DKK 3 million.
** Change in borrowings is driven by movement of positions within the Global Cash Pool arrangement.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Retained earnings	H+H shareholders share	Non con-trolling interests' share	Total
Equity at 1 January 2021	**180**	**(147)**	**1,405**	**1,438**	**71**	**1,509**
Total changes in equity in 2021						
Profit for the period	-	-	227	227	3	230
Other comprehensive income	-	1	22	23	-	23
Total comprehensive income	**-**	**1**	**249**	**250**	**3**	**253**
Share-based payment	-	-	4	4	-	4
Purchase of treasury shares	-	-	(63)	(63)	-	(63)
Dividend to non-controlling interests	-	-	-	-	(10)	(10)
Total changes in equity in 2021	**-**	**1**	**190**	**191**	**(7)**	**184**
Equity at 30 September 2021	**180**	**(146)**	**1,595**	**1,629**	**64**	**1,693**
Equity at 1 January 2020	**180**	**(99)**	**1,253**	**1,334**	**37**	**1,371**
Total changes in equity in 2020						
Profit for the period	-	-	180	180	5	185
Other comprehensive income	-	(45)	(71)	(116)	-	(116)
Total comprehensive income	**-**	**(45)**	**109**	**64**	**5**	**69**
Share-based payment	-	-	(3)	(3)	-	(3)
Non-controlling interests arising from acquisition	-	-	-	-	40	40
Total changes in equity in 2020	**-**	**(45)**	**106**	**61**	**45**	**106**
Equity at 30 September 2020	**180**	**(144)**	**1,359**	**1,395**	**82**	**1,477**

NOTES

1. Accounting policies

The interim financial report for the period 1 January 2021 to 30 September 2021 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, but that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. The interim financial report has not been reviewed by H+H's auditors.

The accounting policies are consistent with those applied in the 2020 annual report, which includes a full description of the accounting policies applied.

2. Adoption of new and revised IFRSs

H+H International A/S has adopted all new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2021.

3. Income statement classified by function

It is Group policy to prepare the income statement based on an adapted classification of costs by function in order to show EBIT before special items. Depreciation and amortisation of property, plant and equipment, and intangible assets are therefore classified by function and presented on separate lines.

Amounts in DKK million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Revenue	811	712	2,289	2,012
Cost of goods sold	(592)	(499)	(1,693)	(1,465)
Gross profit including depreciation and amortisation	**219**	**213**	**596**	**547**
Sales cost	(47)	(51)	(141)	(145)
Administration cost	(50)	(49)	(147)	(145)
Other operating income and costs	3	3	6	1
EBIT before special items	**125**	**116**	**314**	**258**
Special items, net	(4)	-	(4)	-
EBIT	**121**	**116**	**310**	**258**
Depreciation and amortisation comprise:				
Depreciation of property, plant and equipment	46	39	120	111
Amortisation of intangible assets	-	7	18	27
Total	**46**	**46**	**138**	**138**
Depreciation, amortisation and impairment are allocated to:				
Production costs	31	28	93	93
Sales costs	11	14	33	35
Administration costs	4	4	12	10
Total	**46**	**46**	**138**	**138**

Above table shows an extract of the income statement adapted to show depreciation and amortisation classified by function.

4. Geographical information

Amounts in DKK million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
		Revenue		
Central Western Europe	355	334	1,050	1,002
UK	247	210	691	451
Poland	209	167	548	559
	811	**712**	**2,289**	**2,012**

When presenting information on geographical areas, information on revenue is based countries except for "Central Western Europe" which comprise Germany, Switzerland, Denmark, Sweden, Czech Republic, Netherlands, and Belgium. Revenue for Germany for Q3 2021 amounts to DKK 247 million (2020: DKK 238 million) and to DKK 709 million for the first three quarters of 2021 (2020: DKK 686 million).

5. Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires Management to make certain estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

For the H+H Group, significant changes in the estimates and assumptions on which values are based may have a material effect on the measurement of assets and liabilities, including impairment testing of goodwill and non-current assets and net defined-benefit obligations.

With reference to note 7 "Pension obligations", significant accounting estimates and judgements have been made in connection to adjustment of the net defined-benefit pension obligation in the UK.

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

Further details of H+H's key accounting estimates and judgements that may affect H+H are provided in the 2020 annual report.

6. Seasonal fluctuations

The sales pattern for H+H'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 part of H+H's cost base is not directly variable with revenue, deviations from projected sales may result in considerable fluctuations in H+H's earnings.

Furthermore, because H+H's sales in some regions are predominantly based on short-term orders, the Group is unable, or only to a limited extent, able to align its cost base to short term changes in actual customer demand. As result, historical revenue and earnings generated by H+H's operations have fluctuated during the financial year.

7. Pension obligations

H+H has defined-benefit pension plans in the UK, Switzerland, and Germany. The UK and Swiss pension plans are managed by a pension fund to which payments are made, whereas the German pension plan are funded from current earnings. H+H's pension obligations relate predominantly to the plans in the UK.

For interim periods, H+H's defined-benefit pension obligations are based on valuations from external actuaries carried out at the end of prior financial year considering any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. Actuarial calculations are updated or extrapolated quarterly.

Compared to December 2020, a value adjustment has been made relating to the UK pension plan, affecting total comprehensive income positively with DKK 22 million net of tax. An updated extrapolation of the actuarial calculations carried out in connection to the interim period shows an underfunding of DKK 81 million (the present value of the obligations exceeds the fair value of the plan assets).

The total pension obligation on 30 September 2021 amounts to DKK 109 million, compared to DKK 147 million on 31 December 2020. The development in the pension obligations from 31 December 2020 is due to payments, interest, value adjustment and currency adjustment.

8. Financial resources and cash flow

Net interest-bearing debt, totalled DKK 181 million on 30 September 2021, corresponding to a decrease of DKK 49 million since the beginning of the year. The development since the beginning of the year is primary due to earnings for the period offset by acquisition of enterprises, purchase of CAPEX and treasury shares.

H+H Group's financing is a committed credit facility with Nordea Danmark, a branch of Nordea Abp, Finland, which on 4 February 2021 was extended by one year to mature in April 2024.

H+H Group's financing is subject to usual financial covenants, which have been fulfilled in the first three quarters of 2021 and are expected to be fulfilled for 2021.

9. Share buy-back programme

On 4 March 2021, H+H International A/S initiated a share buy-back programme in compliance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and Commission Delegated Regulation (EU) 1052/2016 of 8 March 2016 (the "Safe Harbour Regulation"). On 18 March 2021, the share buy-back programme was increased by DKK 15 million, thereby increasing the maximum aggregate purchase price of the shares to be bought back under the programme to DKK 115 million. The share buy-back programme is in full described in Company Announcements no. 402 and no. 410.

The share buy-back programme is expected to be realised over a 12-month period, starting from 4 March 2021. Under the share buy-back programme, H+H may repurchase shares up to a maximum amount of DKK 115 million, and no more than 1,728,136 shares, corresponding to approximately 9.6 percent of the share capital of the H+H.

In Q3 2021, 125,300 shares were executed at a value of DKK 27 million. As per 30 September 2021 a total value of DKK 63 million was executed, corresponding to 338,600 shares.

10. Share-based payment

The matching share schemes for 2019 and the performance-share-units scheme for 2020 are active and presented in consolidated financial statements in the 2020 annual report.

In April 2021, the Board of Directors of H+H International A/S implemented a new long-term incentive programme (LTIP) being a performance share unit (PSU) programme, similar to the LTIP PSU programme launched in 2020. PSU grants under the LTIP 2021 are made as described in Company Announcement no. 409.

In the first three quarters of 2021, an expense of DKK 5 million was recognised under staff costs, against DKK 3 million in the same period in 2020.

11. Tax on profit

	Q3 2021	Q3 2020	2021	2020
Current tax	25	22	58	53
Movement in deferred tax	2	2	6	2
Tax on profit	**27**	**24**	**64**	**55**
Implicit tax rate	**24%**	**22%**	**22%**	**23%**

12. Risk Management

H+H's principal risks and the external factors that may affect H+H are provided in the 2020 annual report. These are unchanged for the first three quarters of 2021.

Management's view and response to the outbreak of Covid-19, including specific information on contingency planning, are outlined in the Management Review in the 2020 annual report.

13. Related parties

Related parties of H+H with significant influence include the Board of Directors and the Executive Board of this company and their close family members. Related parties also include companies in which the aforementioned persons have control or significant interests.

Transactions with related parties
H+H did not enter into any significant transactions with members of the Board of Directors and the Executive Board, except for compensation and benefits received as a result of their membership of the Board of Directors, employment with H+H or shareholdings in H+H.

14. Business combinations

H+H International A/S' subsidiary H+H Deutschland GmbH has on the 14 September 2021 made an agreement with Greisel Vertrieb GmbH and affiliated companies to acquire its aircrete factory located in Feuchtwangen in Bavaria, Germany.

The acquisition is in line with H+H's strategy to expand its activities within the German wall-building materials market and further consolidate and restructure the industry.

Cashflow related to the acquisition amount to DKK 127 million which was paid in cash on the acquisition date. Transaction costs of DKK 4 million related to the acquisition have been expensed in Q3 2021 and accounted for as special items.

Accounting for the business combination is not yet finalised. A preliminary purchase price allocation (PPA) of assets acquired and liabilities assumed have initially been accounted for as goodwill of DKK 83 million, land and buildings of DKK 22 million, and equipment and other fixed assets of DKK 22 million. A full purchase price allocation will be disclosed when finalised.

15. Events after the balance sheet date

H+H is closely monitoring the development in the COVID-19 pandemic and the responses by the local Governments of the countries in which H+H operates.

The H+H Group ("H+H") has signed an agreement to acquire 52.5% of the shares in DOMAPOR GmbH & Co. KG ("DOMAPOR"), a German manufacturer of aircrete and calcium silicate blocks located in Mecklenburg-West Pomerania. For further information, please refer to the section, 'Events after the balance sheet date' in the Management's review.