Annual Report 2008

H+H International A/S

build with ease

H+H in brief

WHO

H+H can trace its roots back to 1909, when the first company in the H+H Group – Henriksen og Henriksen Industri A/S – was established in Denmark with the object of carrying on sand and gravel activities.

H+H will thus celebrate its 100th anniversary in 2009.

H+H started manufacturing aircrete in 1937, as one of the pioneers, and consequently has 70 years' experience in the manufacture and sale of aircrete.

Today, H+H is Europe's second-largest aircrete manufacturer.

WHAT

The H+H Group's aircrete products are primarily standard, palletised products, consisting of horizontal and vertical wall elements and reinforced beams. The products are used predominantly in residential construction for walls, although, in some markets, H+H also manufactures products that can be used for floor foundations and roofs. Reinforced beams are used in connection with window and door openings.

H+H's products are used to a lesser extent for commercial and industrial building projects, but demand is growing.

H+H's customers are primarily contractors, developers and builders' merchants.

WHERE

H+H International A/S in Denmark is the parent company of the H+H Group, which consists of subsidiaries in, so far, 14 countries and has a total of approx. 1,300 employees.

HOW

H+H's activities are based on a two-pronged growth strategy:

- organic growth of H+H's geographical markets based on H+H's sales-driven business philosophy, Build with ease;
- geographical growth by acquisition or establishment of aircrete factories and sales entities in new geographical markets.

Contents

Five-year summary

Income statement (DKKm)	2008	2007	2006	2005	2004
Revenue	1,439,5	1,850.2	1,662.4	1,354.4	1,370.9
Gross profit	710.6	960.3	815.9	703.2	767.8
Operating profit (EBIT)	19.0	222.4	128.9	141.6	195.2
Net financing costs	(17.6)	(17.4)	(14.8)	6.2	(5.2)
Profit from continuing operations before tax	1.4	205.1	114.0	147.8	190.0
Profit from continuing operations after tax	1.7	157.5	74.3	100.3	136.7
Profit for the year	1.7	157.5	74.3	100.3	141.6
Balance sheet – assets (DKKm)					
Non-current assets	1,558.9	1,361.7	1,248.4	1,046.6	860.7
Current assets	363.9	422.1	389.8	372.9	429.0
Total assets	1,922.8	1,783.7	1,638.2	1,419.5	1,289.7
Balance sheet – equity and liabilities (DKKm)					
Share capital	109.0	116.0	116.0	116.0	116.0
Equity	743.2	990.3	870.4	827.7	745.3
Non-current liabilities	1,015.7	180.0	180.9	160.6	263.9
Current liabilities	163.9	613.4	586.8	431.2	280.5
Total equity and liabilities	1,922.8	1,783.7	1,638.2	1,419.5	1,289.7
Investments and debt (DKKm)					
Investments in non-current assets during the period	492.7	263.0	156.0	122.1	114.7
Interest-bearing debt (net)	863.0	380.8	353.1	123.5	45.0
Financial ratios					
Gross margin	49.4%	51.9%	49.1%	51.9%	56.0%
Operating margin (EBITA margin)	1.3%	12.5%	7.8%	10.5%	14.2%
Return on invested capital	1.2%	16.1%	10.6%	14.4%	22.0%
Return on equity	0.2%	16.9%	8.8%	12.8%	20.0%
Solvency ratio	38.7%	55.5%	53.1%	58.3%	57.8%
Average number of shares outstanding (of DKK 100)	1,090,436	1,146,072	1,147,872	1,137,012	1,119,006
Share price, year-end (DKK)	304	1,362	1,842	1,351	1,175
Book value per share, year-end (DKK)	682	854	750	713	642
Price/book value	0.4	1.6	2.5	1.9	1.8
Price earnings ratio (PE)	199.9	9.9	28.3	15.3	9.3
Earnings per DKK 100 share (EPS)	1.5	137.4	65.0	88.2	126.6
Diluted earnings per DKK 100 share (EPS-D)	1.5	137.0	64.9	87.5	124.3
Dividend per share	-	30.0	20.0	35.0	35.0
Payout ratio	0.0%	22.1%	31.1%	40.5%	28.7%
Average full-time equivalent staff	1,282	1,379	1,385	712	761

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33 (note 11).

The other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Ratios 2005'.

Reference is made to definitions and concepts in note 1 'Accounting policies'.

Summary

Profit before tax was DKK 1.4 million (2007: DKK 205 million), in line with the most recently announced outlook in the region of DKK 0 million. The original full-year outlook was profit of DKK 180 - 200 million.

- Revenue was DKK 1,439 million (2007: DKK 1,850 million), down 22%.

- In the UK, the global financial crisis had a profound impact on residential construction, which saw a drastic fall during the year. The company's other markets were also affected by the crisis during the year, although to a much more limited extent.

- The deterioration in market conditions led to the implementation of considerable realignments of the Group's organisation and a general reduction in fixed costs.

- One factory in Poland and one factory in the Czech Republic underwent extensive upgrading during the year, and the Group invested in the construction of a new aircrete factory near St Petersburg. Overall, these measures will provide considerable additional production capacity in a number of new markets.

- Equity fell by DKK 247 million, standing at DKK 743 million at the end of 2008. With a balance sheet total of DKK 1,923 million, the solvency ratio was 38.6%.

- The Supervisory Board will recommend at the annual general meeting that no dividend be paid for 2008.

- H+H expects 2009 full-year profit before tax in the region of DKK 0-30 million.

Global financial crisis

H+H was hit hard in 2008 by the global financial crisis, which led to a fall in the number of new housing units and consequently a fall in H+H's aircrete sales.

In the relevant markets, H+H has reacted by aligning its production capacity and cost structure to anticipated sales. If sales continue to fall, H+H will be able to implement further alignments. In keeping with this, the Executive Board and senior executives of H+H International A/S have chosen to waive salary adjustment for 2008.

H+H has also intensified its focus on new market segments through expansion to new geographical markets, canvassing of new customer groups outside the housing sector, and development of more sophisticated solutions for fast and efficient construction of buildings using aircrete. These initiatives are expected to have a positive impact on sales.

H+H has been investing heavily in new production capacity in new markets in Russia, Poland and the Czech Republic in recent years. In 2009, H+H will be adding almost 1 million m^3 to its production capacity, equivalent to more than 40% of production in 2008. Further expansionary investment initiatives have been put on hold for the time being. In the next few years, H+H will be able to operate with annual maintenance investments of less than DKK 50 million.

With a high degree of flexibility in the utilisation of production capacity, an aligned cost structure, new opportunities for increased sales, and a limited requirement for maintenance investments, a significant positive operating cash flow is expected to be generated in the coming years. Even with a further decline in sales, H+H will still be able to generate a positive operating cash flow.

Review of the year

Financial highlights

Profit before tax for 2008 was DKK 1.4 million (2007: DKK 205 million), in line with the most recently announced outlook in the region of DKK 0 million. The original outlook was profit in the region of DKK 180 - 200 million.

Revenue for 2008 was DKK 1,439 million compared with DKK 1,850 million in 2007, down 22%.

Major highlights

Following record-high earnings in 2007, the company forecast at the start of March 2008 that earnings for 2008 would be at a slightly lower level, despite earnings in the first months of the year being ahead of last year. The slightly lower earnings level primarily reflected an expected small fall in the number of new housing units in the UK and Denmark.

However, the overall number of new housing units in the UK fell sharply during the year. Overall, new housing units in the UK totalled approx. 120,000, down approx. 40% on 2007, and consequently the lowest level for more than 80 years. The dramatic development in the UK market primarily reflected expectations of falling residential property prices and the lack of availability of property financing as a consequence of the global financial crisis.

Even though the company's other markets were not hit quite as badly by the global financial crisis as the UK, the other markets also experienced a general reduction in sales and sharpened price competition in 2008, which intensified during the year.

The deterioration in market conditions and the consequent fall in sales and earnings led to considerable realignments of the Group's organisation and a general reduction in fixed costs. In the UK, in particular, cuts in the number of production shifts, coupled with the temporary closure of a factory, led to significant reductions in staff numbers.

Investments totalling DKK 493 million were incurred in 2008, predominantly relating to the construction of an aircrete factory in Volosovo, 70 km southwest of St Petersburg, Russia; upgrading of an aircrete factory in Gorzkowice, 250 km southwest of Warsaw, Poland; and upgrading of an aircrete factory in Most, 90 km northwest of Prague, the Czech Republic. The work on the construction of the factory near St Petersburg proceeded to plan. The factory is still expected to be ready to go into production by the middle of the first half of 2009. The annual production capacity will be around 400,000 m^3 of top-quality aircrete. The upgraded factories in Poland and the Czech Republic had started trial production at the end of the year. They will each have an annual production capacity of around 300,000 m^3 of top-quality aircrete.

The construction of the aircrete factory near St Petersburg and the extensive upgrading of the factories in the Czech Republic and Poland were part of the strategy relating to geographical growth. It is H+H's strategy to continue the geographical expansion of its activities. However, the lower earnings in 2008 have led to a temporary halt to all expansionary investment initiatives. The previously announced projects relating to the construction of a new aircrete factory near Warsaw in Poland and soundings relating to the construction of a new aircrete factory in western Ukraine have consequently been put on hold for the time being.

UK

H+H UK Limited

For H+H, the market that was hit the hardest by the global economic downturn was the UK. A lack of confidence in a positive trend in residential property prices, coupled with significantly tightened access to financing for residential property and a generally pessimistic outlook for the UK economy, caused the level of activity within construction of new housing units to fall to its lowest level for more than 80 years in 2008. Construction of new housing units was down by approx. 40% on 2007 and by more than 65% on last year's fourth quarter. The level of activity in the refurbishment and maintenance market started out on a par with 2007, but was 25% down on last year in the last quarter of the year and 15% down on 2007 for 2008 as a whole.

H+H's sales were just over 35% down on 2007 and were consequently at the lowest level for the company for more than 30 years. Sales to national housebuilders fell by 55% and sales to builders' merchants and local housebuilders were down 25%.

The company aligned its production capacity to the decline in sales on an ongoing basis. The alignment was achieved initially by reducing the number of production shifts and subsequently by the temporary closure of one of the company's four factories. Furthermore, during the second half of the year, an extensive alignment of the company's fixed costs was effected, including by cutting the number of employees in the company's support functions. The total number of employees was cut by 34% during the year. The alignments ensure that the company's cash flows will remain positive, even with the current very low level of activity, and that production volume can be increased quickly as markets pick up.

In parallel with the alignment of production capacity, utilisation of energy and raw materials was made more efficient. In 2008, a leading UK Sunday paper rated the company among the UK's top 50 'green' companies.

The focus on sales of new solutions and on new market areas in which aircrete is currently not as common, including schools and the care sector, was sharpened during the year under the new management in the UK. Despite the general decline in the market, sales of system solutions and sales to the commercial sector increased. Overall, system solutions and sales to the commercial sector now account for 7% of total sales.

As expected, energy and raw material prices rose considerably again in 2008. However, as with oil prices, average unit costs for energy, predominantly made up of natural gas, fell during the second half. Modest increases in selling prices were achieved, but they were not sufficient to make up for the increase in costs. The level of selling prices remained stable throughout the year.

The UK activities showed a loss before tax for 2008. However, excluding non-recurring costs in connection with savings and alignment of production capacity, a result close to break-even was realised.

GERMANY, DENMARK AND BENELUX

H+H Deutschland GmbH

The impact of the global financial crisis on the German market for new housing construction has been limited. The number of new builds in Germany has been in steady decline since the mid-90s and has been at a very low level in the last couple of years. As anticipated, the number of new housing units in 2008 was on a par with 2007.

Total sales from the German factories lagged slightly behind 2007. H+H's sales in the German market were on a par with 2007 and consequently in line with the development in total aircrete sales in Germany. However, sales to affiliated companies were somewhat lower. Sales to Poland and Denmark, in particular, declined considerably in 2008.

The focus on system solutions and sales to the commercial sector in the German market was insufficient, and sales of reinforced aircrete from the new Wittenborn II factory were consequently at an unsatisfactorily low level. In autumn, changes were introduced to the company's management and the organisation of sales with a view to accelerating penetration of new market areas.

Energy and raw material costs increased considerably, as expected, while average selling prices were only marginally higher than the 2007 level. Considerable non-recurring costs were incurred in connection with alignments in staff numbers.

H+H Danmark A/S

Following a very high level of activity in 2006 and 2007 the number of new housing units in Denmark fell considerably in the course of 2008. This was partly due to expectations concerning a sustained fall in residential property prices. The lack of availability of finance had a negative impact on the implementation of new projects, especially during the second half of the year.

2008, like 2007, was characterised by cut-throat price competition in the aircrete market. It is estimated that H+H has retained its proportionate share of aircrete sales in Denmark compared with last year. Measures featuring solutions for new market segments and new construction methods contributed positively to sales for the year, compensating for part of the general decline in the market. However, H+H's overall sales in the Danish market in 2008 were significantly below the 2007 level.

Despite the highly challenging market conditions, H+H succeeded in generating a profit overall.

H+H Belgien SPRL

H+H established a subsidiary in Belgium with a separate sales organisation in the second quarter. Sales to the Belgian market were previously handled directly from the Group's German subsidiary. A number of good contacts with both builders' merchants and construction firms were made during the year. Sales in Belgium matched expectations.

EASTERN EUROPE

H+H Polska Sp. z o.o.

In Poland, the global financial crisis primarily impacted on the construction of project-based apartment blocks and, to some extent, construction in the commercial sector. However, H+H's aircrete sales primarily go to dense low-rise housing, which has so far been relatively unaffected by the crisis. However, the general decline in the overall level of construction activity led to intensified price competition within all wall construction materials, including aircrete. Greatly assisted by mild weather, the very positive aircrete sales trend in the Polish market continued in 2007 into the first quarter of 2008. Sales subsequently fell back to a lower level. H+H's overall sales for the year to the Polish market were substantially lower than in 2007. Conversely, sales to affiliated companies rose, including primarily sales to the affiliated company in Ukraine.

The Gorzkowice factory underwent extensive upgrading in 2008. The factory will have an annual production capacity of 300,000 m^3 of top-quality aircrete in future. The factory is strategically important for H+H in relation to the development of more sophisticated solutions for fast and efficient construction of buildings using aircrete. The upgrading meant that the factory only manufactured at a modest level in 2008, compared with eight months of full production in 2007, and this contributed to lower sales for the year compared with the previous year.

As expected, costs increased considerably again in 2008. Significant increases in selling prices were achieved during the first quarter of the year. However, selling prices fell back to the level at the start of the year during the second and third quarters. Selling prices were held at a relatively stable level in the second half.

H+H Česká republika s.r.o.

H+H's sales in the Czech Republic were severely limited in 2008 due to extensive upgrading of the factory. The company was serviced by supplies from the Group's German and Polish factories during the year. Due to transport costs, the supplies from Germany had a negative effect on the company's results, but contributed to continued development of H+H's activities in the Czech market.

OOO H+H Rus

The construction of the new aircrete factory in Volosovo 70 km southwest of St Petersburg proceeded to plan. All approvals required in connection with the construction of the factory and the access to supplies were obtained without any delays. A final operating permit from the Russian authorities is still outstanding, but cannot be obtained until the factory is ready to start up production. The factory is expected to be operational by the middle of the first half of 2009, when it will have an annual production capacity of 400,000 m^3 of top-quality aircrete.

A full organisation was established in the course of the year. The new sales organisation established contacts with H+H's future customers. However, due to high transport and customs costs it was decided not to sell aircrete products from the Group's other factories in the Russian market in 2008.

H+H Ukraina TOV

H+H's aircrete sales in the Ukrainian market from the Group's Polish factories far exceeded expectations at the start of the year. However, high transport costs meant that earnings in the Ukrainian company before fixed costs were close to break-even. A heavy fall in the Ukrainian currency at the end of the year led to a small exchange loss on the amount payable to the affiliated company in Poland.

H+H Baltic SIA

Construction activity in the Baltic States was at a low level in 2008. A sales subsidiary was set up in Latvia at the end of 2007. A number of good customer contacts were established in the course of 2008, and aircrete supplies were provided by the Group's Polish and German factories. Overall sales volume was relatively modest due to the generally low level of activity in the market.

NORDIC COUNTRIES

H+H Finland Oy

Construction activity showed a downward trend during the year. This was particularly characteristic of construction in the commercial sector, which represents around half of H+H's sales in the Finnish market. The construction of dense low-rise housing in Finland was also at a lower level than in 2007.

Total sales from the Finnish factory were at a somewhat lower level than in 2007. The relatively largest decline was realised in sales to the Finnish market, although sales to affiliated companies were also lower. The decline in sales led to considerable alignment of the company's organisation and cost structure.

Sales of aircrete for the Jämerä concept have been reorganised in recent years. Unlike the Group's strategy in all other markets to focus on the business-to-business markets, the Jämerä concept in Finland is aimed directly at the consumer market. The Jämerä activities were stepped up in 2008. Separate management was recruited, and the activities were spun off into a separate legal entity at the end of the year.

The Finnish activities delivered a positive financial performance, despite the decline in sales and the alignment of the organisation.

H+H Sverige AB

The level of construction activity in Sweden fell during the year due to the global financial crisis. The level of activity was down, both within housing construction and construction for the commercial sector, especially in the second half.

Despite the more difficult market conditions, sales were held largely at a level with 2007.

The company benefited from supplies of reinforced aircrete from the Group's new factory in Wittenborn throughout the year, at somewhat lower prices than those offered by the former, external supplier in Germany. Today, all aircrete for the Swedish market comes from the Group's German and Finnish factories.

H+H Norge AS

H+H's access to the Norwegian market was redefined at the end of 2007, and a new organisation was set up. A number of initiatives aimed at cultivating new market segments were put in place during the year. Sales volume was at a low level.

Segment information

	UK		Germany, Denmark and Benelux		Eastern Europe		Nordic countries		Eliminations and unallocated items		Total	
DKKm	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenue	380.9	695.1	437.2	475.5	429.0	436.1	238.3	286.0	(45.9)	(42.5)	1,439.5	1,850.2
EBITDA	23.8	123.3	76.6	123.7	65.1	106.8	12.0	22.0	(42.0)	(28.7)	135.5	347.1
EBITA	(14.0)	80.5	29.1	77.8	41.9	87.1	4.9	14.6	(42.9)	(29.5)	19.0	230.5
EBIT	(14.0)	72.4	29.1	77.8	41.9	87.1	4.9	14.6	(42.9)	(29.5)	19.0	222.4
Profit (loss) before tax*	(19.1)	67.9	16.4	67.7	31.2	76.8	1.0	10.9	(28.1)	(18.2)	1.4	205.1
Non-current assets	278.2	390.3	401.1	403.7	818.7	468.3	50.6	50.9	10.3	48.5	1,558.9	1,361.7
Addition of intangible assets and property, plant and equipment	19.2	41.3	48.8	21.5	417.4	192.0	5.2	6.0	2.1	2.2	492.7	263.0
Depreciation for the year	37.8	42.8	47.5	45.9	23.2	19.7	7.1	7.4	0.9	0.8	116.5	116.6
Assets	383.6	544.2	522.0	549.6	768.1	532.6	108.9	130.6	140.2	26.7	1,922.8	1,783.7
Equity	157.6	233.3	204.1	224.8	144.9	146.6	22.8	20.9	213.8	364.7	743.2	990.3
Liabilities	226.0	310.9	317.9	324.8	632.2	386.0	86.1	109.7	(73.6)	(338.0)	1,179.6	793.4
Average full-time equivalent staff	264	317	203	201	662	688	136	158	17	15	1,282	1,379

* The H+H Group's consolidated profit before tax, management fee, etc.

With a solid house of aircrete from H+H,

construction is **quick, easy and of a higher standard**

than traditional construction.

Outlook for 2009

Full-year profit before tax is expected to be in the region of DKK 0-30 million. Visibility in the market is poorer than in previous years, and the profit outlook is consequently subject to significantly greater uncertainty.

The low level of construction activity caused by the global financial crisis is expected to continue in most of the Group's markets in 2009. However, the effect of the crisis is expected to differ from market to market. Conversely, a considerable capacity expansion in new attractive markets will contribute positively in 2009.

The impact of the crisis on sales volume is likely to be more pronounced in the UK market. Sales in the Danish market are also expected to be at a low level. The crisis is expected to have a lower impact on sales in the German and Polish markets. In Germany, construction of new housing units has been at a very low level in the past few years, and, in Poland, the crisis is only expected to have limited impact on sales to H+H's primary markets.

The considerable cost savings implemented in autumn 2008 on the Group's Western European activities will help to reduce the negative impact on earnings of the lower sales to these markets.

Counterbalancing the lower demand caused by the global crisis, 2009 will be the first year that will benefit from very considerable capacity expansions in new markets. Overall, the initiatives will result in additional annual production capacity of around 1 million m^3 compared with production capacity in 2008.

Despite the recent downturn, the markets for top-quality aircrete in and around the Czech Republic are still expected to total in excess of 1,500,000 m^3 a year. With the upgraded factory in Most with an annual production capacity of 300,000 m^3, H+H will be able to offer customers in these markets a strong alternative to the previously only supplier of this quality of aircrete.

The upgrading of the Gorzkowice factory in Poland will add 300,000 m^3 to H+H's production capacity compared with 2008. With this factory, H+H, as one of only two suppliers from Polish factories, is now able to offer customers in Poland top-quality aircrete, promoting the development of sophisticated solutions for fast and efficient construction of buildings using aircrete.

The new factory near St Petersburg, Russia, is expected to be operational by the middle of the first half of 2009 and, with an annual production capacity of more than 400,000 m^3, will be able to offer the market an alternative to supplies of lower-quality aircrete from factories in remote locations.

Lastly, the company's German Wittenborn II factory, which manufactures reinforced aircrete products, has now been fully run in and offers product ranges for new attractive market segments in both Germany and Benelux. H+H will consequently be able to offer an alternative to the previously only supplier of more sophisticated aircrete solutions.

Total investments for the year are expected to be around DKK 100 million, including an amount of approx. DKK 50 million relating to capital expenditure on manufacturing facilities in the Eastern European segment, which was previously expected to be incurred in 2008. Net interest-bearing debt at the end of the year is expected to be in the region of 800-850 million.

The outlook for each country is as follows:

UK

H+H UK Limited

Positive development in the property market, including construction of new housing units, is not expected to materialise until access to financing for residential property eases and a sustained fall in residential property prices is no longer feared. There are no immediate indications that this will happen in 2009. A large number of unsold, new housing units at the end of 2008 is expected to aggravate the market situation still further.

The total number of housing units built in the UK in 2007 was around 200,000. It is expected that the number will have fallen to around 120,000 in 2008, equivalent to a fall of around 40%. It is the government's short-term ambition for the number of new housing units to reach around 240,000.

For 2009, the number of new housing units is expected to be less than 75,000, corresponding to a fall of more than 35% compared with 2008. The number of new private housing units is expected to fall by more than 50% in 2009, whereas the number of government initiatives for the construction of publicly financed housing units is expected to increase. The fall in the construction of new private housing units is expected to predominantly affect apartment blocks, for which the use of aircrete is limited. Compared with last year, the refurbishment and maintenance market is expected to decline by around 15%.

In 2009, national housebuilders are expected, to a greater extent, to plan the construction of houses based on advance sales with a very short project phase. This favours aircrete and other block products over factory-based solutions such as order-based solutions based on modular systems.

H+H anticipates that increased sales of new system solutions and intensified focus on sales to commercial construction projects will be able to make up for part of the anticipated downturn in the market. Overall, H+H expects a decline in sales volume of around 10-15% compared with 2008.

Despite a very substantial fall in construction activity, price increases on key raw materials are expected to exceed inflation again in 2009. Increases in average selling prices are expected to be limited in 2009.

GERMANY, DENMARK AND BENELUX

H+H Deutschland GmbH

The number of new housing units has been at a very low level in Germany in recent years. Compared with 2008, the global financial crisis is consequently only expected to have limited, negative impact on construction activity in 2009.

The overall market for aircrete blocks in the German market is expected to be slightly lower in 2009 than in 2008. H+H expects to retain its relative share of total sales of aircrete blocks in the existing German market areas. H+H also expects to establish sales to new German market areas. Overall, sales of aircrete blocks in Germany are expected to be on a par with 2008.

In view of new initiatives put in motion at the end of 2008, a fair increase in sales of reinforced aircrete products is expected in the German market. The increase in sales is expected to primarily be realised within commercial construction.

Sales to the Scandinavian markets are expected to be slightly lower in 2009, while sales to the Netherlands and Belgium are expected to grow considerably, making up for the lower sales to Scandinavia.

The relative increases in direct costs are expected to match the development in selling prices.

H+H Danmark A/S

The very low level of construction activity, the real impact of which was felt in the second half of 2008, is expected to continue through the whole of 2009. Both dense low-rise housing construction and commercial construction are expected to remain at a low level.

H+H Belgien SPRL

Construction of housing units in the Belgian market is expected to show a slight downturn compared with 2008. The Belgian aircrete market is dominated by a single supplier. Following the establishment of a separate sales subsidiary and a number of good customer contacts during 2008 H+H expects its sales to increase considerably in the coming year.

H+H Nederland B.V.

The Dutch aircrete market, like the Belgian market, is largely dominated by a single supplier. This applies especially to supplies of system solutions incorporating reinforced aircrete products. In recent years, H+H has been conducting its sales in the Dutch market through a single business partner in the Netherlands. In order to achieve higher sales in and develop the Dutch market by selling solutions that use reinforced aircrete products, H+H set up a sales subsidiary in the Netherlands in autumn 2008. Sales to the Dutch market are expected to increase considerably in 2009.

EASTERN EUROPE

H+H Polska Sp. z o.o.

The global financial crisis is still not expected to have any significant impact on construction activity within dense low-rise housing, which is the primary market for H+H. Conversely, the adverse impact of the crisis on project-financed apartment blocks is expected to continue, leading to intensified competition from substituting products in H+H's primary markets.

H+H expects sales to be considerably ahead of 2008. The increase is expected to come principally from the Gorzkowice factory, which will have an annual production capacity of 300,000 m^3 of top-quality aircrete in the wake of extensive upgrading in 2007 and 2008. The factory will enable H+H to service new market segments and promote the development of solutions for efficient construction of aircrete buildings.

Cost increases at a level slightly exceeding the rate of inflation are expected for the year. Average selling prices are expected to rise in step with the rate of inflation for the year.

H+H Česká republika s.r.o.

Construction activity in the Czech market is expected to be at a lower level in 2009 as a result of the global crisis.

Following extensive upgrading in 2008, the factory in Most will be able to service the Czech and Slovak markets and south-eastern Germany with top-quality aircrete in 2009. The market for top-quality aircrete has so far primarily been serviced by a single supplier. A number of good customer contacts have been established with builders' merchants as well as contractors. H+H expects a very substantial improvement in sales for 2009. Sales of aircrete blocks from the Most factory will be supplemented by sales of reinforced aircrete products from one of the Group's German factories.

OOO H+H Rus

The new factory in Volosovo 70 km southwest of St Petersburg is expected to be operational by the middle of the first half of 2009. The factory will subsequently have an annual production capacity of 400,000 m^3 of top-quality aircrete. A sales organisation was established in 2008 and contacts were established with a large part of the company's future customer base.

The global crisis is having a considerable effect on the Russian economy. Project-financed construction is expected to be at a low level for the whole year, but matching the level for the second half of 2008. However, the crisis is expected to have a lower impact on individually built units. As housing construction is generally given high priority in Russia, a further significant fall in overall housing construction is not expected.

A large proportion of the aircrete used in the St Petersburg area is supplied from Belarus and remote Russian factories. Compared with these suppliers, H+H will be able to supply aircrete of a significantly higher quality and, due to lower transport costs, at highly competitive prices.

H+H expects very considerable sales from the Volosovo factory to the St Petersburg area in the year ahead. Overall, the Russian activities are expected to contribute a profit before tax for 2009.

H+H Ukraina TOV

Construction activity within dense low-rise housing in western Ukraine is expected to be largely on a par with 2008. H+H's activities in the market will benefit from the new high-quality products from the Gorzkowice factory in Poland. Increased sales for the year are anticipated.

H+H Baltic SIA

Market conditions in the Baltic markets are expected to be difficult again in 2009. Sales are expected to rise in 2009 due to cultivation of the market and establishment of a number of strong customer contacts in 2008.

NORDIC COUNTRIES

H+H Finland Oy

A slightly lower level of activity is expected within both commercial construction and housing construction. Overall sales from the Finnish factory are expected to be in line with 2008.

Jämerä-kivitalot Oy (Finland)

The Jämerä activities were spun off into a separate legal entity at the end of 2008. As a sales entity, the company will be 100% focused on selling Jämerä based on masonry shells from H+H Finland Oy and entering into collaboration agreements with more suppliers of materials for Jämerä houses. Total sales for Jämerä are expected to largely match the 2008 level.

H+H Sverige AB

The level of activity in the Swedish market is not expected to pick up in the coming year. Due to initiatives involving new concepts, partly made possible by supplies from the Wittenborn II factory in Germany, total sales for the coming year are expected to be largely in line with 2008.

H+H Norge AS

Initiatives implemented in 2008 are expected to ensure higher sales in 2009, although basically at a very low level.

Forward-looking statements:
The forward-looking statements in this annual report reflect management's current expectation 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 running-in of new production capacity.

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.

Financial review

Results

Full-year profit before tax was DKK 1.4 million (2007: DKK 205.1 million), in line with the most recently announced break-even outlook. The original outlook was profit before tax in the region of DKK 180-200 million.

All segments delivered considerably lower results for the year than in 2007. The UK segment saw the biggest decline, with a drastic fall in sales volume during the year.

Both 2008 and 2007 were characterised by very mild weather and consequently a relatively high level of activity during the first months of the year.

The result before tax realised by the UK segment was a loss of DKK 19.1 million (2007: profit of DKK 67.9 million), compared with the most recently announced outlook of a loss in the region of DKK 25 million. Non-recurring costs totalling DKK 13.5 million were incurred in 2008 in connection with alignments in staff numbers and non-recurring income totalling DKK 4.7 million related to the company's plots of land. In 2007, non-recurring costs totalling DKK 24.6 million were incurred related to the company's plots of land. Excluding non-recurring income and costs, the result before tax fell by DKK 102.8 million from 2007 to 2008. This primarily reflected significantly lower sales due to an overall decline in construction activity. Higher raw material and energy costs, which were not fully recovered through higher selling prices, also had an adverse effect on financial performance.

The Germany, Denmark and Benelux segment reported profit before tax of DKK 16.4 million (2007: DKK 67.7 million), corresponding to the most recently announced outlook of profit of around DKK 15 million. Profit before tax was down DKK 51.3 million on 2007, partly reflecting lower sales in Denmark and lower sales from the German factories to Poland. Furthermore, the adjustments of selling prices for the German and Danish markets were insufficient to make up for increases in direct costs. Sales of reinforced aircrete products from the new Wittenborn II factory in the German market, in particular, remained at a low level to the effect that the new factory did not manage to contribute positively to the results. Lastly, non-recurring costs of DKK 8.1 million were incurred in Germany in connection with alignments of the organisation.

The Eastern European segment delivered profit before tax of DKK 31.2 million (2007: DKK 76.8 million), slightly below the most recently announced profit outlook of DKK 35 million.

Profit before tax for the Polish activities was around DKK 55 million, down from profit before tax of around DKK 80 million for 2007. The lower profit primarily reflected lower sales, due partly to upgrading of one of the company's five factories, which reduced the company's production capacity temporarily. The other markets under the Eastern European segment realised a loss before tax of around DKK 25 million compared with a loss before tax of around DKK 5 million for 2007. Just under half of the total loss before tax came from the Czech activities and was due to upgrading of the factory in Most and the consequent very low sales for the year. The start-up of the Russian activities, with the setting up of an organisation, also contributed a loss for the year.

The Nordic segment reported profit before tax of DKK 1.0 million (2007: DKK 10.9 million), slightly exceeding the most recent expectations of a break-even result. Finland, Sweden and Norway all contributed to the DKK 9.9 million fall in profit, which was due to a combination of lower sales and growing direct costs that could not be fully compensated for through adjustments of selling prices.

Unallocated net costs amounted to DKK 28.1 million (2007: DKK 18.2 million). Non-recurring costs totalling DKK 4.5 million were incurred in 2008 in connection with changes on the Executive Board. The result for 2007 included non-recurring income of DKK 5.7 million concerning final clarification of expenses for restoration of discontinued leases in the UK. The parent company's net costs before financial income and expenses totalled DKK 43.4 million (2007: DKK 34.3 million). Unallocated net financial income amounted to DKK 14.8 million (2007: DKK 11.3 million).

Revenue

Revenue was DKK 1,439 million (2007: DKK 1,850 million), down DKK 411 million or 22%. Changes in exchange rates depressed revenue by 2.8 percentage points.

UK revenue amounted to DKK 381 million (2007: DKK 695 million), down 45.2%. Changes in the average GBP/DKK exchange rate affected the development in revenue adversely by 14.2 percentage points. Sales volume was at a distinctly lower level than in 2007. The decline in sales was deemed to be largely on a par with the overall decline in the aircrete market. On average, only modest price increases were realised.

The Germany, Denmark and Benelux segment delivered revenue of DKK 437 million (2007: DKK 476 million), down 8.1%. The lower revenue primarily reflected lower sales in the Danish market and lower sales from the German factories to the Polish market. On average, only very modest price increases were realised in the German and Danish markets compared with 2007.

The Eastern European segment reported revenue of DKK 429 million (2007: DKK 436 million), down 1.6%. Changes in average exchange rates boosted revenue by 5.9 percentage points. The lower revenue was due to a fall in sales to primarily the Polish market, although sales in the Czech market were also down. The lower sales were due, to a great extent, to a shortage of production capacity from the Gorzkowice factory in Poland and the Most factory in the Czech Republic, both of which were closed for most of 2008 for extensive upgrading. A considerable improvement in sales was achieved in the Ukrainian market. On average, small price increases were achieved in 2008 compared with 2007.

The Nordic segment delivered revenue of DKK 238 million (2007: DKK 286 million), down 16.7%. Changes in average exchange rates eroded revenue by 1.4 percentage points. The fall in revenue was due to lower sales in the Finnish, Swedish and Norwegian markets. Increases in selling prices were generally at a modest level.

Eliminations of inter-segment revenue amounted to DKK 46 million in 2008 (2007: DKK 43 million).

Investments

Investments totalled DKK 493 million (2007: DKK 263 million).

Investments in the Eastern European segment totalled DKK 417 million (2007: DKK 192 million). Investments related primarily to the construction of the Volosovo factory in Russia and upgrading of the Gorzkowice factory in Poland and the Most factory in the Czech Republic. On completion of the Volosovo factory in 2009, investments in this factory are expected to reach a figure in the region of EUR 35-40 million. The amount invested in the upgrading of the Gorzkowize factory in Poland is expected to be in the level of DKK 120 million, and the amount invested in the upgrading of the Most factory in the Czech Republic is expected to be in the level of DKK 140 million.

An amount totalling DKK 51.6 million had been capitalised at the end of the year in connection with the construction of a new factory in the Warsaw area. In addition, binding agreements have been entered into on further investments in the Warsaw project totalling DKK 15.7 million, which are expected to be paid in 2009. The capitalised and committed amounts relating to the Warsaw project primarily concern manufacturing equipment.

Furthermore, costs totalling DKK 6.5 million had been capitalised at the end of the year relating to soundings concerning the construction of a new aircrete factory in Ukraine. There are no further liabilities relating to the Ukraine project. H+H has decided to postpone both projects until further notice.

Investments in the Group's other segments totalled DKK 76 million, including a total of DKK 29 million relating to the acquisition of a gravel pit adjoining the Wittenborn factories in Northern Germany.

Total investments in new construction and upgrading of manufacturing facilities included capitalisation of financing costs of DKK 17 million (2007: DKK 1.6 million) and of own costs of DKK 11 million (2007: DKK 0.8 million).

At the end of 2008 binding contracts had been concluded for additional investments totalling DKK 48 million, relating mainly to Russia.

Financing

Net interest-bearing debt at 31 December 2008 amounted to DKK 863 million (2007: DKK 381 million), up DKK 482 million.

Assuming unchanged foreign exchange rates from the start of the year to the end of the year, net interest-bearing debt at 31 December 2008 would have stood at DKK 927 million. The development in exchange rates for GBP and PLN, in particular, had a reducing effect on net interest-bearing debt expressed in DKK. Largely the whole of the net effect of the reduction in net interest-bearing debt as a result of lower exchange rates was due to the exchange rate development in the last two months of the year.

Operating cash flows amounted to DKK 61 million (2007: DKK 266 million), down DKK 205 million. Profit before depreciation and financial income and expenses added DKK 136 million to operating cash flow (2007: DKK 347 million), while the net effect of the development in inventories, receivables and trade payables and other payables reduced operating cash flow by DKK 30 million (2007: DKK 9 million).

Cash flows from investing activities totalled DKK 477 million (2007: DKK 260 million), and proceeds from disposal of property, plant and equipment amounted to DKK 6.4 million (2007: DKK 3.5 million).

Total dividends paid to shareholders, adjusted for dividends on treasury shares, amounted to DKK 32 million (2007: DKK 23 million). Dividend of DKK 30 per share of nominally DKK 100 was paid in 2008, while dividend of DKK 20 per share of nominally DKK 100 was paid in 2007.

The company bought back own B shares to a total value of DKK 99.8 million net in 2008 (2007: DKK 8.3 million), including shares to a total value of DKK 92.2 million that were used for cancellation of own B shares, thereby reducing the share capital.

Net financing costs in respect of interest-bearing debt, excluding capital gains and losses, amounted to DKK 21.3 million (2007: DKK 16.6 million). The increase in net financing costs reflected a combination of higher average net interest-bearing debt and a general increase in interest rates. The interest-rate risk on a small proportion of the debt portfolio only has been hedged. At the end of 2008, hedging of interest-rate risks did not exceed 18 months.

Capital gains, etc., totalling DKK 9.8 million were recorded in 2008 (2007: DKK 0.7 million). Capital losses, etc., in 2008 totalled DKK 6.2 million (2007: DKK 1.5 million).

Replacing the Group's credit facilities until then, H+H entered into a three-year credit agreement with Danske Bank A/S in the third quarter concerning committed credit facilities in the DKK 1.1 billion region. Further information is provided in note 25.

The solvency ratio at 31 December 2008 was 38.7% compared with 55.5 % at the end of 2007.

Taxation

Income tax expense was DKK 0.3 million (2007: DKK 47.6 million).

Equity

The H+H Group's equity fell by DKK 247.2 million during the financial year, standing at DKK 743.2 million at the end of the year. The reduction in equity was primarily due to buyback of own shares to a total value of DKK 99.8 million, DKK 92.2 million of which was used for reduction of the share capital, payment of dividend totalling DKK 34.8 million, and value adjustments of investments, etc., totalling DKK 115.2 million.

Value adjustments of investments in subsidiaries in the UK amounted to a charge of DKK 60 million and were due to a 25% fall in the GBP/DKK exchange rate from the start to the end of the year. In addition, the development in the PLN/DKK and RUB/DKK exchange rates had a considerable adverse impact on changes in equity for the year.

Changes in equity (DKK '000)	
Balance at 1 January 2008	990,341
Retained earnings	1,656
Treasury shares, net	(99,841)
Value adjustments, investments, etc.	(115,233)
Fair value adjustments of hedging instruments	(4,133)
Dividends paid in 2008	(34,800)
Other adjustments	5,190
Balance at 31 December 2008	743,180

Dividends

The Supervisory Board will recommend at the annual general meeting on 2 April 2009 that no dividend be paid for the 2008 financial year.

We will realise the **full potential of aircrete** to help our customers **build more efficiently**

All H+H employees are united by a common recognition of the fact that knowledge sharing across the organisation is the force that will move our company forward. And this willingness to share our expertise, both internally and with our customers, is what sets us apart from other aircrete producers.

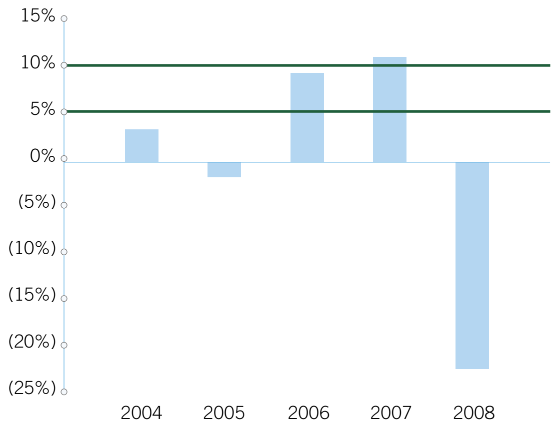
Financial objectives

The financial objectives remain unchanged from the 2007 annual report.

Sales and earnings for 2008 were heavily impacted by the global financial crisis. Growth, results and returns for the year consequently deviated considerably from the Group's objectives. However, the financial objectives for growth, results and returns should be viewed as averages over a lengthy period of time during which positive and negative deviations must be expected to occur. A significant proportion of the Group's sales is linked to new builds, and even though H+H's markets are often out of sync with each other, cyclical fluctuations in the demand for H+H's products and services must be expected. Exchange rate fluctuations can also have a considerable impact on H+H's reported results. H+H's growth, results and returns may consequently fluctuate up and down from one year to the next.

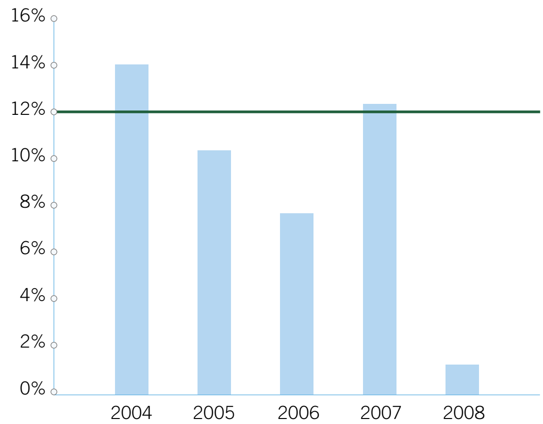
H+H's returns objective, ROIC, is based on the invested capital. Due to major capital expenditure on new capacity, it is likely to be a few years before the returns objective is met.

Sales growth of 5-10%



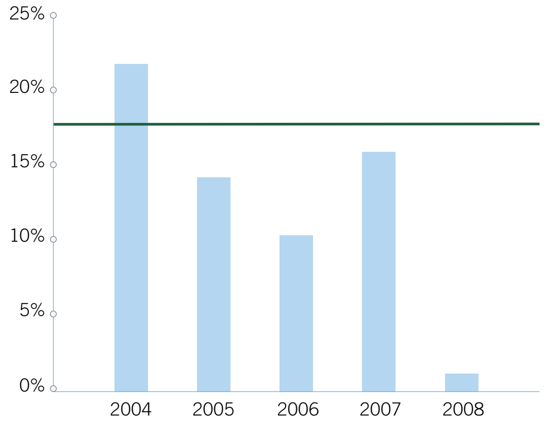
It is H+H's objective to achieve average annual organic revenue growth in the region of 5-10% in the years ahead. On average, growth is expected to reach a level somewhere around the middle of this range.

EBITA margin of 12%



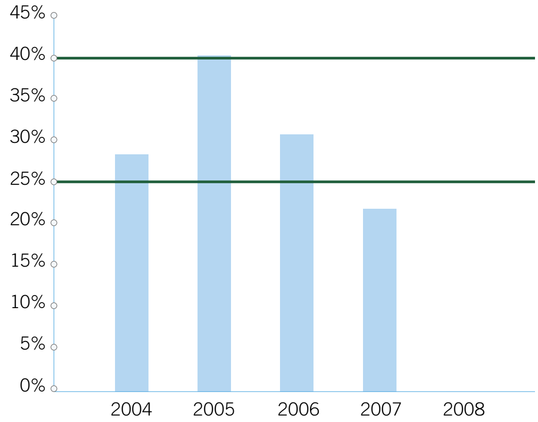
It is H+H's objective to achieve an average operating margin (EBITA) of 12%.

ROIC of 18%



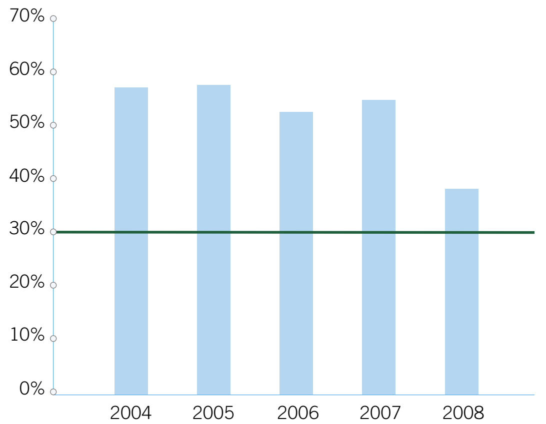
It is H+H's objective to achieve a pre-tax return on invested capital (ROIC) in the region of 18% in the course of a few years and, on average, to hold this level in the longer term. ROIC is computed as the ratio between EBITA and net assets.

Payout ratio of 25-40%



Under normal and stable conditions, H+H International A/S will endeavour to maintain its payout ratio at a level of 25-40% of consolidated profit for the year. Distributions to the shareholders can, in principle, be made in the form of dividends or through share buybacks followed by reduction of the share capital – or a combination of both. The figures shown for the payout ratio are based exclusively on dividends paid. The effect of the share buyback programme completed at the start of 2008 is thus not included in the above graph.

Solvency ratio of min. 30%



The H+H Group will endeavour to maintain its solvency ratio at a level above 30%.

Note: In the case of acquisitions, revenue has been adjusted in the period prior to the acquisition in the growth calculations, with revenue from the acquired activities having been added to the revenue realised. In connection with the calculation of ROIC, goodwill from before 1 January 2001 that was written off immediately has not been reversed.

Risk management

H+H works systematically on identifying and evaluating risks related to the Group's business activities. Where feasible and appropriate, action to counter or limit the effects of any such risks is initiated on a continuous basis.

H+H's activities focus on the manufacture and sale of aircrete products in Northern and Eastern Europe. The Group's primary sales are related to in-house production and only to a lesser extent to goods for resale. The products are primarily sold to the local markets close to the manufacturing facilities. Transportation over long distances typically only happens to markets in which there is no aircrete production locally.

MARKET RISKS

Market conditions and demand

With a significant operational gearing in the form of heavy capital expenditure and fixed costs, fluctuations in demand have a noticeable effect on H+H's financial performance. In the last few years, H+H's gross margin has been maintained at around 50% of revenue. All other things being equal, if revenue were to fall by 100 this would have an immediate adverse effect of 50 on profit before tax, before any adjustments of staff and fixed costs.

The H+H Group's sales go predominantly to new dense low-rise housing. H+H is consequently particularly vulnerable to fluctuations in the level of activity in this building segment. H+H strives to expand the market for aircrete to include, to a greater extent, other forms of buildings than dense low-rise housing, including apartments, commercial buildings and the market for refurbishment and upgrading.

A large proportion of sales are made via annual framework agreements with housebuilders and builders' merchants. Some sales are made without the conclusion of framework agreements. The development in selling prices for sales not subject to framework agreements may be highly volatile. Framework agreements typically set out price levels and indications concerning anticipated demand. Actual sales depend on the level of building activity achieved by the housebuilders and the actual sales recorded by the builders' merchants. Order books in the Group's largest markets are very modest. The visibility of future sales beyond one to two weeks is consequently poor and primarily based on reports from customers and on various external indicators such as building permit trends. Visibility is further restricted by the fact that H+H's products are primarily used in the initial phases of the building process. A boom or a slowdown in building activity is consequently quickly reflected in H+H's sales.

In recent years, the Group has expanded its activities to include more geographical areas, balancing out fluctuations in the level of activity, which is often out of sync in the individual markets. Despite limitations imposed by transportation costs, an increased geographical spread places the Group in a better position to exploit changes in the level of activity between the markets. It is the Group's strategy to continue the geographical expansion of its activities.

The Group continuously monitors and evaluates the long-term construction activity outlook. Clear indications of serious recession will be reflected in the Group's planning of capital expenditure and other decisions related to operations. Furthermore, asset valuations may be reassed. H+H also focuses on keeping its production plant in 24-hour operation, with the possibility of reducing the number of shifts in response to a downturn in demand. The Group seeks to outsource non-core activities such as logistics with relatively short notice of termination.

Competition

H+H's aircrete products and building systems are primarily sold in the local markets in which the factories are located. H+H's competitors are other local manufacturers of aircrete products or other manufacturers of products that can be used in competition with aircrete.

Compared with other aircrete manufacturers H+H has created a strong market position and is known as a supplier of high-quality products. This position has been achieved via strong, locally based sales organisations. H+H differentiates itself from other aircrete manufacturers by being more solution-oriented. Through dialogue with its customers, H+H offers solutions that bring advantages for the customers in the form of lower total costs and/or shorter construction time. H+H's factories manufacture standard products, and it is important that the factories operate with high capacity utilisation, giving the lowest possible unit costs. This is paramount to ensure that H+H can always compete on price in all markets.

The construction industry is relatively conservative, which means that market shares between aircrete and other types of building material are reasonably stable, even though minor shifts occur on a regular basis. H+H continuously strives to disseminate knowledge about its products and the advantages its products offer over other building systems. H+H believes that aircrete's properties are so unique that the products will continue to enjoy a strong position in future.

Raw material supplies and prices

The primary raw materials used in the production of aircrete are cement, lime, water, and sand or pulverised fuel ash. The factories are secured supplies of sand for many years to come. The factories that today use pulverised fuel ash as the primary raw material could use sand instead for a relatively limited additional investment. Costs for cement account for roughly one third of the total consumption of raw materials, excluding energy consumption. Overall, cement costs account for around 8-10% of revenue. H+H is therefore vulnerable to the growing consolidation among cement manufacturers and the consequently increasing cement prices; however, aircrete typically uses a smaller amount of cement per m^2 wall than concrete products.

The costs for energy consumption in production amount to around 6-8% of revenue. The production of steam for the autoclaving process accounts for a substantial part of the energy consumption. The primary energy sources are gas and electricity.

FINANCIAL RISKS

Currency

The H+H companies trade predominantly in their own local currencies or EUR. Currency exposure on transaction positions related to operations is therefore limited.

Besides EUR and DKK, a substantial part of the H+H Group's operations and values are tied to GBP and PLN. The H+H Group's equity and results are therefore exposed to fluctuations in the GBP and PLN exchange rates. Based on the profit outlook for 2009, a 1% change in the rate of exchange for GBP and PLN to DKK will affect full-year pre-tax profit by around DKK 0.0 million for GBP and DKK 0.6 million for PLN. A 1% change in the rate of exchange into DKK will affect the Group's equity at 31 December 2009 by DKK 1.7 million for GBP and DKK 2.0 million for PLN.

H+H does not engage in currency speculation. The individual H+H companies are not authorised to take positions in foreign currencies unless commercially warranted, and commercial positions above a limited ceiling must be hedged. It is also H+H's policy to accept unhedged currency exposure on ownership and income from equity investments, although such exposure must be minimised taking into account the financial position and tax issues.

Capital structure and cash flow

Major investments in Russia and Eastern Europe have led to a substantial increase in net interest-bearing debt, especially in 2008. Coupled with the increased debt burden, the fall in sales as a result of the global financial crisis has led to a significant increase in financial gearing in relation to earnings. However, the increased gearing should be viewed in the context of major investments in new capacity in Russia, Poland and the Czech Republic that will not be making a positive contribution to the company's earnings until 2009 and beyond.

Looking ahead, the Group expects its activities to generate a positive cash flow, despite the decline in sales. Maintaining the Group's ongoing operations will only require relatively modest investments in the years ahead. Investments in new capacity will be balanced carefully against the financial potential and the development in the Group's level of financial gearing.

Net interest-bearing debt amounted to DKK 863 million at 31 December 2008. The debt was raised in local currencies and is primarily denominated in PLN, GBP, DKK and EUR. At the end of September 2008, H+H entered into a three-year agreement with Danske Bank A/S on committed credit facilities totalling DKK 1.1 billion. Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants.

The effective interest rate for the Group in 2008 was at the 5.5% level (2007: 4.6%), partly reflecting the interest rate levels of the individual currencies. The effective interest rate for 2009 is expected to exceed the 2008 level by around 2-3 percentage points, reflecting a combination of lower market rates of interest and higher interest margins. The interest margins are increased due to a higher level of gearing and a change in credit facilities from non-committed to committed.

At the end of 2008, the interest-rate risks on a loan totalling PLN 80 million had been hedged for a remaining period of just over one year. Hedging of the interest-rate exposure is regularly assessed in relation to the future strategy and thus the expected future debt portfolio.

Interest rates

With the expected development in net interest-bearing debt, a 1 percentage point change in the interest rate will affect pre-tax profit for 2009 by a figure in the region of DKK 9-10 million.

The parent company's interest-bearing financial assets consist predominantly of loans to subsidiaries. The parent company's interest-bearing liabilities consist of payables to subsidiaries and bank overdrafts.

Granting of credit

The H+H Group is not deemed to have any material risks relating to individual customers or business partners. In keeping with the Group's credit policy, all major customers and other business partners are credit rated on a regular basis.

Investor information

Share price development and volume traded

H+H International A/S's B shares are listed on NASDAQ OMX Copenhagen A/S (HH B and ISIN code DK0015202451).

The price of the B share fell by approx. 75% from the start to the end of 2008, closing at DKK 300 per B share with a nominal value of DKK 100. By comparison, the OMXC20 index fell by approx. 45% in 2008.

The volume of B shares traded in 2008 was 357,972 shares at a total market value of DKK 406,843,319. By comparison, the volume of B shares traded in 2007 was 815,824 shares at a total market value of DKK 1,705,804,000.

Dividends

According to the company's financial objectives, the company must seek to maintain a payout ratio in the region of 25-40% of profit for the year, under normal and stable conditions. Distributions to shareholders can, in principle, be made in the form of dividends or through share buybacks followed by reduction of the share capital – or a combination of both.

Dividend of DKK 30 per share of nominally DKK 100 was paid in 2008 for the 2007 financial year, equivalent to a payout ratio of 22.1%. Furthermore, H+H bought back 68,430 B shares at the start of the year, at a total purchase price of approx. DKK 90 million. The buyback of B shares was used to write down the B share capital by nominally DKK 7,000,000 in 2008, equivalent to the cancellation of 70,000 own B shares.

The Supervisory Board will recommend at the annual general meeting on 2 April 2009 that no dividend be paid for the 2008 financial year.

Capital structure

It is H+H's financial objective that the Group's solvency should be at least 30%. The solvency ratio was 38.6% at the end of 2008. The Supervisory Board and Executive Board regularly evaluate the capital structure based on the expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

As part of its expansion strategy, H+H has made substantial investments in increased production capacity in new geographical markets in recent years. It is still H+H's strategy to expand geographically. However, the development in sales in the Group's principal markets in the course of 2008 has led to a temporary halt to all new, expansionary investment initiatives.

Incentive schemes

In spring 2007, the Supervisory Board adopted a new share option plan for the 2007-2009 financial years, with final pricing in the period 2008-2010. For 2008 the option plan comprises in the level of 6,000 share options of one B share each for allocation

Share price performance and volume traded

among the Executive Board, four other senior executives and two former employees of the Group. The exercise price for the share options granted each year will be calculated as the average price for ten business days after the publication of the annual report for the year in question plus 20%. The share options may be exercised during a one-year period beginning three years from the date of grant, and exercise of the options is conditional upon the option holder's employment with the company not having ceased either due to the option holder having given in notice or due to breach on the part of the option holder. In March 2008, the final exercise price for the 6,000 share options granted for 2007 was fixed at DKK 1,576 per share option.

Further details of the company's share option plan are given in note 24.

Share capital and ownership

H+H International A/S's share capital is divided into A shares and B shares. Each A share of nominally DKK 100 entitles the holder to 100 votes, and each B share of nominally DKK 100 entitles the holder to ten votes. All A shares are held by Henriksen og Henriksen I/S, the partners of which are descendants of the founders of H+H, including a foundation set up by a descendant. A partnership agreement has been entered into which governs issues such as pre-emption rights, voting rights and Henriksen og Henriksen I/S's recommendation and election of members to the Supervisory Board and recommendation and appointment of auditors in H+H International A/S.

The Supervisory Board is of the opinion that the company's share structure, with different voting power to A shares and B shares, does not, at present, limit the company's scope for action on any material points, as the company's A shareholder, Henriksen og Henriksen I/S, backs the Supervisory and Executive Boards' growth strategy in the form of organic and geographical growth.

At 1 February 2009, 1,967 shareholders were registered by name (representing approx. 80% of the company's share capital), including 137 foreign shareholders.

Members of H+H International A/S's Supervisory and Executive Boards are included in the company's insider register. These persons and persons connected to them are only allowed to buy and sell shares in the company during the six weeks immediately after each preliminary announcement of financial statements. If in possession of inside information, such persons are prohibited from trading during the said period while the inside information still exists and has not been made public in the form of a company announcement. The company may not buy or sell shares in the company during a period of three weeks immediately preceding each preliminary announcement of financial statements, and the company may not trade whilst in possession of inside information.

Investor relations

The purpose of H+H International A/S's financial communications is to strive for a valuation of the B share that most fairly reflects the H+H Group's current situation and expectations, and to achieve adequate liquidity in the B shares.

All communications reflect the requirement that the information must be open, honest and timely. The main financial communications are via the annual report, interim financial reports and other company announcements. H+H International A/S is also in regular dialogue with professional and private investors, analysts and the business press. The dialogue takes the form of presentations to large groups and individual meetings.

The company is not normally available for dialogue concerning financial issues in the three-week period leading up to the presentation of financial statements.

Relevant investor information is available at www.HplusH.com.

Enquiries concerning IR issues should be addressed to CEO Hans Gormsen (hg@HplusH.com) or CFO Martin Busk Andersen (mba@HplusH.com), both of whom may also be contacted by telephone on +45 35 27 02 00.

Share capital and votes

Share class	Nominal share capital, DKK	Votes*
A shares	24,000,000	24,000,000
B shares	85,000,000	8,500,000
Total	109,000,000	32,500,000

* Both A shares and B shares are issued in denominations of nominally DKK 100.

Major shareholders at 1 February 2009*

	% of share capital	% of votes**
Henriksen og Henriksen I/S	22.02	74.31
ATP***	12.18	4.11
Holdingselskabet af 9/11 2001 ApS	9.54	3.22
LD****	8.38	2.83

* Shareholders controlling at least 5% of H+H International A/S's total share capital or votes. Reference is also made to note 26.

** The votes related to the 20,489 B shares held by H+H International A/S are not included.

*** Arbejdsmarkedets Tillægspension and ATP Invest.

**** LD Equity 1 K/S and Den professionelle Forening LD.

Annual General Meeting 2008

The Annual General Meeting of H+H International A/S will be held on Thursday 2 April 2009 at 3.00pm at Ingeniørforeningens Mødecenter A/S, Kalvebod Brygge 31-33, 1780 Copenhagen V, Denmark.

Notice of the general meeting will be sent to registered shareholders. The notice will also be published via a company announcement and on the website www.cvr.dk, which is managed by the Danish Commerce and Companies Agency.

Shareholders wishing to have their shares registered should contact their own depository bank or advise the company's registrar, VP Investor Services (VP Services A/S), Weidekampsgade 14, 2300 Copenhagen S, Denmark.

Amendments to the company's Articles of Association that, by law, cannot be made by the Supervisory Board alone, may only be passed by the shareholders in general meeting if carried by at least two-thirds of the votes cast and of the voting share capital represented at the general meeting.

Analysts covering H+H International A/S

Carnegie Bank	Daniel E. Moustgaard	daniel.moustgaard@carnegie.dk	tel. +45 32 88 03 78
Danske Equities	Daniel Patterson	DAPA@danskebank.com	tel. +45 45 12 80 45
Gudme Raaschou Bank	Stig Nymann	sny@gr.dk	tel. +45 33 44 90 53
LD Invest Markets	Lars Jørgensen	laj@ld-invest.dk	tel. +45 33 38 73 23
Nordea Markets	Carsten Warren Petersen	carsten.warren.petersen@nordea.com	tel. +45 33 33 39 45
SEB Enskilda Equities, Research	Anders Hjort	Anders.Hjort@enskilda.dk	tel. +45 36 97 75 22

Financial calendar 2009

11 March 2009	Annual Report 2008
2 April 2009	Annual General Meeting
28 May 2009	Interim financial report Q1 2009
26 August 2009	Interim financial report H1 2009
25 November 2009	Interim financial report Q3 2009

Published announcements 2008*

26 November 2008	H+H Financial Calendar 2009
26 November 2008	Interim financial report Q3 2008
29 October 2008	Change on the Executive Board
29 October 2008	Alignment of the organisation and new outlook for full-year 2008 profit before tax
16 September 2008	Conclusion of three-year committed credit agreement for the H+H Group
28 August 2008	Interim financial report H1 2008
31 July 2008	Amendment of Articles of Association
31 July 2008	Implementation of capital reduction – disclosure of total share capital and voting rights
27 May 2008	Interim financial report Q1 2008
17 April 2008	Articles of Association
16 April 2008	Business transacted at Annual General Meeting and first meeting of the Supervisory Board
31 March 2008	Notice of Annual General Meeting of H+H International A/S
28 March 2008	Share option plan – exercise price for share options granted for 2007
10 March 2008	Annual Report 2007
29 January 2008	Share buyback programme completed
18 January 2008	H+H takes next step towards aircrete production in Ukraine
18 January 2008	Share buyback programme and narrowing of profit outlook for 2007

* All announcements can be viewed at www.HplusH.com.

We will lead the industry

with innovative products, systems and solutions.

Ways of building may vary greatly from country to country, but our expertise does not. Changing long-standing building traditions takes vision and innovative thinking. By being open to new ideas and solutions we can offer easier, faster and simpler ways of building to all of our customers.

Business principles

ENVIRONMENT

H+H does not at present prepare any separate environmental reports, as the environmental impact of its production is limited. However, H+H is committed to actively tackling the environmental issues related to its operations, including ways of avoiding, containing or remedying any adverse environmental impacts. For example, H+H always takes into account environmental considerations such as reducing the consumption of raw materials and energy when building new factories or upgrading existing factories. Looking forward, H+H will regularly seek to improve resource and environmental awareness amongst its employees, partly by trying to ensure that decision-makers in H+H always take into account any environmental consequences relating to the use and disposal of a given product before deciding to procure that product.

Aircrete is based on water, sand or pulverised fuel ash, lime and cement. The production of aircrete thus does not include any scarce natural resources. To save water resources, some of H+H's existing factories collect rainwater for use in production, and production water is reused to some extent.

The machinery used for manufacturing aircrete is electrically powered, and gas is used for raising steam for autoclaving the aircrete. H+H continuously strives to minimise its electricity and gas consumption in order to reduce its energy consumption and consequently its production costs and CO_2 emissions, and H+H regularly explores the possibilities for using renewable, more sustainable energy sources.

On demolition of buildings incorporating aircrete, the aircrete can be reused in crushed form for applications such as road fill, insulation material and material for lightweight aggregate concrete.

Lastly, as part of its product development, H+H continuously seeks to enhance the insulating properties of its aircrete products to ensure that aircrete remains one of the most energy-efficient materials for wall construction.

CORPORATE GOVERNANCE

As a company listed on NASDAQ OMX Copenhagen A/S, H+H International A/S is subject to the rules for issuers of shares on that exchange, including the obligation to comply with the corporate governance recommendations of the Committee on Corporate Governance or to explain why specific recommendations are not being complied with by the company.

H+H International A/S's corporate governance principles are set out in the company's Corporate Governance Policy as adopted by the Supervisory Board. The principles are based on the recommendations provided by the Committee on Corporate Governance. The company reviews its Corporate Governance Policy as appropriate, although at least once a year, and the current Corporate Governance Policy can be viewed at www.HplusH.com.

H+H International A/S complies with the recommendations of the Committee on Corporate Governance, except on the following points, where the Supervisory Board has not found it possible, relevant or appropriate:

- The Supervisory Board has not elected a deputy chairman. The Supervisory Board will elect a deputy chairman if and when it considers that there are issues that make it relevant to have a deputy chairman.

- Candidates to the Supervisory Board are recommended at the general meeting by the company's A shareholder, Henriksen og Henriksen I/S, which has controlling interest at the general meeting through its voting rights. The company is therefore only able to include the names and descriptions of the supervisory board candidates recommended by the A shareholder in the notice of the general meeting if the A shareholder has provided the company with their names and details by the time the notice is distributed.

- As the A shareholder recommends and elects supervisory board members of its own accord, the Supervisory Board does not deem it relevant to establish recruitment criteria for supervisory board candidates or to evaluate supervisory board members or the composition of the Supervisory Board applying criteria such as skills, gender and age. For the same reason, the Supervisory Board does not take any position on whether the number of supervisory board members is appropriate for the company's needs. Likewise, the Supervisory Board has not set any upper limit on the number of other supervisory board memberships a supervisory board member may hold besides the post as supervisory board member of H+H International A/S. The Supervisory Board is of the opinion that setting an upper limit on the permitted number of supervisory board memberships is an irrelevant method of ensuring that each supervisory board member has sufficient time to perform their duties in H+H International A/S, considering instead that this should be decided on a case-by-case basis, as the work burden associated with each membership may vary considerably from company to company.

- The Supervisory Board does not set any annual general framework for the auditors' provision of non-audit services, as the Supervisory Board instead evaluates the auditors' independence by looking at the non-audit services actually provided by the auditors in the year under review when deciding on the recommendation of auditors at the company's annual general meeting.

MANAGEMENT REMUNERATION

The Supervisory Board has adopted a remuneration policy for the Supervisory Board and the Executive Board the aim of which is to promote long-term value creation to the benefit of both the company and its shareholders. Also applicable are guidelines for incentive pay adopted at the company's Annual General Meeting in 2008 and published on the company's website at www.HplusH.com.

The members of the Supervisory Board are paid a fixed remuneration fee approved by the shareholders in general meeting in the financial year to which the fixed remuneration relates. The members of the Supervisory Board are not part of any incentive scheme. In the event of a supervisory board member being required to undertake particularly time-consuming additional tasks, for example participation in ad hoc working groups determined by the Supervisory Board, the supervisory board member may receive special remuneration in addition to his/her fixed annual remuneration, provided the shareholders in general meeting approve such additional remuneration when approving the annual report for the financial year in which the additional tasks were performed.

The Executive Board's remuneration consists of a fixed annual salary and incentive pay. The incentive pay consists of a share option plan with annual grants of share options and an annual performance-related cash bonus. There is no pension scheme. The fixed annual salary is negotiated annually taking into account the size of the H+H Group, the complexity of the market, the execution of the strategy laid, financial performance, and the market level of executive salaries. When determining incentive pay, the company endeavours to take into consideration both short-term and long-term value creation in the company. The intention is an overall remuneration package for the Executive Board that is at a level that is sufficiently competitive to enable the company to attract, retain and motivate the best talent.

The employment of the CEO and the company's other senior executives is terminable on 12 months' notice from the company. However, the CEO is entitled to 24 months' notice in the event of the company terminating his employment in connection with the transfer of the company's activities to a new owner, provided the CEO's employment is terminated within three years of the voting majority in the company having changed owner, or in the event of the company being dissolved by merger. If the company terminates the employment of the CEO without stating any grounds, the CEO is entitled to severance pay corresponding to 12 months' fixed salary, and similar terms apply to some senior executives.

Details of remuneration for 2008 for the Supervisory Board, the Executive Board and other senior executives and incentive schemes for the Executive Board and other senior executives are set out in notes 4 and 24.

Members of the Supervisory Board and management (from left to right):
Morten Amtrup, Christian Harlang, Peer Munkholt,
Kresten Andersen Bergsøe, Henrik Dietrichsen, Anders C. Karlsson,
Henrik Lind, Martin Busk Andersen, Lars Bredo Rahbek,
Thomas Terndrup-Larsen, Hans Gormsen, Lars Adam Rehof.

Company management

SUPERVISORY BOARD

In 2008, the Supervisory Board held a total of 12 meetings, including a strategy seminar. The term of office of all Supervisory Board members expires at the company's Annual General Meeting on 2 April 2009. Members may stand for re-election.

Anders C. Karlsson (59)

Industrial advisor

- Chairman. Joined the Supervisory Board in 2005 and since re-elected. Chairman since April 2006
- Holds 500 B shares in H+H International, all of which were acquired prior to 2008

Supervisory board memberships

- AH Industries A/S (chairman)
- Inwido AB, Sweden (chairman)
- IPEG AB, Sweden (chairman), and a Swedish subsidiary
- ATO Fritid AB, Sweden
- Lindab International AB, Sweden
- Ludesi AB, Sweden
- WSP Group plc, UK, and a Swedish subsidiary (chairman)

Morten Amtrup (45)

Director of Morten Amtrup Holding ApS and consolidated companies

- Joined the Supervisory Board in 2008

Supervisory board memberships

- Cyncron A/S

Kresten Andersen Bergsøe (42)

Founder and managing director of Talefod A/S

- Joined the Supervisory Board in 2001 and since re-elected
- Holds, via shares in Holdingselskabet af 9/11 2001 ApS, 104,020 B shares in H+H International, all of which were acquired prior to 2008
- Partner in and related to a partner in Henriksen og Henriksen I/S and shareholder in Holdingselskabet af 9/11 2001 ApS, which is a partner in Henriksen og Henriksen I/S. Henriksen og Henriksen I/S holds all A shares in H+H International A/S

Supervisory board memberships

- A/S Saltbækvig
- Holdingselskabet af 9/11 2001 ApS (member and CEO)
- Talefod A/S

Christian Harlang (56)

Proprietor of Advokatfirma Christian Harlang

- Joined the Supervisory Board in 1992 and since re-elected
- Member of the supervisory board and director of and lawyer for Enkefru Plums Støttefond, which is a partner in Henriksen og Henriksen I/S, which holds all A shares in H+H International A/S

Supervisory board memberships

- Enkefru Plums Støttefond

Henrik Lind (61)

Partner in the law firm Gorrissen Federspiel Kierkegaard

- Joined the Supervisory Board in 1987 and since re-elected

Supervisory board memberships

- Skako Industries A/S

Peer Munkholt (53)

Senior Investment Manager, IFU (the Industrialisation Fund for Developing Countries)

- Joined the Supervisory Board in 2008

Supervisory board memberships

- BPT Arista S.A. SICAV-SIF, Luxembourg
- Flexa Invest ApS
- Hold Co A/S
- OOO Rockwool North, Russia
- Roxul Asia Sdn Bhd, Malaysia
- Rurik A/S
- Uhrenholt Food Services Holding Ltd., Cyprus
- ZAO Mineral Wool, Russia

Lars Bredo Rahbek (47)

Head of Fiktion, DR and proprietor and managing director of the film sales company Rabalder Film

- Joined the Supervisory Board in 2007 and since re-elected. Also on the Supervisory Board from 2002 to 2006
- Member of the supervisory board of Enkefru Plums Støttefond, which is a partner in Henriksen og Henriksen I/S, which holds all A shares in H+H International A/S

Supervisory board memberships

- Enkefru Plums Støttefond

Lars Adam Rehof (51)

External lecturer, Copenhagen University

- Joined the Supervisory Board in 2008. Also on the Supervisory Board from 2001 to 2002
- Member of the supervisory board of Enkefru Plums Støttefond, which is a partner in Henriksen og Henriksen I/S, which holds all A shares in H+H International A/S

Supervisory board memberships

- Enkefru Plums Støttefond

SUPERVISORY BOARD COMMITTEES

The Supervisory Board will establish an audit committee at a supervisory board meeting held in conjunction with the Annual General Meeting on 2 April 2009.

The Supervisory Board has not established any other permanent committees, however, currently one ad hoc working group is established which will be dissolved when its task has been completed.

EXECUTIVE BOARD

Hans Gormsen (57)

CEO

- Holds 800 B shares in H+H International, all of which were acquired prior to 2008

OTHER SENIOR EXECUTIVES

Martin Busk Andersen (39)

CFO

- Holds 200 B shares in H+H International, all of which were acquired prior to 2008

Henrik Dietrichsen (37)

Senior Vice President

- Holds 30 B shares in H+H International, all of which were acquired prior to 2008

Thomas Terndrup-Larsen (44)

Senior Vice President

Statement by the Executive and Supervisory Boards

The Supervisory and Executive Boards have today considered and approved the annual report of H+H International A/S for the financial year 2008.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2008 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2008.

Further, in our opinion, the Management's review gives a true and fair view of the development in the Group's and the parent company's operations and financial matters, the results for the year and the Group's and the parent company's financial position as a whole and describes the significant risks and uncertainties pertaining to the Group and the parent company.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 11 March 2009

Executive Board

Hans Gormsen
CEO

Supervisory Board

Anders C. Karlsson
Chairman

Morten Amtrup

Kresten Andersen Bergsøe

Christian Harlang

Henrik Lind

Peer Munkholt

Lars Bredo Rahbek

Lars Adam Rehof

Independent auditors' report

To the shareholders of H+H International A/S

We have audited the annual report of H+H International A/S for the financial year 1 January – 31 December 2008, which comprises the statement by the Executive and Supervisory Boards, the management's review and the income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of the annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2008 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 11 March 2009

Audit

KPMG
Statsautoriseret Revisionspartnerselskab

Jesper Koefoed
State Authorised Public Accountant

David Olafsson
State Authorised Public Accountant

PKF Kresten Foged
Statsautoriseret Revisionsaktieselskab

Ole Skou
State Authorised Public Accountant

Jan Østergaard
State Authorised Public Accountant

Lightness and flexibility

At as little as a quarter of the weight of traditional concrete, aircrete is both quicker and easier to handle yet it still maintains a high load-bearing capacity and strength.

Income statement

Note	DKK '000	Group 2008	Group 2007	Parent company 2008	Parent company 2007
3	Revenue	1,439,460	1,850,233	0	0
	Cost of sales	(728,871)	(889,950)	0	0
	Gross profit	**710,589**	**960,283**	**0**	**0**
	Other external expenses	(232,796)	(243,070)	(17,363)	(13,506)
4	Staff costs	(346,402)	(358,908)	(25,127)	(19,857)
5	Depreciation and amortisation	(116,471)	(116,557)	(865)	(755)
6	Impairment losses	0	(8,136)	0	(27,692)
7	Other operating income and expenses	4,109	(11,200)	20,000	18,666
		(691,560)	(737,871)	(23,355)	(43,144)
	Operating profit (loss)	**19,029**	**222,412**	**(23,355)**	**(43,144)**
8	Financial income	10,388	824	71,161	147,419
9	Financial expenses	(28,041)	(18,185)	(18,900)	(3,655)
		(17,653)	(17,361)	52,261	143,764
	Profit before tax	**1,376**	**205,051**	**28,906**	**100,620**
10	Tax on profit	280	(47,595)	(1,329)	2,842
	Profit for the year	**1,656**	**157,456**	**30,235**	**103,462**
	Attributable to:				
	Equity holders of H+H International A/S	1,655	157,454		
	Minority interest	1	2		
		1,656	**157,456**		
	Distribution of profit				
	Retained earnings			30,235	68,662
	Dividend for the year DKK 0 per share of nominally DKK 100 (2007: DKK 30)			0	34,800
	Profit for the year			**30,235**	**103,462**
11	Earnings per share (EPS)	1.52	137.39		
11	Diluted earnings per share (EPS-D)	1.52	136.95		

Balance sheet at 31 December

ASSETS

		Group		Parent company	
Note	DKK '000	**2008**	**2007**	**2008**	**2007**
	Non-current assets				
	Intangible assets				
	Goodwill	85,691	94,071	0	0
	Other intangible assets	31,767	13,810	0	0
12		117,458	107,881	0	0
	Property, plant and equipment				
	Land and buildings	418,089	463,613	0	0
	Plant and machinery	390,576	508,510	0	0
	Fixtures and fittings, tools and equipment	80,970	78,703	2,941	3,010
	Property, plant and equipment in the course of construction and prepayments	529,317	182,921	0	0
12		1,418,952	1,233,747	2,941	3,010
	Other non-current assets				
13	Deferred tax assets	22,472	20,036	1,651	0
14	Investments in subsidiaries	0	0	1,259,454	1,212,393
	Receivables from Group enterprises	0	0	446,194	399,628
		22,472	20,036	1,707,299	1,612,021
	Total non-current assets	**1,558,882**	**1,361,664**	**1,710,240**	**1,615,031**
	Current assets				
15	Inventories	212,039	189,637	0	0
	Receivables				
16	Trade receivables	94,945	150,741	0	0
	Receivables from Group enterprises	0	0	142,714	38,974
	Tax receivable	9,216	28,992	2,800	2,918
16	Other receivables	34,434	13,727	528	724
	Prepayments	5,562	26,765	0	0
		144,157	220,225	146,042	42,616
	Cash and cash equivalents	**7,741**	**12,206**	**31**	**35**
	Total current assets	**363,937**	**422,068**	**146,073**	**42,651**
	TOTAL ASSETS	**1,922,819**	**1,783,732**	**1,856,313**	**1,657,682**

EQUITY AND LIABILITIES

		Group		Parent company	
Note	DKK ‘000	**2008**	**2007**	**2008**	**2007**
	Equity				
	Share capital	109,000	116,000	109,000	116,000
	Translation reserve	(115,150)	(401)	0	0
	Hedging reserve	(1,422)	3,196	(955)	0
	Retained earnings	750,730	836,725	1,344,818	1,402,234
	Proposed dividend	0	34,800	0	34,800
	Total equity attributable to equity holders of H+H International A/S	**743,158**	**990,320**	**1,452,863**	**1,553,034**
	Minority interest	22	21	0	0
	Total equity	**743,180**	**990,341**	**1,452,863**	**1,553,034**
	Liabilities				
	Non-current liabilities				
17	Pension obligations	68,775	87,191	0	0
18	Provisions	18,017	26,110	0	0
13	Deferred tax liabilities	56,997	63,596	7,264	5,015
19	Bank loans	869,979	1,133	377,532	0
	Other non-current liabilities	1,905	1,975	0	0
		1,015,673	180,005	384,796	5,015
	Current liabilities				
19	Bank loans	802	391,846	0	74,629
	Trade payables	72,802	99,418	1,116	751
	Income tax payable	2,162	16,930	0	78
	Payables to Group subsidiaries	0	0	3,250	16,291
	Other payables	88,200	105,192	14,288	7,884
		163,966	613,386	18,654	99,633
	Total liabilities	**1,179,639**	**793,391**	**403,450**	**104,648**
	TOTAL EQUITY AND LIABILITIES	**1,922,819**	**1,783,732**	**1,856,313**	**1,657,682**

Cash flow statement

		Group		Parent company	
Note	DKK ‘000	**2008**		**2007**	
	Operating activities				
	Operating profit (loss)	19,029	222,412	(23,355)	(43,144)
	Net financing costs	(17,653)	(17,361)	52,261	143,764
	Depreciation, amortisation and impairment losses	116,471	124,693	865	28,447
	Other adjustments	1,567	7,103	4,132	1,820
	Change in inventories	(47,194)	(22,927)	0	0
	Change in receivables	54,989	6,407	(103,544)	(38,387)
	Change in trade payables and other payables	(37,781)	7,125	5,813	3,957
	Income tax paid	(28,612)	(60,983)	(377)	(10,049)
		60,816	266,469	(64,205)	86,408
	Investing activities				
	Selling prices for disposals of property, plant and equipment	6,445	3,516	0	6,574
20	Acquisition of enterprises and capital contributions in subsidiaries	(28,690)	0	(46,373)	(6,905)
	Acquisition of property, plant and equipment and intangibles	(437,917)	(263,021)	(796)	(1,821)
	Property, plant and equipment and intangibles held under finance leases	(26,129)	0	0	0
	Change in trade payables relating to investments	9,377	0	0	0
		(476,914)	(259,505)	(47,169)	(2,152)
	Financing activities				
	Dividend to equity holders of H+H International A/S	(32,085)	(22,894)	(32,085)	(22,894)
	Sale of treasury shares	0	945	0	945
	Buyback of treasury shares	(99,841)	(9,250)	(99,841)	(9,250)
	Change in intragroup balances	0	0	(59,607)	(121,100)
	Increase (decrease) in long-term debt	933,594	(1,215)	377,532	0
	Increase (decrease) in short-term debt	(388,388)	31,963	(74,629)	68,050
		413,280	(451)	111,370	(84,249)
	Net increase (decrease) in cash and cash equivalents	**(2,818)**	**6,513**	**(4)**	**7**
	Cash and cash equivalents at 1 January	12,206	5,739	35	28
	Foreign exchange adjustments of cash and cash equivalents	(1,647)	(46)	0	0
	Cash and cash equivalents at 31 December	**7,741**	**12,206**	**31**	**35**

Note Accounting and supplementary information

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Statement of changes in equity

Group								
DKK '000	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total	Minority interest	Total
Equity at 1 January 2007	**116,000**	**12,379**	**(1,862)**	**720,696**	**23,200**	**870,413**	**19**	**870,432**
Changes in equity in 2007								
Foreign exchange adjustments, foreign companies	0	(12,780)	0	0	0	(12,780)	0	(12,780)
Value adjustments	0	0	6,605	0	0	6,605	0	6,605
Tax on changes in equity	0	0	(1,547)	(977)	0	(2,524)	0	(2,524)
Net gains recognised directly in equity	0	(12,780)	5,058	(977)	0	(8,699)	0	(8,699)
Profit for the year	0	0	0	122,654	34,800	157,454	2	157,456
Total recognised income and expense for the year	**0**	**(12,780)**	**5,058**	**121,677**	**34,800**	**148,755**	**2**	**148,757**
Dividend paid	0	0	0	0	(23,200)	(23,200)	0	(23,200)
Share-based payment	0	0	0	2,351	0	2,351	0	2,351
Sale of treasury shares	0	0	0	945	0	945	0	945
Buyback of treasury shares	0	0	0	(9,250)	0	(9,250)	0	(9,250)
Dividend, treasury shares	0	0	0	306	0	306	0	306
Total changes in equity in 2007	**0**	**(12,780)**	**5,058**	**116,029**	**11,600**	**119,907**	**2**	**119,909**
Equity at 31 December 2007	**116,000**	**(401)**	**3,196**	**836,725**	**34,800**	**990,320**	**21**	**990,341**
Changes in equity in 2008								
Foreign exchange adjustments, foreign companies	0	(114,748)	(485)	0	0	(115,233)	0	(115,233)
Value adjustments	0	0	(3,247)	0	0	(3,247)	0	(3,247)
Value adjustments transferred to financial expenses	0	0	(2,033)	0	0	(2,033)	0	(2,033)
Tax on changes in equity	0	0	1,147	0	0	1,147	0	1,147
Net gains recognised directly in equity	0	(114,748)	(4,618)	0	0	(119,366)	0	(119,366)
Profit for the year	0	0	0	1,655	0	1,655	1	1,656
Total recognised income and expense for the year	**0**	**(114,748)**	**(4,618)**	**1,655**	**0**	**(117,711)**	**1**	**(117,710)**
Dividend paid	0	0	0	0	(34,800)	(34,800)	0	(34,800)
Reduction of share capital	(7,000)	0	0	(85,164)	0	(92,164)	0	(92,164)
Share-based payment	0	0	0	2,475	0	2,475	0	2,475
Sale of treasury shares	0	0	0	0	0	0	0	0
Buyback of treasury shares	0	0	0	(7,677)	0	(7,677)	0	(7,677)
Dividend, treasury shares	0	0	0	2,715	0	2,715	0	2,715
Total changes in equity in 2008	**(7,000)**	**(114,748)**	**(4,618)**	**(85,996)**	**0**	**(247,162)**	**1**	**(247,161)**
Equity at 31 December 2008	**109,000**	**(115,149)**	**(1,422)**	**750,729**	**0**	**743,158**	**22**	**743,180**

Statement of changes in equity

	Parent company				
DKK '000					
	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2007	**116,000**	**116,000**	**1,339,310**	**23,200**	**1,478,510**
Changes in equity in 2007					
Tax on changes in equity	0	0	(90)	0	(90)
Net gains recognised directly in equity	0	0	(90)	0	(90)
Profit for the year	0	0	68,662	34,800	103,462
Total recognised income and expense for the year	**0**	**0**	**68,572**	**34,800**	**103,372**
Dividend paid	0	0	0	(23,200)	(23,200)
Share-based payment	0	0	2,351	0	2,351
Sale of treasury shares and re-invoicing of exercised share options	0	0	945	0	945
Buyback of treasury shares	0	0	(9,250)	0	(9,250)
Dividend, treasury shares	0	0	306	0	306
Total changes in equity in 2007	**0**	**0**	**62,924**	**11,600**	**74,524**
Equity at 31 December 2007	**116,000**	**0**	**1,402,234**	**34,800**	**1,553,034**
Changes in equity in 2008					
Tax on changes in equity	0	319	0	0	319
Net gains recognised directly in equity	0	(1,274)	0	0	(1,274)
Profit for the year	0	0	30,235	0	30,235
Total recognised income and expense for the year	**0**	**(955)**	**30,235**	**0**	**29,280**
Reduction of share capital	(7,000)	0	(85,164)	0	(92,164)
Dividend paid	0	0	0	(34,800)	(34,800)
Share-based payment	0	0	2,475	0	2,475
Buyback of treasury shares	0	0	(7,677)	0	(7,677)
Dividend, treasury shares	0	0	2,715	0	2,715
Total changes in equity in 2008	**(7,000)**	**(955)**	**(57,416)**	**(34,800)**	**(100,171)**
Equity at 31 December 2008	**109,000**	**(955)**	**1,344,818**	**0**	**1,452,863**

Treasury shares

	Number of shares	Nominal value of shares, DKK '000	% share of year-end share capital
Holding at 1 January 2007	10,320	1,032	0.9%
Purchased during the year	5,000	500	0.4%
Sold during the year	(661)	(66)	(0.1%)
Holding at 31 December 2007	14,659	1,466	1.2%
Purchased during the year	75,830	7,583	7.0%
Cancellation of shares	(70,000)	(7,000)	(6.3%)
Holding at 31 December 2008	20,489	2,049	1.9%

The selling price of the shares sold in 2008 totalled DKK 0 thousand (2007: DKK 945 thousand). The purchase price of the shares acquired in 2008 totalled DKK 99,841 thousand (2007: DKK 9,250 thousand). Treasury shares have been acquired in order to cover liabilities related to the company's option plans. At 31.12.2008, a total of 20,433 shares must be available in connection with the company's option plans (2007: 14,433).
For information on capital management, dividend policy and other financial objectives reference is made to pages 18-19.

Notes

1 Accounting policies

H+H International A/S is a public limited company registered in Denmark. The annual report for the period 1 January – 31 December 2008 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the Group) and a separate annual report for the parent company.

The annual report of H+H International A/S for 2008 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, cf. NASDAQ OMX Copenhagen's disclosure requirements for annual reports of listed companies and the Danish statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

In addition, the annual report has been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the IASB.

Basis of preparation

The annual report is presented in DKK rounded to the nearest DKK 1,000.

The annual report has been prepared using the historical cost principle. However, recognised derivatives are measured at fair value, and non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less costs to sell.

The accounting policies set out below have been applied consistently during the financial year and to the comparative figures.

There have been no changes to the accounting policies compared with last year.

Implementation of new accounting standards

In 2008, H+H International A/S implemented amendments to IAS 39 and IFRS 7 relating to classification of financial assets. Furthermore, with effect from 1 January 2008, H+H International A/S implemented IFRIC 11 'IFRS 2 Group and Treasury Share Transactions' and IFRIC 14 'IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The new standards and interpretations have not had any effect on recognition and measurement, and there have consequently been no changes to the accounting policies during the year.

The new standards and interpretations have no effect on earnings per share or diluted earnings per share.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the parent company H+H International A/S and subsidiaries in which H+H International A/S has the power to govern the financial and operating policies so as to obtain benefits from the subsidiary's activities. Control exists when H+H International A/S holds or has the ability to exercise, directly or indirectly, more than 50% of the voting rights or otherwise has the power to control the subsidiary in question.

The consolidated financial statements have been prepared by aggregation of the parent company's and the individual subsidiaries' financial statements, applying the Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intragroup transactions are eliminated on consolidation.

Investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition.

Subsidiaries' items are recognised in full in the consolidated financial statements. Minority interest's portion of profit for the year and equity in subsidiaries that are not wholly-owned is recognised as part of the consolidated profit and equity, respectively, but disclosed separately.

Business combinations

Enterprises acquired during the year are recognised in the consolidated financial statements from the date of acquisition. Enterprises disposed of during the year are recognised in the consolidated income statement up to the date of disposal. Comparative figures are not restated to reflect acquisitions.

On acquisition of enterprises whereby the parent company obtains control of the acquiree the purchase method is applied. The acquirees' identifiable assets, liabilities and

Notes

1 Accounting policies – continued

contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be measured reliably. Deferred tax on the restatements made is recognised.

The acquisition date is the date on which H+H International A/S obtains control of the acquiree.

Any excess of the cost over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised, but tested at least annually for impairment. The first impairment test is carried out before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency that is different from the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

The cost of an enterprise consists of the fair value of the agreed consideration plus any costs directly attributable to the acquisition. If parts of the consideration are contingent on future events, these parts are recognised in the cost to the extent that the events are probable and the consideration can be measured reliably.

If the measurement of identifiable assets acquired and liabilities and contingent liabilities assumed is subject to uncertainty at the date of acquisition, these are recognised initially on the basis of provisional fair values. Goodwill from business combinations may be adjusted for up to 12 months following their acquisition if the fair value of the identifiable assets, liabilities and contingent liabilities subsequently proves to differ from the fair value assumed at the time of acquisition. The effect of any such adjustments is recognised in opening equity, and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a consequence of changes in estimated contingent purchase consideration, except in the case of material errors.

However, subsequent realisation of the acquiree's deferred tax assets that were not recognised at the date of acquisition leads to recognition of the tax benefit in the income statement and simultaneous reduction of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the date of acquisition.

Gains or losses on disposal of subsidiaries are determined as the difference between the selling price or proceeds on disposal and the carrying amount of net assets including goodwill at the date of disposal and costs to sell. Insofar as goodwill from business combinations occurring before 1 January 2002 has been written off immediately directly to equity, the carrying amount at the date of disposal is DKK 0.

Foreign currency translation

For each enterprise included in the consolidated financial statements a functional currency has been determined. The functional currency of an enterprise is the currency of the primary economic environment in which the enterprise operates. Transactions in other currencies than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of foreign enterprises with a functional currency different from DKK, the items in the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not give a significantly different view. Foreign exchange differences arising on translation of the opening equity of foreign enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

Foreign exchange adjustments of balances with foreign enterprises that are accounted for as part of the overall net investment in the enterprise in question are recognised in the consolidated financial statements directly in equity under a separate translation reserve.

On complete or partial disposal of a foreign operation, or on repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised directly in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised.

Derivative financial instruments

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively, and offsetting of positive and negative fair values is only effected if the enterprise is permitted to and intends to settle several financial instruments net in cash. Fair values of derivative financial instruments are determined on the basis of current market data and recognised valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability to the extent of the hedged risk. Hedging of the value of future cash flows from contracts concluded (firm commitment) is accounted for as hedging of the fair value of a recognised asset or liability, except in the case of foreign currency hedging.

Changes in the portion of the fair value of derivative financial instruments that is designated as and qualifies for recognition as a hedge of future cash flows and that provides an effective hedge against changes in the value of the hedged item are recognised in equity under a separate hedging reserve until the hedged transaction is realised. On realisation of the hedged transaction, the resulting gain or loss is transferred from equity and recognised in the same item as the hedged item. However, on hedging of the proceeds from future loans, the resulting gain or loss is transferred from equity over the term of the loan.

For derivative financial instruments that do not qualify for hedge accounting, fair value changes are recognised in the income statement under financial income or financial expenses when they occur.

Changes in the fair value of derivative financial instruments that are used to hedge net investments in foreign subsidiaries or associates and that provide an effective hedge against changes in foreign exchange rates in these subsidiaries or associates are recognised in the consolidated financial statements directly in equity under a separate translation reserve.

Some contracts embody conditions corresponding to derivative financial instruments. Such embedded financial instruments are recognised separately and measured at fair value on a continuing basis if they differ significantly from the host contract, unless the entire combined contract is recognised and measured at fair value on a continuing basis.

INCOME STATEMENT

Revenue from the sale of goods for resale and finished goods is recognised in the income statement if delivery and transfer of risk to the buyer have taken place, and if the income can be measured reliably and is expected to be received.

Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discounts and rebates granted are recognised in revenue.

Cost of sales comprises costs incurred in generating the revenue for the year. The trading enterprises recognise cost of sales and the producing enterprises' production costs, equivalent to revenue for the year. This includes the direct and indirect costs of raw materials and consumables.

Notes

1 Accounting policies – continued

Other external expenses cover other expenses, including purchases of goods and services that are not directly attributable to production.

Other external expenses also include research and development costs that do not meet the criteria for capitalisation.

Other operating income and expenses comprise items secondary to the enterprises' activities, such as gains and losses on disposal of property, plant and equipment. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less selling costs and the carrying amount at the date of disposal.

Financial income and expenses comprise interest income and expense, capital gains and losses and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including finance lease obligations, and surcharges and allowances under the tax prepayment scheme, etc. Financial income and expenses also include realised and unrealised gains and losses relating to derivative financial instruments that cannot be designated as hedging transactions.

However, borrowing costs related to the financing of the production of the Group's assets are recognised in the cost of the assets.

Dividends from investments in subsidiaries are credited to the parent company's income statement in the financial year in which they are declared; however, dividends received in excess of the accumulated profits arising after the date of acquisition are not credited to the income statement but recognised as a reduction of the cost of the investment.

Income tax expense. Income tax expense comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that relates to amounts directly recognised in equity is recognised directly in equity.

H+H International A/S is taxed jointly with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed subsidiaries in proportion to their taxable income. Subsidiaries that utilise tax losses in other subsidiaries pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses, while subsidiaries with tax losses that are utilised by other subsidiaries receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption). The jointly taxed companies are taxed under the on-account tax scheme.

BALANCE SHEET

Goodwill is recognised initially in the balance sheet at cost as described under 'Business combinations'. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the Group's organisational and internal reporting structure.

Other intangible assets comprise development projects, patents, licences and other intangible assets.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the enterprise can be demonstrated, and which the enterprise intends to manufacture, market or use, are recognised as intangible assets if the cost can be determined reliably and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the Group's development activities and interest expense on loans to finance the production of development projects that relate to the production period.

On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the shorter of the remaining patent or contract period and the useful life. The amortisation base is reduced by any impairment losses.

Other intangible assets are amortised on a straight-line basis over the expected useful lives of the assets.

Property, plant and equipment. Land and buildings, plant and machinery, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition up to the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and labour. Cost is increased by estimated costs for dismantling and removal of the asset and restoration costs to the extent that they are recognised as a provision and interest expense on loans to finance the production of property, plant and equipment that relate to the production period. The cost of a combined asset is divided into separate constituents that are depreciated separately if the constituents have different useful lives.

In the case of assets held under finance leases cost is determined as the lower of the assets' fair value and the present value of the future minimum lease payments. In determining the present value the interest rate implicit in the lease is used as discount rate or the Group's incremental borrowing rate.

Subsequent costs, for example in connection with replacement of part of an item of property, plant or equipment, are recognised in the carrying amount of the asset if it is probable that future economic benefits will flow to the Group from the expenses incurred. The replaced part is derecognised in the balance sheet, and the carrying amount is taken to the income statement. All other expenses for general repair and maintenance are recognised in the income statement as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings	10-50 years
Plant and machinery	2-20 years
Fixtures and fittings, tools and equipment	2-10 years
Land is not depreciated	

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount.

The effect of any changes in depreciation period or residual value on depreciation is recognised prospectively as a change in accounting estimates.

Investments in subsidiaries in the parent company's financial statements. Investments in subsidiaries are measured at cost. Cost is written down to the recoverable amount whenever the cost exceeds the recoverable amount.

Cost is reduced to the extent that dividends received exceed the accumulated profits after the date of acquisition.

Impairment of non-current assets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, the first time before the end of the year of acquisition. Development projects in process are similarly tested for impairment annually.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which the goodwill relates. Impairment losses relating to goodwill are recognised as a separate line item in the income statement.

The carrying amounts of other non-current assets are reviewed annually to determine whether there is any indica-

Notes

1 Accounting policies – continued

tion of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less expected disposal costs and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement as depreciation, amortisation and impairment losses.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment loss have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation if no impairment losses had been charged.

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value.

In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

In the case of finished goods and work in progress, cost comprises raw materials, consumables, direct labour, and production overheads. Production overheads comprise indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process, and the cost of factory administration and management.

The net realisable value of inventories is determined as the selling price less any costs of completion and costs incurred to execute the sale. The net realisable value is determined on the basis of marketability, obsolescence and development of expected selling price.

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less write-downs for bad and doubtful debts.

A write-down for bad and doubtful debts is recorded if there is any objective evidence that an impairment loss on a receivable has been incurred. If objective evidence of impairment exists, the impairment loss is determined individually. Impairment losses on receivables which have not been individually impaired have been impairment tested by groups. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, including the realisable value of any collateral received. The discount rate applied is the effective interest rate of the individual receivable. Write-downs and losses on receivables are recognised as other external expenses.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years. Prepayments are measured at amortised cost.

EQUITY

Proposed dividends are recognised as a liability at the date of adoption at the annual general meeting (declaration date). The expected dividend for the year is disclosed as a separate item under equity.

Treasury shares. Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly as retained earnings under equity. Capital reductions on cancellation of treasury shares reduce the share capital by an amount equivalent to the nominal value of the shares.

Proceeds from the sale of treasury shares in H+H International A/S in connection with the exercise of share options are taken directly to equity.

The translation reserve comprises foreign exchange differences arising on translation of financial statements of entities with a functional currency different from DKK, foreign exchange adjustments relating to assets and liabilities that form part of the Group's net investment in such entities, and foreign exchange adjustments relating to hedging transactions that hedge the Group's net investment in such entities.

1 Accounting policies – continued

Foreign exchange adjustments are recognised in the income statement on realisation or partial realisation of the net investment.

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows, and where the hedged transaction has yet to be realised.

Incentive schemes. The H+H Group's incentive schemes comprise a share option plan for senior executives.

The value of services rendered by employees in return for option grants is measured at the fair value of the options.

For equity-settled share options the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period.

The costs are set off directly against equity.

On initial recognition of share options, the number of options expected to vest is estimated, cf. the service condition described in note 24. The estimate of the number of vested options is adjusted subsequently, so that the total recognition is based on the actual number of vested options.

The fair value of the options granted is estimated using an option price model. The calculation takes account of the terms and conditions attaching to the share options granted.

Pension obligations. The Group has entered into pension agreements and similar agreements with some of its employees.

Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions concerning future trends in factors such as salary levels, interest rates, inflation and mortality. The value in use is determined only for the benefits attributable to services already rendered to the Group. The actuarially determined value in use less the fair value of any plan assets is recognised in the balance sheet under pension obligations, except as provided below.

In the income statement the pension cost for the year is recognised based on actuarial estimates and the financial outlook at the start of the year. If the cumulative actuarial gains and losses at the start of a financial year exceed the greater of the numerical value of 10% of the pension obligations and 10% of the fair value of the plan assets, the excess is recognised in the income statement. The amount in question is recognised in the income statement over the participating employees' expected average remaining working lives with the company. The proportion of actuarial gains/losses that is not recognised is disclosed in a note.

In the case of a change in benefits for employee service with the enterprise in prior periods, a change in the actuarially determined value in use arises which is designated as a historical cost. Historical costs are charged to the income statement immediately to the extent that the amended benefits have already vested. If not, they are recognised in the income statement over the vesting period for the amended benefits.

When the calculation results in plan assets exceeding liabilities to the Group, the recognised asset is limited to the net total of any future refunds from the plan or reductions in future contributions to the plan.

Income tax and deferred tax. Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. However, the following temporary differences are not provided for: goodwill not deductible for tax purposes, office properties and other items – apart from business combinations – where temporary differences have arisen at the date of acquisition that affect neither accounting nor taxable profit. Where alternative tax rules can be applied

Notes

1 Accounting policies – continued

to compute the tax base, deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously.

Adjustment of deferred tax is made in respect of elimination of unrealised intragroup profits and losses.

Deferred tax is measured on the basis of the tax rules and at the tax rates that will apply under the legislation enacted at the balance sheet date in the respective countries when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Under the joint taxation rules, H+H International A/S, as management company, becomes liable for the subsidiaries' income taxes to the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with Group subsidiaries.

Provisions. Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

The measurement of provisions is based on management's best estimates of the amount expected to be required to settle the obligation.

In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation. A pre-tax discount rate is applied that reflects society's general interest rate level plus the specific risks that are estimated to attach to the provision. The changes in present values during the financial year are recognised under financial expenses.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

When the Group has an obligation to dismantle or remove an asset or restore the site on which the asset has been used, a provision equivalent to the present value of the expected future expenses is recognised.

Leasing

Lease commitments are accounted for as commitments under finance leases and commitments under operating leases, respectively. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the leased asset. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the associated liability is described in the sections on property, plant and equipment and financial liabilities.

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Financial liabilities. Bank loans, etc. are recognised at the date of borrowing at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal amount is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, measured at amortised cost.

Other liabilities are measured at amortised cost.

CASH FLOW STATEMENT

The cash flow statement shows the cash flows for the year, broken down by operating, investing and financing activities, and the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately under cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition, and cash flows from disposals of enterprises are recognised up to the date of disposal.

Cash flows in currencies different from the functional currency are translated at average exchange rates, unless these deviate significantly from the rates at the transaction date.

Cash flows from operating activities are determined as pre-tax profit adjusted for non-cash operating items, changes in working capital, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities; acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets; and acquisitions and disposals of securities that are not recognised as cash and cash equivalents.

Finance leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated expenses as well as the raising of loans, repayment of interest-bearing debt, buyback and sale of treasury shares, and payment of dividends.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash and securities with a maturity of less than three months at the time of acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.

SEGMENT INFORMATION

The Group's primary segment is the geographical segments. The segments reflect the Group's risks and organisational and internal reporting structure. The segment information has been prepared in accordance with the Group's accounting policies.

Segment income, segment expense, segment assets and segment liabilities are those items that are directly attributable to the individual segment or can be allocated to the segment on a reasonable basis. Unallocated items comprise primarily assets, liabilities, income and expense relating to the Group's administrative functions, investing activities, etc.

Non-current segment assets are those non-current assets that are employed directly by the segment in its operating activities, including intangible assets and property, plant and equipment.

Current segment assets are those current assets that are employed directly by the segment in its operating activities, including inventories, trade receivables, other receivables, prepayments, and cash and cash equivalents.

Segment liabilities are those liabilities that result from the segment's operating activities, including trade payables and other payables.

Notes

1 Accounting policies – continued

FINANCIAL RATIOS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.

Other financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial ratios 2005'.

The financial ratios under financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Return on invested capital (ROIC)	$\frac{\text{Operating profit x 100}}{\text{Average operating assets}}$
Profit	Profit attributable to the equity holders of the parent company
Earnings per share (EPS-Basic)	$\frac{\text{Profit}}{\text{Average number of shares outstanding}}$
Diluted earnings per share (EPS-D)	$\frac{\text{Diluted earnings}}{\text{Diluted average number of shares outstanding}}$
Return on equity	$\frac{\text{Profit x 100}}{\text{Average equity excl. minority interest}}$
Solvency ratio	$\frac{\text{Equity at year-end attributable to the H+H Group x 100}}{\text{Total liabilities, year-end}}$
Book value per share, year-end	$\frac{\text{The H+H Group's equity, year-end}}{\text{Year-end number of shares}}$
Price/book value	$\frac{\text{Price}}{\text{Year-end book value per share}}$
Price earnings ratio (PE)	$\frac{\text{Price}}{\text{Earnings per share}}$
Price earnings ratio (PE-diluted)	$\frac{\text{Price}}{\text{Earnings per share – diluted}}$
Payout ratio	$\frac{\text{Total dividend paid x 100}}{\text{Profit}}$

2 Management's estimates and judgements

Estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires management to make judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on historical experience and other factors that are believed by management to be sound under the circumstances, but that, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates.

It may be necessary to change previously made estimates as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events.

Estimates that have a significant effect on the financial reporting are made in connection with, for example, the determination of depreciation, amortisation and impairment losses, provisions and contingent liabilities and contingent assets.

In the case of the H+H Group, significant changes in estimates and assumptions on which the calculations of the carrying amounts are based may have a material effect on the measurement of intangible assets, including goodwill and investments on hold. The assessment of goodwill and investments on hold is referred to in note 12.

Special risks for the H+H Group are disclosed on pages 18-19.

Accounting policies

As part of the application of the Group's accounting policies, management makes judgements, in addition to estimations, that may have a significant effect on the amounts recognised in the annual report.

In 2008 management made such judgements in relation to allocation of the purchase price on acquisition of an enterprise. The allocation of the purchase price relating to activities acquired is set out in note 20.

In the parent company, annual impairment testing of the investments is based on estimates of expected cash flows for many years ahead. This is naturally subject to some uncertainty.

Further details of impairment testing and particularly sensitive factors related to this are set out in note 14.

No special estimations were made in 2008 and 2007.

Notes

3 Segment information

Group

DKKm	2008					
	UK	Germany, Denmark and Benelux	Eastern Europe	Nordic countries	Eliminations and non-allocated items	Group total
Revenue, external	380.9	395.6	429.0	234.0	0.0	1,439.5
Revenue, internal	0.0	41.6	0.0	4.3	(45.9)	0.0
EBITDA	23.8	76.6	65.1	12.0	(42.0)	135.5
Depreciation and amortisation	(37.8)	(47.5)	(23.2)	(7.1)	(0.9)	(116.5)
EBITA	(14.0)	29.1	41.9	4.9	(42.9)	19.0
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	(14.0)	29.1	41.9	4.9	(42.9)	19.0
Profit before tax	(19.1)	16.4	31.2	1.0	(28.1)	1.4
Non-current assets	278.2	401.1	818.7	50.6	10.3	1,558.9
Investments in intangible assets and property, plant and equipment	19.2	48.8	417.4	5.2	2.1	492.7
Assets	383.6	522.0	768.1	108.9	140.2	1,922.8
Equity	157.6	204.1	144.9	22.8	213.8	743.2
Liabilities	226.0	317.9	623.2	86.1	(73.6)	1,179.6
Other adjustments (cash flow statement)	0.0	5.1	(11.1)	0.0	7.6	1.6
Average full-time equivalent staff	264	203	662	136	17	1,282

	2007					
	UK	Germany, Denmark and Benelux	Eastern Europe	Nordic countries	Eliminations and non-allocated items	Group total
Revenue, external	693.6	434.5	436.1	286.0	0.0	1,850.2
Revenue, internal	1.5	41.0	0.0	0.0	(42.5)	0.0
EBITDA	123.3	123.7	106.8	22.0	(28.7)	347.1
Depreciation and amortisation	(42.8)	(45.9)	(19.7)	(7.4)	(0.8)	(116.6)
EBITA	80.5	77.8	87.1	14.6	(29.5)	230.5
Impairment losses	(8.1)	0.0	0.0	0.0	0.0	(8.1)
Operating profit (EBIT)	72.4	77.8	87.1	14.6	(29.5)	222.4
Profit before tax	67.9	67.7	76.8	10.9	(18.2)	205.1
Non-current assets	390.3	403.7	468.3	50.9	48.5	1,361.7
Investments in intangible assets and property, plant and equipment	41.3	21.5	192.0	6.0	2.2	263.0
Assets	544.2	549.6	532.6	130.6	26.7	1,783.7
Equity	233.3	224.8	146.6	20.9	364.7	990.3
Liabilities	310.9	324.8	386.0	109.7	(338.0)	793.4
Other adjustments (cash flow statement)	0.0	0.2	0.0	0.0	6.9	7.1
Average full-time equivalent staff	317	201	688	158	15	1,379

The H+H Group's consolidated profits before tax and management fee, etc.
Companies were established in Belgium and the Netherlands in 2008. The companies function as sales subsidiaries for products manufactured in Germany.

4 Staff costs

DKK '000	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Wages and salaries	287,181	297,541	20,638	16,648
Defined benefit plans, cf. note 17	10,292	11,485	0	0
Defined contribution plans	8,971	8,540	0	0
Share-based payment	2,475	2,351	1,788	1,196
Remuneration to the Supervisory Board	1,900	1,700	1,900	1,700
Other staff costs	35,583	37,291	801	313
	346,402	358,908	25,127	19,857
Remuneration to the Executive Board:				
Salaries and fees	4,445	4,575	4,445	4,575
Bonus plans	0	1,770	0	1,770
Share-based payment	667	705	667	705
Termination benefit*	4,532	0	4,532	0
	9,644	7,050	9,644	7,050
Remuneration to other senior executives:				
Salaries and fees	3,308	5,041		
Bonus plans	0	1,505		
Share-based payment	444	1,311		
	3,752	7,857		

* Termination benefit to Michael Witthohn consisted of remuneration of DKK 3,855 thousand and a share-based payment of DKK 677 thousand that has been charged to the income statement.

The Executive Board consisted of two persons in 2007. Michael Witthohn stepped down in October 2008, and the Executive Board is accordingly made up of Hans Gormsen, CEO.

There were three senior executives in 2007. Former COO Michael J. Flynn retired on 31.12.2007. Thomas Terndrup-Larsen joined the company as Senior Vice President of Production Technology and R&D in the fourth quarter of 2008. Accordingly, the company once again has three senior executives.

No special remuneration was paid to the Supervisory Board in 2007 or 2008. The Supervisory Board remuneration was distributed with DKK 500,000 to the chairman of the Supervisory Board and DKK 200,000 to each of the other members. The Supervisory Board consisted of seven members in 2007 and eight members in 2008.

The H+H Group incurred costs in respect of termination benefits totalling DKK 26,807 thousand in 2008 (2007: DKK 730 thousand). This included share-based payment of DKK 994 thousand (2007: 0).

For further particulars about share option plans, see note 24.

Of the total staff costs for 2008, 53% was attributable to aircrete manufacture (2007: 58%).

	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Average full-time equivalent staff	1,282	1,379	17	15

5 Depreciation and amortisation

DKK '000	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Other intangible assets	1,874	1,869	0	0
Land and buildings	17,187	17,076	0	0
Plant and machinery	79,170	81,198	0	0
Fixtures and fittings, tools and equipment	18,240	16,414	865	755
	116,471	116,557	865	755

Notes

6 Impairment losses	Group		Parent company	
DKK '000	**2008**	**2007**	**2008**	**2007**
Land and buildings	0	8,136	0	0
Impairment losses, investments	0	0	0	27,692
	0	8,136	0	27,692

7 Other operating income and expenses	Group		Parent company	
DKK '000	**2008**	**2007**	**2008**	**2007**
Management fee	0	0	20,000	18,500
Gain on disposal of property, plant and equipment	495	347	0	166
Loss on disposal of property, plant and equipment	(1,039)	(591)	0	0
Adjustment of obligation in respect of restoration of leases	0	5,584	0	0
Provision for clean-up of plot of land	4,653	(16,540)	0	0
	4,109	(11,200)	20,000	18,666

8 Financial income	Group		Parent company	
DKK '000	**2008**	**2007**	**2008**	**2007**
Interest income	576	77	441	27
Interest income from Group enterprises	0	0	23,515	15,311
Dividend from subsidiaries	0	0	46,813	128,513
Exchange rate adjustments relating to loans to subsidiaries	0	0	392	3,568
Other value adjustments	9,684	620	0	0
Other financial income	128	127	0	0
	10,388	824	71,161	147,419

9 Financial expenses	Group		Parent company	
DKK '000	**2008**	**2007**	**2008**	**2007**
Interest expense	39,053	18,214	17,722	2,265
Interest expense to Group enterprises	0	0	530	1,390
Other value adjustments	4,835	1,373	187	0
Fair value adjustments of derivatives that are not hedging transactions	686	0	0	0
Other financial expenses	662	175	461	0
Portion relating to capitalised interest expense	(17,195)	(1,577)	0	0
	28,041	18,185	18,900	3,655

10 Tax	Group		Parent company	
DKK '000	**2008**	**2007**	**2008**	**2007**
Income tax expense	(280)	47,595	(1,329)	(2,842)
Tax on changes in equity	(1,147)	2,524	(319)	90
	(1,427)	50,119	(1,648)	(2,752)
Which can be broken down as follows:				
Current tax for the year	2,829	52,024	(2,730)	3,018
Adjustment relating to change in tax rate	0	(4,221)	0	(142)
Adjustments to deferred tax	849	5,784	(1,717)	(2,710)
Prior-year adjustments	(5,105)	(3,468)	2,799	(2,918)
	(1,427)	50,119	(1,648)	(2,752)
Current joint taxation contribution for the year	0	0	0	0
	(1,427)	50,119	(1,648)	(2,752)
Breakdown of tax on profit from ordinary activities:				
Calculated 25% (2007: 25%) tax on profit from ordinary activities	344	51,262	7,227	25,155
Adjustment to calculated tax in foreign Group				
enterprises in relation to 25% (2007: 25%)	(3,283)	580	0	0
Tax effect of:				
Change in tax rate	0	(4,221)	0	(142)
Various adjustments	750	(975)	0	0
Tax on changes in equity	(1,147)	2,524	(319)	90
Non-deductible expenses	7,014	4,525	0	6,940
Adjustment to prior-year taxes	(5,105)	(3,576)	2,799	(2,918)
Non-taxable income	0	0	(11,355)	(31,877)
	(1,427)	50,119	(1,648)	(2,752)

The H+H Group recorded tax income for 2008. This was due to the composition of profit for the year, coupled with adjustments in respect of prior years.

The German company has applied for reallocation of the local 'Gewerbesteuer' with retrospective effect. The application was granted, and a positive adjustment of approx. DKK 3.5 million has been recognised.

The joint taxation between the Danish companies and the Norwegian company and the Swedish company ceased with effect from 1 January 2005.
The retaxation balances were reviewed in 2008. For the Group this led to a positive adjustment of approx. DKK 3 million.

Notes

11	Earnings per share	Group	
	DKK '000	**2008**	**2007**
	Average number of shares	1,130,833	1,160,000
	Average number of treasury shares	(40,397)	(13,928)
	Average number of outstanding shares	1,090,436	1,146,072
	Dilution from share options	0	3,620
	Average number of outstanding shares, diluted	1,090,436	1,149,692
	Profit for the year	1,655	157,456
	Attributable to minority interest	1	(2)
	Equity holders of H+H International A/S	1,656	157,454
	Earnings per share (EPS)	1.52	137.39
	Diluted earnings per share (EPS-D)	1.52	136.95

Of the total calculated number of options entitling the holder to buy one share with a nominal value of DKK 100 under the H+H Group's option programmes, there were 0 options in 2008 (2007: 13,740 options) that had an exercise price exceeding the average market price for the years in question and were therefore not included in the calculation of diluted earnings per share.

12	Intangible assets and property, plant and equipment	Parent company			
	DKK '000	**2008**		**2007**	
		Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
	Total cost at 1 January	0	3,980	5,915	3,124
	Additions for the year	0	796	62	1,759
	Disposals for the year	0	0	(5,977)	(903)
	Total cost at 31 December	0	4,776	0	3,980
	Total depreciation and amortisation at 1 January	0	970	0	687
	Depreciation and amortisation of assets disposed of	0	0	0	(472)
	Depreciation and amortisation for the year	0	865	0	755
	Total depreciation and amortisation at 31 December	0	1,835	0	970
	Carrying amount	0	2,941	0	3,010

12 Intangible assets and property, plant and equipment – continued

DKK '000	Group 2008					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Assets in the course of con-struction and prepayments
Total cost at 1 January 2008	94,071	23,459	563,167	980,056	135,258	182,921
Additions on acquisition of enterprises	0	17,146	2,319	1,335	8,175	0
Transfers	0	0	2,382	17,758	1,748	(21,888)
Foreign exchange adjustments, year-end rate	(8,380)	(733)	(58,984)	(150,363)	(6,895)	(47,327)
Additions for the year	0	3,052	12,322)	15,696	16,888	416,088
Disposals for the year	0	0	(1,655)	(4,836)	(12,196)	(477)
Total cost at 31 December 2008	85,691	42,924	519,551	859,646	142,978	529,317
Total depreciation and amortisation at 1 January 2008	0	9,649	99,554	471,546	56,555	0
Transfers	0	0	0	(68)	68	0
Foreign exchange adjustments, year-end rate	0	(233)	(13,622)	(71,190)	(3,789)	0
Changes in foreign exchange rates	0	(133)	(1,639)	(6,593)	420	0
Depreciation and amortisation of assets disposed of	0	0	(18)	(3,795)	(9,486)	0
Depreciation and amortisation for the year	0	1,874	17,187	79,170	18,240	0
Total depreciation, amortisation and impairment losses at 31 December 2008	0	11,157	101,462	469,070	62,008	0
Carrying amount	85,691	31,767	418,089	390,576	80,970	529,317
Of which assets held under finance leases				4,246		

DKK '000	Group 2007					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Assets in the course of con-struction and prepayments
Total cost at 1 January 2007	90,079	20,232	512,525	981,932	123,404	42,343
Transfers	0	0	9,614	15,065	6,902	(31,581)
Foreign exchange adjustments, year-end rate	3,992	660	(2,916)	(45,186)	(1,032)	(1,320)
Additions for the year	0	2,567	45,122	30,693	11,160	173,479
Disposals for the year	0	0	(1,178)	(2,448)	(5,176)	0
Total cost at 31 December 2007	94,071	23,459	563,167	980,056	135,258	182,921
Total depreciation and amortisation at 1 January 2007	0	7,260	79,456	416,305	44,012	0
Transfers	0	0	(561)	0	561	0
Foreign exchange adjustments, year-end rate	0	469	(4,114)	(22,581)	(1,195)	0
Changes in foreign exchange rates	0	51	(99)	(1,736)	(37)	0
Depreciation and amortisation of assets disposed of	0	0	(340)	(1,640)	(3,200)	0
Depreciation and amortisation for the year	0	1,869	17,076	81,198	16,414	0
Impairment losses for the year	0	0	8,136	0	0	0
Total depreciation, amortisation and impairment losses at 31 December 2007	0	9,649	99,554	471,546	56,555	0
Carrying amount	94,071	13,810	463,613	508,510	78,703	182,921
Of which assets held under finance leases				7,003		

Notes

12 Intangible assets and property, plant and equipment – continued

Interest totalling DKK 17,195 thousand was capitalised in 2008 (2007: DKK 1,577 thousand). The interest rate depends on the situation for each currency. For the Group, the interest rate was between 3.25% and 6.00% (2007: 3.85% to 5.5%).

In 2008, an amount totalling DKK 2,007 thousand was capitalised in respect of development (2007: DKK 111 thousand).

Binding contracts for delivery of non-current assets totalling DKK 48,127 thousand had been concluded at the end of 2008 (2007: DKK 216,463 thousand). The contracts relate predominantly to the construction of factories in Russia and Poland (DKK 41,862 thousand). Some fixed assets in Poland have been provided as security for bank loans. The security provided amounts to DKK 28,503 thousand, and the carrying amount of the asset is DKK 27,423 thousand.

On 31 December 2008, management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill among the cash-generating units. Of the total goodwill of DKK 85,691 thousand (2007: DKK 94,071 thousand), DKK 57,460 thousand (2007: DKK 65,823 thousand) related to the Eastern European segment, while DKK 28,231 thousand (2007: DKK 28,248 thousand) related to the Germany, Denmark and Benelux segment.

As a result of the integration of acquired enterprises in the existing Group, management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is at company level in each country.

Other intangible assets consist of acquired patents, rights, software and similar.

A write-down of DKK 8.1 million was made in 2007 in respect of capitalised costs in connection with an application for permission to build a new factory in the longer term. The carrying amount of the asset at the end of 2007 was DKK 0 thousand.

The recoverable amount was defined as the value in use in connection with the impairment testing.

Impairment testing of goodwill in Eastern Europe:
The activities in Poland and the Czech Republic were acquired in 2005 and 2006. Despite the short period of ownership, the segment's operations have been developing favourably since 2007. The activities have been developing more favourably than originally anticipated, and a positive operating result is expected in future as well. The contribution margin for the budget period has been estimated on the basis of the expected pricing in the markets. It has also been assumed that the existing market shares will, as a minimum, be held.

The recoverable amount of goodwill that can be allocated to the Eastern European segment is based on the value in use, which has been determined using expected net cash flows based on management's estimates for the years 2009-2012 and a discount rate before tax of approx. 9.8%.

The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2012 has been estimated at 2%. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.

Based on these assumptions, management is of the opinion that the carrying amount of goodwill exceeds its recoverable amount.

Impairment testing of goodwill in Germany, Denmark and Benelux:
The Germany and Denmark segment has historically recorded operating profits in excess of DKK 50 million.

The contribution margin for the budget period has been estimated on the basis of the expected pricing in the markets.

It has been estimated that the expected market share will be on par with those achieved in 2007 and 2008.

The recoverable amount of goodwill that can be allocated to the activities is based on the value in use, which has been determined using expected net cash flows based on an investment case featuring estimates for the years 2009-2012 and a discount rate before tax of 9.2%.

The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2012 has been estimated at 2%. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets. Based on these assumptions, management is of the opinion that the carrying amount of goodwill exceeds its recoverable amount.

Other non-current assets:

Management has not identified any factors that indicate a need for impairment testing of other non-current assets.

Assets on hold:

The H+H Group has put the following investments on hold:

The construction of a new aircrete factory in Ukraine has been temporarily put on hold. Costs totalling DKK 6.5 million had been capitalised at the end of 2008. H+H still intends to establish an aircrete factory in Ukraine. However, it has been deemed appropriate to postpone the remaining investment.

The construction of a new aircrete factory in Warsaw has also been temporarily put on hold. A plot of land was acquired for DKK 7.2 million at the end of 2008. H+H still intends to make use of this plot of land.

Contracts for construction and delivery of certain machinery and capital equipment have been entered into due to long delivery times. Capital equipment at a total price of DKK 43.5 million (2007: DKK 17.4 million) had been acquired at the end of 2008. A further DKK 15.7 million will be invested in capital equipment in 2009. The capital equipment is not expected to be taken into use in 2009.

Management tested the carrying amount of ongoing investments for impairment in 2008. It is estimated that the recoverable amount exceeds the carrying amount. The assessment of the recoverable amount is based on calculations of value in use determined using expected net cash flows based on future budgets for the years in question approved by management, and a discount rate before tax of 10.7%.

Due to low demand in the UK, the factory in Westbury has not been in operation since October 2008. Based on anticipated aircrete demand in 2009, the factory is not expected to resume operation in 2009. The factory is expected to start up again as market conditions normalise, however. The carrying amount of the factory is approx. DKK 20 million. Management is of the opinion that the recoverable amount exceeds the carrying amount.

An amount of DKK 8.4 million had been capitalised at the end of 2008 in respect of a large development project. Management estimates that the recoverable amount exceeds the carrying amount.

Notes

13 Deferred tax, asset	Group		Parent company	
DKK '000	2008	2007	2008	2007
Deferred tax asset at 1 January	20,036	24,729	0	0
Foreign exchange adjustments	(1,662)	45	0	0
Adjustment relating to changed tax rate	0	(572)	0	0
Change in deferred tax	(314)	(4,166)	1,651	0
Prior-year adjustments	4,412	0	0	0
Deferred tax asset at 31 December	22,472	20,036	1,651	0
Deferred tax asset relates to:				
Non-current assets	(1,901)	3,052	(45)	0
Current assets	694	804	0	0
Liabilities	591	51	319	0
Tax loss carryforwards	23,088	16,129	1,377	0
	22,472	20,036	1,651	0

Deferred tax, liability	Group		Parent company	
DKK '000	2008	2007	2008	2007
Deferred tax liability at 1 January	63,596	68,345	5,015	7,715
Foreign exchange adjustments	(9,449)	(1,726)	0	0
Adjustment relating to changed tax rate	0	(4,793)	0	(142)
Prior-year adjustments	2,315	152	2,315	152
Change in deferred tax	535	1,618	(66)	(2,710)
Deferred tax liability at 31 December	56,997	63,596	7,264	5,015
Provisions for deferred tax relate to:				
Non-current assets	34,697	56,878	0	66
Current assets	11,019	1,679	0	0
Liabilities	4,017	89	0	0
Retaxation balance relating to discontinued joint taxation	7,264	4,950	7,264	4,949
	56,997	63,596	7,264	5,015

No provision has been made in respect of deferred tax in connection with the share option plan, as the price of the shares at the balance sheet date was less than the exercise price of the options.

14 Investments in subsidiaries

DKK '000	Parent company 2008	2007
Cost at 1 January	1,212,393	1,233,180
Additions to cost	47,061	6,905
Impairment loss, investments	0	(27,692)
Cost at 31 December	1,259,454	1,212,393

The cost of the investments was tested for impairment at the end of 2007 and 2008.

The recoverable amount of the investments is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2009-2012 and a discount rate before tax of 8.6% to 11.8%.

The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2012 has been estimated at 2%. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.

	Registered office	2008 Equity interest, %	2007 Equity interest, %
H+H UK Holding Limited*	UK	100	100
H+H Deutschland GmbH	Germany	100	100
H+H Danmark A/S	Denmark	100	100
H+H Finland Oy	Finland	100	100
Jämerä-Kivitalot Oy	Finland	100	-
H+H Sverige AB	Sweden	100	100
H+H Norge AS	Norway	100	100
H+H Polska Sp. z o.o.**	Poland	100	100
H+H Ceská republika s.r.o.	Czech Republic	100	100
Kway Holdings Ltd.***	UK	100	100
HH Aps af 15. april 2004	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
H+H Slovenská republika s.r.o.	Slovakia	100	100
H+H Ukraina TOV	Ukraine	100	100
H+H UA TOV	Ukraine	100	100
OOO H+H Rus	Russia	100	100
H+H Baltic SIA	Latvia	100	100
H+H Belgien SPRL	Belgium	100	-
H+H Nederland BV	Netherlands	100	-

* This activity consists of ownership of H+H UK Limited.
** H+H Polska Sp. z o.o. holds 99.94% of the shares in Prefabet S.A.
*** The above list does not include indirectly owned companies without any activities.

Notes

15 Inventories	Group		Parent company	
DKK ‘000	**2008**	**2007**	**2008**	**2007**
Raw materials and consumables	49,949	48,838	0	0
Finished goods and goods for resale	162,090	140,799	0	0
	212,039	189,637	0	0
Write-downs recognised in the above inventories developed as follows:				
Write-downs at 1 January	12,029	10,277	0	0
Foreign exchange adjustments	(1,451)	(301)	0	0
Write-downs for the year	5,375	7,431	0	0
Realised during the year	(1,769)	(5,378)	0	0
Reversals	(250)	0	0	0
Inventory write-downs, year-end	13,934	12,029	0	0
Value of inventories recognised at net realisable value	13,685	13,752	0	0
Cost of sales	723,246	882,820	0	0
Write-downs for the year	5,375	7,130	0	0
Reversal of inventory write-downs	250	0	0	0
	728,871	889,950	0	0

16 Receivables	Group		Parent company	
DKK ‘000	**2008**	**2007**	**2008**	**2007**
Trade receivables	94,945	150,741	0	0
Other receivables	34,434	13,727	528	724
	129,379	164,468	528	724
Write-downs recognised in the above receivables developed as follows:				
Write-downs at 1 January	7,505	7,714	0	0
Foreign exchange adjustments	(973)	74	0	0
Write-downs for the year	1,059	490	0	0
Realised during the year	(876)	(773)	0	0
Reversals	(1,988)	0	0	0
Write-downs relating to receivables, year-end	4,727	7,505	0	0

Receivables that are not past due are deemed to predominantly have a high credit quality.

Security is not normally required in respect of claims. The Group’s customers are typically large well-consolidated builders’ merchants and house-builders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December.

Receivables are written down directly if the value of each debtor’s ability to pay has deteriorated, for example as a result of suspension of payments, compulsory winding-up or similar, based on individual assessment of each receivable. Write-downs are made to calculated net realisable value. The income statement for 2008 includes write-downs for bad and doubtful debts of DKK (929) thousand (2007: DKK 490 thousand).

Other receivables consist primarily of an accumulated VAT claim in connection with the investments in Russia.

16 Receivables – continued	Group		Parent company	
Age analysis of trade receivables				
DKK ‘000	**2008**	**2007**	**2008**	**2007**
Not past due	59,902	123,929	0	0
Past due 0-30 days	26,624	24,191	0	0
Past due 30-90 days	5,474	2,118	0	0
More than 90 days	2,945	503	0	0
	94,945	150,741	0	0

17 Pension liabilities

Under defined contribution plans the employer is under obligation to pay a specific contribution (e.g. a fixed amount or a fixed percentage of the salary). Under defined contribution plans the Group does not bear the risk associated with the future development in interest rates, inflation, mortality and disability.

Under defined benefit plans the employer is under obligation to pay a specific amount (e.g. a retirement pension as a fixed amount or a fixed percentage of the final salary). Under defined benefit plans the Group bears the risk associated with the future development in interest rates, inflation, mortality and disability.

Danish enterprises’ pension obligations are insured. Some foreign enterprises’ pension obligations are also insured. Foreign companies that are not insured or only insured in part (defined benefit plans) calculate their obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements an amount of DKK 68,775 thousand (2007: DKK 87,191 thousand) has been recognised under liabilities in respect of the Group’s obligations to existing and former employees after deduction of the assets associated with the plans.

In the consolidated income statement an amount of DKK 8,971 thousand (2007: DKK 8,540 thousand) has been recognised in respect of expenses relating to insured plans (defined contribution). For non-insured plans (defined benefit plans) an amount of DKK 10,292 thousand (2007: DKK 11,485 thousand) has been recognised in the consolidated income statement in respect of expenses.

The Group has defined 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.

Notes

17	Pension liabilities – continued	Group	
	DKK '000	2008	2007
	Pension and similar obligations:		
	Present value of fully or partly funded defined benefit plans	324,340	445,752
	Fair value of plan assets	228,932	344,802
	Underfunding	95,408	100,950
	Unrecognised actuarial losses/(gains)	34,002	21,097
	Present value of unfunded defined benefit plans	7,017	7,338
	Unrecognised actuarial losses/(gains)	(352)	0
	Net obligation recognised in balance sheet	68,775	87,191
	Development in present value of fully or partly funded defined benefit obligation:		
	Obligation at 1 January	445,752	490,164
	Foreign exchange adjustments	(107,294)	(42,037)
	Pension costs relating to the current financial year	6,710	7,876
	Calculated interest on obligation	21,498	25,199
	Actuarial gains/(losses)	(30,004)	(23,149)
	Pensions paid	(12,322)	(12,301)
	Obligation at 31 December	324,340	445,752
	Development in present value of unfunded defined benefit plans		
	Obligation at 1 January	7,338	7,326
	Foreign exchange adjustments	(6)	1
	Pension costs relating to the current financial year	117	42
	Calculated interest on obligation	394	413
	Actuarial gains/(losses)	(353)	0
	Pensions paid	(473)	(444)
	Obligation at 31 December	7,017	7,338

H+H did not have any pension obligations in respect of acquired companies in 2007 or 2008.

17 Pension liabilities – continued

	Group	
DKK '000	**2008**	**2007**
Development in fair value of pension plans:		
Pension assets at 1 January	344,802	364,928
Foreign exchange adjustments	(78,234)	(32,190)
Expected return on plan assets	18,426	21,555
Actuarial gains/(losses)	(52,032)	(8,342)
The company's contributions to plan assets	8,292	11,152
Pensions paid	(12,322)	(12,301)
Pension assets at 31 December	228,932	344,802
Pension costs recognised in the income statement:		
Pension costs relating to the current financial year	6,827	7,841
Calculated interest on obligation	21,891	25,199
Expected return on plan assets	(18,426)	(21,555)
Total amount recognised in respect of defined benefit plans	10,292	11,485
Total amount recognised in respect of defined contribution plans	8,971	8,540
Total amount recognised in the income statement	19,263	20,025

The cost has been recognised in the income statement under staff costs.

Actuarial gains or losses have not previously been recognised in the income statement.

Pension assets can be broken down as follows:		
Shares	93,862	136,894
Bonds	135,070	204,671
Cash	0	3,237
Total	228,932	344,802
Return on plan assets:		
Actual return on plan assets	20,734	21,457
Expected return on plan assets	18,426	21,555
Actuarial gain/(loss) on plan assets	2,308	(98)

The Group expects to contribute DKK 5,557 thousand to the defined benefit pension plan in 2009.

The average assumptions for the actuarial calculations at the balance sheet date are as follows:

Discount rate (avg.)	6.20%	5.80%
Expected return on plan assets	6.02%	6.59%
Future rate of salary increase	4.60%	4.80%

The expected return on plan assets has been determined by an external valuer on the basis of the composition of the assets and the general economic outlook.

DKK '000	**2008**	**2007**	**2006**	**2005**
The amounts for the current and previous years for the Group's pension obligations are as follows:				
Actuarially determined pension obligations	324,340	445,752	490,164	458,452
Pension assets	228,932	344,802	364,928	337,035
Present value of unfunded defined benefit plans	7,017	7,338	7,326	7,377
Overfunding/(underfunding)	(102,425)	(108,288)	(132,562)	(128,794)
Empirical changes to obligations	629	(163)	(109)	(1,779)
Empirical changes to pension assets	2,308	(98)	(109)	218

Notes

18 Other provisions	Group			
DKK '000	**2008**	**2007**	**2008**	**2007**
	Non-current portion		Current portion	
Warranty obligations at 1 January	6,488	8,160	0	0
Foreign exchange adjustments	(316)	11	0	0
Provisions for the year	730	193	0	0
Reversal during the year	(1,384)	(1,876)	0	0
Warranty obligations at 31 December	5,518	6,488	0	0
Rental obligations at 1 January	0	0	0	5,299
Foreign exchange adjustments	0	0	0	(125)
Utilised during the year	0	0	0	(412)
Reversal during the year	0	0	0	(4,762)
Rental obligations at 31 December	0	0	0	0
Obligation relating to restoration of sites at 1 January	19,622	5,195	0	0
Foreign exchange adjustments	(3,603)	(942)	0	0
Provisions for the year	2,529	16,540	0	0
Utilised during the year	0	(426)	0	0
Reversal during the year	(6,049)	(745)	0	0
Obligation relating to restoration of sites at 31 December	12,499	19,622	0	0
Total other provisions	18,017	26,110	0	0

Parent company

The parent company had not recognised any provisions at the end of 2007 or 2008.

Group

Investigations in relation to the impending clean-up of the plot of land at the Borough Green factory were carried out in 2008. A DKK 16,540 thousand provision for clean-up was made in 2007. The extent proved to be less than initially assumed, and an amount of DKK 4,653 thousand was consequently reversed in 2008.

The H+H Group's companies provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs.

Warranty obligations at 31.12.2008 relate predominantly to Germany and Poland.

The obligation in respect of restoration of sites relates to the company's sites in Finland, Poland and the UK. The obligation has been calculated based on external assessments of the restoration costs. Restoration is expected to take place in 2010 or later.

19 Bank loans

DKK '000	Group 2008	2007
Bank loans	871,716	390,937
Lease commitments	998	2,042
Amortised loan costs	(1,933)	0
	870,781	392,979
Bank loans have been recognised as follows in the balance sheet:		
Long-term	869,979	1,133
Short-term	802	391,846
	870,781	392,979

	2008			2007		
Finance leases	Lease payments	Interest	Carrying amount	Lease payments	Interest	Carrying amount
0-1 year	843	41	802	956	47	909
1-5 years	228	32	196	1,317	184	1,133
	1,071	73	998	2,273	231	2,042

The Group leases capital equipment under finance leases. The lease term is typically between two and five years, with an option to purchase the asset in question at a favourable price on expiry of the lease term.

All leases follow a fixed repayment profile and none of the leases includes provisions about conditional lease payments apart from provisions on indexation based on public indices. The leases are non-cancellable during the agreed lease term, but may be extended on renewed terms. The leases are normally based on a fixed interest rate.

The parent company is a party to a finance lease as a result of an investment in capital equipment. The lease has not yet entered into effect as the assets have not yet been delivered. The carrying amount is DKK 43.5 million. The lease enters into effect in 2009.
The liability is carried under non-current liabilities – bank loans.

	2008	2007
Operating leases	Lease payments	Lease payments
Not later than 1 year	619	763
Later than 1 year and not later than 5 years	1,462	2,170
Later than 5 years	1,006	1,334
Total minimum lease payment	3,087	4,267

The Group leases property, capital equipment and vehicles under operating leases in a few cases.

An amount of DKK 5,339 thousand (2007: DKK 6,009 thousand) has been recognised in the consolidated income statement for 2008 in respect of operating leases.

The parent company only has leases that can be cancelled at short notice.

Besides the operating leases referred to in the foregoing, the H+H Group has entered into long-term land leases in Poland and the UK. H+H does not have an option to buy the leased plots of land. The annual lease costs amount to DKK 2,075 thousand.

Notes

20 Acquisitions

Acquisitions	Group	
DKK '000	2008	
Germany	Fair value at acquisition date	Carrying amount before acquisition date
Intangible assets	17,146	5,015
Land and buildings	2,319	2,319
Other non-current assets	8,175	0
Plant and machinery	1,335	34
Inventories	125	115
Other liabilities	(37)	0
Other non-current liabilities	(373)	(343)
Net assets acquired	28,690	7,140
Total purchase price	28,690	
Including cash	0	
Cash purchase price	28,690	

On 2 January 2008, H+H Deutschland GmbH acquired a gravel pit adjoining its factories in Wittenborn. The gravel pit has historically been a supplier of sand to the Wittenborn factories.

21 Contingent liabilities

Contingent liabilities	Group		Parent company	
DKK '000	2008	2007	2008	2007
Financial guarantee	0	2,535	492,252	310,560
	0	2,535	492,252	310,560

H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's credit facility.

The H+H Group is a party to a few pending legal proceedings. In management's opinion, the outcome of these proceedings will not have any impact on the Group's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2007 and at 31 December 2008.

In 2007, a guarantee was provided on behalf of a strategic business partner. This guarantee amounted to DKK 2,535 thousand at the end of 2007. It is now considered probable that the bank guarantee will be called in, and it was consequently charged to the income statement in 2008.

Taxes and duties
The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income for financial years up to and including 2005 and for joint registration of VAT.

22 Fees paid to auditors appointed at Annual General Meeting	Group		Parent company	
DKK '000	2008	2007	2008	2007
Audit fees:				
KPMG	2,326	2,312	450	475
PKF Kresten Foged	150	150	150	150
	2,476	2,462	600	625
Non-audit fees:				
KPMG				
Tax and VAT assistance	636	692	192	87
Other services	277	242	277	170
	913	934	469	257

23 Related parties

Group

The Group's related parties are the Executive Board, the Supervisory Board and senior executives in the H+H Group, and Henriksen og Henriksen I/S, because of its significant shareholdings in the parent company.

Apart from service contracts, no agreements or transactions have been entered into between the company, the Executive Board, the Supervisory Board and senior executives. Remuneration to the Supervisory Board, the Executive Board and senior executives is disclosed in notes 4 and 24.

Apart from dividend distribution, no agreements or transactions have been entered into between Henriksen og Henriksen I/S and the Group.

Parent company

In addition to the parties referred to above, the parent company's related parties are its subsidiaries, cf. note 14.

A management fee totalling DKK 20,000 thousand has been settled between the parent company and the other members of the Group (2007: DKK 18,500 thousand).

Besides the transactions referred to above, transactions between the parent company and its subsidiaries include borrowing, lending and interest as disclosed in the parent company's balance sheet and notes 8 and 9.

Henrik Lind – member of the Supervisory Board – is a partner in the law firm Gorrissen Federspiel Kierkegaard, which was paid fees totalling DKK 0 thousand in 2008 for legal assistance (2007: DKK 15 thousand).

Intragroup trading is on arm's length terms.

Notes

24 Incentive schemes

Share option plans

In May 2007, the Supervisory Board of H+H International A/S established a new share option plan for the Executive Board and other senior executives. The Supervisory Board of H+H International A/S is not comprised by the company's share option plan.

Each share option entitles the holder to buy one B share with a nominal value of DKK 100. The total number of underlying shares in the share option plan for grants for 2007, 2008 and 2009 is 6,000 B shares, 5,925 B shares and 5,613 B shares, respectively. The exercise price is fixed immediately after the publication of the annual report for the year in question, calculated as the average price for ten business days after the publication of the annual report plus 20%. The options are exercisable during a one-year period beginning three years and ending four years after the determination of the exercise price. The right to be granted and exercise share options is conditional upon the option holder's employment with the company not having ceased, either due to the option holder having given notice of termination or due to breach on the part of the option holder. There are no other vesting conditions.

The fair value of the share option plan has been calculated at DKK 4.5 million in total, distributed with DKK 1.5 million for the 2007 grant, DKK 1.5 million for the 2008 grant and DKK 1.5 million for the 2009 grant. Costs will be recognised in the financial statements as staff costs over the period from 2007 to 2013. The fair value of options granted to the Executive Board totals DKK 2.0 million and is distributed with DKK 0.7 million for the 2007 grant, DKK 0.7 million for the 2008 grant, and DKK 0.6 million for the 2009 grant. The costs related to the options granted to the Executive Board will also be recognised in the financial statements as staff costs over the period from 2007 to 2013. The fair values have been calculated using the Black-Scholes model. The main assumptions for the calculation of fair values using the Black-Scholes model are a share price of DKK 2,160 and an exercise price of DKK 2,592 per share of nominally DKK 100, a volatility of 25%, an interest rate of 4.0%, dividend of 2%, and average exercise three years after the grant date. The volatility has been fixed on the basis of an expected future level, based on the historical volatility. No other special circumstances relating to option grants have been taken into account in calculating the fair value, such as requirements concerning employment or the non-negotiability of the options, even though these factors would reduce the fair value.

The final allocation of share options under the old share option plan took place in March 2007 and totalled 4,974 share options distributed on six persons, each share option entitling the holder to buy one B share of nominally DKK 100 at an exercise price per share of DKK 1,860.

A total of 661 share options were exercised in 2007, with exercise window for the period 2007-2010 at an average exercise price of DKK 1,430 per share of nominally DKK 100. The average market price for the exercised options in 2007 was DKK 2,700 per share of nominally DKK 100. No share options were exercised in 2008.

At the end of 2008, there were 6,061 outstanding exercisable options (2007: 1,662). No options were forfeited in 2007. 462 granted options were forfeited in 2008.

At the end of 2008, the overall share option plans amounted to 32,433 shares with exercise windows in the periods 2007-2009, 2008-2010, 2009-2010 and 2010-2011, 2011-2012, 2012-2013 and 2013-2014. The outstanding options corresponded to 2.93% of the share capital. This included a total of 20,433 share options with final pricing.

The options can only be settled in shares. The share option plans are covered by treasury shares at the date of final pricing. Treasury shares amounted to 14,659 B shares at the end of 2007 and 20,489 B shares at the end of 2008.

The outstanding options with final pricing at 31 December 2008 have an average remaining contractual life of 1.5 years (2007: 1.8 years) and an exercise price in the range of DKK 1,430 to DKK 1,860 per option (2007: DKK 1,430 to DKK 1,860 per option).

The cost recognised in the 2008 income statement in respect of share options is DKK 2,475 thousand (2007: DKK 2,351 thousand).

24 Incentive schemes – continued

DKK '000	Total		Executive Board		Other employees	
Outstanding options	Number	Average exercise price	Number	Average exercise price	Number	Average exercise price
Outstanding options at 31 December 2006	10,120	-	3,012	-	7,108	-
Allocated in 2007	4,974	1,860.00	2,094	1,860.00	2,880	1,860.00
Granted in 2007*	18,000	-	7,875	-	10,125	-
Exercised in 2007	(661)	1,430.00	-	-	(661)	1,430.00
Outstanding options at 31 December 2007	32,433		12,981		19,452	
Transfer	0		(5,584)		5,584	
Disposal	(462)		0		(462)	
Outstanding options at 31 December 2008	31,971		7,397		24,574	
No share options were allocated, granted or exercised in 2008.						
Breakdown of outstanding options by exercise period:						
Outstanding option plans 31 December 2007						
2007-2009	1,662	1,430.00	-	-	1,662	1,430.00
2008-2010	4,399	1,430.00	1,626	1,430.00	2,773	1,430.00
2009-2011	3,398	1,388.00	1,386	1,388.00	2,012	1,388.00
2010-2012	4,974	1,860.00	2,094	1,860.00	2,880	1,860.00
2011-2012	6,000	-	2,625	-	3,375	-
2012-2013	6,000	-	2,625	-	3,375	-
2013-2014	6,000	-	2,625	-	3,375	-
Total	32,433		12,981		19,452	
Outstanding option plans 31 December 2008						
2007-2009	1,662	1,430.00	-	-	1,662	1,430.00
2008-2010	4,399	1,430.00	950	1,430.00	3,449	1,430.00
2009-2011	3,398	1,388.00	901	1,388.00	2,497	1,388.00
2010-2012	4,974	1,860.00	1,271	1,860.00	3,703	1,860.00
2011-2012	6,000	1,576.00	1,425	1,576.00	4,575	1,576.00
2012-2013	5,925	-	1,425	-	4,500	-
2013-2014	5,613	-	1,425	-	4,188	-
Total	31,971		7,397		24,574	

* The exercise prices are fixed as the average market price ten days after the publication of the annual reports for the financial years 2007, 2008 and 2009 plus 20%.

Annual bonus

The Executive Board of the parent company and the company's senior executives have the opportunity to earn an annual cash bonus. Depending on the bonus agreement with the specific person, the maximum bonus amount is either 25% or 40% of the person's annual base salary in the year in which the bonus is earned. The earning of bonus is dependent on profit before tax in the year in which the bonus is earned, and bonus is therefore not guaranteed. The bonus amount will depend on profit before tax relative to budgeted profit, with the bonus amount being calculated on a straight-line basis within a fixed interval for budget compliance beyond the budgeted profit. Bonus earned is paid eight days after the approval by the shareholders in annual general meeting of the annual report for the year in which the bonus is earned. In case of termination of employment, regardless of the reason, the person in question is entitled to proportionately earned bonus up to the date of termination of his or her employment.

On the basis of profit before tax for 2007 a total cash bonus of DKK 2,631,000 was paid in 2008, including DKK 1,770,000 to be distributed between the two members of the Executive Board. The result for 2008 will not entitle either the Executive Board or any senior executives to a cash bonus in 2009.

Notes

25 Financial instruments and financial risks

The Group's risk management policy

The Group is exposed to various financial risks as a result of its operating, investing and financing activities, including market risks (currency, interest rate and commodity risks), credit risks and liquidity risks. It is the Group's policy not to speculate actively in financial risks. The Group's financial risk management is thus aimed exclusively at management of the financial risks that are a direct consequence of the Group's operating, investing and financing activities.

This note relates exclusively to financial risks directly associated with the Group's financial instruments. The Group's significant operating and commercial risks are described in further detail on pages 18-19 of the report.

MARKET RISKS

Currency risks

The exposure of the Group's companies to currency risks is insignificant, as financial instruments are primarily entered into in the individual consolidated enterprises' functional currencies as a result of their purchase and sales transactions.

The H+H Group does not engage in currency speculation. The individual consolidated enterprises do not enter into financial instruments denominated in foreign currencies unless commercially warranted, and expected transactions and financial instruments in foreign currencies that exceed a limited level and time horizon require hedging. Derivatives and other financial instruments are used to a limited extent only to hedge currency risks.

The H+H Group had no derivatives or other financial instruments hedging currency risks at the end of 2007 and the end of 2008.

The table below shows the currency exposure by currency at the balance sheet date based on the functional currency of each consolidated enterprise.

Monetary items in foreign currency

DKK '000	2008					
	EUR	GBP	PLN	DKK	Others	Total
Trade receivables	10,218	44,287	12,769	16,194	11,477	94,945
Cash	2,087	63	205	63	5,323	7,741
Trade payables	(21,945)	(14,936)	(12,283)	(4,077)	(19,561)	(72,802)
Bank loans	(146,743)	(94,928)	(223,322)	(291,601)	(114,187)	(870,781)
Gross exposure	(156,383)	(65,514)	(222,631)	(279,421)	(116,948)	(840,897)
Hedged via derivative financial instruments	0	0	0	0	0	0
Net exposure	(156,383)	(65,514)	(222,631)	(279,421)	(116,948)	(840,897)

DKK '000	2007					
	EUR	GBP	PLN	DKK	Others	Total
Trade receivables	14,827	76,530	18,191	25,172	16,021	150,741
Cash	3,566	85	3,342	75	5,138	12,206
Trade payables	(22,239)	(42,507)	(20,706)	(5,541)	(8,425)	(99,418)
Bank loans	(75,581)	(87,118)	(181,025)	(47,213)	(2,042)	(392,979)
Gross exposure	(79.427)	(53,010)	(180,198)	(27,507)	10,692	(329,450)
Hedged via derivative financial instruments	0	0	0	0	0	0
Net exposure	(79,427)	(53,010)	(180,198)	(27,507)	10,692	(329,450)

As a result of the limited exposure to currency risks, the Group's sensitivity to changes in exchange rates is limited.

The principal currency risk relates to the relationships GBP/DKK and PLN/DKK.

25 Financial instruments and financial risks – continued

Sensitivity of profit and equity to market fluctuations	2008		2007	
DKK '000	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	(1,263)	7,880	3,380	11,664
5% increase in PLN/DKK	2,531	7,214	4,012	6,532
	1,268	15,094	7,392	18,196

The above table illustrates the sensitivity of profit and equity to market fluctuations. None of the subsidiaries has any significant exposure to currencies other than their functional currencies.

A fall in the relationships GBP/DKK and PLN/DKK would result in a corresponding increase in profit after tax and equity.

The sensitivity analysis is calculated at the balance sheet date on the basis of the exposure to the stated currencies at the balance sheet date. The calculations are based solely on the stated change in the exchange rate and do not take into account any knock-on effects on interest rates, other exchange rates, etc.

Commodity risks

The primary raw materials used in the production of aircrete are cement, lime, water, and sand or pulverised fuel ash. Costs for cement account for approximately one-third of total raw material consumption, excluding energy consumption. Energy costs also account for a substantial proportion of total variable costs. The pricing of most of the raw materials is agreed through standard fixed-price contracts with suppliers with a term of less than one year under which committed minimum quantities can be purchased at fixed prices.

Interest rate risks

As a result of its investing and financing activities, the Group is exposed to the interest rate level both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR.

Interest rate exposure

DKK '000	2008				2007			
	Net interest-bearing debt	Hedging of interest rate	Net position	Weighted time to maturity of hedge	Net interest-bearing debt	Hedging of interest rate	Net position	Weighted time to maturity of hedge
DKK	291,538	270,000	21,538	0-1 year	47,139	0	47,139	-
EUR	144,656	0	144,656	-	72,014	0	72,014	-
PLN	223,116	323,424	(100,308)	1-2 years	177,684	165,632	12,052	2-3 years
GBP	94,866	0	94,866	-	87,033	0	87,033	-
Others	108,864	111,920	(3,056)	0-1 year	(3,097)	0	(3,097)	-
Total	863,040	705,344	157,696		380,773	165,632	215,141	

It is the Group's policy to hedge interest rate risks on the Group's loans if it estimates that the interest payments can be secured at a satisfactory level. Hedging is normally effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans.

The table above illustrates the Group's interest rate exposure to financial instruments at the balance sheet date.

At 31 December 2008, the weighted average term (fixed-rate term) of the Group's loans was 0.4 years (2007: 1.0 year), incl. the effect of interest rate swaps.

All other things being equal, a 1% p.a. increase in the interest rate level in relation to the interest rate level at the balance sheet date would add DKK 3.7 million to the value of

25 Financial instruments and financial risks – continued

the Group's hedging instrument, adding DKK 2.9 million to consolidated equity after tax.

A fall in the interest rate would lead to corresponding decreases in the value of the hedging instrument and equity.

The sensitivity analysis is calculated at the balance sheet date on the basis of the interest rate exposure at the balance sheet date. The calculations are based solely on the stated change in the interest rate level and do not take into account any knock-on effects on exchange rates, etc.

All other things being equal, based on the Group's average net interest-bearing debt (expressed by quarter), a 1% p.a. increase in the interest rate level in relation to the average interest rate level in 2008 would reduce profit before tax by DKK 4.5 million (2007: DKK 2.6 million).

Liquidity risks

The H+H Group's liquidity risk is defined as the risk that the Group will not, in a worst-case scenario, be able to meet its financial obligations due to insufficient liquidity. It is the H+H Group's policy for capital procurement and placing of surplus funds to be managed centrally by the parent company.

In autumn 2008, the Group entered into an agreement with Danske Bank A/S on committed three-year bank facilities. The facilities amount to DKK 1,100 million. The Group's facilities were previously not committed. The facilities were put in place to ensure that the Group has the necessary scope to act in the immediate future. In the fourth quarter of 2008, a material adverse change occurred in respect of the expectations concerning the Group's operational and financial position as a result of the global financial crisis. The change entitled one of the Group's lenders to demand repayment of the Group's long-term loans. The lender waived this entitlement by the end of 2008, and this consequently did not have any impact on the presentation of non-current liabilities in the balance sheet at 31 December 2008.

Credit risks

The Group is exposed to credit risks in the course of its activities. The Group's credit risks are primarily related to receivables in respect of sales of the Group's products. Other credit risks, which relate to bank deposits and counterparties under financial contracts, are considered to be insignificant.

The maximum credit risk related to financial assets corresponds to the carrying amounts recognised in the balance sheet. The H+H Group does not have any material risks relating to a single customer, business partner or country.

The Group's customers are primarily large well-consolidated builders' merchants. The Group has modest credit exposure to housebuilders and developers in a few markets.

In keeping with the Group's credit policy, all major customers and other business partners are credit rated on a regular basis. Credit limits are determined on the basis of the individual customer's and counterparty's credit rating. If the credit rating of a customer or counterparty is considered not to be sufficient, the payment terms will be changed or security or credit insurance will be obtained.

The Group regularly monitors its credit exposure to customers and counterparties as part of its risk management. The customer types in the individual segments are typically very similar, regardless of which segment they come from. The Group has historically suffered relatively small losses as a result of non-payment on the part of customers or counterparties. These losses have been evenly distributed among the Group's geographical segments. The credit quality of receivables is consequently considered to be identical, regardless of which segment the receivable comes from.

Hedge accounting

The H+H Group uses financial instruments, including derivatives, to a limited extent only to hedge financial risks.

Hedging of expected future transactions (cash flow hedging)

The table below shows the fair value of the Group's hedging transactions for 2008 and 2007 broken down by hedging instrument. The fair value of those financial instruments that qualify for designation as hedging instruments under IAS 39 is recognised directly in equity until the hedged items are recognised in the income statement.

A loss of DKK 1.4 million after tax was recognised via equity at the end of 2008. A gain of DKK 3.2 million after tax was recognised via equity at the end of 2007.

25 Financial instruments and financial risks – continued

Financial instruments that hedge expected transactions and qualify for designation as hedge accounting in accordance with IAS 39

DKK '000	2008			2007		
	Gain/loss recognised in equity	Fair value at 31 December	Time to maturity	Gain/loss recognised in equity	Fair value at 31 December	Time to maturity
Hedging transaction, commodity prices	-	-	-	1.862	0	-
Interest rate swap – PLN 80 million	(3,422)	(226)	1-3 years	3,196	3,196	1-3 years
Interest rate swap – DKK 270 million	(955)	(955)	0-1 year	-	-	-
Interest rate swap – CZK 400 million	(241)	(241)	0-1 year	-	-	-
	(4,618)	(1,422)		5,058	3,196	

In December 2006, the purchase prices for gas supplies in the UK were fixed for the period January to September 2007 using gas forwards. No contracts fixing gas purchase prices were entered into in 2008.

At the start of 2007, an interest rate swap was entered into to hedge the interest rate risk on part of the loan portfolio in Poland. The hedged liability amounts to PLN 80 million, and the fixed rate is 4.895%. The hedging contract is expected to have an impact on the income statement over the term of the contract.

In the middle of the fourth quarter of 2008, the interest rate on three dedicated loans was fixed for the coming six months.

Any ineffectiveness on hedging instruments is recognised directly in the income statement and appears from notes 7 and 8. Hedging instruments did not result in ineffectiveness in either 2008 or 2007.

Other derivatives

The fair value of those financial instruments that do not qualify for designation as hedging instruments according to IAS 39 is recognised directly in the income statement and appears from notes 8 and 9. A loss of DKK 0.7 million was recognised in the income statement in 2008 (2007: no gains or losses).

Financial instruments that hedge expected transactions but do not qualify as hedge accounting in accordance with IAS 39

DKK '000	2008			2007		
	Recognised gain/loss	Fair value at 31 December	Time to maturity	Recognised gain/loss	Fair value at 31 December	Time to maturity
Interest rate swap-PLN 100 million	(686)	(686)	0-1 year	-	-	-
	(686)	(686)		-	-	-

Notes

25 Financial instruments and financial risks – continued

Classification and fair value of financial instruments

The fair value of unlisted financial instruments is determined as the present value of expected future instalments and interest payments. The current market rate for instruments with similar maturities is used as discount rate.

It is estimated that the fair value of financial instruments relating to the purchase and sale of products, etc. with a short credit period matches the carrying amount. For a description of accounting policies and methods, including recognition criteria and basis of measurement, reference is made to the relevant sections under accounting policies.

Categories of financial instruments

DKK '000	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets used as hedging instruments	0	0	3,196	3,196
Trade receivables	94,945	94,945	150,741	150,741
Other receivables	49,212	49,212	66,288	66,288
Cash	7,741	7,741	12,206	12,206
Total receivables	151,898	151,898	229,235	229,235
Financial liabilities measured at fair value via the income statement	686	686	0	0
Financial liabilities used as hedging instruments	1,422	1,422	0	0
Finance lease liabilities	998	998	2,042	2,042
Loans	869,783	869,783	390,937	390,937
Trade payables and other payables	179,019	179,019	232,695	232,695
Total financial liabilities measured at amortised cost	1,049,800	1,049,800	625,674	625,674

26 Major shareholders and groups of shareholders

	Parent company			
	Nominal value	% of total	Votes	% of total
Share capital:				
A shares	24,000,000		24,000,000	
B shares (treasury shares have been deducted under votes)	85,000,000		8,295,110	
Total	109,000,000		32,295,110	

Major shareholders				
The following shareholders held more than 5% of the share capital or at least 5% of the voting rights in H+H International A/S at 1 February 2009:				
Henriksen og Henriksen I/S c/o Oluf Engell, Lawyer, Copenhagen A shares	24,000,000	22.02	24,000,000	74.31
Danish Labour Market Supplementary Pension Fund (ATP) and ATP Invest, Hillerød B shares	13,275,200	12.18	1,327,520	4.11
Holdingselskabet af 9/11 2001 ApS, Copenhagen B shares	10,402,000	9.54	1,040,200	3.22
LD Equity 1 K/S and Den professionelle Forening LD B shares	9,134,900	8.38	913,490	2.83

The calculations of ownership interest and voting rights cover both A shares and B shares, whereas the company's holding of treasury shares is excluded from the calculation of the share of voting rights (20,489 B shares). The calculation of a major shareholder's holding includes shareholdings through controlling companies, but excludes ownership of a partnership interest in the A shareholder, Henriksen og Henriksen I/S.

Groups of shareholders	Nominal value	% of total	Votes	% of total
Henriksen og Henriksen I/S	24,000,000	22.02	24,000,000	74.31
Supervisory Board and Executive Board	10,532,000	9.66	1,053,200	3.26
LD and ATP	22,410,100	20.57	2,241,010	6.94
Foreign investors	6,050,100	5.55	605,010	1.87
H+H International A/S	2,048,900	1.88	-	-
Other registered shareholders	23,078,800	21.17	2,307,880	7.15
Unregistered shareholders	20,880,100	19.15	2,088,010	6.47
Total	109,000,000	100.00	32,295,110	100.00

27 Events after the reporting date

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

Notes

28 New International Financial Reporting Standards and IFRIC interpretations

The IASB has issued the following new standards (IASs and IFRSs) and interpretations (IFRICs) that are not mandatory for the H+H Group in connection with the preparation of the annual report for 2008: IAS 1, 23 and 27; IFRS 2, 3 and 8; IFRIC 12, 13 and 15-18; and amendments to IAS 32 and IAS 1, amendments to IAS 39 and amendments to IFRS 1 and IAS 27; as well as improvements to IFRSs May 2008. IFRS 3, IAS 27, the said amendments and IFRIC 12 and 15-18 have yet to be adopted by the EU.

- IAS 1 (revised 2007) Presentation of Financial Statements applies to financial years beginning on or after 1 January 2009. The standard changes the presentation of the primary statements in 2009.

- IFRS 8 Operating Segments on segment disclosures applies to financial years beginning on or after 1 January 2009. The standard will affect the presentation of the Group's segments only and not recognition and measurement in the annual report. Under the new standard, information will no longer be required to be presented in respect of both business and geographical segments, only segment information that corresponds to internal management reports.

- IAS 23 (revised 2007) Borrowing Costs applies to financial years beginning on or after 1 January 2009. IAS 23 (revised 2007) requires recognition of borrowing costs in the cost of qualifying assets (intangible assets; property, plant and equipment; and inventories). The H+H Group already capitalises borrowing costs that are directly attributable to the production of qualifying assets. IAS 23 (revised 2007) is consequently not expected to have any impact on the H+H Group's financial reporting.

- IFRS 3 (revised 2007) Business Combinations (and the concurrent revision of IAS 27) applies to financial years beginning on or after 1 July 2009. The H+H Group does not expect to use the option to recognise goodwill relating to any minority shareholders in acquired enterprises, and expects that a number of the technical adjustments to the purchase method in IFRS 3 will only have minor impact on its financial reporting (IFRS 3 and IAS 27 have yet to be adopted by the EU).

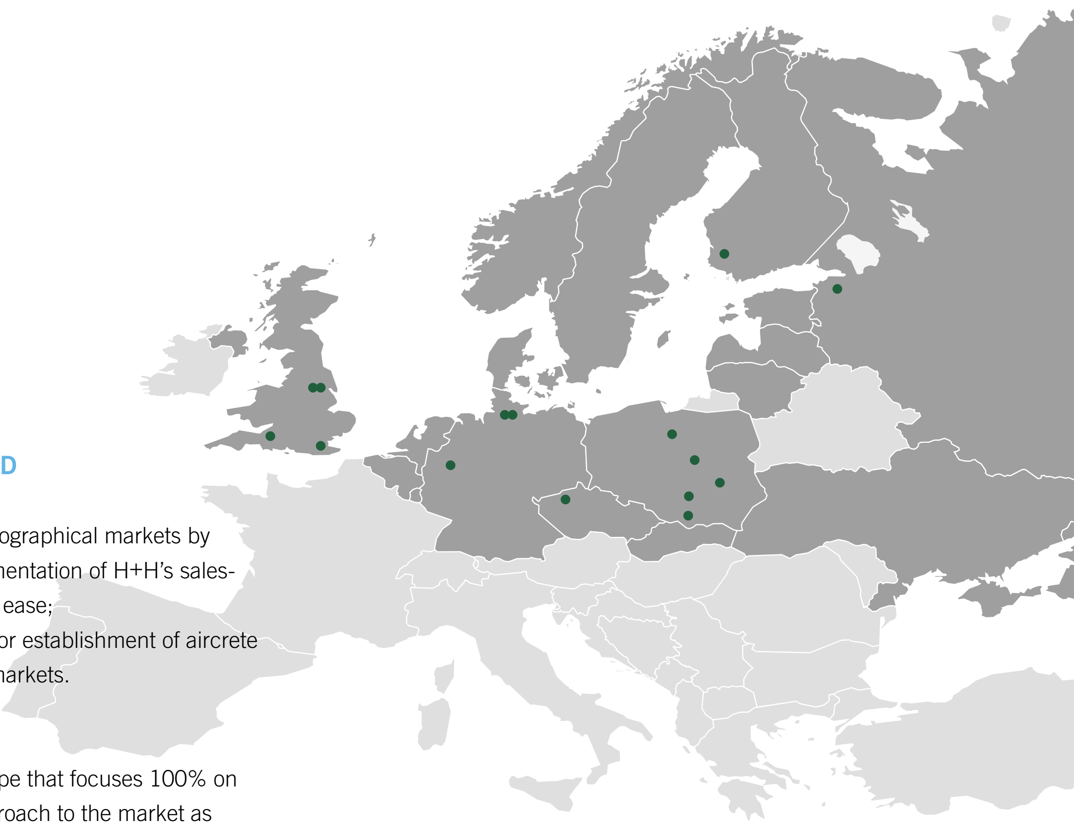
- IFRIC 13 Customer Loyalty Programmes is effective for financial years beginning on or after 1 January 2009. The H+H Group has no customer loyalty programmes, and IFRIC 13 is consequently not expected to have any impact on the financial reporting.

- IFRIC 15 is effective for financial years beginning 1 January 2009. The interpretation classifies agreements with a view to determining when the percentage-of-completion approach and the completed sale approach, respectively, can be applied. IFRIC 15 is not expected to have any impact on the H+H Group's financial reporting.

- The amendment to IAS 38 as a result of the improvement project (2007) has no impact on the H+H Group. Amendments to IAS 38 will be effective for financial years beginning 1 January 2009. The standard specifies that catalogues and other advertising and promotional material must be accounted for as marketing activities.

None of the new standards and interpretations is expected to have a significant impact on the H+H Group's financial reporting. The H+H Group expects to implement the new IFRSs and IFRICs from the mandatory effective dates.

Strategy



GROWTH IS THE WAY FORWARD

H+H has a clear growth strategy:

- organic growth of H+H's existing geographical markets by continued development and implementation of H+H's sales-driven business strategy, Build with ease;
- geographical growth by acquisition or establishment of aircrete factories and sales entities in new markets.

BUILD WITH EASE

H+H is the only major supplier in Europe that focuses 100% on aircrete. H+H describes its overall approach to the market as Build with ease.

The overriding parameter for the customers is that H+H's products and solutions in aircrete are easy to work with. H+H focuses strategically on being a market leader by offering solutions where service and products differentiate themselves by their simplicity compared with those of alternative suppliers.

H+H strives to continually improve by focusing on the whole of the value chain – from development of innovative solutions to delivery of quality products to the building site.

H+H's approach can be described using H+H's three cornerstones:

- *quality aircrete* is the foundation of our company
- *trusted partner* is our reputation in the industry
- *innovative solutions* are how we create results

H+H EXPANDING TOWARDS THE EAST

Since its decision in 2005 to focus on geographical expansion as part of its growth strategy, H+H has been expanding into several new geographical markets. The expansion has focused on Eastern Europe, although new sales entities have also been established in Central Europe to strengthen the position there.

From and including 2005, H+H has acquired six factories – five in Poland and one in the Czech Republic. A total of five sales entities have been established since 2005, in Slovakia, Ukraine, the Netherlands, Belgium and Latvia, the latter with all the Baltic States as sales area. In 2007, a decision was made to commence the construction of an aircrete factory in Russia.

H+H's geographical expansion is concentrated in Eastern Europe, where aircrete is a well-known and popular building material. Furthermore, most Eastern European countries enjoy significant economic growth, both at present and in the medium term. The growth rates for the construction sector are thus high in the countries into which H+H has expanded or is in the process of expanding into, compared with the growth rates for the construction sector in several of H+H's existing Northern European markets.

Apart from the fact that the favourable economic development in Eastern Europe and the Eastern European tradition of using aircrete in construction make it natural to expand into these countries, it is also part of H+H's geographical growth strategy to expand primarily into countries adjoining its existing markets. This increases the opportunities for intragroup trading between H+H's companies in neighbouring countries, and sales of H+H's products in these countries can be optimised taking into account H+H's capacity at its factories in the region and any differences between price levels and demand in the various countries.

UPGRADING OF ACQUIRED FACTORIES

In keeping with H+H's Build with ease strategy to supply modern, high-quality construction systems, H+H evaluates the need for upgrading of the acquired factories on an ongoing basis. H+H's factory in the Czech Republic and one of its factories in Poland have thus undergone radical upgrading that will enable both factories to manufacture top-quality thin-joint blocks and will increase their capacity.

ESTABLISHMENT OF NEW FACTORIES

As mentioned, a substantial part of H+H's geographical expansion is by establishment of new factories, and H+H is currently establishing a new factory in Russia, which will have an annual capacity of approx. 400,000 m^3 thin-joint blocks. According to the plan, the factory will be operational in the middle of the first half of 2009.

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