Annual Report 2009
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 was established in Denmark with the object of carrying on sand and gravel activities.

H+H started manufacturing aircrete in 1937, as one of the pioneers, and consequently has more than 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 also used for commercial and industrial building projects.

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 14 countries and has a total of approx. 1,200 employees.

HOW

H+H's overall long-term strategy for growth is two-pronged:

- organic revenue growth in H+H's existing geographical markets through increased solution sales to customers – the Build with ease concept;
- geographical expansion through acquisition or establishment of aircrete factories or sales entities in new markets adjoining H+H's existing markets. Given the current trading environment, with a low level of building activity, and the Group's financial position, this element of the strategy has been put on hold for the next few years.

Contents

Five-year summary

Income statement (DKKm)	2009	2008	2007	2006	2005
Revenue	1,068.0	1,439.5	1,850.2	1,662.4	1,354.4
Gross profit	247.7	437.3	652.0	559.8	507.1
Profit before depreciation amortisation and financial items (EBITDA)	1.0	135.5	347.1	234.5	230.4
Operating profit (EBIT)	(205.3)	19.0	222.4	128.9	141.6
Net financing costs	(58.3)	(17.6)	(17.4)	(14.8)	6.2
Profit before tax	(263.5)	1.4	205.1	114.0	147.8
Profit for the year	(230.8	1.7	157.5	74.3	100.3
Balance sheet – assets (DKKm)					
Non-current assets	1,495.4	1,558.9	1,361.7	1,248.4	1,046.6
Current assets	359.6	363.9	422.1	389.8	372.9
Total assets	1,855.0	1,922.8	1,783.7	1,638.2	1,419.5
Balance sheet – equity and liabilities (DKKm)					
Share capital	490.5	109.0	116.0	116.0	116.0
Equity	958.2	743.2	990.3	870.4	827.7
Non-current liabilities	749.6	1,015.7	180.0	180.9	160.6
Current liabilities	147.2	163.9	613.4	586.8	431.2
Total equity and liabilities	1,855.0	1,922.8	1,783.7	1,638.2	1,419.5
Cash flow (DKKm)					
Cash flow from operating activities	(41.7)	60.8	266.5	59.9	206.5
Cash flow from investing activities	(119.4)	(476.9)	(259.5)	(246.4)	(246.8)
Free cash flow	(161.1)	(416.1)	7.0	(186.5)	(40.3)
Investments and debt (DKKm)					
Investments in non-current assets during the period	104.6	492.7	263.0	156.0	122.1
Interest-bearing debt (net)	595.8	863.0	380.8	353.1	123.5
Financial ratios					
Gross margin	23.2%	30.4%	33.2%	33.7%	37.4%
Operating margin (EBITA margin)	(11.3%)	1.3%	12.5%	7.8%	10.5%
Return on invested capital (ROIC)	(7.2%)	1.2%	16.1%	10.6%	14.4%
Return on equity	(27.3%)	0.2%	16.9%	8.8%	12.8%
Solvency ratio	51.7%	38.7%	55.5%	53.1%	58.3%
Average number of shares outstanding	1,432,844	1,090,436	1,146,072	1,147,872	1,137,012
Adjusted average number of shares outstanding	2,457,792	2,180,872	2,292,144	2,295,744	2,274,025
Share price, year-end (DKK)	63	304	1,362	1,842	1,351
Book value per share, year-end (DKK)	98	682	854	750	713
Price/book value	0.6	0.4	1.6	2.5	1.9
Price-earnings ratio (PE)	(0.7)	199.9	9.9	28.3	15.3
Earnings share per share (adjusted)	(94.6)	0.8	68.7	32.5	44.1
Diluted earnings per share (adjusted)	(94.6)	0.8	68.5	32.5	43.7
Dividend per share (adusted)	0	0	15.0	10.0	17.5
Payout ratio	0.0%	0.0%	22.1%	31.1%	40.5%
Average full-time equivalent staff	1,238	1,282	1,379	1,385	712

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

The result before tax was a loss of DKK 263.5 million (2008: profit of DKK 1.4 million), of which special items accounted for an expense of DKK 105 million. The result before tax was in line with the most recently announced outlook of a loss in the region of DKK 255-265 million.

- Revenue was DKK 1,068 million (2008: DKK 1,439 million), down 26%.

- The financial crisis had a very major impact on all of the Group's markets, resulting in a decrease in revenue during the year. H+H has initiated further cost-saving measures as a consequence of the low revenue figure.

- At the end of the year, H+H International A/S completed a rights issue that contributed additional capital of DKK 435 million net. The rights issue was based on a wish to strengthen the company's capital structure. Following the completion of the rights issue, the company has only one share class, and all shares carry the same rights, including voting rights.

- A new factory near St Petersburg in Russia was officially opened and production has started.

- Equity increased by DKK 215 million, standing at DKK 958 million at the end of 2009. With a balance sheet total of DKK 1,855 million, the solvency ratio was 51.5%.

- The Board of Directors will recommend at the annual general meeting that no dividend be paid for 2009.

- H+H expects a loss before tax for the 2010 financial year, although somewhat smaller than the DKK 158.5 million loss for 2009 before tax and special items. Free cash flows are expected to be neutral. Total investments are expected to be less than DKK 50 million.

Review of the year

Major highlights

In the second half of 2008 the Group was hit hard by the financial crisis and the resulting general economic downturn and, especially, the decline in residential construction. The number of new housing units fell sharply and this had a serious adverse impact on the Group's aircrete sales and similarly revenue and earnings. This trend continued into 2009, with the Group's revenue and earnings declining in all geographical markets.

The financial crisis hit at a time when H+H was in the process of implementing a considerable and far advanced investment programme, which was decided on in 2006, with implementation commencing in 2006 and the first half of 2007. Had management had any knowledge of the downturn that was around the corner, and its severity, management would have acted differently as far as the investment programme is concerned.

H+H has responded to this trend and, particularly from the second half of 2008 and in 2009, has been focusing on aligning production capacity and cost structure. A major realignment of the Group's selling costs, administrative expenses and production overheads was carried out in the second half of 2008. Besides a reduction in staff numbers, the realignment included changes in the production structure and a sharp prioritisation of business activities. Further measures to reduce fixed costs were put in place in 2009. For example, the Group has temporarily shut down and, in 2009, reduced the carrying amount of the Westbury factory in the UK to nil. Since the start of the financial crisis in autumn 2008, the number of full-time employees has been reduced by just under 260 gross (calculated before recruitment in connection with the factories in Kikerino in Russia and Most in the Czech Republic). Staff costs were reduced by 21% in 2009, equivalent to DKK 273 million, compared with 2008 excluding costs for termination benefits.

Investments totalling DKK 105 million were incurred in 2009, predominantly relating to the construction of an aircrete factory in Kikerino, 70 km southwest of St Petersburg in Russia. The work on the construction of the factory near St Petersburg proceeded to plan. The factory was ready to start production in mid-2009 and manufactured 103,000 m^3 of aircrete in the second half of 2009 that was sold in the local market. The factory has an annual production capacity of around 400,000 m^3 of top-quality aircrete.

The substantial investment in production capacity in recent years coupled with a significant decrease in revenue means that the Group's production capacity is not being utilised in full. As a result, when markets recover and sales volume picks up again, the Group will be equipped to handle the increased sales volume with its existing production capacity. In the current trading environment, H+H will only make essential maintenance investments which are expected to amount to less than DKK 50 million annually. Expansionary investment initiatives have been put on hold.

As a result of its declining earnings, the Group has shelved potential plans to build a new factory in Poland and in Ukraine, and has consequently reduced the carrying amount of equipment already supplied to nil, and made a provision in respect of the remaining contractual obligation. The impairment loss and provision total DKK 58.5 million.

Completion of rights issue

The decrease in consolidated revenue has led to a substantial decline in earnings, as the Group has been unable to reduce costs in line with the decrease in revenue. The decrease in consolidated revenue and earnings led to a breach of certain covenants in H+H's loan agreements with Danske Bank A/S.

Against this background, H+H International A/S initiated a capital raising process in spring 2009 with the aim of strengthening its capital base. In this connection a number of discussions were held with both existing and potential new shareholders with a view to exploring potential structures for strengthening the capital base. The process was concluded on 8 October 2009 when a group consisting of existing shareholders and new investors reached agreement on a rights issue in the company.

In connection with the completion of the rights issue in December 2009, the company entered into restated and amended loan agreements with Danske Bank A/S on the continuation of the Group's financing facilities with a total credit line equivalent to approx. DKK 1,050 million.

The rights issue resulted in a net capital injection of DKK 435 million for H+H International A/S.

The reason for the rights issue was a wish to strengthen the company's financial position in order to provide a stronger financial base for H+H's future development in a market characterised by considerably lower volumes due to the general economic downturn and poor predictability.

Following the completion of the rights issue, the company has only one share class, and all shares carry the same rights, including voting rights.

Financial highlights

The result before tax for 2009 was a loss of DKK 263.5 million (2008: profit of DKK 1.4 million), of which special items accounted for an expense of DKK 105 million. The result before tax was in line with the most recently announced expectations of a loss in the region of DKK 255-265 million. The original full-year outlook was profit in the region of DKK 0-30 million.

Revenue was DKK 1,068 million (2008: DKK 1,439 million), down 26%.

WESTERN EUROPE

H+H Danmark A/S

Sales in Denmark in 2009 were affected by the very low level of construction activity in Denmark. The current low level of activity is expected to continue in 2010.

H+H Deutschland GmbH

The German residential construction market saw a downturn in 2009. The number of housing completions is expected to stabilise at the 2009 end level in 2010.

The slowdown in construction meant that H+H's 2009 revenue in Germany was down on 2008. Price pressure in the market increased, primarily in the second half of 2009, while the sales volume to the German market remained stable. Sales from the German factories to affiliated companies in 2009 were somewhat down on the previous year. H+H responded to the lower overall volumes by reducing the number of production shifts and fixed costs.

H+H Finland Oy

H+H's factory manufactures blocks and reinforced products. The factory supplies the Swedish market as well as Finland. The level of both commercial and residential construction in Finland was very low in 2009. The low level of activity is expected to continue into 2010.

H+H Nederland B.V.

In autumn 2008, H+H established a sales subsidiary in the Netherlands with a view to increasing its sales in this market. Revenue in this market showed an upward trend in 2009, although the level of construction activity in the Dutch market was lower than anticipated. Increased sales are expected for the Netherlands in 2010.

H+H Sverige AB

The Swedish construction market has been hit hard by the financial crisis. The Swedish krone has fallen against the euro, which has impaired the company's competitiveness compared with substitute, locally manufactured building materials. The market is expected to pick up slightly in 2010.

H+H UK Limited

The UK construction market has been hit hard by the financial crisis. Approved mortgage applications for house purchase and housebuilding reached a low in November 2008. Approved applications have since doubled – albeit from a very low starting point. Overall UK aircrete production volume has been declining since 2006. Despite seasonal fluctuations in production, H+H believes that the bottom has now been reached, and is consequently expecting 2010 to be better than 2009.

H+H's 2009 revenue in the UK was down on 2008 due to the slowdown in construction. However, the second half of 2009 was ahead of the same period the previous year. H+H has responded by reducing the number of production shifts at the factories, including staff cuts. Furthermore, H+H has temporarily shut down the Westbury factory in the UK and reduced its carrying amount to nil.

Jämera-kivitalot Oy (Finland)

The company designs and arranges the construction of houses built in aircrete for private individuals. At the end of 2008, the company was hived off from H+H Finland Oy to form a separate legal entity. The company experienced a low level of activity in 2009 that is expected to continue in 2010.

EASTERN EUROPE

H+H Česká republika s.r.o.

The factory in the Czech Republic underwent extensive upgrading in 2007 and 2008. Upgrading of the factory was completed in early 2009. The factory is manufacturing according to plan. Sales showed an upward trend in 2009 that is expected to continue in 2010.

The Czech factory supplies the markets in the Czech Republic, Slovakia and southern Germany.

H+H Polska Sp. z o.o.

The Polish newbuild market was hit hard by the financial crisis in 2009. The number of housing starts was down around 20% on 2008. Furthermore, price competition for aircrete was severe. Market conditions are expected to show a slight improvement in 2010.

The factories in Poland supply the Polish market, as well as the Baltic and Ukrainian markets via H+H's sales subsidiaries in Latvia and Ukraine. Both the Baltic and the Ukrainian markets were particularly hard hit by falling exchange rates and a very low level of activity. This prompted a decision at the end of 2009 to reduce the number of production shifts at H+H's factory in Pulawy in Poland.

OOO H+H (Russia)

The completion of the factory near St Petersburg has been finished. The factory was ready to start production in mid-2009 and has been manufacturing and selling products to the Russian market ever since. The Russian market has been hit hard by the financial crisis, but as H+H has only recently started to sell to this market, the financial crisis has only had a minimal effect in relative terms. Significantly higher production and sales are anticipated for 2010.

Going forward, the factory will also be able to supply the Finnish and Baltic markets.

H+H believes that, going forward, the Eastern European market will be attractive for the Group, offering good potential for growth, despite the financial crisis.

Segment information

Amounts in DKK million	2009	2008	2009	2008
	Western Europe		Eastern Europe	
Revenue	753.4	1.010.6	314.6	428.9
EBITDA	30.9	112.4	12.0	65.1
EBITA	(55.5)	20.0	(22.2)	41.9
EBIT	(76.5)	20.0	(28.2)	41.9
Profit (loss) before tax*	(96.5)	(1.7)	(62.8)	31.2
Non-current assets	666.5	730.0	811.3	818.7
Addition on intangible assets and property, plant and equipment	14.2	44.5	80.3	417.4
Depreciation	86.4	92.4	34.2	23.2
Assets	920.3	1.014.5	930.2	768.1
Equity	314.3	384.5	206.0	144.9
Liabilities	606.0	630.0	724.2	623.3
Average full-time equivalent staff	520	603	699	662

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

The presentation of the Group's segments has been changed from 2009 as a result of the implementation of 'IFRS 8 Operating Segments'. Comparative figures for 2008 have been restated to reflect the new format. Further information about the Group's segments is disclosed in note 3.

Outlook for 2010

The full-year 2010 result before tax is expected to be a loss, although smaller than the DKK 158.5 million loss in 2009 before tax and special items.

Free cash flows are expected to be neutral, and interest-bearing debt at the end of 2010 is consequently expected to be in the region of DKK 610 million.

Total investments in 2010 are expected to be less than DKK 50 million.

Assumptions

H+H believes that the principal assumptions for the Group's outlook for the 2010 financial year relate to:

- sales volumes and product mix;
- price competition in a number of the Group's markets;
- the general economic development;
- the development in the building materials market;
- exchange rates;
- distribution factors;
- production efficiency;
- realisation of cost savings;
- the weather.

The assumptions on which H+H's outlook for the 2010 financial year is based include the following:

- an expectation that the general economic development will have stabilised and that the price level for the Group's products will increase slightly compared with November 2009;

- that agreements will be concluded with a number of new and existing customers, underpinning sales and obviating the need to recognise impairment losses or incur restructuring costs;

- that H+H has no plans to enter into any currency hedging contracts for 2010, and that exchange rates, primarily for GBP, EUR, PLN, RUB and CZK, will be on a par with the rates at the end of November 2009. The outlook is based on the following exchange rates: GBP/DKK 8.50, EUR/DKK 7.45, PLN/DKK 1.80, RUB/DKK 0.17 and CZK/DKK 0.29;

- stable energy and raw material prices compared with end-November 2009.

Market outlook

The low level of construction activity due to the financial crisis is expected to persist in most of the Group's markets in 2010. However, the effect of the crisis is expected to differ considerably from market to market. Counteracting the lower demand resulting from the financial crisis, 2010 will benefit from H+H's increased revenue in new markets in Russia and the Czech Republic.

The aircrete market in and around the Czech Republic is expected to amount to around 1,400,000 m^3 annually. 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 other aircrete suppliers.

With an annual production capacity of more than 400,000 m^3, the new factory near St Petersburg, Russia, will be able to service the market with an alternative to other aircrete manufacturers' supplies of lower-quality aircrete from remote factories.

Forward-looking statements:
The forward-looking statements in this annual report reflect management's current expectations of 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 and introduction of competing products.

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, or the rules for issuers on NASDAQ OMX Copenhagen A/S.

We will realise the full potential of aircrete

H+H aircrete is renowned for its high quality and precision measurements. All products that leave our production facilities comply with European regulations along with local, and often stricter, quality requirements.

H+H's new factory in Kikerino, Russia.

Financial review

INCOME STATEMENT

Results

The full-year result before tax was a loss of DKK 263.5 million (2008: profit of DKK 1.4 million), in line with the most recently announced outlook of a loss in the region of DKK 255-265 million. The original full-year outlook was profit before tax in the region of DKK 0-30 million.

The result for 2009 was adversely affected by special items of DKK 105 million, although most of these did not have any effect on cash flow. Further details of special items are given under 'Depreciation and impairment losses' below.

In future, the H+H Group's reporting segments will include four segments only: Western Europe production companies, Western Europe sales companies, Eastern Europe production companies and Eastern Europe sales companies. The segments are defined in note 3.

H+H's sales primarily go to residential construction, which, in all markets, is hard hit by the financial crisis. All reporting segments consequently experienced a considerable downturn compared with 2008.

The presentation in the income statement has been changed from 2009 and onward. Looking forward, gross profit will include wages, salaries and production overheads. All comparative figures have been restated.

Revenue

Revenue was DKK 1,068 million (2008: DKK 1,439 million), down DKK 371 million or 26%. Changes in exchange rates depressed revenue by 8.9 percentage points. The decline in revenue reflected both a decrease in volume and considerable price pressure.

In the Western European segment revenue was down DKK 257 million, with exchange rates depressing revenue by DKK 40 million. The volume sold in Western Europe was realised at a significantly lower level than in 2008. The decline in sales is estimated to be largely on a par with the overall decline in the aircrete market. Average prices were realised at a lower level. Almost all markets contributed to the decline in revenue.

In the Eastern European segment revenue was down DKK 114.3 million, with exchange rates depressing revenue by DKK 59 million. The volume sold in Eastern Europe was realised at a marginally lower level than in 2008. The decline in sales is estimated to be largely on a par with the overall decline in the aircrete market. Average prices were realised at a somewhat lower level. Poland experienced the largest decline in revenue.

Production costs

Total production costs were lower in 2009 than in 2008. This was primarily due to production volume having been aligned to the lower sales. Furthermore, at the end of 2008, various cost reductions were implemented, the full effect of which was felt in 2009. In addition, a substantial part of the lower production costs was due to lower raw material prices and lower volume.

Other external expenses

Other external expenses were considerably lower than in 2008, primarily reflecting lower production, lower exchange rates, and savings.

Depreciation and impairment losses

Depreciation for the year was higher than in 2008, reflecting the fact that the upgrading of the factories in Most in the Czech Republic and Gorzkowice in Poland has been completed and depreciation commenced. Furthermore, depreciation of the recently completed factory in Kikerino near St Petersburg in Russia commenced at the start of the fourth quarter 2009.

The H+H Group recognised considerable impairment losses in 2009. A decision was made in mid-2009 to write down the temporarily closed factory in Westbury in the UK to nil, as it was difficult to determine when the factory could be reopened. Moreover, a decision was made in 2009 to write down two development projects, as it was considered less likely that the projects would be utilised commercially. In addition, a decision was made to write down factory equipment for aircrete factories as a result of new expansion plans having been shelved.

Overall, special items amounted to a charge of DKK 105 million.

Special items	
Amounts in DKK million	**2009**
Impairment losses on non-current assets and provision for onerous contract	(58.5)
Impairment losses and provisions relating to UK factory	(19.0)
Impairment losses on development projects	(15.9)
Value adjustments to inventories	(7.6)
Other items	(4.0)
Total	(105.0)

Financial income and expenses

Financial income and expenses amounted to DKK 58 million (net), up DKK 41 million on 2008, mainly reflecting higher net interest-bearing debt and lower capitalised interest.

Income tax expense

Income tax expense was DKK 31 million (2008: DKK 0.3 million).

BALANCE SHEET

Investments in property, plant and equipment and intangible assets

Investments totalled DKK 104.6 million (2008: DKK 493 million). The principal proportion of the investments related to the completion of the aircrete factory southwest of St Petersburg in Russia.

In 2009, financing costs of DKK 9.2 million (2008: DKK 17 million) and own costs of DKK 7.0 million (2008: DKK 11 million) were capitalised. At the end of 2009, no significant, binding contracts for further investments had been concluded, with the exception of a deferred payment of approx. DKK 8 million relating to an onerous contract.

Financing

Net interest-bearing debt totalled DKK 596 million at the end of 2009 (2008: DKK 863 million), corresponding to a decrease of DKK 267 million. Assuming unchanged exchange rates from the start to the end of the year, net interest-bearing debt would have totalled DKK 594 million at the end of 2009.

In connection with the determination of interest-bearing debt, no adjustments have been made in respect of expenses not yet paid related to the rights issue and the deferred payment relating to an onerous contract. Adjusted for these amounts, interest-bearing debt would have amounted to around DKK 610 million.

The capital base was strengthened at the end of 2009. Gross proceeds from the rights issue totalled approx. DKK 471 million, equivalent to net proceeds of approx. DKK 435 million after deduction of costs relating to the offering.

Adjusted for net proceeds received, net interest-bearing debt would have been DKK 1,035 million, slightly ahead of the most recently announced expectations for 2009 of DKK 1,050 million.

Operating activities generated a cash outflow of DKK 42 million (2008: inflow of DKK 61 million). The result before depreciation and financial income and expenses benefited from operating cash flow by DKK 1 million (2008: inflow of DKK 136 million), while the net effect of the development in inventories, receivables and trade payables and other payables reduced operating cash flow by DKK 6.0 million (2008: outflow of DKK 20.6 million).

Cash flows from investing activities totalled DKK 119.4 million (2008: DKK 477 million), and proceeds from the disposal of non-current assets amounted to DKK 3.1 million (2008: DKK 6.4 million).

Equity

The H+H Group's equity increased by DKK 215 million during the financial year, standing at DKK 958 million at the end of the year.

The result for the year depressed equity by DKK 232 million, while foreign exchange adjustments of investments, etc., added DKK 7.6 million to equity. Furthermore, equity benefited from the DKK 435 million net capital injection.

Changes in equity	
Amounts in DKK million	
Balance at 1 January 2009	743.2
Retained earnings	(232.5)
Treasury shares, net	0.9
Value adjustments, investments, etc.	7.6
Fair value adjustments of hedging instruments	1.4
Increase of share capital, net	434.9
Other adjustments	2.7
Balance at 31 December 2009	958.2

Dividends

The Board of Directors will recommend at the annual general meeting on 8 April 2010 that no dividend be paid for the 2009 financial year.

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 Western 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 locally produced aircrete.

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 35% of revenue. All other things being equal, if revenue were to fall by 100 this would have an immediate adverse effect of 35 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 framework agreements being entered into. 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 housebuilders and the actual sales recorded by builders' merchants. Order books in the Group's largest markets are very modest. Sales visibility beyond one to two weeks ahead is consequently poor and primarily based on reports from customers and on various external indicators such as building permit trends and mortgage approvals. 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 sH+H's sales.

The financial crisis and subsequent global economic downturn, including particularly the development in the construction sector, have had a severe direct and indirect impact on the H+H Group. The downturn has led to sharply rising unemployment, a growing number of company failures and bankruptcies and falling consumer spending, and it has become considerably more difficult to access finance for newbuilding and refurbishment. The effect is global and is affecting many countries, sectors and industries, including the primary geographical markets to which most of the Group's revenue relates.

H+H may still suffer further decline and setbacks, directly and indirectly, and the crisis may also have other negative consequences.

H+H 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 for itself and is known as supplier of high-quality products. This position has been achieved via strong, locally based sales organisations. Generally, 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 in order 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 aircrete will continue to enjoy a strong position in future.

Raw material supplies and prices

The principal raw materials used in the production of aircrete products are cement, lime, water, and sand or pulverised fuel ash as well as reinforcing steel, along with a considerable energy consumption during production. Transportation costs also account for a considerable proportion of product costs. In the event of significant price increases on the raw materials and energy used in production or on transportation costs, and the Group being unable to offset these by increasing the prices of its products, this may have an adverse impact on the Group's profitability.

The Group has historically experienced considerable volatility in raw material, energy and transportation costs and is consequently exposed to price fluctuations.

Cement costs account for roughly one third of the total raw material consumption, excluding energy. Overall, cement costs correspond to around 8-10% of revenue.

The costs for energy consumption in production correspond 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

H+H presents its consolidated financial statements in Danish kroner. Most of the Group's products are produced and sold abroad. Sales in markets outside Denmark accounted for more than 90% of consolidated revenue for the 2009 financial year, with Germany, the UK and Poland as the largest markets.

The H+H Group's net cash flows are primarily denominated in EUR, GBP and PLN, and its principal exposure is currently tied to these. The main net exposure in terms of cash outflow is EUR, GBP and PLN. The Group is also exposed to CZK and RUB. The Group has considerable net investments in subsidiaries abroad, including in non-euro countries, resulting in a higher currency exposure. These foreign exchange adjustments are taken to consolidated equity.

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. Conversely, it is H+H's policy to accept unhedged currency exposure on ownership and income from investments, although such risk must be minimised taking into account the financial position and tax issues.

H+H's currency risks are not hedged by financial instruments at the balance sheet date.

Capital structure and cash flow

In recent years, the H+H Group has made major investments in Eastern Europe, in particular, and this has led to a substantial increase in net interest-bearing debt, especially in 2008. The fall in sales as a result of the financial crisis, coupled with the increased debt burden, has led to a significant increase in financial gearing in relation to earnings.

In future, the Group will continue to operate with a considerable level of debt funding. At the end of 2009, the Group's net interest-bearing debt stood at DKK 596 million.

In connection with the completion of the rights issue, H+H signed restated and amended loan agreements with Danske Bank A/S on the continuation of the Group's financing facilities with a total credit line corresponding to approx. DKK 1,050 million, including DKK 850 million that will be committed for five years until 31 December 2014 and a short-term DKK 50 million uncommitted credit line.

Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants. The effective interest rate for the Group in 2009 was at the 6.5% level (2008: 5.5%), partly reflecting the interest rate levels of the individual currencies. The effective interest rate for 2010 is expected to be slightly lower than in 2009.

At the end of 2009, an economic interest rate hedge on a PLN 80 million loan was made for a remaining period of three months. 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 one percentage point change in the interest rate will affect the result before tax for 2010 by a figure in the region of DKK 6 million. The

H+H International A/S's interest-bearing financial assets consist mainly of loans to subsidiaries. H+H International A/S's interest-bearing liabilities consist of payables to subsidiaries and bank overdrafts.

Granting of credit

H+H invoices its products through a number of builders' merchants across more than 14 countries. This reduces the Group's credit exposure to contractors and housebuilders, but consequently increases the exposure to builders' merchants. In keeping with the Group's credit policy, all major customers and business partners are credit rated internally on a regular basis; notwithstanding this, the Group is exposed to the risk of bad debt losses. The Group's use of credit insurance against bad debts is very limited.

RISK MANAGEMENT OF INTERNAL CONTROLS IN RELATION TO THE FINANCIAL REPORTING

H+H International A/S's Board of Directors and Executive Board are ultimately responsible for the Group's risk management and internal control environment in relation to the financial reporting, including compliance with relevant legislation and other regulation in relation to the financial statements.

The Board of Directors considers that tone at the top in each subsidiary is essential for good risk management and internal control in relation to the financial reporting process The Board of Directors' and Executive Board's attitude to good risk management and internal control in relation to the financial reporting is therefore constantly being strongly emphasised internally in the H+H Group.

The H+H Group's risk management, including internal controls in relation to the financial reporting process, is designed with a view to efficiently minimise the risk of errors and deficiencies.

The Board of Directors and Executive Board regularly assess material risks and internal controls in relation to the Group's activities and their potential impact on the financial reporting. The H+H Group's risk management and internal control environment are developed and improved on an ongoing basis so that they always match the requirements made of a large international group.

Control environment and monitoring

The Board of Directors assesses the H+H Group's organisational structure and manning in key areas at least once a year. The Board of Directors and Executive Board define and approve overall policies, procedures and controls in key areas in relation to the financial reporting. The basis is a well-defined organisational structure, unambiguous reporting lines, procedures for delegated authorities and certification, and adequate segregation of duties.

The Executive Board monitors compliance with relevant legislation and other rules and regulations in relation to the financial reporting. Reports are presented to the Board of Directors on a regular basis.

In April 2009, the Board of Directors decided to let the full Board of Directors take care of the duties normally undertaken by an audit committee.

Monitoring is in the form of continuous and periodical assessments and controls at all levels of the H+H Group. The scope and frequency of periodical assessments depend primarily on the risk assessment and the efficiency of the continuous controls.

Financial risks

Group Finance reviews and analyses the subsidiaries' financial reporting on a monthly basis. The financial reporting is supplemented by quarterly management's reviews and representation letters from the individual subsidiaries.

The key risks related to the financial reporting are assessed on an ongoing basis, along with measures aimed at controlling risks by eliminating and/or mitigating them. Group Finance works proactively on anchoring risk management across the organisation, including ensuring that all relevant risks are identified and handled in a systematic manner.

The Board of Directors and Executive Board continuously consider the risk of fraud and the measures that must be taken with a view to mitigating and/or eliminating such risks, including the possibility of the day-to-day management overriding controls or manipulating the financial reporting.

Control activities

Group Finance ensures that the H+H Group's financial processes are implemented and monitored. This ensures a uniform makeup and structure of the Group's internal controls. The aim of the Group's control activities is to ensure that the policies, manuals and other procedures defined by the Executive Board are adhered to. The activities also ensure that any errors, deviations and omissions are prevented, detected and corrected.

The H+H Group regularly implements financial processes and controls that are intended to assist in further mitigating the risk of misstatement. In 2009, efforts included the implementation of a common ERP platform that ensures further harmonisation and standardisation of the financial data process. Efforts will be made to integrate data processes still further in 2010.

We will demonstrate leadership in production excellence

In addition to standard aircrete products and systems, we also have facilities to manufacture more specialised products. This extends the scope for creating more complete and yet simpler solutions.

Investor relations

CAPITAL STRUCTURE

The Board of Directors and Executive Board regularly evaluate the capital structure based on expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to the shareholders.

As part of its expansion strategy, H+H decided to make substantial investments in upgrading and in increasing its production capacity in new geographical markets in Eastern Europe. These investments are the primary reason for H+H's debt, which, for most of 2009, amounted to approx. DKK 1 billion in net interest-bearing debt. The investment decisions as well as the implementation thereof were made in the period 2005-2007 at a time when H+H's earnings rose sharply to profit before tax of DKK 205 million for 2007. However, in mid-2008, after the start-up of the investment projects, H+H was hit hard by the sudden financial crisis, which meant that H+H's revenue, and consequently its earnings, fell drastically in the second half of 2008. Profit before tax for 2008 was consequently only DKK 1.4 million, and as revenue and profit continued to fall in the first half of 2009 the Board of Directors started exploring opportunities for recapitalising H+H International A/S.

In October 2009, the Board of Directors' soundings led to a decision to seek recapitalisation in the form of a rights issue. The resolution to complete the rights issue, along with a small capital reduction required for legal-technical reasons, was passed at an extraordinary general meeting on 27 November 2009 and carried into effect on 23 December 2009, resulting in net proceeds of DKK 435 million. As a consequence of the completion of the rights issue, H+H International A/S had a solvency ratio of 51.5% at the end of 2009 compared with 38.7% at the end of 2008.

H+H SHARES

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

The rights issue in December 2009 resulted in the merger of the A and B shares to form one share class, the reduction of the nominal value of each share from DKK 100 to DKK 50, and the issuing of 8,720,000 new shares with a nominal value of DKK 50 each.

In the period from the start of 2009 to the adoption by the shareholders in general meeting on 27 November 2009 of the capital reduction and simultaneous rights issue, the price fell by approx. 38% to DKK 206 per B share with a nominal value of DKK 100. By comparison, the OMXC20 index increased by approx. 25% up until 29 November 2009.

Turnover of the B shares in 2009 until the adoption by the shareholders in general meeting on 27 November 2009 was 557,224 at a total price of DKK 150,917,042.

DIVIDENDS

All major investment projects in H+H have now been completed, and, in the current trading environment, H+H expects investments of less than DKK 50 million in 2010. However, H+H International A/S's net interest-bearing debt is still relatively high compared with H+H's current revenue and earnings levels, and when and how quickly H+H's revenue and earnings will grow steadily again still remains uncertain.

As the result before tax for 2009 was a loss of DKK 263.5 and given the above uncertainty with respect to H+H's future earnings, the Board of Directors will recommend at the annual general meeting on 8 April 2010 that no dividend be paid for the 2009 financial year. Attention is also drawn to the fact that, according to the terms and conditions in H+H International A/S's loan agreements with Danske Bank A/S, the company's Board of Directors is subject to an obligation to the effect that any proposed resolution concerning the distribution of dividend for a given financial year must not exceed 50% of the company's profit after tax in the financial year in question.

It is a natural overall objective of H+H International A/S to realise a competitive return for its shareholders in the form of share price appreciation and distribution of dividends and/or reduction of the share capital through the company's buyback and cancellation of shares in the company. Due to the general recession the Group is currently reviewing its financial objectives.

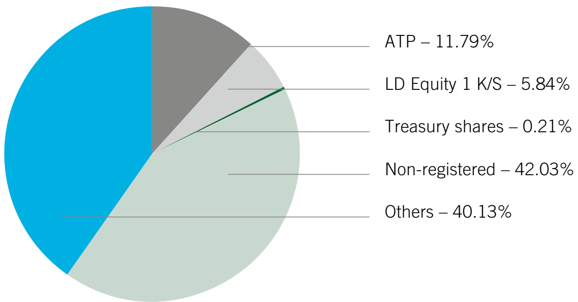
SHARE CAPITAL AND BREAKDOWN OF SHAREHOLDERS

H+H International A/S has a share capital with a nominal value of DKK 490,500,000, which represents 98,100,000 votes overall, distributed on 9,810,000 shares with a nominal value of DKK 50 and 10 votes each.

The Board of Directors is of the opinion that the company's new shareholder structure with only one share class and listing of all shares in the company gives the company more flexibility and leaves it in a more comfortable position as far as concerns capital, partly because it gives the company more direct access to raise new capital via the capital market.

At 1 February 2010, H+H International A/S had 2,989 registered shareholders (corresponding to 57.5% of the share capital) including 169 foreign shareholders, and the company held 20,489 treasury shares.

Members of H+H International A/S's Board of Directors and Executive Board 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.



IR POLICY

The purpose of H+H International A/S's financial communications and other IR activities is to seek a valuation of the company's shares that constantly reflects H+H's current situation and expectations and to achieve adequate liquidity in trading in the 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 individual presentations to major investors or presentations to groups of investors. The company is not normally available for dialogue about financial matters in the three-week period leading up to the presentation of financial statements.

Relevant investor information is available at www.HplusH.com. Inquiries concerning IR issues should be addressed to CFO Niels Eldrup Meidahl (shareholder@HplusH.com), who can also be contacted by telephone on +45 35 27 02 00.

ANNUAL GENERAL MEETING 2010

The Annual General Meeting of H+H International A/S will be held on Thursday 8 April 2010 at 3.00pm at Charlottehaven, Hjørringgade 12C, 2100 Copenhagen Ø, Denmark. Notice of meeting will be sent to registered shareholders. The notice will also be published via a company announcement, on the company's website www.HplusH.com 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, Computershare A/S, Kongevejen 418, 2840 Holte, Denmark.

Amendments to the company's Articles of Association that, by law, cannot be made by the Board of Directors 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

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Financial calendar 2010

11 March 2010	Annual Report 2009
8 April 2010	Annual General Meeting
27 May 2010	Interim financial report Q1 2010
31 August 2010	Interim financial report H1 2010
25 November 2010	Interim financial report Q3 2010

Published announcements 2009 and up to 1 February 2010*	
29 January 2010	Announcement on expiry of stabilisation period in relation to the rights issue completed on 23 December 2009
30 December 2009	H+H International A/S share capital and voting rights
23 December 2009	Major shareholder announcement – Holdingselskabet af 9/11 2001 ApS
23 December 2009	Major shareholder announcement – LD Equity 1 K/S
23 December 2009	Major shareholder announcement – Henriksen og Henriksen I/S
23 December 2009	Major shareholder announcement – Arbejdsmarkedets Tillægspension
23 December 2009	Articles of Association
23 December 2009	H+H International A/S completes rights issue and merger of shares classes, etc.
2 December 2009	Rights issue 2009 – Prospectus
2 December 2009	Announcement of prospectus
27 November 2009	Business transacted at the extraordinary general meeting
27 November 2009	Specification of proposal for increase in the share capital
26 November 2009	Christian Harlang retires from the Supervisory Board of H+ H International A/S
20 November 2009	Interim financial report Q3 2009
16 November 2009	Revised financial calendar 2009 for H+H International A/S
9 November 2009	Notice of Extraordinary General Meeting of H+H International A/S
8 October 2009	Rights issue in H+H International A/S
23 September 2009	H+H International A/S in negotiations with Nordic Capital
23 September 2009	Kresten Andersen Bergsøe retires from the Supervisory Board of H+H International A/S
21 September 2009	Recapitalisation of H+H International A/S
26 August 2009	Interim financial report H1 2009
14 July 2009	H+H International A/S appoints new CFO
14 July 2009	Outlook for 2009 lowered – Strengthening of capital base
28 May 2009	Interim financial report Q1 2009
2 April 2009	Articles of Association
2 April 2009	Business transacted at Annual General Meeting and first meeting of the Supervisory Board
31 March 2009	Job change – CFO
26 March 2009	Share option plan – exercise price for share options granted for 2008
13 March 2009	Notice of Annual General Meeting of H+H International A/S
11 March 2009	Annual report 2008

* Company announcements concerning transactions by key management personnel and their connected persons involving H+H International A/S's shares and securities related to these are not included. All announcements can be viewed at www.HplusH.com.

Corporate governance

CORPORATE GOVERNANCE

As a company that is 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 Board of Directors, 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. However, the latest review was carried out in early 2010 after more than a year since the previous review, as management gave priority, in the second half of 2009, to the efforts to seek to recapitalise the company. The current Corporate Governance Policy can be viewed at www.HplusH.com.

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

- With the new ownership structure, the company does not have a controlling shareholder that nominates and ensures the election of candidates to the board. The Board of Directors has consequently not previously evaluated its own performance, but expects to define a performance evaluation process of the individual board members and the board, and the board will propose candidates to the board at the annual general meeting against the background of this evaluation;

- the Board of Directors has not set any specific limit on the number of other board memberships a board member may hold besides the post as board member of H+H International A/S. Rather than setting an arbitrary limit for the number of other board memberships, the Board of Directors considers it a more objective method to decide on a case-by-case basis whether each board member can be considered to have sufficient time to perform his or her duties in the company;

- the Board of Directors does not define a pre-set framework for the auditors' provision of non-audit services in any given financial year. Instead, the board regularly evaluates the auditors' independence via monitoring of the scope and content of the auditors' provision of non-audit services.

SHAREHOLDERS IN GENERAL MEETING

The shareholders in general meeting have the supreme authority in H+H International A/S and consider proposed resolutions on amendment of the Articles of Association that, by law, cannot be made by the Board of Directors, and the shareholders in general meeting also consider proposed resolutions on election of board members and appointment of auditors and on distribution of dividends, subject to proposed resolutions by the Board of Directors concerning dividends and only up to the amount proposed by the Board of Directors.

According to the Articles of Association, the annual general meeting must be held by 30 April of each year. Extraordinary general meetings must be held as decided by the shareholders in general meeting or the Board of Directors or at the request of an auditor appointed by the shareholders in general meeting or at the request of shareholders that jointly hold 5% of the share capital. Subject to compliance with a few, customary formalities, all shareholders are entitled to propose resolutions for consideration by the shareholders in general meeting and to attend and vote at general meetings.

The company has one share class and no restrictions on the number of owners, voting right restrictions or any other restrictions in the shareholders' rights to exert their influence.

BOARD OF DIRECTORS

The Board of Directors is responsible for ensuring that H+H International A/S's activities are organised in a responsible manner in accordance with the legislation in force at any time and the company's Articles of Association. The Board of Directors has also fixed guidelines for its work in the form of rules of procedure that are reviewed on a regular basis.

At least four board meetings and a strategy seminar must normally be scheduled ahead of each financial year. Additional meetings are called when required. In 2009, the Board of Directors held an extraordinary number of meetings due to its efforts to recapitalise the company and the need to regularly make decisions in that connection. A total of 23 board meetings were thus held in 2009.

Candidates to the Board of Directors can be nominated by shareholders and the Board of Directors, following which the shareholders in general meeting decide which nominated candidates should be elected.

The Board of Directors is composed of between six and nine members. The board currently has six members, all of which have been elected by the shareholders in general meeting. At the annual general meeting in 2010, the Board of Directors will propose that several new board members be elected. The new candidates to the board will be recruited using an external recruitment firm. On their recruitment, importance will be attached to the board members jointly possessing the skills that are relevant to the development of the H+H Group and representing an appropriate diversity. The members must individually or jointly have international business experience, knowledge of the building industry, sound strategic knowledge, and extensive business and financial acumen.

All board members are considered to be independent as defined in the corporate governance recommendations of the Committee on Corporate Governance.

All board members automatically retire at each annual general meeting, but can stand for re-election without any restrictions other than that according to the rules of procedure for the Board of Directors, they must retire at the first annual general meeting after their 70th birthday.

In April 2009, the Board of Directors decided to let the full Board of Directors take care of the duties normally undertaken by an audit committee.

EXECUTIVE BOARD

The Executive Board consists of Hans Gormsen, CEO.

The guidelines for the Executive Board's work are set out in instructions from the Board of Directors to the Executive Board.

MANAGEMENT REMUNERATION

The Board of Directors has adopted a remuneration policy for the Board of Directors 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. In addition, incentive pay guidelines apply that were adopted at the company's annual general meeting in 2008 and published on the company's website, www.HplusH.com. The Board of Directors will present proposals at the annual general meeting on 8 April 2010 on a review of the incentive pay guidelines, to allow it to implement the changes relevant as a consequence of the capital increase and change of share denomination implemented in December 2009.

Board of Directors

Board members receive a fixed cash remuneration that is determined and approved annually by the shareholders in general meeting for the current financial year.

In the event of a significant extraordinary workload for a board member, for example participation in ad hoc working groups appointed by the Board of Directors, the 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 adopting the annual report for the financial year in which the additional work was performed.

Despite the extraordinarily large workload associated with the process of strengthening the capital base, the Board of Directors has only received its fixed remuneration for 2009.

The Board of Directors is not comprised by bonus or option plans, in accordance with the company's incentive pay guidelines and the company's general remuneration policy.

Executive Board

The Executive Board's remuneration consists of an annual base salary and incentive pay. In recent years, the incentive pay has consisted of a share option plan with annual grants of share options and an annual performance-related cash bonus. There is no pension scheme. In accordance with the company's remuneration policy, the annual salary is negotiated annually taking into account H+H's size, 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.

Neither the members of the Executive Board nor any senior executives earned any cash bonus in 2009. For 2009 the share option plan comprised 27,679 share options of one share each for allocation among the Executive Board, three key employees and one former employee of the Group. The exercise price for the share options granted will be calculated as the average price over ten business days after the publication of the 2009 annual report plus 20%. The share options may be exercised during a one-year period beginning three years from the date of determination of the exercise price, 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. The final exercise price for the 5,925 share options granted for 2008 was fixed in March 2009 at DKK 268 for each share option. The latest three-year share option plan expired at the end of 2009 with determination of exercise price in March 2010. The Board of Directors is planning to evaluate and fix incentive plans for the Executive Board and other key employees for 2010 as soon as possible.

Remuneration for 2009, including incentive plans, for each member of the Board of Directors and the Executive Board and total remuneration for key employees appear from note 4.

Executive Board members and H+H International A/S's other senior executives may terminate their employment upon six months' notice. The company may terminate the employment of Executive Board members and other senior executives upon 12 months' notice. However, the notice period has, for a three-year period, been extended to 24 months in the case of notice from the company to Executive Board members and reduced to three months in the case of notice from Executive Board members to the company, in the event a shareholder acquiring a majority of the voting rights in the company as a result of a compulsory or voluntary takeover bid in accordance with the relevant rules in the Danish Securities Trading, etc. Act or the company' activities being transferred to a new owner. In the event of early termination by the company of the employment of an Executive Board member or other senior executive without cause, the person in question will be entitled to termination benefit equivalent to 12 months' base salary.

Corporate responsibility

Corporate responsibility (CR)

H+H develops, manufactures and sells aircrete products for construction projects in Western and Eastern Europe and is responsible for doing this in a sustainable manner – from a business, work and environmental point of view. This responsibility is an integral part of H+H's activities.

CR today

Aircrete is an extremely eco-friendly building material, not only because of its excellent thermal insulating properties but also because it is soft on the environment during the production process. Most of the materials used in the production of aircrete, such as lime and sand, are readily available, non-scarce natural resources, and pulverised fuel ash is used as raw material in some countries. Pulverised fuel ash is a residual product from power generation at coal-fired power stations. At the end of their life cycle, aircrete products can be reused, for example as road base.

The H+H Group has a long tradition of ensuring sustainability in its operations and has been engaged in CR for a number of years, although without having a formal CR policy. H+H has been practising CR in each country based on local legislation, trends and traditions.

CR tomorrow

H+H's plans to prepare and implement a general CR policy that can contribute positively to the Group's development while at the same time respecting the interests of H+H's stakeholder groups and surroundings.

H+H is working actively on the development of a common platform for its CR efforts, based on a commercially driven approach. Such an approach will enable H+H to identify not only areas in which H+H can reduce risks and costs, but also new business opportunities, and achieving social gains.

H+H has established a CR Committee consisting of several of the Group's senior executives and the CEO. H+H's corporate responsibility strategy will focus on three core areas: environment, health and safety and business ethics.

- In the environmental area, H+H will primarily focus on reducing material waste, wastewater and energy and water consumption in the production of aircrete, and also on sustainability in production, transportation and reuse of H+H's products. Lastly, in its work on the development of aircrete products, H+H will focus particularly on improving the positive environmental properties of aircrete still further, such as its excellent thermal insulating properties and long life, which is due in part to aircrete's resistance to rot, fungal attack and fire;

- In the health and safety area, H+H will address employee conditions such as safety at the workplace, job satisfaction and opportunities for personal and professional development, human rights and workers' rights and non-discrimination;

- In the business ethics area, besides focusing on the generally accepted corporate governance principles, H+H will focus on areas such as corruption and bribery as well as the relationship with stakeholder groups such as customers, suppliers, shareholders, local communities at H+H's factories and society in general.

H+H will provide regular updates about its CR activities on www.HplusH.com.

Integrate with ease

Whatever the style of house, aircrete can be easily integrated into the building process bringing its own unique benefits with it.

Description of the management

BOARD OF DIRECTORS

Anders C. Karlsson (b. 1950)

Industrial advisor
- Chairman. Joined the Board of Directors in 2005 and since re-elected. Chairman since April 2006
- Holds 4,500 shares in H+H International, 4,000 of which were acquired in 2009

Management positions and directorships
- Chairman of the boards of AH Industries A/S, Inwido AB (Sweden), IPEG AB (Sweden), Rapid Granulator AB (Sweden) and WSP Europe AB (Sweden)
- Member of the boards of ATO Fritid AB (Sweden), Lindab International AB (Sweden), Ludesi AB (Sweden) and WSP Group plc (UK)
- Industrial advisor to Ratos AB (Sweden)
- Owner and member of the boards of Anders C. Management AB (Sweden) and Lasabotte AB (Sweden)

Henrik Lind (b. 1947)

Partner in the law firm Gorrissen Federspiel
- Joined the Board of Directors in 1987 and since re-elected

Management positions and directorships
- Chairman of the board of Gorrissen Federspiel
- Deputy chairman of the Association of Danish Law Firms (Danske Advokater)
- Member of the executive committee of the Danish Association of Lawyers and Economists (DJØF) and the board of SKAKO Industries A/S
- Secretary of European Air Law Association

Peer Munkholt (b. 1955)

Senior Investment Manager, IFU (the Industrialisation Fund for Developing Countries)
- Joined the Board of Directors in 2008 and since re-elected

Management positions and directorships
- Member of the boards of BPT Arista S.A. SICAV-SIF (Luxembourg), Hold Co A/S, OOO Rockwool North (Russia), Roxul Asia Sdn Bhd (Malaysia), Rurik A/S, Skamol Russia A/S, Uhrenholt Food Services Holding Ltd. (Cyprus) and ZAO Mineral Wool (Russia)

Morten Amtrup (b. 1963)

Managing director of Morten Amtrup Holding ApS
- Joined the Board of Directors in 2008 and since re-elected
- Holds 9,000 shares in H+H International, all of which were acquired in 2009

Management positions and directorships
- Member of the board of Cyncron A/S and managing director and member of the boards of subsidiaries
- Managing director and member of the board of Rævehøjparken ApS
- Managing director of Vilvorde Invest ApS
- Member of the board of Investerings-anpartsselskabet af 1. april 2008

Birgitte Rahbek Pedersen (b. 1944)

Author, translator, programme editor and conflict mediator
- Joined the Board of Directors in 2009

Management positions and directorships
- Member of the boards of Enkefru Plums Støttefond and Gotvedskolen

Ole Risager (b. 1957)

Professor, INT, Copenhagen Business School
- Joined the Board of Directors in 2009

Management positions and directorships
- Chairman of the boards of Core German Residential II Kommandit-aktieselskab and subsidiaries
- Member of the board of Investerings-foreningen LD Invest
- Member of Executive Risk Steering Group for A.P.M. Terminals B.V. (Netherlands)

EXECUTIVE BOARD

Hans Gormsen (b. 1951)

CEO
- CEO since 2004 and prior to that member of the Board of Directors of H+H International A/S 2002-2004
- Holds 16,200 shares in H+H International, 15,400 of which were acquired in 2009

OTHER SENIOR EXECUTIVES

Henrik Dietrichsen (b. 1971)

Senior Vice President
- Vice President and since Senior Vice President and member of the management team since 2006 and since 2008 also managing director of H+H Deutschland GmbH. Prior to that managing director of H+H Danmark A/S 2003-2007 and controller of H+H International A/S 2001-2003
- Holds 270 shares in H+H International, 240 of which were acquired in 2009

Niels Eldrup Meidahl (b. 1973)

CFO
- CFO and member of the management team since 2009
- Holds 1,000 shares in H+H International, all of which were acquired in 2009

Management positions and directorships
- Member of the board of Pharma 2100 ApS

Thomas Høi Terndrup-Larsen (b. 1964)

Senior Vice President
- Senior Vice President and member of the management team since 2008

Management statement

The Executive Board and the Board of Directors h-ave today discussed and approved the annual report of H+H International A/S for 2009.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2009 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January - 31 December 2009.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the parent company's operations and financial matters, the results for the year and of the Group's and the parent company's financial position and a description of the most significant risks and elements of uncertainty which the Group and the parent company face.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 11 March 2009

Executive Board

Hans Gormsen
CEO

Board of Directors

Anders C. Karlsson
Chairman

Morten Amtrup

Henrik Lind

Peer Munkholt

Birgitte Rahbek Pedersen

Ole Risager

Independent auditors' report

To the shareholders of H+H International A/S

We have audited the consolidated financial statements and the parent company financial statements of H+H International A/S for the financial year 1 January - 31 December 2009, pp. 26 - 73. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements for listed companies and issued a statement in this regard.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with Danish disclosure requirements for listed companies.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements 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 consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, 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 consolidated financial statements and the parent company financial statements 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 consolidated financial statements and the parent company financial statements.

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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2009 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 2009 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 11 March 2009

Audit

KPMG
Statsautoriseret Revisionspartnerselskab

Jesper Koefoed
State Authorised Public Accountant

Lau Bent Baun
State Authorised Public Accountant

PKF Kresten Foged
Statsautoriseret Revisionsaktieselskab

Ole Skou
State Authorised Public Accountant

Jan Østergaard
State Authorised Public Accountant

Income statement

		Group		Parent company	
Note	(DKK '000)	**2009**	**2008**	**2009**	**2008**
3	Revenue	1,067,957	1,439,460	0	0
4, 15	Production costs	(820,277)	(1,002,179)	0	0
	Gross profit	**247,680**	**437,281**	**0**	**0**
4	Other external expenses	(230,897)	(305,890)	(29,478)	(42,490)
5	Other operating income and expenses	(15,820)	4,109	5,849	20,000
	Profit before depreciation, amortisation and financial items (EBITDA)	**963**	**135,500**	**(23,629)**	**(22,490)**
6	Depreciation	(121,505)	(116,471)	(910)	(865)
7	Impairment losses	(84,748)	0	(349,378)	0
	Operating profit (EBIT)	**(205,290)**	**19,029**	**(373,917)**	**(23,355)**
8	Financial income	2,143	10,388	42,115	71,161
9	Financial expenses	(60,396)	(28,041)	(66,104)	(18,900)
	Profit before tax	**(263,543)**	**1,376**	**(397,906)**	**28,906**
10	Tax on profit	31,046	280	4,784	1,329
	Profit for the year	**(232,497)**	**1,656**	**(393,122)**	**30,235**
	Attributable to:				
	Shareholders in H+H International A/S	(232,496)	1,655		
	Minority interests	(1)	1		
		(232,497)	**1,656**		
	Distribution of profit				
	Retained earnings			(393,122)	30,235
	Dividend for the year of DKK 0 per nominal share of DKK 50 (2008: DKK 0)			0	0
	Profit for the year			**(393,122)**	**30,235**

Statement of comprehensive income

		Group		Parent company	
Note	(DKK '000)	**2009**	**2008**	**2009**	**2008**
	Profit for the year	(232,497)	1,656	(393,122)	30,235
	Other comprehensive income				
	Foreign exchange adjustments, foreign companies	7,554	(115,233)	0	0
	Value adjustments of hedging instruments	0	(3,247)	0	(1,274)
	Value adjustments transferred to financial items	1,844	(2,033)	1,274	0
	Tax on other comprehensive income	(422)	1,147	(319)	319
	Other comprehensive income after tax	**8,976**	**(119,366)**	**955**	**(955)**
	Total comprehensive income	**(223,521)**	**(117,710)**	**(392,167)**	**29,280**
	Attributable to:				
	Shareholders in H+H International A/S	(223,520)	(117,707)		
	Minority interests	(1)	(3)		
		(223,521)	(117,710)		
11	Earnings per share (EPS-Basic)	(94.60)	0.76		
11	Diluted earnings per share (EPS-D)	(94.60)	0.76		

Balance sheet at 31 December

ASSETS

		Group		Parent company	
Note	(DKK ’000)	**2009**	**2008**	**2009**	**2008**
	Non-current assets				
	Intangible assets				
	Goodwill	85,902	85,691	0	0
	Other intangible assets	23,830	31,767	3,082	0
12		109,732	117,458	3,082	0
	Property, plant and equipment				
	Land and buildings	469,815	418,089	0	0
	Plant and machinery	673,843	390,576	0	0
	Fixtures and fittings, tools and equipment	182,529	80,970	1,882	2,941
	Property, plant and equipment under construction and prepayments for property, plant and equipment	15,098	529,317	0	0
12		1,341,285	1,418,952	1,882	2,941
	Other non-current assets				
13	Deferred tax assets	44,348	22,472	7,991	1,651
14	Investments in subsidiaries	0	0	1,120,103	1,259,454
	Receivables from subsidiaries	0	0	699,836	446,194
		44,348	22,472	1,827,930	1,707,299
	Total non-current assets	**1,495,365**	**1,558,882**	**1,832,894**	**1,710,240**
	Current assets				
15	Inventories	209,913	212,039	0	0
16	Receivables from sale of goods	107,838	94,945	0	0
	Receivables from Group enterprises	0	0	0	142,714
	Tax receivable	1,630	9,216	0	2,800
16	Other receivables	14,738	34,434	1,245	528
	Prepayments	7,877	5,562	0	0
	Cash and cash equivalents	17,625	7,741	32	31
	Total current assets	**359,621**	**363,937**	**1,277**	**146,073**
	TOTAL ASSETS	**1,854,986**	**1,922,819**	**1,834,171**	**1,856,313**

EQUITY AND LIABILITIES

		Group		Parent company	
Note	(DKK '000)	**2009**	**2008**	**2009**	**2008**
	Equity				
	Share capital	490,500	109,000	490,500	109,000
	Translation reserve	(107,595)	(115,150)	0	0
	Hedging reserve	0	(1,422)	0	(955)
	Retained earnings	575,235	750,730	1,008,698	1,344,818
	Proposed dividend	0	0	0	0
	Shareholders in H+H International A/S's share of equity	**958.140**	**743,158**	**1,499,198**	**1,452,863**
	Minority interests	21	22	0	0
	Total equity	**958,161**	**743,180**	**1,499,198**	**1,452,863**
	Liabilities				
	Non-current liabilities				
17	Pension obligations	74,078	68,775	0	0
18	Other provisions	17,076	18,017	0	0
13	Deferred tax liabilities	46,282	56,997	7,264	7,264
19	Credit institutions	612,190	869,979	311,432	377,532
	Other non-current liabilities	0	1,905	0	0
	Total non-current liabilities	**749,626**	**1,015,673**	**318,696**	**384,796**
	Current liabilities				
19	Credit institutions	1,209	802	0	0
	Trade payables	56,242	72,802	3,214	1,116
	Income tax	2,014	2,162	0	0
	Payables to subsidiaries	0	0	1,388	3,250
	Other payables	87,734	88,200	11,675	14,288
	Total current liabilities	**147,199**	**163,966**	**16,277**	**18,654**
	Total liabilities	**896,825**	**1,179,639**	**334,973**	**403,450**
	TOTAL EQUITY AND LIABILITIES	**1,854,986**	**1,922,819**	**1,834,171**	**1,856,313**

Cash flow statement

		Group		Parent company	
Note	(DKK '000)	**2009**	**2008**	**2009**	**2008**
	Operating activities				
	Operating profit	(205,290)	19,029	(373,917)	(23,355)
	Financial items	(58,253)	(17,653)	(23,989)	52,261
	Depreciation, amortisation and impairment losses	206,253	116,471	350,288	865
	Other adjustments	(3,781)	1,567	(1,757)	4,132
	Change in inventories	7,890	(47,194)	0	0
	Change in receivables	7,495	54,989	(717)	(103,544)
	Change in trade payables and other payables	(3,526)	(37,781)	(4,457)	5,813
	Income tax paid	7,477	(28,612)	2,800	(377)
		(41,735)	60,816	(51,749)	(64,205)
	Investing activities				
	Sale of property, plant and equipment	3,096	6,445	180	0
20	Acquisition of enterprises and capital contributions in subsidiaries	0	(28,690)	(9,492)	(46,373)
	Acquisition of property, plant, equipment and intangible assets	(104,614)	(437,917)	(3,082)	(796)
	Property, plant and equipment and intangible assets held under finance leases	0	(26,129)	0	0
	Change in trade payables relating to investments	(17,834)	9,377	0	0
		(119,352)	(476,914)	(12,394)	(47,169)
	Financing activities				
	Dividend paid	0	(32,085)	0	(32,085)
	Net proceeds from share issue	434,904	0	434,904	0
	Unpaid expenses in connection with share issue	3,942	0	3,942	0
	Buyback/sale of treasury shares and rights	848	(99,841)	848	(99,841)
	Change in intragroup balances	0	0	(309,450)	(59,607)
	Change in non-current payables	(268,652)	933,594	(66,100)	377,532
	Change in current payables	0	(388,388)	0	(74,629)
		171,042	413,280	64,144	111,370
	Cash flow for the year	**9,955**	**(2,818)**	**1**	**(4)**
	Cash and cash equivalents at 1 January	7,741	12,206	31	35
	Foreign exchange adjustments of cash and cash equivalents	(71)	(1,647)	0	0
	Cash and cash equivalents at 31 December	**17,625**	**7,741**	**32**	**31**

Note Accounting and supplementary information

1 Accounting policies
2 Management's estimates and judgements
20 Acquisitions
21 Contingent liabilities
22 Auditors' remuneration
23 Related parties
24 Financial instruments and financial risks
25 Major shareholders and groups of shareholders
26 Events after the balance sheet date
27 New accounting standards

Statement of changes in equity

	Group							
(DKK '000)								
	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total	Minority interests	Total
Equity at 1 January 2008	**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 for the year	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 comprehensive income	**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
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)**	**(34,800)**	**(247,162)**	**1**	**(247,161)**
Equity at 31 December 2008	**109,000**	**(115,149)**	**(1,422)**	**750,729**	**0**	**743,158**	**22**	**743,180**
Changes in equity in 2009								
Foreign exchange adjustments, foreign companies	0	7,554	0	0	0	7,554	0	7,554
Value adjustments transferred to financial expenses	0	0	1,844	0	0	1,844	0	1,844
Tax on changes in equity	0	0	(422)	0	0	(422)	0	(422)
Net gains recognised directly in equity	0	7,554	1,422	0	0	8,976	0	8,976
Profit for the year	0	0	0	(232,496)	0	(232,496)	(1)	(232,497)
Total comprehensive income	**0**	**7,554**	**1,422**	**(232,496)**	**0**	**(223,520)**	**(1)**	**(223,521)**
Capital reduction	(54,500)	0	0	54,500	0	0	0	0
Capital increase	436,000	0	0	34,880	0	470,880	0	470,880
Expenses in connection with share issue	0	0	0	(35,976)	0	(35,976)	0	(35,976)
Tax on changes in equity	0	0	0	2,367	0	2,367	0	2,367
Share-based payment	0	0	0	383	0	383	0	383
Sale of rights	0	0	0	848	0	848	0	848
Total changes in equity in 2009	**381,500**	**7,554**	**1,422**	**(175,494)**	**0**	**214,982**	**(1)**	**214,981**
Equity at 31 December 2009	**490,500**	**(107,595)**	**0**	**575,235**	**0**	**958,140**	**21**	**958,161**

Statement of changes in equity

Parent company					
(DKK '000)					
	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2008	**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
Value adjustments for the year	0	(1,274)	0	0	(1,274)
Profit for the year	0	0	30,235	0	30,235
Total comprehensive income	**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**
Changes in equity in 2009					
Tax on changes in equity	0	(319)	0	0	(319)
Value adjustments transferred to financial expenses	0	1,274	0	0	1,274
Profit for the year	0	0	(393,122)	0	(393,122)
Total comprehensive income	**0**	**955**	**(393,122)**	**0**	**(392,167)**
Capital reduction	(54,500)	0	54,500	0	0
Capital increase	436,000	0	34,880	0	470,880
Expenses in connection with share issue	0	0	(35,976)	0	(35,976)
Tax on changes in equity	0	0	2,367	0	2,367
Share-based payment	0	0	383	0	383
Sale of rights	0	0	848	0	848
Total changes in equity in 2009	**381,500**	**955**	**(336,120)**	**0**	**46,335**
Equity at 31 December 2009	**490,500**	**0**	**1,008,698**	**0**	**1,499,198**

Treasury shares

	Number	Nominal value, DKK 1,000	% of share capital, year-end
Holding at 1 January 2008	14,659	1,466	1.2%
Purchased during the year	75,830	7,583	6.9%
Sold during the year	0	0	0.0%
Cancellations	(70,000)	(7,000)	(6.4%)
Holding at 31 December 2008	20,489	2,049	1.9%
Purchased during the year	0	0	0.0%
Sold during the year	0	0	0.0%
Holding at 31 December 2009	20,489	1,024	0.2%

The selling price for the shares sold in 2009 totalled DKK 0 thousand (2008: DKK 0 thousand). However, rights totalling DKK 848 thousand were sold in connection with the share issue.
The total purchase price for the shares acquired in 2009 was DKK 0 thousand (2008: DKK 99,841 thousand).
Treasury shares are acquired in order to hedge liabilities related to the company's option plans.
At 31 December 2009 a total of 27,679 shares are required in connection with the company's option plans (2008: 20,433 shares). Management has chosen not to hedge all the outstanding options as it is unlikely that all the options will be exercised.

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 2009 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and a separate annual report for the parent company.

The annual report of H+H International A/S for 2009 has been prepared in accordance with International Financial Reporting Standards (IFRS) 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 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.

It has been decided to change the presentation of the consolidated income statement from 2009. Wages and salaries and production overheads will now be included in gross profit. This has been done to create accordance between the internal and external reporting. All the comparative figures (including the 5-year overview) have been restated in line with the new form of presentation.

Implementation of new accounting standards

With effect from 1 January 2009, the H+H Group has implemented:

- IAS 1 (revised 2007) Presentation of Financial Statements
- IAS 23 (revised 2007) Borrowing Costs
- IFRS 8 Operating Segments
- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendments to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IFRS 7: Improving Disclosures about Financial Instruments
- Improvements to IFRSs May 2008 with effective date 1 January 2009
- IFRIC 14-17

IAS 1 changes the presentation of the primary statements in 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.

IFRS 8 will only affect the presentation of the H+H Group's segments and not recognition and measurement in the annual report. The standard requires the H+H Group's segment reporting to be based on operating segments. Operating segments are the entities that are regularly reviewed by the Executive Board, and for which separate financial reporting for management purposes is available that is used by the chief operating decision maker for resource allocation and performance control. IAS 14, on the other hand, required that information be reported by business segments and geographical segments respectively.

Notes

1 Accounting policies – continued

The new standards and interpretations have not affected recognition and measurement in 2009. The new standards and interpretations have thus not affected earnings per share or diluted earnings per share.

The parent company has implemented the amended IAS 27 Consolidated and Separate Financial Statements from 1 January 2009. The amendment means that dividends from subsidiaries in the parent company's financial statements must always be recognised in the income statement and not offset against cost, even though the distribution may be based on results relating to the period before the acquisition date.

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 control of the subsidiary's financial and operating policies so as to obtain returns or other 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 control of 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 H+H Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains 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 interests' share of profit for the year and equity in subsidiaries that are not wholly owned is recognised as part of 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 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.

1 Accounting policies – continued

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 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 against 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 currencies other 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 into 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 other than DKK, 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 considered 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

Notes

1 Accounting policies – continued

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 commitments) 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 designated as and qualifying for recognition as hedges of future cash flows and providing 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 as 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 discount and rebate granted are recognised in revenue.

Production costs comprise 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 cost of raw materials and consumables, and wages and salaries.

Other external expenses cover other expenses, including purchases of goods and services that are not directly attributable to production. Also included in this item are staff costs 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.

1 Accounting policies – continued

However, borrowing costs related to the financing of the production of the H+H 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.

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 recognised directly 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 tax prepayment 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 H+H Group's cash-generating units at the date of acquisition. The determination of cash-generating units follows the H+H 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 H+H Group's development activities and interest expenses 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 expenses 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 components that are depreciated separately if the components have different useful lives.

Notes

1 Accounting policies – continued

In the case of assets held under finance leases, cost is determined at 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 the discount rate or the H+H 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 H+H 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
- Intangible assets 3-35 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. If there is any indication of impairment, an impairment test is carried out as described in the H+H Group's accounting policies. Cost is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount.

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 indication 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 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/amortisation 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.

1 Accounting policies – continued

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. Receivables that have been found not to be individually impaired are tested for impairment in groups. Impairment losses are calculated as the difference between the 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.

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

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

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 the 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.

Notes

1 Accounting policies – continued

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

Pension obligations. The H+H 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 service already rendered to the H+H 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.

If the calculation results in plan assets exceeding liabilities to the H+H 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 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 carry-forwards, 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 H+H 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.

1 Accounting policies – continued

Under the joint taxation rules, H+H International A/S, as the administration 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 enterprises.

Provisions. Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the H+H 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 estimate 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 H+H Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

When the H+H 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 respectively.

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.

Notes

1 Accounting policies – continued

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, repurchase 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

Segment information is prepared in accordance with the H+H Group's accounting policies and the internal financial reporting.

The presentation of the H+H Group's segments has been changed from 2009 as a result of the implementation of IFRS 8 Operating Segments. The comparative figures for 2008 have been restated in line with the new form of presentation.

Segment income, segment expenses, 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 expenses relating to the H+H 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.

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	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on invested capital (ROIC)	$\frac{\text{Operating profit} \times 100}{\text{Average operating assets}}$
Profit	Profit attributable to the shareholders in 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	$\frac{\text{Profit} \times 100}{\text{Average equity excl. minority interests}}$
Solvency ratio	$\frac{\text{Equity at year-end attributable to the H+H Group} \times 100}{\text{Total equity and liabilities, year-end}}$
Book value per share, year-end	$\frac{\text{H+H Group equity, year-end}}{\text{Number of shares, year-end}}$
Price/book value	$\frac{\text{Price}}{\text{Book value per share, year-end}}$
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	$\frac{\text{Total dividend paid} \times 100}{\text{Profit}}$

Notes

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 H+H 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.

Due to the development in the global economy and financial markets in 2008 and 2009, the uncertainty related to a number of key assumptions concerning the future, including credit risks, interest rate levels, sales volume, volatility, etc., has changed significantly compared with previous years.

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, fair values 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 amounts are based may have a material effect on the measurement of assets, including impairment testing of goodwill, investments in the parent company and non-current assets.

Defined benefit pension plans:
The present value of pension obligations depends on the actuarial assumptions. Actuarial assumptions comprise discount rate, estimated return on plan assets, future salary increases, mortality and the future development of the pension obligation. All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations.

Accounting policies

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

No special estimates were made in either 2009 or 2008.

3 Segment information

DKK million	Group 2009						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reporting segments
Revenue, external	534.8	218.6	753.4	294.9	19.7	314.6	1,068.0
Revenue, internal	130.0	0	130.0	14.7	0	14.7	144.7
EBITDA	52.0	(21.1)	30.9	19.3	(7.3)	12.0	42.9
Depreciation and amortisation	(83.8)	(2.6)	(86.4)	(34.1)	(0.1)	(34.2)	(120.6)
EBITA	(31.8)	(23.7)	(55.5)	(14.8)	(7.4)	(22.2)	(77.7)
Impairment losses	(20.4)	(0.6)	(21.0)	0	(6.0)	(6.0)	(27.0)
Operating profit (EBIT)	(52.2)	(24.3)	(76.5)	(14.8)	(13.4)	(28.2)	(104.7)
Financial income	0	0.4	0.4	1.7	0.1	1.8	2.2
Financial expenses	(18.8)	(1.6)	(20.4)	(34.8)	(1.5)	(36.3)	(56.7)
Profit before tax*	(71.0)	(25.5)	(96.5)	(47.9)	(14.9)	(62.8)	(159.3)
Non-current assets	637.7	28.8	666.5	805.1	6.2	811.3	1,477.8
Investments in intangible assets and property, plant and equipment	10.0	4.2	14.2	80.0	0.3	80.3	94.5
Assets	846.5	73.8	920.3	917.6	12.6	930.2	1,850.5
Equity	304.6	9.7	314.3	221.4	(15.4)	206.0	520.3
Liabilities	541.9	64.1	606.0	696.2	28.0	724.2	1,330.2
Average full-time equivalent staff	448	72	520	681	18	699	1,219

	2008						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Reporting segments
Revenue, external	762.9	247.7	1,010.6	387.3	41.6	428.9	1,439.5
Revenue, internal	138.8	0.3	139.1	23.3	0.1	23.4	162.5
EBITDA	89.4	23.0	112.4	71.0	(5.9)	65.1	177.5
Depreciation and amortisation	(90.2)	(2.2)	(92.4)	(23.1)	(0.1)	(23.2)	(115.6)
EBITA	(0.8	20.8	20.0	47.9	(6.0)	41.9	61.9
Impairment losses	0	0	0	0	0	0	0
Operating profit (EBIT)	(0.8)	20.8	20.0	47.9	(6.0)	41.9	61.9
Financial income	0.4	0.7	1.1	3.7	0.4	4.1	5.2
Financial expenses	(21.3)	(1.5)	(22.8)	(11.8)	(3.0)	(14.8)	(37.6)
Profit before tax*	(21.7)	20.0	(1.7)	39.8	(8.6)	31.2	29.5
Non-current assets	708.5	21.5	730.0	812.0	6.7	818.7	1,548.7
Investments in intangible assets and property, plant and equipment	41.0	3.5	44.5	407.9	9.5	417.4	461.9
Assets	947.7	66.8	1,014.5	753.2	14.9	768.1	1,782.6
Equity	344.9	39.6	384.5	156.5	(11.6)	144.9	529.4
Liabilities	602.8	27.2	630.0	596.7	26.5	623.2	1,253.2
Average full-time equivalent staff	550	53	603	644	18	662	1,265

* The H+H Group's consolidated profit before tax and management fee, etc.
Transactions between segments are carried out on market terms.

Notes

3 Segment information – continued

Group

Reconciliation of revenue, profit before tax, assets and liabilities of reporting segments.

Revenue	**2009**	**2008**
Segment revenue for the reporting segments	1,212.7	1,602.0
Revenue for other operating segments	0	0
Elimination of inter-segment sales	(144.7)	(162.5)
	1,068.0	1,439.5
Profit before tax		
Segment profit before tax for reporting segments	(159.3)	29.5
Profit for other operating segments	0	0
Elimination of inter-segment transactions	0	0
Impairment losses, non-reporting segment	(65.7)	0
Non-allocated Group expenses, central functions	(38.5)	(28.1)
	(263.5)	1.4
Assets		
Total assets for reporting segments	1,850.5	1,782.6
Elimination of internal profit on assets	(2.2)	(1.7)
Other non-allocated assets, including Group headquarters	6.7	141.9
	1,855.0	1,922.8
Liabilities		
Total liabilities for reporting segments	1,330.2	1,253.3
Other non-allocated obligations, eliminations and similar	(433.4)	(73.7)
	896.8	1,179.6

Revenue in Denmark was DKK 73,704 thousand in 2009 (2008: DKK 150,752 thousand). Non-current assets in Denmark at year-end 2009 amounted to DKK 24,938 thousand (2008: DKK 15,362 thousand).

Key customers:
None of the H+H Group's customers represented more than 10% of the H+H Group's total revenue in 2009 or 2008.
The following countries represent more than 10% of revenue or non-current assets.

DKK million	**2009**		**2008**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
UK	294.2	252.2	380.9	278.2
Poland	236.6	363.1	343.9	373.9
Germany	302.6	342.4	372.1	383.3
Czech Republic	48.8	172.9	41.2	171.1
Russia	24.2	269.1	0	124.7
Other countries and eliminations	161.6	95.7	301.4	227.7
	1,068.0	1,495.4	1,439.5	1,558.9

When presenting information on geographical areas, information on revenue is based on the legal entity.

4 Staff costs	Group		Parent company	
(DKK ’000)	2009	2008	2009	2008
Wages and salaries	227,486	287,181	13,662	20,638
Defined benefit plans, see note 17	11,022	10,292	0	0
Defined contribution plans	3,257	8,971	0	0
Share-based payment	383	2,475	310	1,788
Remuneration to the Board of Directors	1,731	1,900	1,731	1,900
Other staff costs	28,929	35,583	304	801
	272,808	346,402	16,007	25,127
Staff costs are recognised as follows:				
Production costs	139,047	184,632	0	0
Other external expenses	133,761	161,770	16,007	25,127
	272,808	346,402	16,007	25,127
Remuneration to the Executive Board:				
Salaries and fees	2,866	4,445	2,866	4,445
Bonus plans	0	0	0	0
Share-based payment	346	667	346	667
Termination benefit	0	4,532	0	4,532
	3,212	9,644	3,212	9,644
Remuneration to other senior executives:				
Salaries and fees	4,260	3,308	3,546	3,308
Bonus plans	0	0	0	0
Share-based payment	(36)	444	(36)	444
	4,224	3,752	3,510	3,752

Board of Directors
No special remuneration was paid to the Board of Directors in 2008 or 2009. The Board’s remuneration breaks down into DKK 500,000 to the chairman of the Board of Directors and DKK 200,000 to each of the other members. The Board of Directors comprised eight members in 2008 and in 2009, although two members decided to leave the Board of Directors during the year. As such, at the end of the year the Board of Directors comprised six people.

Executive Board
Until October 2008 the Executive Board comprised two people. Since the resignation of Michael Witthohn, the Executive Board has comprised Hans Gormsen, CEO.

Senior executives
In the fourth quarter of 2008 Thomas Høi Terndrup-Larsen joined the H+H Group as Senior Vice President with responsibility for production technology and R&D. As a result the group of senior executives now numbers three people. In 2009 former CFO Martin Busk Andersen left the H+H Group of his own accord and was replaced by the current CFO Niels Eldrup Meidahl.

Of the total staff costs for 2009, 51% was attributable to aircrete manufacture (2008: 53%).

Average full-time equivalent staff	1,238	1,282	19	17

Notes

4 Staff costs – continued

Incentive schemes

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

Each share option entitles the holder to buy one share. The total number of underlying shares in the share option plan for grants for 2007, 2008 and 2009 is 5,325 shares, 5,250 shares and 6,044 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 in the 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, and breaks down into 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 breaks down into 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. 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%, dividend of 2%, and average exercise three years after the grant date. Volatility has been determined on the basis of an expected future level based on 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.

No share options were exercised in 2008 or 2009.

At the end of 2009, there were 9,459 outstanding exercisable options (2008: 6,061). In 2009, 3,680 granted options were forfeited (2008: 462). In addition, 1,662 granted options expired.

At the end of 2009, the overall share option plans amounted to 27,679 shares with exercise windows in the periods 2008-2010, 2009-2010, 2010-2011, 2011-2012, 2012-2013 and 2013-2014. The outstanding options correspond to 0.3% of the share capital. This includes a total of 21,635 share options with final pricing, for which the exercise price has been determined.

The options can only be settled in shares. The share option plans are substantially covered by treasury shares at the date of final pricing. Treasury shares amounted to 20,489 shares at the end of 2009 and 20,489 shares at the end of 2008.

The outstanding options with final pricing at 31 December 2009 have an average remaining contractual life of 2.8 years (2008: 1.5 years) and an exercise price in the range of DKK 57-628 per option (2008: DKK 467-628 per option).

The cost recognised in the 2009 income statement in respect of share options was DKK 383 thousand (2008: DKK 2,475 thousand).

4 Staff costs – continued

(DKK '000)	Total		Executive Board		Other employees	
Outstanding options	Number	Avg exercise price	Number	Avg exercise price	Number	Avg exercise price
Outstanding options at 31 December 2007	32,433		12,981		19,452	
Transfers	0		(5,584)		5,584	
Disposals	(462)		0		(462)	
Outstanding options at 31 December 2008	31,971		7,397		24,574	
Additions	1,050	268	0		1,050	268
Forfeited	(3,680)		0		(3,680)	
Expired	(1,662)		0		(1,662)	
Outstanding options at 31 December 2009	27,679		7,397		20,282	
Breakdown of outstanding options by exercise period:						
Outstanding options at 31 December 2008						
2007-2009	1,662	1,430	0	1,430	1,662	1,430
2008-2010	4,399	1,430	950	1,430	3,449	1,430
2009-2011	3,398	1,388	901	1,388	2,497	1,388
2010-2012	4,974	1,860	1,271	1,860	3,703	1,860
2011-2012	6,000	1,576	1,425	1,576	4,575	1,576
2012-2013	5,925		1,425		4,500	
2013-2014	5,613		1,425		4,188	
Total	31,971		7,397		24,574	
Outstanding options at 31 December 2009						
2008-2010	3,766	1,430	950	1,430	2,816	1,430
2009-2011	2,950	1,388	901	1,388	2,049	1,388
2010-2012	4,344	1,860	1,271	1,860	3,073	1,860
2011-2012	5,325	1,576	1,425	1,576	3,900	1,576
2012-2013	5,250	268	1,425	268	3,825	268
2013-2014	6,044		1,425		4,619	
Total	27,679		7,397		20,282	

There has been a significant dilution of the share options in connection with the company's rights issue. The number of options and the exercise price will be recalculated as a result of the rights issue.

Notes

4 Staff costs – continued

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

The results for 2008 and 2009 have not led to any entitlement to a cash bonus for either the Executive Board or any senior executive.

Management's terms of employment
The Executive Board and other senior executives in H+H International A/S may resign with six months' notice. The company may dismiss the Executive Board and other senior executives with 12 months' notice. However, if a shareholder acquires the majority of votes in the company as a result of a compulsory or voluntary offer in accordance with the rules governing this in the Danish Securities Trading Act, or if the company's operations are transferred to a new owner, the period of notice the company must give to the Executive Board is extended to 24 months and the period of notice the Executive Board must give the company is shortened to three months for a period of three years. If the company gives notice to the Executive Board or a senior executive without reason, the person in question is entitled to a termination benefit equivalent to 12 months' fixed salary.

5 Other operating income and expenses

	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Management fee	0	0	17,500	20,000
Gain on disposal of property, plant and equipment	427	495	31	0
Loss on disposal of property, plant and equipment	(250)	(1,039)	0	0
Expenses incurred in connection with due diligence	(3,687)	0	(3,687)	0
Provision for vacating factory – UK	(2,859)	0	0	0
Provision for onerous contract*	(7,995)	0	(7,995)	0
Expenses in connection with litigation	(1,456)	0	0	0
Provision for clean-up of plot of land	0	4,653	0	0
	(15,820)	4,109	5,849	20,000

* The onerous contract relates to equipment in Poland which has been written down to DKK 0. The amount will be settled in 2010 although the equipment has been delivered. Had the amount been settled as planned, it would have had an impact on the company's interest-bearing debt.

6 Depreciation and amortisation

	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Other intangible assets	2,139	1,874	0	0
Land and buildings	17,396	17,187	0	0
Plant and machinery	84,156	79,170	0	0
Fixtures and fittings, tools and equipment	17,814	18,240	910	865
	121,505	116,471	910	865

7 Impairment losses	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Other intangible assets	11,922	0	0	0
Land and buildings	7,188	0	0	0
Disbursements for plant and machinery	0	0	48,366	0
Plant and machinery	57,463	0	0	0
Fixtures and fittings, tools and equipment	756	0	0	0
Property, plant and equipment under construction	7,419	0	0	0
Impairment losses, investments	0	0	301,012	0
	84,748	0	349,378	0

Impairment losses were recognised in 2009 related to the closure of the factory in Westbury, UK. Impairment losses were also recognised in connection with development projects. Finally, production equipment was written down for impairment.

8 Financial income	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Interest income	209	576	39	441
Interest income from subsidiaries	0	0	27,060	23,515
Dividend from subsidiaries	0	0	15,000	46,813
Exchange rate adjustments relating to loans to subsidiaries	0	0	0	392
Other exchange rate adjustments	1,707	9,684	16	0
Other financial income	227	128	0	0
	2,143	10,388	42,115	71,161

The H+H Group's total interest income in 2009 amounted to DKK 209 thousand (2008: DKK 576 thousand). The parent company's total interest income in 2009 amounted to DKK 27,099 thousand (2008: DKK 23,956 thousand).

9 Financial expenses	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Interest expenses	62,246	39,053	28,228	17,722
Interest expenses to subsidiaries	0	0	73	530
Fair value adjustments transferred from equity relating to hedging transactions	1,844	0	1,274	0
Other exchange rate adjustments	2,084	4,835	213	187
Exchange losses on derivatives	127	686	0	0
Write-down of inter-company claims	0	0	33,691	0
Other financial expenses	3,338	662	2,625	461
Of which capitalised interest expenses	(9,243)	(17,195)	0	0
	60,396	28,041	66,104	18,900

The H+H Group's total interest expenses in 2009 amounted to DKK 64,090 thousand (2008: DKK 39,053 thousand). The parent company's total interest expenses in 2009 amounted to DKK 29,575 thousand (2008: DKK 18,252 thousand).

Notes

10 Tax	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Income tax expense	(31,046)	(280)	(4,784)	(1,329)
Tax on other comprehensive income	422	(1,147)	319	(319)
Tax on changes in equity	(2,367)	0	(2,367)	0
	(32,991)	(1,427)	(6,832)	(1,648)
Which can be broken down as follows:				
Current tax for the year	827	2,829	0	(2,730)
Adjustment relating to change in tax rate	0	0	0	0
Adjustments of deferred tax	(32,941)	849	(6,832)	(1,717)
Prior-year adjustments	(877)	(5,105)	0	2,799
	(32,991)	(1,427)	(6,832)	(1,648)
Current joint taxation contribution for the year	0	0	0	0
	(32,991)	(1,427)	(6,832)	(1,648)
Tax on profit on ordinary activities can be broken down as follows:				
Calculated 25% (2008: 25%) tax on profit from ordinary activities	(65,886)	344	(99,477)	7,227
Additional tax in foreign Group enterprises compared to 25% rate (2008: 25%)	3,663	(3.283)	0	0
Tax effect of:				
Change in tax rate	0	0	0	0
Other adjustments	2,940	750	0	0
Tax on changes in equity	(1,945)	(1,147)	(2,048)	(319)
Non-deductible expenses	29,114	7,014	98,443	0
Adjustment re prior-year taxes	(877)	(5,105)	0	2,799
Non-taxable income	0	0	(3,750)	(11,355)
	(32,991)	(1,427)	(6,832)	(1,648)

	Group					
	2009			2008		
Tax on other comprehensive income	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
Exchange rate adjustments, foreign enterprises	7,554	0	7,554	(115,233)	0	(115,233)
Value adjustment of hedging instruments	0	0	0	(3,247)	1,147	(2,100)
Value adjustments transferred to financial items	1,844	(422)	1,422	(2,033)	0	(2,033)
	9,398	(422)	8,976	(120,513)	1,147	(119,366)

	Parent company					
	2009			2008		
Tax on other comprehensive income	Before tax	Tax income/ expense	After tax	Before tax	Tax income/ expense	After tax
Value adjustment of hedging instruments	0	0	0	(1,274)	319	(955)
Value adjustments transferred to financial items	1,274	(319)	955	0	0	0
	1,274	(319)	955	(1,274)	319	(955)

11 Earnings per share (EPS)

(DKK '000)	Group 2009	Group 2008
Average number of shares	1,453,333	1,130,833
Average number of treasury shares	(20,489)	(40,397)
Average number of outstanding shares	1,432,844	1,090,436
Dilution from share options	0	0
Average number of outstanding shares, diluted	1,432,844	1,090,436
Adjustment of number of shares of nominally DKK 50		
Adjusted average number of outstanding shares	2,457,792	2,180,872
Adjusted average number of outstanding shares, diluted	2,457,792	2,180,872
Profit for the year	(232,497)	1,655
Attributable to minority interests	(1)	1
Shareholders in H+H International A/S	(232,496)	1,656
Earnings per share (EPS)	(94.60)	0.76
Diluted earnings per share (EPS-D)	(94.60)	0.76

The calculation of diluted earnings per share excludes 27,679 share options (2008: 31,971) which are out-of-the-money but may potentially dilute earnings per share in the future.

In accordance with IAS 33, an adjustment has been made to calculation of earnings per share (EPS) and diluted earnings per share (EPS-D) such that the average number of outstanding shares has been adapted to a face value of nominally DKK 50.

12 Intangible assets and property, plant and equipment

Parent company (DKK '000)	2009 Other intangible assets	2009 Fixtures and fittings, tools and equipment	2008 Other intangible assets	2008 Fixtures and fittings, tools and equipment
Total cost at 1 January	0	4,776	0	3,980
Additions during the year	3,082	0	0	796
Disposals during the year	0	(447)	0	0
Total cost at 31 December	3,082	4,329	0	4,776
Total depreciation and amortisation at 1 January	0	1,835	0	970
Depreciation and amortisation of assets disposed of	0	(298)	0	0
Depreciation and amortisation for the year	0	910	0	865
Total depreciation and amortisation at 31 December	0	2,447	0	1,835
Carrying amount	3,082	1,882	0	2,941

Notes

12 Intangible assets and property, plant and equipment – continued

(DKK '000) Group 2009	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Total cost at 1 January 2009	85,691	42,924	519,551	859,646	142,978	529,317
Transfers	0	555	67,098	349,141	86,785	(503,579)
Foreign exchange adjustment, year-end rate	211	43	10,756	39,701	2,103	(11,747)
Additions during the year	0	5,606	1,869	55,108	33,058	8,973
Disposals during the year	0	(3,147)	(60)	(11,766)	(11,321)	(447)
Total cost at 31 December 2009	85,902	45,981	599,214	1,291,830	253,603	22,517
Total depreciation and amortisation at 1 January 2009	0	11,157	101,462	469,070	62,008	0
Foreign exchange adjustment, year-end rate	0	(3)	3,290	18,472	272	0
Foreign exchange adjustments for the year	0	44	86	189	103	0
Depreciation and amortisation of assets disposed of	0	(3,108)	(23)	(11,363)	(9,879)	0
Depreciation and amortisation for the year	0	2,139	17,396	84,156	17,814	0
Impairment losses for the year	0	11,922	7,188	57,463	756	7,419
Total depreciation, amortisation and impairment losses at 31 December 2009	0	22,151	129,399	617,987	71,074	7,419
Carrying amount	85,902	23,830	469,815	673,843	182,529	15,098
Of which assets held under finance leases				3,541		

(DKK '000) Group 2008	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
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 during the year	0	3,052	12,322	15,696	16,888	416,088
Disposals during 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 for the year	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		

12 Intangible assets and property, plant and equipment – continued

Interest totalling DKK 9,243 thousand was capitalised in 2009 (2008: DKK 17,195 thousand). The interest rate depends on the situation for each currency. For the H+H Group, the interest rate was 4.00-8.00% (2008: 3.25-6.00%).

Development costs totalling DKK 921 thousand were capitalised in 2009 (2008: DKK 2,007 thousand). It has subsequently proved necessary to write down the capitalised costs.

Research and development costs in the region of DKK 5 million were expensed in 2008 and 2009.

Some non-current assets in Poland have been provided as security for bank loans. The security comprises retention of title to assets with a carrying amount of DKK 20,283 thousand.

On 31 December 2009, management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill among the cash-generating units. Of total goodwill of DKK 85,902 thousand (2008: DKK 85,691 thousand), DKK 57,698 thousand (2008: DKK 57,460 thousand) related to the Eastern European segment, while DKK 28,204 thousand (2008: DKK 28,231 thousand) related to the Western Europe segment.

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.

The recoverable amount was defined as the value in use for the purpose of impairment testing.

In general the impairment tests were based on the budget for 2010 and strategy projections for 2011-2014, as approved by management. Average annual growth in revenue of 12-30% has been estimated for the period 2010-2014. Growth has been assessed by the local management, Group management and external consultants. An estimated growth rate of 2% p.a. has been used for the years after 2014. The growth rate is not expected to exceed the average long-term growth rate within the H+H Group's markets. A rising gross margin has been estimated for the period 2010-2014, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity and weak price increases. A discount rate after tax (WACC) of between 7.9% and 10.4% has been applied.

The WACC is based on generally acknowledged principles and assumptions provided by external analysts.

The assumptions made can be summarised as follows:

	Poland	Germany	Czech Republic
Carrying amount of goodwill at 31 December 2009	55.110	28.204	2.588
Average annual growth in revenue 2010-2014 (CAGR)	12.2%	12.3%	29.9%
Estimated gross margin 2010-2014	42-45%	42-48%	39-50%
WACC	10.4%	7.9%	9.7%

Expected annual growth in the Czech Republic is 29.9%, which is because this concerns a new market and a newly converted factory where the level of market penetration is currently low.

The impairment tests performed do not indicate any need for impairment losses. Based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of intangible assets and property, plant and equipment.

Management considers that likely changes in underlying assumptions would not result in the carrying amount of goodwill exceeding the recoverable value in any of the countries.

Impairment tests of non-current assets

The Group's key non-current assets were tested for impairment in 2009, including with regard to assets in Poland, Germany, the UK, Russia and the Czech Republic which together represent approx. 94% of the Group's total non-current assets at 31 December 2009.

The impairment tests were based on the budget for 2010 and strategy projections for 2011-2014, as approved by management. Average annual growth in revenue of 12-61% has been estimated for the period 2010-2014. Growth has been assessed by the local management, Group management and external consultants. An estimated growth rate of 2-4% p.a. has been used for the years after 2014. The growth rate is not expected to exceed the average long-term growth rate within the H+H Group's markets. A rising gross margin has been estimated for the period 2010-2014, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity and weak price increases. A discount rate after tax (WACC) of between 7.9% and 22% has

Notes

12 Intangible assets and property, plant and equipment – continued

been applied. The WACC is based on generally acknowledged principles and assumptions provided by external analysts.

Expected annual growth in Russia and the Czech Republic is 61% and 30% respectively, which is because in Russia there is a completely new factory in a new market and in the Czech Republic a newly converted factory where the level of market penetration is currently low.

The impairment tests performed at 31 December 2009 do not indicate any need for impairment losses, apart from the special circumstances mentioned below. Based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of intangible assets and property, plant and equipment.

Write-down of other non-current assets

Significant write-downs were made in the H+H Group in 2009. In mid-2009 it was considered unlikely that the factory in Westbury, UK, would reopen. As a result of this, the production equipment was written down to DKK 0 and a provision made for shutdown expenses. In 2009 it was also decided to write down two development projects to DKK 0, as it was considered unlikely that the projects would be exploited commercially. It was further decided to write down factory equipment for aircrete factories to DKK 0 as a result of new expansion plans being shelved.

Total write-downs amount to DKK 84,748 thousand. A provision of DKK 7,995 thousand has also been made for future write-downs on assets to be delivered in 2010.

13 Deferred tax, asset

Deferred tax, asset	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Deferred tax asset at 1 January	22,472	20,036	1,651	0
Foreign exchange adjustments	131	(1,662)	0	0
Adjustment relating to change in tax rate	0	0	0	0
Change in deferred tax	20,868	(314)	6,832	1,651
Other adjustments	0	0	(492)	0
Prior-year adjustments	877	4,412	0	0
Deferred tax asset at 31 December	44,348	22,472	7,991	1,651
Deferred tax asset relates to:				
Non-current assets	(1,569)	(1,901)	(740)	(45)
Current assets	3,411	694	0	0
Liabilities	(7,111)	591	0	319
Tax loss carryforwards	49,617	23,088	8,731	1,377
	44,348	22,472	7,991	1,651

Deferred tax, liability	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Deferred tax liability at 1 January	56,997	63,596	7,264	5,015
Foreign exchange adjustments	1,358	(9,449)	0	0
Adjustment relating to change in tax rate	0	0	0	0
Prior-year adjustments	0	2,315	0	2,315
Change in deferred tax	(12,073)	535	0	(66)
Deferred tax liability at 31 December	46,282	56,997	7,264	7,264
Provisions for deferred tax relate to:				
Non-current assets	24,973	34,697	0	0
Current assets	11,174	11,019	0	0
Liabilities	2,871	4,017	0	0
Retaxation balance relating to discontinued joint taxation	7,264	7,264	7,264	7,264
	46,282	56,997	7,264	7,264

13 Deferred tax – continued

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.
In 2009 an amount of DKK 56,361 thousand was written down for impairment of fixed assets relating to establishment of a new factory in Eastern Europe. At present it is not likely that the assets will be taken into use within the foreseeable future and, as a result, deferred tax has not been recognised on the balance.
No deferred tax has been recognised on the balance between cost of equity investments and the estimated fair value. This is because the shareholdings in the equity investments are all considered to be "shares in a subsidiary", and any gain/loss is therefore not taxable.
The tax value of loss carryforwards has been recognised as deferred tax assets in the companies where it is considered likely that this can be utilised in future earnings.

14 Investments in subsidiaries

	Parent company	
(DKK '000)	**2009**	**2008**
Cost at 1 January	1,287,146	1,240,085
Acquisition of subsidiaries	0	0
Capital contribution in subsidiaries	161,661	47,061
Cost at 31 December	1,448,807	1,287,146
Impairment losses at 1 January	27,692	27,692
Impairment losses, investments	301,012	0
Impairment losses at 31 December	328,704	27,692
Carrying amount at 31 December	1,120,103	1,259,454

The cost of the investments in the subsidiaries was tested for impairment at the end of 2008 and 2009. The recoverable amount of the investments at 31 December 2009 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2010-2014 and a discount rate before tax of 8.1-22.6%. The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2014 has been estimated at 2-4%. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.

In connection with the closing of the financial statements for 2009 it was assessed that the recoverable value of some of the Group's companies was lower than the parent company's original cost. As a result, significant impairment losses have been recognised in the parent company. However, these impairment losses have no bearing on the consolidated financial statements.

		2009	**2008**
	Registered office	Equity interest, %	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	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	100
H+H Nederland BV	Netherlands	100	100

* This activity comprises 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/Production costs	Group		Parent company	
(DKK '000)	**2009**	**2008**	**2009**	**2008**
Raw materials and consumables	43,146	49,949	0	0
Finished goods and goods for resale	166,767	162,090	0	0
	209,913	212,039	0	0
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	13,934	12,029	0	0
Foreign exchange adjustments	437	(1,451)	0	0
Write-downs for the year	5,363	5,375	0	0
Realised during the year	(2,207)	(1,769)	0	0
Reversals	(3,124)	(250)	0	0
Inventory write-downs, year-end	14,403	13,934	0	0
Value of inventories recognised at net realisable value	5,925	13,685	0	0
Wages and salaries – production	139,047	184,632	0	0
Production overheads	86,638	99,706	0	0
Cost of sales	586,105	712,216	0	0
Write-downs for the year	5,363	5,375	0	0
Reversal of inventory write-downs	3,124	250	0	0
Total production costs	820,277	1,002,179	0	0

Reversal of write-downs relates to sale of written-down inventories.

16 Receivables	Group		Parent company	
(DKK '000)	**2009**	**2008**	**2009**	**2008**
Trade receivables	107,838	94,945	0	0
Other receivables	14,738	34,434	1,245	528
	122,576	129,379	1,245	528
Write-downs of impaired receivables have developed as follows:				
Write-downs at 1 January	4,727	7,505	0	0
Foreign exchange adjustments	79	(973)	0	0
Write-downs for the year	2,094	1,059	0	0
Realised during the year	(1,059)	(876)	0	0
Reversals	(751)	(1,988)	0	0
Write-downs relating to receivables, year-end	5,090	4,727	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 housebuilders, 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 2009 recognises write-downs and losses on bad and doubtful debts of DKK 1,343 thousand (2008: DKK (929) thousand).

16	Receivables – continued	Group		Parent company	
	Age analysis of trade receivables				
	(DKK '000)	2009	**2008**	**2009**	**2008**
	Not past due	86,303	59,902	0	0
	0-30 days	18,289	26,624	0	0
	30-90 days	1,840	5,474	0	0
	Over 90 days	1,406	2,945	0	0
		107,838	94,945	0	0
	Write-downs relating to receivables, year-end	5,090	4,727	0	0

17 Pension obligations

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 H+H 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 H+H 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 enterprises 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 74,078 thousand (2008: DKK 68,775 thousand) has been recognised under liabilities in respect of the H+H 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 3,257 thousand (2008: DKK 8,971 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 11,022 thousand (2008: DKK 10,292 thousand) has been recognised in the consolidated income statement in respect of expenses.

The H+H 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.

H+H Celcon Pension Fund is supervised by an independent fund manager, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, among other things the fund manager must ensure that a limited actuarial calculation of the pension obligations is carried out each year and a more detailed actuarial calculation of the pension obligations every three years. A detailed actuarial calculation carried out in April 2008 showed an unfunded pension obligation of DKK 128 million (GBP 15.6 million). Based on this calculation, on 26 June 2009 H+H UK Limited and H+H Celcon Pension Fund Trustee Limited entered into an agreement concerning payment of contributions to cover the unfunded pension obligation (Schedule of Contributions). The agreement sets out a 15-year repayment profile in accordance with which H+H UK Limited will pay DKK 1.0 million (GBP 0.12 million) per year in the period April 2009 – March 2011 and DKK 18 million (GBP 2,171 million) per year in the period April 2011 – March 2023.

Notes

17 Pension obligations – continued	Group	
(DKK '000)	2009	2008
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	420,689	324,340
Fair value of plan assets	274,453	228,932
Underfunding	146,236	95,408
Unrecognised actuarial losses/(gains) relating to fully or partly funded plans:	79,444	34,002
Present value of unfunded defined benefit plans	7,885	7,017
Unrecognised actuarial losses/(gains) relating to unfunded plans	599	(352)
Net obligation recognised in the balance sheet	74,078	68,775

For financial reporting purposes the unfunded pension obligation is handled in accordance with IAS 19. At 31 December 2009 H+H UK Limited had an unfunded pension obligation relating to H+H Celcon Pension Fund of DKK 105 million (GBP 12.8 million) after deduction of deferred tax. As a result of the H+H Group's application of the corridor approach, DKK 31 million of this has not been recognised in the balance sheet and equity at 31 December 2009.

Development in present value of fully or partly funded defined benefit obligation:		
Obligation at 1 January	324,340	445,752
Foreign exchange adjustments	23,650	(107,294)
Pension costs relating to the current financial year	3,377	6,710
Calculated interest on obligation	21,441	21,498
Actuarial losses (gains)	64,608	(30,004)
Pensions paid	(16,727)	(12,322)
Obligation at 31 December	420,689	324,340

Development in present value of unfunded defined benefit obligation:		
Obligation at 1 January	7,017	7,338
Foreign exchange adjustments	(7)	(6)
Pension costs relating to the current financial year	31	117
Calculated interest on obligation	424	394
Actuarial losses (gains)	911	(353)
Pensions paid	(491)	(473)
Obligation at 31 December	7,885	7,017

There were no pension obligations for acquired enterprises in 2008 or 2009.

17 **Pension obligations – continued**	**Group**	
(DKK '000)	**2009**	**2008**
Development in fair value of pension assets:		
Pension assets at 1 January	228,932	344,802
Foreign exchange adjustments	17,042	(78,234)
Expected return on plan assets	14,670	18,426
Actuarial gains (losses)	24,024	(52,032)
The company's contributions to plan assets	6,512	8,292
Pensions paid	(16,727)	(12,322)
Pension assets at 31 December	274,453	228,932
Pension costs relating to the current financial year	3,442	6,827
Calculated interest on obligation	22,250	21,891
Expected return on plan assets	(14,670)	(18,426)
Total amount recognised in respect of defined benefit plans	11,022	10,292
Total amount recognised in respect of defined contribution plans	3,257	8,971
Total amount recognised in the income statement	14,279	19,263

The cost has been recognised in the income statement under Staff costs. Costs recognised under Production costs amount to DKK 3,887 thousand (2008: DKK 4,995 thousand), and costs recognised as Other external expenses amount to DKK 10,392 thousand (2008: DKK 14,268 thousand).

Accumulated actuarial gains/(losses)	(842)	0
Pension assets can be broken down as follows:		
Shares	112,526	93,862
Bonds	159,183	135,070
Cash	2,744	0
Total	274,453	228,932
Return on plan assets:		
Actual return on plan assets	38,694	(33,605)
Expected return on plan assets	14,670	18,426
Actuarial gain (loss) on plan assets	24,024	(52,032)
Discount rate (avg)	5.80%	6.20%
Expected return on plan assets	5.80%	6.02%
Future rate of salary increase	5.60%	4.60%

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

Notes

17 Pension obligations – continued

(DKK '000)	2009	2008	2007	2006	2005
The amounts for the Group's pension obligations for the current and previous years are as follows:					
Actuarially determined pension obligations	420,689	324,340	445,752	490,164	458,452
Pension assets	274,453	228,932	344,802	364,928	337,035
Present value of unfunded defined benefit plans	7,885	7,017	7,338	7,326	7,377
Over-/(under)funding	(154,121)	(102,425)	(108,288)	(132,562)	(128,794)
Empirical changes to obligations	65,520	(30,357)	(23,149)	44	57,903
Empirical changes to pension assets	24,024	(52,032)	(8,342)	(20,240)	8,283

18 Other provisions

	Group			
(DKK '000)	2009	2008	2009	2008
	Non-current portion		Current portion	
Warranty obligations at 1 January	5,518	6,488	0	0
Foreign exchange adjustments	61	(316)	0	0
Transfers	0	0	0	0
Provisions for the year	760	730	0	0
Utilised during the year	(162)	0	0	0
Reversal during the year	(1,723)	(1,384)	0	0
Warranty obligations at 31 December	4,454	5,518	0	0
Obligation relating to restoration of sites at 1 January	12,499	19,622	0	0
Foreign exchange adjustments	560	(3,603)	0	0
Provisions for the year	98	2,529	0	0
Utilised during the year	(48)	0	0	0
Reversal during the year	(487)	(6,049)	0	0
Obligation relating to restoration of sites at 31 December	12,622	12,499	0	0
Total other provisions	17,076	18,017	0	0

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. At 31 December 2009 warranty obligations relate predominantly to Germany.

Warranty obligations also include a bank guarantee pledged on behalf of a business partner.

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 on the basis of external assessments of the restoration costs. Restoration is expected to take place within one to five years.

19 Credit institutions	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Bank loans	615,527	871,716	315,151	379,465
Lease commitments	1,591	998	0	0
Amortised borrowing costs	(3,719)	(1,933)	(3,719)	(1,933)
	613,399	870,781	311,432	377,532
Payables to credit institutions are recognised in the balance sheet as follows:				
Non-current	612,190	869,979	311,432	377,532
Current	1,209	802	0	0
	613,399	870,781	311,432	377,532

	2009			2008		
Finance leases	Lease payment	Interest	Carrying amount	Lease payment	Interest	Carrying amount
0-1 year	1,272	63	1,209	843	41	802
1-5 years	444	62	382	228	32	196
	1,716	125	1,591	1,071	73	998

The H+H Group leases production 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.

	2009	2008	2009	2008
Operating leases	Lease payment	Lease payment	Lease payment	Lease payment
0-1 year	641	619	0	0
1-5 years	2,334	1,462	0	0
Over 5 years	0	1,006	0	0
Total minimum lease payment	2,975	3,087	0	0

The H+H Group leases property, production equipment and vehicles under operating leases in a few cases.

	2009	2008	2009	2008
Rental obligations	Rental payment	Rental payment	Rental payment	Rental payment
0-1 year	2.818	2.818	488	488
1-5 years	6.444	6.444	0	0
Over 5 years	53.973	55.584	0	0
	63.235	64.846	488	488

The H+H Group's key rental obligations consist of long-term land leases in Poland and the UK.

An amount of DKK 2,869 thousand (2008: DKK 3,264 thousand) has been recognised in the consolidated income statement for 2009 in respect of operating leases and rental obligations.

Notes

20 Acquisitions	Group	
(DKK '000)	2008	
Germany	Fair value at acquisition date	Carrying amount before acquisition
Intangible assets	17,146	5,015
Property, plant and equipment	2,319	2,319
Other non-current assets	8,175	0
Inventories	125	115
Other non-current liabilities	(37)	0
Other payables	(373)	(343)
Total net assets	28,690	7,140
Minority interests' share	0	
H+H's share of acquired net assets	28,690	
Goodwill	0	
Total acquisition cost	28,690	
Of which cash and cash equivalents	0	
Cash acquisition cost	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.

No enterprises were acquired in 2009.

21 Contingent liabilities	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Financial guarantee	0	0	299,490	492,252
	0	0	299,490	492,252

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

The parent company H+H International A/S has issued letters of support to some of the subsidiaries. Management does not expect these to give rise to losses for the parent company.

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.

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 2006 and for joint registration of VAT.

22 Auditors' remuneration	Group		Parent company	
(DKK '000)	2009	2008	2009	2008
Total fees for statutory audit:				
KPMG	7,119	3,239	4,586	919
PKF Kresten Foged	656	150	656	150
	7,775	3,389	5,242	1,069
The fee to KPMG can be broken down as follows:				
Statutory audit	2,483	2,326	450	450
Other assurance engagements	3,642	0	3,642	0
Tax and VAT assistance	444	636	92	192
Other services	550	277	402	277
	7,119	3,239	4,586	919
The fee to PKF Kresten Foged can be broken down as follows:				
Statutory audit	175	150	175	150
Other assurance engagements	481	0	481	0
	656	150	656	150

23 Related parties

The Group's related parties are the Executive Board, the Board of Directors and senior executives in the H+H Group. In connection with the rights issue, as a result of which the disparity in votes attached to A and B shares was eliminated, Henriksen & Henriksen I/S is no longer considered a related party. There was no trading with Henriksen & Henriksen I/S in the period up to implementation of the rights issue on 23 December 2009.

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

With the exception of the dividend distribution for 2007, no agreements or transactions were entered into between Henriksen & Henriksen I/S and the Group in 2008 and 2009.

A member of the Board of Directors – Henrik Lind – is a partner in the law firm Gorrissen Federspiel, which was paid fees totalling DKK 146 thousand in the first half of 2009 for legal assistance (2008: DKK 0 thousand).

In addition to the parties specified above, the subsidiaries also constitute related parties of the parent company, cf. note 14.

A management fee totalling DKK 17,500 thousand (2008: DKK 20,000 thousand) was settled between the parent company and the remainder of the Group.

Transactions between the parent company and subsidiaries also include deposits, loans and interest; these are shown in the parent company balance sheet and notes 8 and 9.

Trading with related parties is on arm's length terms.

Notes

24 Financial instruments and financial risks

The H+H Group's risk management policy

As a result of its operating, investing and financing activities the H+H Group is exposed to various financial risks, including market risks (currency, interest rate and commodity risks), credit risks and liquidity risks. It is the H+H Group's policy not to speculate actively in financial risks.

The H+H Group's financial risk management is thus aimed exclusively at managing the financial risks that are a direct consequence of the H+H Group's operating, investing and financing activities. This note relates exclusively to financial risks directly associated with the H+H Group's financial instruments. There have been no material changes in the H+H Group's risk exposure or risk management compared with last year.

MARKET RISKS

Currency risks

The H+H Group's companies are exposed to currency risks. Financial instruments are primarily entered into in the individual consolidated enterprises' functional currencies as a result of their purchase and sales transactions. However, the H+H Group has a translation risk, and as a result of this the H+H Group's profit/loss is exposed to fluctuations in the functional currencies.

The H+H Group does not engage in currency speculation. The individual consolidated companies 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 only to a limited extent to hedge currency risks. The H+H Group has not used derivatives or other financial instruments to hedge currency risks in 2008 and 2009.

The individual subsidiaries do not have any material exposure to currencies other than the functional currency. The table below shows the Group's monetary items by currency.

Monetary items in foreign currency

(DKK '000)	2009						
	EUR	GBP	PLN	DKK	RUB	Others	Total
Trade receivables	8,123	68,000	10,070	7,866	3,247	10,532	107,838
Cash and cash equivalents	7,056	101	4,260	194	2,392	3,622	17,625
Trade payables	(14,872)	(19,069)	(7,618)	(7,261)	(878)	(6,544)	(56,242)
Credit institutions	(808)	(1,839)	(184,365)	(311,435)	0	(114,952)	(613,399)
Gross exposure	(501)	47,193	(177,653)	(310,636)	4,761	(107,342)	(544,178)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(501)	47,193	(177,653)	(310,636)	4,761	(107,342)	(544,178)

Monetary items in foreign currency

(DKK '000)	2008						
	EUR	GBP	PLN	DKK	RUB	Others	Total
Trade receivables	10,218	44,287	12,769	16,194	0	11,477	94,945
Cash and cash equivalents	2,087	63	205	63	37	5,286	7,741
Trade payables	(21,945)	(14,936)	(12,283)	(4,077)	(13,710)	(5,851)	(72,802)
Credit institutions	(146,743)	(94,928)	(223,322)	(291,601)	0	(114,187)	(870,781)
Gross exposure	(156,383)	(65,514)	(222,631)	(279,421)	(13,673)	(103,275)	(840,897)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	(156,383)	(65,514)	(222,631)	(279,421)	(13,673)	(103,275)	(840,897)

24 Financial instruments and financial risks – continued

The parent company has significant monetary items in currencies other than the functional currency in the form of loans to subsidiaries.

The table below shows the parent company's key monetary positions broken down by currency and derived sensitivity.

Parent company's monetary items and sensitivity

(DKK '000)	2009				2008			
	Position		Sensitivity		Position		Sensitivity	
	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity
EUR/DKK	532,287	1%	5,323	3,992	407,037	1%	4,070	3,053
GBP/DKK	71,240	5%	3,562	2,672	0	5%	0	0
PLN/DKK	77,588	5%	3,879	2,910	0	5%	0	0
			12,764	9,574			4,070	3,053

* The hypothetical impact on profit/loss and equity is significant to the parent company's financial statements but not necessarily to the consolidated financial statements.

Sensitivity of profit and equity to market fluctuations

(DKK '000)	2009		2008	
	Profit	Equity	Profit	Equity
5% increase in GBP/DKK	(1,670)	6,837	(1,263)	7,880
5% increase in PLN/DKK	(727)	6,491	2,531	7,214
5% increase in RUB/DKK	(661)	2,138	(162)	(1,189)
	(3,058)	15,466	1,106	13,905

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A fall in the GBP/DKK, RUB/DKK and PLN/DKK exchange rates would result in a corresponding increase in profit/loss after tax and equity.
The sensitivity analysis has been 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 price risks

The principal raw materials used in the production of aircrete are cement, lime, water, and sand or pulverised fuel ash. Costs for cement account for roughly one third of total raw materials consumed, excluding energy consumption. Energy costs also account for a substantial proportion of total variable costs. The pricing of most of the raw materials is hedged 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 H+H Group is exposed to interest rate fluctuations both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR.

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

The table below illustrates the H+H Group's interest rate exposure on financial instruments at the balance sheet date.

At 31 December 2009, the weighted average term (fixed-rate term) of the H+H Group's loans was 0.0 year (2008: 0.4 years), including the effect of interest rate swaps.

Notes

24 Financial instruments and financial risks – continued

Interest rate exposure

(DKK '000)	2009				2008			
	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging	Net interest-bearing debt	Interest hedged	Net position	Weighted time to maturity of hedging
DKK	311,241	0	311,241	0	291,538	270,000	21,538	0-1 year
EUR	(6,247)	0	(6,247)	0	144,656	0	144,656	0
PLN	180,105	0	180,105	0	223,116	323,424	(100,308)	1-2 years
CZK	110,466	0	110,466	0	111,292	0	111,292	0
RUB	(2,392)	0	(2,392)	0	(37)	0	(37)	0
GBP	1,738	0	1,738	0	94,866	0	94,866	0
Others	863	0	863	0	(2,391)	111,920	(114,311)	0-1 year
Total	595,774	0	595,774	0	863,040	705,344	157,696	

All other things being equal, based on the H+H 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 2009 would reduce profit/loss before tax by DKK 8.1 million (2008: DKK 4.5 million).

Liquidity risks

The H+H Group's liquidity risk is defined as the risk that the H+H 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.

Loan agreements

In connection with the share issue the company has entered into new loan agreements with Danske Bank A/S to continue the H+H Group's financing facility with a total credit line equivalent to approx. DKK 1,100 million, DKK 1,050 million of which is committed for five years until 31 December 2014 and DKK 50 million is an uncommitted credit line. As a result of the H+H Group's current situation, the loan agreements do not entail any financial covenants for 2010 and 2011, whereas standard restrictive financial covenants will apply with effect from the 2012 financial year and until expiry of the agreements at the end of 2014. The H+H Group will pay four identical instalments of DKK 50 million on the existing loan on 2 April 2010, 2 July 2010, 2 October 2010 and 2 January 2011, i.e. a total of DKK 200 million. There is no obligation to make further ordinary repayments prior to expiry of the loan agreements on 31 December 2014. The company and those of its subsidiaries that are participating in the loan agreements, or that may be considered as a material subsidiary, provide cross-guarantees for each other's obligations under the loan agreements.

The loan agreements could be terminated by Danske Bank A/S in the event of defaulting on the repayment obligations. The loan agreements may also be cancelled without notice by Danske Bank A/S if the company's shares are delisted from NASDAQ OMX.

The loan agreements prevent the Board of Directors, without the prior permission of Danske Bank A/S, from recommending annual dividend distributions to the shareholders of an amount that exceeds 50% of the company's profit after tax in the preceding financial year. The company is also subject to restrictions on its right of disposal over its assets without the prior permission of Danske Bank A/S, including:

- A ban on selling key assets
- A ban on delisting the shares from NASDAQ OMX
- A ban on carrying out significant acquisitions, mergers, restructurings or similar transactions
- A ban on entering into significant leases

The H+H Group's falling revenue and profit have led to breach of certain conditions in the company's previous loan agreements with Danske Bank A/S. As a result of this, the lender – Danske Bank A/S – could cancel the loan agreements without notice and demand immediate repayment of the loans extended. Danske Bank A/S has waived its powers in the case of default and issued temporary waivers.

24 Financial instruments and financial risks – continued

Credit risks

The H+H Group is exposed to credit risks in the course of its activities. These risks are primarily related to receivables in respect of sales of the H+H 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 H+H Group's customers are primarily large well-consolidated builders' merchants. The H+H Group has modest credit exposure to housebuilders and developers in a few markets. In keeping with the H+H 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 H+H 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 H+H 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 H+H Group's geographical segments. The credit quality of receivables is consequently considered to be identical, regardless of which segment the receivables come from.

The H+H Group's maximum credit risk is equivalent to the carrying amount of the receivables and amounts to DKK 122,576 thousand (2008: DKK 129,379 thousand).

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 H+H Group's hedging transactions for 2009 and 2008 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.

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

(DKK '000)	2009			2008		
	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
Interest rate swap – PLN 80 million	0	0	0	(3,422)	(226)	1-3 years
Interest rate swap – DKK 270 million	0	0	0	(955)	(955)	0-1 year
Interest rate swap – CZK 400 million	0	0	0	(241)	(241)	0-1 year
	0	0	0	(4,618)	(1,422)	

No active derivatives were recognised via equity at the end of 2009. A loss of DKK 1.4 million after tax was recognised via equity at the end of 2008.

No contracts fixing purchase prices for gas or supplies of other raw materials were entered into in 2008 and 2009.

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 is shown in notes 8 and 9. No such financial instruments were used in 2009 (2008: a loss of DKK 0.7 million was recognised in the income statement).

Notes

24 Financial instruments and financial risks – continued

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

(DKK '000)	2009			2008		
	Gain/loss recognised in income statement	Fair value at 31 December	Time to maturity	Gain/loss recognised in income statement	Fair value at 31 December	Time to maturity
Interest rate swap – PLN 80 million	(127)	(127)	0-1 year	(686)	(686)	0-1 year
	(127)	(127)		0	0	

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)	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets used as hedging instruments	0	0	0	0
Trade receivables	107,838	107,838	94,945	94,945
Other receivables	24,245	24,245	49,212	49,212
Cash and cash equivalents	17,625	17,625	7,741	7,741
Total receivables	149,708	149,708	151,898	151,898
Financial liabilities (derivatives) measured at fair value via the income statement	(127	(127	686	686
Financial liabilities (derivatives) used as hedging instruments	0	0	1,422	1,422
Finance lease liabilities	1,591	1,591	998	998
Loans	613,399	613,399	869,783	869,783
Trade payables and other payables	143,976	143,976	179,019	179,019
Total financial liabilities measured at amortised cost	758,966	758,966	1,049,800	1,049,800

Level 2 estimates are used for fair value of derivatives.

Classification and assumptions for calculation of fair value

Derivative financial instruments: Forward exchange contracts and interest rate swaps are valued using generally recognised valuation methods based on relevant observable swap graphs and exchange rates.

Other financial instruments: Current bank loans at variable interest rates are valued at a rate of 100. Financial instruments relating to sale and purchase of goods, etc. with a short credit time are assessed to have a fair value equal to the carrying amount.

The methods are unchanged from 2008.

25 Major shareholders and shareholder groups

(DKK '000)	Parent company Nominal value	% of total	Votes	% of total
Share capital at 1 January 2009:				
A shares	24,000,000	22.0%	24,000,000	73.8%
B shares	85,000,000	78.0%	8,500,000	26.2%
Total	109,000,000		32,500,000	

DKK	Nominal value	% of total	Votes	% of total
Share capital after capital reduction – 23 December 2009:				
A shares	12,000,000	22.0%	2,400,000	22.0%
B shares	42,500,000	78.0%	8,500,000	78.0%
Total	54,500,000		10,900,000	

DKK	Nominal value	% of total	Votes	% of total
Share capital after capital increase – 23 December 2009:				
Shares of nominally DKK 50	490,500,000	100.0%	98,100,000	100.0%
Total	490,500,000		98,100,000	

At H+H International's Extraordinary General Meeting on 27 November 2009 a decision was taken to reduce the company's share capital by nominally DKK 54,500,000 by reducing the denomination from nominally DKK 100 to DKK 50. At the same time a decision was taken to increase the company's share capital by means of a rights issue of shares worth nominally DKK 436 million. A decision was also taken to combine the company's A and B share classes so that the current A shares have the same rights as the B shares.
Each share carries 10 votes at general meetings.

Major shareholders

(DKK '000)	Nominal value	% of total	Votes	% of total
The following shareholders hold more than 5% of the share capital or at least 5% of the voting rights in H+H International A/S at 1 February 2010:				
Danish Labour Market Supplementary Pension Fund (ATP)	57,854,350	11.79%	11,570,870	11.79%
LD Equity 1 K/S	28,624,050	5.84%	5,724,810	5.84%

Groups of shareholders at 1 February 2010

DKK	Nominal value	% of total	Votes	% of total
Board of Directors and Executive Board	1,485,000	0.30	297,000	0.30
ATP and LD Equity 1 K/S (major shareholders)	86,478,400	17.63	17,295,680	17.63
H+H International A/S	1,024,450	0.21	204,890	0.21
Other registered shareholders	195,355,000	39.83	39,071,000	39.83
Unregistered shareholders	206,157,150	42.03	41,231,430	42.03
Total	490,500,000	100.00	98,100,000	100.00

26 Events after the balance sheet date

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

27 New accounting regulations

The following standards and interpretations have been adopted by IASB and approved by the EU, but have not yet become effective and have therefore not yet been implemented:

Amendment to IAS 27 Consolidated and Separate Financial Statements
The amendment implies that if the enterprise acquires or sells ownership shares in a subsidiary without losing control, the difference between the acquisition price or the sales price respectively, and the carrying amount of same should be shown as an equity transaction. The application of the amended standard is not expected to have any material effect on the annual report for future financial years.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement
The amendment states that the time value of an option cannot reflect the risk hedged and that the inflation element of a financial item can only be hedged if stipulated by contract. The application of the amended standard is not expected to have any material effect on the annual report for future financial years.

IFRS 3 Business Combinations
The amendment to IFRS 3 includes the following:

- Transaction costs are recognised in the income statement as they are incurred
- As a general rule, adjustments of contingent consideration are recognised in the income statement
- Possibility of recognising goodwill attached to minority interests
- Existing relations between buyer and the enterprise taken over must also be valued at fair value

Moreover, the standard includes amendments in the following areas:

- Recognition and measurement of identifiable assets and liabilities
- New/more disclosure requirements

The application of the amended standard will have no material effect on the annual report for future financial years.

IFRIC 12 Service Concession Arrangements
The interpretation, effective from 1 January 2010 or later, describes the accounting treatment of concession agreements. The interpretation is currently not relevant to the H+H Group.

IFRIC 18 Transfers of Assets from Customers
The interpretation concerns transfer of assets from customers and specifies the requirements in relation to agreements under which an enterprise receives an item of property, plant and equipment or cash to purchase an item of property, plant and equipment to be used in connection with delivery of goods and services to the customer.

The interpretation is of importance mainly to enterprises entering into outsourcing agreements or running a utility company and is not expected to have any relevance to the H+H Group.

IASB has also issued the following amendments to standards and new interpretations which have not yet been approved by the EU:

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards
This amendment eases the transition to IFRS for oil and gas enterprises. The standard will be of no importance to the H+H Group.

Amendment to IFRS 2 Share-based Payment
This amendment clarifies that the parent company's payment of cash and cash equivalents which is based on the price of its treasury shares, shares in the subsidiary or a third group enterprise, is classified as share-based payment in the enterprise in which the employee is employed. As H+H does not have any such share-based payments, application of the amended standard is not expected to have any effect on the annual report for future financial years.

IFRS 9 Financial Instruments: Classification and Measurement
The number of categories of financial assets is reduced to two – amortised cost category or the fair value model. The classification is made on the basis of the nature of the business model and the characteristics of the instrument

27 New accounting regulations

respectively. The implementation of the standard is not expected to have any material effect on the recognition of financial assets of the H+H Group.

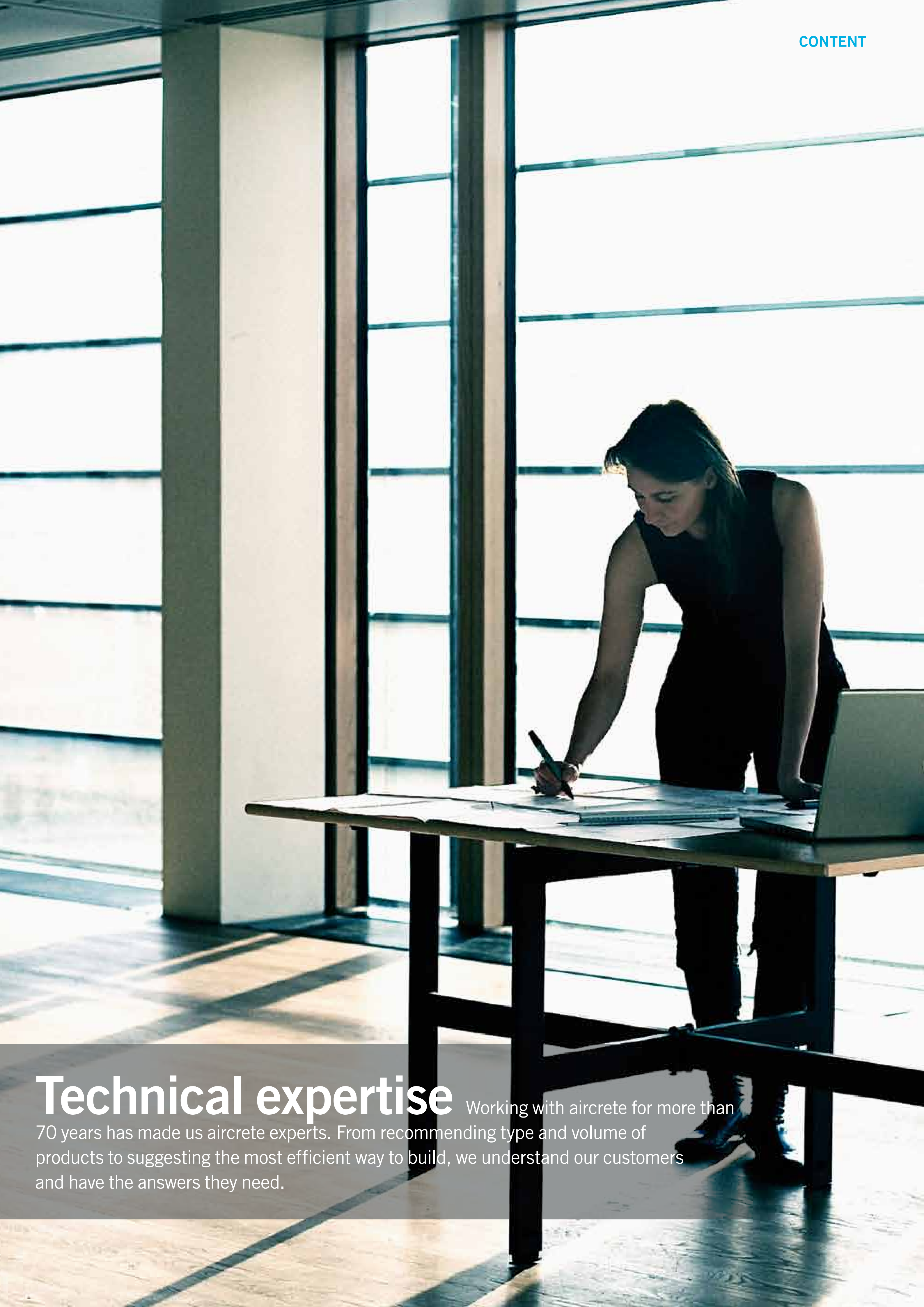
Amendment to IAS 32 Financial Instruments: Disclosure and Presentation
The amendment means that rights issues denominated in a currency other than the functional currency of the enterprise will be classified as an equity instrument when the amounts to be received by the enterprise are fixed in foreign currencies and when the rights issues are offered to all shareholders on a pro rata basis.

The H+H Group does not intend to make any rights issues denominated in a currency other than the functional currency of the enterprise. Implementation of the amended IAS 32 is therefore not expected to have any effect on the annual report for future financial years.

Annual improvements to existing standards and two existing interpretations
These constitute only minor amendments and clarifications which are not expected to have any material effect on the annual report for future financial years.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation states how to account for a non-contractual conversion of debt into equity in debtor's financial statements. The interpretation is not expected to be of any importance to the H+H Group.

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.



Technical expertise

Working with aircrete for more than 70 years has made us aircrete experts. From recommending type and volume of products to suggesting the most efficient way to build, we understand our customers and have the answers they need.

Market

STRATEGY

The focus of H+H's business is the development, manufacture and sale of aircrete for contractors, developers and builders' merchants in Northern and Eastern Europe and the UK.

H+H's short-term strategy is aimed at bringing customers and sales more into focus, reducing costs and making efficiency improvements, and the objective is to emerge from the current difficult market conditions as a stronger business.

H+H's overall long-term strategy for growth is two-pronged:

- organic revenue growth in H+H's existing geographical markets through increased solution sales to customers – the Build with ease concept;
- geographical expansion through acquisition or establishment of aircrete factories or sales entities in new markets adjoining H+H's existing markets. Given the current trading environment, with a low level of building activity, and the Group's financial position, this element of the strategy has been put on hold for the next few years.

ORGANIC GROWTH

Given current market conditions, H+H's focus is on organic growth in existing geographical markets through ongoing development and implementation of the solution-driven sales and business strategy Build with ease.

H+H's Build with ease concept is based on three cornerstones:

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

H+H is focused on developing, manufacturing and selling aircrete and makes an ongoing effort to differentiate itself from other aircrete manufacturers. H+H aims to be a customer-oriented supplier of aircrete and to develop new, simple products and solutions for its customers through active dialogue with customers. H+H believes that the Group's future lies in supplying innovative building systems combining standard products to create customer-specific top-quality aircrete solutions.

GEOGRAPHICAL EXPANSION

Since 2005, H+H's geographical expansion has centred on Eastern Europe, where aircrete is a well-known and widely used building material. Geographical expansion has essentially been in markets adjoining the Group's existing markets. This approach enhances opportunities for trading between the Group's subsidiaries in neighbouring countries, enabling manufacturing capacity to be optimised based on product sales.

Geographical growth initiatives, including especially expansion of manufacturing capacity, have been put on hold for the next few years given the current trading environment, the low level of building activity and the Group's financial position.

Notwithstanding the current economic climate, H+H believes that Eastern Europe will continue to offer substantial potential in the long term that the Group is well-positioned to capitalise on.

PRODUCTS

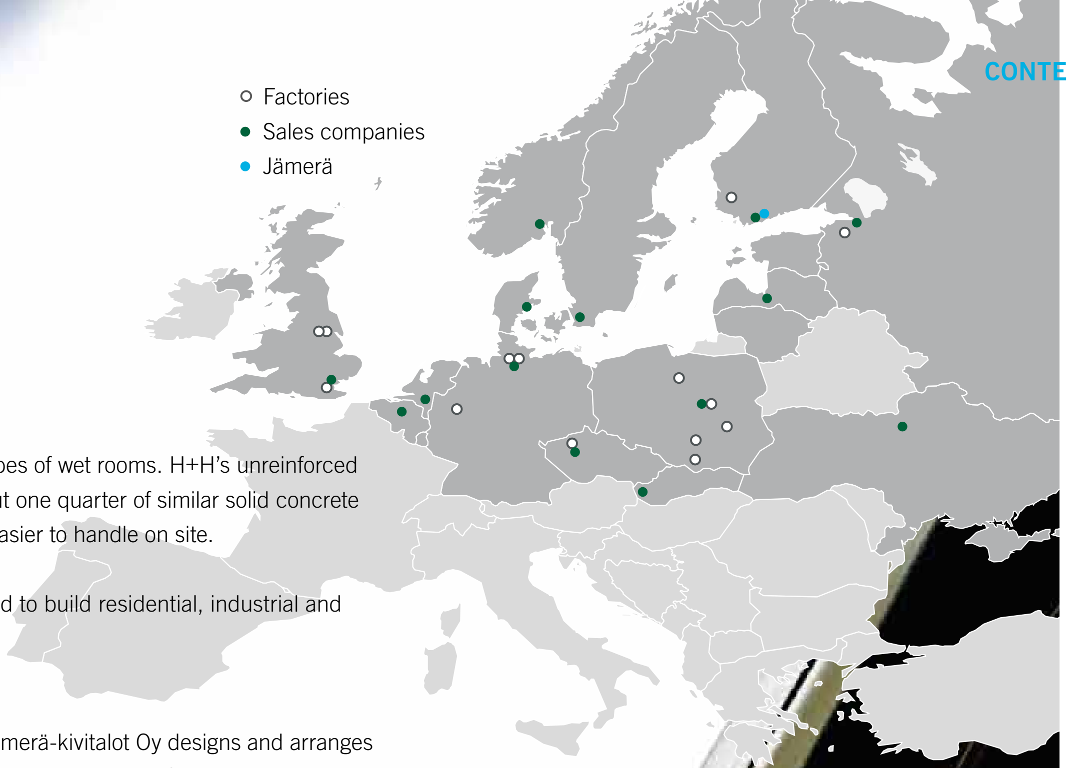
Aircrete is manufactured from sand or pulverised fuel ash, cement, lime, water and aluminium powder, all of which are raw materials that are in plentiful supply in all markets and are consequently not scarce resources.

Aircrete is a building material that combines lightness with excellent thermal insulating properties and strength, making it ideal for wall construction.

The main characteristics of aircrete are:

- lightweight
- excellent thermal insulation
- high strength/weight ratio
- fire resistant
- resistant to rot and fungal attack
- fast and easy to build with

The products are autoclaved, i.e. cured at high temperature, which adds strength and dimensional stability, making aircrete ideal for slender structures such as partition walls. The products offer excellent fire resistance and are consequently ideal for fire walls. As aircrete is also resistant to rot and fungal attack, it is



ideal for building most types of wet rooms. H+H's unreinforced products weigh only about one quarter of similar solid concrete products, making them easier to handle on site.

The products can be used to build residential, industrial and commercial buildings.

Jämerä

The Finnish subsidiary Jämerä-kivitalot Oy designs and arranges the construction of houses built in aircrete for private individuals.

The houses are marketed under the Jämerä brand, see www.jamara.fi.

CUSTOMERS

Residential buildings account for 80-85% of the Group's sales. H+H believes that industrial and commercial construction, an area in which H+H has experience from both Sweden and Finland, offers a large untapped potential.

With the exception of the Jämerä activities in Finland, which accounted for less than 5% of the Group's sales in 2009, H+H operates exclusively in the B2B market, where customers are primarily contractors, developers and builders' merchants. The distribution of sales by customer type varies from country to country.

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