H+H International A/S

Interim financial report
Q1 2010

Company Announcement No. 223

build with ease

H+H

Financial highlights for the period 1 January – 31 March 2010

- First-quarter revenue was DKK 236 million (2009: DKK 221 million).
- First-quarter EBITDA was a loss of DKK 31 million (2009: profit of DKK 2 million).
- The first-quarter result before tax was a loss of DKK 75 million (2009: loss of DKK 38 million).
- Equity at 31 March 2010 stood at DKK 949 million.
- Net interest-bearing debt at 31 March 2010 amounted to DKK 678 million.
- Unchanged outlook for 2010. The result before tax is consequently expected to be a loss, 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.

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This is a translation of the company's announcement in Danish. In case of inconsitency betwen the Danish text and this English translation, the Danish text shall prevail.

Financial highlights - H+H Group

(Amounts in DKK million)	Q1 2010	Q1 2009	Year 2009
Income statement			
Revenue	236.4	221.4	1,068.0
EBITDA	(30.8)	2.0	1.0
EBITA	(64.0)	(26.8)	(120.5)
Operating profit (loss) (EBIT)	(64.0)	(26.8)	(205.3)
Profit (loss) before tax	(75.1)	(38.1)	(263.5)
Balance sheet			
Non-current assets	1,535.7	1,540.2	1,495.4
Current assets	397.2	407.5	359.6
Total assets	1,932.9	1,947.7	1,855.0
Equity	949.4	690.5	958.2
Non-current liabilities	813.0	1,100.7	749.6
Current liabilities	170.5	156.5	147.2
Total equity and liabilities	1,932.9	1,947.7	1,855.0
Investments and debt			
Investments in non-current assets	8.4	46.9	104.6
Interest-bearing debt (net)	678.2	960.2	595.8
Cash flow			
Operating activities	(74.6)	(50.1)	(41.7)
Investing activities	(7.9)	(46.6)	(119.4)
Free cash flow	(82.5)	(96.7)	(161.1)
Financial ratios			
Gross margin	14.0%	27.0%	23.2%
Earnings per share	(6.0)	(27.1)	(94.6)
Diluted earnings per share	(6.0)	(27.1)	(94.6)
Return on equity, p.a.	(0.2)	(16.2%)	(27.3%)
Share price, end of period, DKK	68.6	226	63
Book value per share, end of period, DKK	96.8	633	98
Solvency ratio	49.1	35.5	51.7

The interim financial report is unaudited.

Management's review

The first quarter of 2010 was characterised by, on the one hand, a considerable improvement in sales in one of the Group's principal markets (the UK) and, on the other, a relatively low level of activity in the Group's other markets due to the hard winter, which lasted well into March.

Due to the hard winter, the level of activity in the first two and half months was at a markedly lower level than expected, while the level of activity in the latter half of March was at a markedly higher level. Overall, the first quarter of 2010 was poorer than expected.

It is estimated that the level of activity for new housing units in most of the Group's markets has generally bottomed out, and there are indications of moderate increases. However, the Group's products are still facing considerable price pressure, primarily in Germany and Poland.

The result was adversely impacted by lower production in the first quarter of 2010 than in the same period in 2009 as a consequence of the decision to optimise the company's inventories.

Revenue
First-quarter revenue was DKK 236.4 million versus DKK 221.4 million in the first quarter of 2009, up DKK 15.0 million or 6%.

The increase in revenue in the first quarter of 2010 compared with the same period last year was made up of a considerable improvement in the UK market and the relatively new markets in Russia and the Czech Republic coupled with a decline in revenue in most other countries due to the hard winter. Furthermore, the exchange rate development contributed DKK 12.7 million to revenue.

Revenue

(Amounts in DKK million)	Q1 2010	Q1 2009
Western Europe	167.2	156.4
Eastern Europe	69.2	65.0
Total	236.4	221.4

Expressed in local currency, revenue was 1% ahead of the first quarter of 2009. Recognised revenue benefited from the development in GBP, PLN, SEK, CZK and RUB.

In the Western European segment, first-quarter 2010 revenue in the UK and Benelux was ahead of the same period in 2009, while the other Western European markets experienced large declines. Overall, revenue in Western Europe was DKK 167 million against DKK 156 million in the same period last year, up DKK 11 million or 7%. Expressed in local currency, revenue was 3% ahead of the first quarter of 2009.

In the Eastern European segment, first-quarter 2010 revenue in Russia and the Czech Republic was higher than in the same period in 2009, while revenue in Poland experienced large decline. Overall, revenue in Eastern Europe was DKK 69 million against DKK 65 million in the same period in 2009, up DKK 4 million or 6%. Expressed in local currency, revenue was 6% down on the first quarter of 2009.

Gross profit
The consolidated overall gross margin was 14.0% compared with 27.0% in the same period in 2009.

The gross margin was adversely affected by relatively lower capacity utilisation at the Group's factories. The hard winter left its mark on consolidated revenue, and production was consequently lower. At some factories, production was further reduced as a result of optimisation of the Group's inventories.

In addition, pressure on prices continued in the first quarter, especially in Germany and Poland, which are two of the Group's principal markets. The prices in these markets were below the prices in the same period last year.

Operating profit (loss) (EBIT)
The Group's first-quarter 2010 operating result was a loss of DKK 64.0 million compared with a loss of DKK 26.7 million in the same period in 2009.

The result was adversely affected by the start-up of the factories in Russia and the Czech Republic, which led to increased distribution costs and administrative expenses compared with the same period last year.

Moreover, the start-up of the factory in Russia resulted in higher depreciation in the first quarter of 2010 than in the same period in 2009.

Profit (loss) before tax
The first-quarter 2010 result before tax was a loss of DKK 75.1 million compared with a loss before tax of DKK 38.1 million in the first quarter of 2009, equivalent to a DKK 37.0 million decline in the result before tax.

Profit (loss) before tax

(Amounts in DKK million)	Q1 2010	Q1 2009
Western Europe	(37.5)	(22.9)
Eastern Europe	(30.9)	(7.3)
Total	(68.4)	(30.2)

Rising exchange rates, primarily PLN and RUB, depressed the result before tax, although these were offset to a limited extent by a strengthening GBP. Overall, the exchange rate development eroded the result before tax by DKK 4 million.

Both segments realised a decline in the result before tax. The largest decline in the result before tax in absolute terms was in the Eastern European segment, which experienced a total decline of DKK 23 million compared with the first quarter of 2009.

Investments
First-quarter investments totalled DKK 8.4 million (2009: DKK 46.9 million). Total investments for the year are still expected to be less than DKK 50 million. The temporary hold on all new investment initiatives, apart from necessary maintenance investments, was maintained.

The investments in the first quarter were predominantly related to the roll-out of a new ERP system in the Group. All other investments were maintenance-related.

Investments

(Amounts in DKK million)	Q1 2010	Q1 2009
Western Europe	1.5	4.7
Eastern Europe	4.6	40.0
Total	6.1	44.7

Financing
Net interest-bearing debt stood at DKK 678 million at 31 March 2010, up DKK 83 million since the start of the year.

Total net interest-bearing debt is expected to be in the DKK 610 million region at the end of the year.

Net financing costs amounted to DKK 11.1 million in the first quarter of 2010 compared with DKK 11.3 million in the first quarter of 2009. No financing costs were capitalised in the first quarter of 2010. In the corresponding period in 2009, financing costs totalling DKK 4.6 million were capitalised in connection with the Group's large investment projects. Besides interest expense and foreign exchange adjustments, financing costs in 2010 include amortisation of borrowing costs and payment for undrawn committed credit facilities.

The interest rate for the period averaged 5.6% compared with 6.5% in 2009. Higher interest rate margins had a considerable adverse effect on the interest rate, while the interest rate benefited from lower market rates.

Taxation
Income tax expense for the period has been partially estimated. Income tax for the first quarter of 2010 amounted to income of DKK 16.1 million, corresponding to an effective tax rate of 21.4%. Income tax for the first quarter of 2009 amounted to income of DKK 9.0 million, corresponding to an effective tax rate of 23.9%.

Equity
Consolidated equity fell by DKK 9 million in the first quarter. The result for the period depressed equity by DKK 59 million, while foreign exchange adjustments of investments added DKK 50 million to equity.

Equity

(Amounts in DKK million)	2010	2009
1 January	958.2	743.2
Profit (loss) for the period	(59.0)	(29.0)
Foreign exchange adjustments	50.0	(24.2)
Other adjustments	0.2	0.5
31 March	949.4	690.5

Segments

Western Europe
First-quarter 2010 revenue in Western Europe amounted to DKK 167.2 million, up DKK 10.8 million or 7% on the first quarter of 2009. Expressed in local currency, the increase in revenue was 3%.

With the exception of the UK, the level of activity in the Western European markets in the first two and a half months was at a lower level than expected due to the hard winter in Europe, while the level of activity in the latter half of March was at a markedly higher level. First-quarter 2010 revenue in these markets was lower than in the same period in 2009, but it is estimated that a large proportion of the decrease in revenue can be recouped in the course of the year. Overall, the first quarter of 2010 was poorer than expected for Western Europe.

Due to the tightened focus on cash flow, the inventory of finished products in Western Europe was reduced in the first quarter of 2010 compared with the same period in 2009. The change in the capitalisation of fixed costs between the two quarters had a negative effect on the development in the pre-tax result.

The result before tax was a loss of DKK 37.5 million compared with a loss of DKK 22.9 million for the first quarter of 2009, corresponding to a decline of DKK 14.6 million. The decline in the result before tax was due to a combination of lower earnings per m^3 of aircrete sold and lower volume.

The average selling prices realised on the volume sold in Western Europe in the first quarter of 2010 were at a lower level than in the first quarter of 2009.

It is estimated that the level of activity in the market for new housing units has now bottomed out, and there are indications of a moderate upturn, particularly in the UK. It is thus expected that the increase in sales at the end of March will continue into the second quarter of 2010. In addition, the increased level of activity in the building sector is expected to halt the price slide in the markets in which pressure on prices has been the greatest.

First-quarter 2010 sales in the UK were markedly higher than in the same period in 2009. The government's subsidy programmes to encourage new building projects have had a positive effect on the market. The positive development is expected to continue throughout 2010.

In Germany, particular focus was applied to the optimisation of production and sales. This has resulted in the establishment of a new supply chain organisation and the reorganisation of sales with a view to boosting earnings. The tightened focus has led to a reduction in inventories in Germany.

Eastern Europe
First-quarter 2010 revenue in Eastern Europe amounted to DKK 69.2 million, up DKK 4.2 million or 6% on the first quarter of 2009. Expressed in local currency, revenue was down 6%.

The level of activity in Eastern Europe suffered as a result of the hard winter. Revenue in the Eastern European segment benefited from increased sales from the Group's new factory in Russia and the upgraded, reopened factory in the Czech Republic. The winter in Eastern Europe was generally much harder than last year, which meant that sales in Eastern Europe were down on last year and lower than expected.

It is estimated that a large proportion of the decline in revenue due to the winter weather can be recouped in the course of the year. The level of activity in Eastern Europe in the latter half of March was markedly better than in the rest of the quarter, and the higher level of activity is expected to continue into the second quarter of 2010.

The result before tax was a loss of DKK 30.9 million compared with a loss of DKK 7.3 million for the first quarter of 2009, corresponding to a decline of DKK 23.6 million. The decline in the result before tax reflected a combination of lower revenue, lower earnings per m^3 of aircrete sold, higher depreciation and higher interest expense. The higher depreciation and interest expense were due to the completion of the factory in Russia. The rising PLN, RUB and CZK exchange rates also depressed the result. Overall, this depressed the result before tax by DKK 4 million.

Selling prices in the Polish market were realised at a lower level than in the first quarter of 2009, but on a par with the selling prices realised in the fourth quarter of 2009.

Eliminations and unallocated items
Unallocated net expenses amounted to DKK 6.7 million in the first quarter of 2010, DKK 1.2 million less than in the same period last year. The decline in unallocated net expenses was primarily due to the influx of capital at the end of 2009, which improved the parent company's financial income.

Full-year profit outlook

The outlook for the 2010 financial year is a loss before tax, 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, 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
Management 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 the H+H Group's outlook for the 2010 financial year are 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.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the interim financial report of H+H International A/S for the first quarter of 2010.

The interim financial statements, which have not been audited or reviewed by the company's auditors, are presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for interim financial reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 March 2010 and of the results of the Group's operations and consolidated cash flows for the period 1 January - 31 March 2010.

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

Copenhagen, 27 May 2010

Executive Board

Hans Gormsen
CEO

Board of Directors

Anders C Karlsson
Chairman

Asbjørn Berge
Deputy Chairman

Stewart A Baseley

Heine Dalsgaard

Pierre-Yves Jullien

Henrik Lind

Forward-looking statements:
The forward-looking statements in this interim financial report reflect management's current expectations for certain future events and financial results. Statements regarding the future are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Factors that may cause the actual results to deviate materially from expectations include but are not limited to general economic developments and developments in the financial markets, changes in pricing for aircrete products, the market's acceptance of new products, introduction of competing products and the integration of company acquisitions.
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.

Income statement

(Amounts in DKK million)	Group Q1 2010	Group Q1 2009	Group Year 2009
Revenue	236.4	221.4	1.068.0
Production costs	(203.4)	(161.8)	(820.3)
Gross profit	33.0	59.7	247.7
Other external expenses	(63.8)	(57.6)	(230.9)
Other operating income and expenses	0.0	0.0	(7.8)
EBITDA	(30.8)	2.0	9.0
Depreciation and amortisation	(33.2)	(28.8)	(121.5)
EBITA	**(64.0)**	**(26.8)**	**(112.5)**
Impairment losses	0.0	0.0	92.7
EBIT	**(64.0)**	**(26.8)**	**(205.3)**
Net financing costs	(11.1)	(11.3)	(58.2)
Profit (loss) before tax	**(75.1)**	**(38.1)**	**(263.5)**
Income tax expense	16.1	9.1	31.0
Profit (loss) for the period	**(59.0)**	**(29.0)**	**(232.5)**
Earnings per share	(6.0)	(27.1)	(94.6)
Diluted earnings per share	(6.0)	(27.1)	(94.6)

Statement of comprehensive income

(Amounts in DKK million)	Group Q1 2010	Group Q1 2009	Group Year 2009
Profit (loss) for the period	(59.0)	(29.0)	(232.5)
Items recognised directly in equity			
Foreign exchange adjustments, foreign enterprises	50.0	(24.2)	7.6
Tax on changes in equity	0.0	(0.2)	(0.4)
Value adjustments of hedging instruments	0.0	0.6	1.8
Total comprehensive income	**(9.0)**	**(52.8)**	**(223.5)**

Balance sheet

(Amounts in DKK million)	Group 31 March 2010	31 December 2009	31 March 2009	31 December 2008
ASSETS				
Non-current assets				
Intangible assets	114.9	109.7	111.3	117.5
Property, plant and equipment	1,370.8	1,341.3	1,399.4	1,418.9
Other non-current assets	50.0	44.4	29.5	22.5
Total non-current assets	**1,535.7**	**1,495.4**	**1,540.2**	**1,558.9**
Current assets				
Inventories	204.2	209.9	222.3	212.0
Receivables	185.7	132.1	176.5	144.2
Cash and cash equivalents	7.3	17.6	8.7	7.7
Total current assets	**397.2**	**359.6**	**407.5**	**363.9**
TOTAL ASSETS	**1,932.9**	**1,855.0**	**1,947.7**	**1,922.8**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	109.0	109.0
Retained earnings	516.5	575.3	721.8	750.7
Other reserves	(57.6)	(107.6)	(140.3)	(116.5)
Proposed dividend	0.0	0.0	0.0	0.0
Total equity	**949.4**	**958.2**	**690.5**	**743.2**
Liabilities				
Non-current liabilities	813.0	749.6	1,100.7	1,015.7
Current liabilities	170.5	147.2	156.5	163.9
Total liabilities	**983.5**	**896.8**	**1,257.2**	**1,179.6**
TOTAL EQUITY AND LIABILITIES	**1,932.9**	**1,855.0**	**1,947.7**	**1,922.8**
Net interest-bearing debt	678.2	595.8	960.2	863.0

Notes
1 Accounting policies
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4 Events after the balance sheet date

Cash flow statement

(Amounts in DKK million)	Q1 2010	Q1 2009
Operating activities	(74.6)	(50.1)
Investing activities	(7.9)	(46.6)
Financing activities	72.1	98.1
Net increase (decrease) in cash and cash equivalents	**(10.4)**	**1.4**
Cash and cash equivalents at 1 January	17.6	7.7
Foreign exchange adjustments of cash and cash equivalents	0.1	(0.4)
Cash and cash equivalents at 31 March	**7.3**	**8.7**

Statement of changes in equity

(Amounts in DKK million)	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2010	**490.5**	**(107.6)**	**0.0**	**575.3**	**0.0**	**958.2**
Total changes in equity in 2010						
Total comprehensive income	**0.0**	**50.0**	**0.0**	**(59.0)**	**0.0**	**(9.0)**
Share-based payment	**0.0**	**0.0**	**0.0**	0.2	0.0	0.2
Total changes in equity in 2010	**0.0**	**50.0**	**0.0**	**(58.8)**	**0.0**	**(8.8)**
Equity at 31 March 2010	**409.5**	**(57.6)**	**0.0**	**516.5**	**0.0**	**949.4**
Equity at 1 January 2009	**109.0**	**(115.1)**	**(1.4)**	**750.7**	**0.0**	**743.2**
Total changes in equity in 2009						
Total comprehensive income	**0.0**	**(24.2)**	**0.4**	**(28.9)**	**0.0**	**(52.8)**
Share-based payment	0.0	0.0	0.0	0.1	0.0	0.1
Total changes in equity in 2009	**0.0**	**(24.2)**	**0.4**	**(28.8)**	**0.0**	**(52.7)**
Equity at 31 March 2009	**109.0**	**(139.3)**	**(1.0)**	**721.8**	**0.0**	**690.5**

Notes

1 Accounting policies

The interim financial report for the period 1 January - 31 March 2010 is presented in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reports of listed companies. The application of IAS 34 means that the presentation is more limited than the presentation of a complete annual report, and that the recognition and measurement principles in the international financial reporting standards (IFRS) have been complied with. The interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2009 annual report. The 2009 annual report includes a full description of the accounting policies.

2 Segment information

	Group					
	Western Europe		Eastern Europe		Reportable segments	
(Amounts in DKK million)	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Revenue, external	167.2	156.4	69.2	65.0	236.4	221.4
Revenue, internal	0.6	2.9	0.1	0.0	0.7	2.9
EBITDA	(12.7)	3.4	(10.3)	5.9	(23.0)	9.3
Depreciation and amortisation	(20.9)	(21.7)	(11.5)	(6.9)	(32.4)	(28.6)
Operating profit (loss) (EBITA)	(33.6)	(18.3)	(21.8)	(0.9)	(55.4)	(19.2)
Net financing costs	(3.9)	(4.6)	(9.1)	(6.3)	(13.0)	(10.9)
Profit (loss) before tax	(37.5)	(22.9)	(30.9)	(7.3)	(68.4)	(30.2)
Non-current assets	612.2	698.2	842.6	719.8	1,454.8	1,418.0
Investments in intangible assets and property, plant and equipment	1.5	4.7	4.6	40.0	6.1	44.7
Assets	896.0	1,013.5	974.5	835.7	1,870.5	1,849.2
Equity	285.8	370.3	218.6	220.8	504.4	591.1
Liabilities	610.2	643.2	755.9	614.9	1,366.1	1,258.1

Intersegment transactions are on an arm's length basis.

Reconciliation of reportable segments' results before tax		
(Amounts in DKK million)	2010	2009
Profit (loss) before tax		
Segment profit (loss) before tax for reportable segments	(68.4)	(30.2)
Unallocated Group costs, corporate functions	(6.7)	7.9
	(75.1)	(38.1)

Notes

3 Significant accounting estimates and judgements

In the process of preparing the consolidated financial statements management makes a number of estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

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 and non-current assets.

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

Further details of the Group's principal risks and the external factors that may affect the Group are provided in the 2009 annual report.

4 Events after the balance sheet date

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