Annual Report 2013

H+H International A/S

Build with ease

CVR No. 49 61 98 12

Contents

The way forward

"Market conditions in 2013 turned out to be as difficult as we expected, but we see positive development and growth in the years to come."

2013

Despite a very hard winter across Europe and continued European economic turmoil with weak growth in many markets, our year-end EBITDA result was in line with our guidance, although earnings were still not satisfactory. Only in the UK did we see market growth in 2013. No segments achieved their full potential, but when the markets turn and demand rises again, we will be able to handle the increase in volumes with our existing production capacity, thereby increasing profitability.

Kent Arentoft, Chairman.

We strengthened our sales organisation in 2013 and will continue to optimise it through leadership, cross-border sharing of best practices and other new initiatives. With these efforts, we will be reaching for excellence in sales, including addressing new segments and new customers with the aim of achieving profitable growth.

We continued to implement our excellence programme, which has resulted in cost savings in production and has improved our working capital which continuously will be an important focus area.

Strategic plan 2014-2016

We have prepared a new strategic plan for 2014-2016 and named it *"Creating value through profitable growth"*. Our aim is to improve earnings and to achieve a return on invested capital of minimum 10%.

We will be focusing on our core business of aircrete, increasing our market penetration and so strengthening our market position. Through innovation, we aim to make aircrete a stronger and more competitive product when compared with other building materials. Our goal is for aircrete to be a natural ingredient in any building and for H+H to be the customer's first choice.

Our brand is undergoing modernisation, bringing our image up to date and raising H+H's profile in both existing and new business segments.

Indicators for most of the markets in which we operate suggest economic growth in the coming years, but market visibility remains limited. We are confident that when the markets normalise, H+H will reposition itself with increased revenue and profitability due to the many efficient strategic and operational measures implemented.

Although our future strategy is now in place, much hard work still lies ahead of us. We are confident that our strong team of skilled and committed employees will succeed in implementing the new strategic plan and in achieving our long-term goals.

Capital structure

H+H had a solvency ratio of 22.7% and net interest-bearing debt of DKK 532 million at the end of 2013. The Board of Directors regularly evaluates the capital structure and is of the opinion that the company has adequate funding in place to realise the new strategic plan, and that H+H should aim for maximum net interest-bearing debt of 2-3 times EBITDA at the end of the strategy period in 2016.

Exclusive home built of solid blocks from H+H.

Dividend

Given the loss after tax for 2013 and the uncertainty with respect to when and how quickly revenue and earnings will return to stable growth, the Board of Directors will recommend at the annual general meeting on 10 April 2014 that no dividend be paid for the 2013 financial year.

On behalf of the Board of Directors:

Kent Arentoft
Chairman

Key figures

	Group				
(DKK '000)	**2013***	**2012***	**2011***	**2010****	**2009****
Income statement					
Revenue	1,260.1	1,223.6	1,309.8	1,185.5	1,068.0
Gross profit	261.5	272.3	283.4	237.6	247.7
Operating profit before depreciation, amortisation and financial items (EBITDA)	93.6	103.4	92.5	(4.8)	1.0
Operating profit (EBIT)	5.9	35.6	(9.4)	(245.4)	(205.3)
Net financing costs	(42.5)	(42.9)	(50.3)	(29.1)	(58.3)
Loss before tax	(36.6)	(7.3)	(59.8)	(274.5)	(263.5)
Loss for the year from continuing operations	(40.1)	(36.8)	(75.8)	(262.9)	-
Loss for the year from discontinued operations	(52.4)	(45.5)	(48.6)	(7.6)	-
Loss for the year	(92.5)	(82.4)	(124.5)	(270.5)	(232.5)
Balance sheet					
Non-current assets	962.4	1,045.6	1,176.4	1,363.9	1,495.4
Current assets	330.5	343.8	407.5	294.9	359.6
Share capital	490.5	490.5	490.5	490.5	490.5
Equity	293.9	417.9	472.7	670.7	958.2
Non-current liabilities	750.1	746.5	840.0	818.5	749.5
Current liabilities	249.0	225.0	271.3	169.6	147.2
Total equity and liabilities	1,292.9	1,389.4	1,584.0	1,658.8	1,855.0
Investments in property, plant and equipment	35.5	24.0	36.9	35.2	104.6
Interest-bearing debt (net)	531.6	538.6	628.5	613.6	595.8
Cash flow					
Cash flow from operating activities	58.2	44.4	42.9	46.4	(41.7)
Cash flow from investing activities	(30.1)	104.1	(32.2)	(31.8)	(119.4)
Free cash flow	28.1	148.5	10.8	14.6	(161.1)
Financial ratios					
Gross margin	20.8%	22.3%	21.6%	20.0%	23.2%
Operating margin (EBIT margin)	0.5%	2.9%	(0.7%)	(20.7%)	(19.2%)
Return on invested capital (ROIC)	0.7%	3.8%	(0.7%)	(16.2%)	(7.2%)
Return on equity	(26.0)	(18.5%)	(19.5%)	(33.2%)	(27.3%)
Solvency ratio	22.7%	30.1%	29.8%	40.4%	51.7%
Net interest-bearing debt/EBITDA	5.7	5.2	6.8	(127.8)	595.8
Share and dividend figures					
Average number of shares outstanding	9,789,511	9,789,511	9,789,511	9,789,511	1,432,844
Adjusted average number of shares outstanding	9,789,511	9,789,511	9,789,511	9,789,511	2,457,792
Share price, year-end (DKK)	47.7	26.0	42.4	53.0	63.0
Book value per share, year-end (DKK)	30	43	56	68	98
Price/book value	1.6	0.6	0.8	0.8	0.6
Price-earnings ratio (PE)	(5.0)	(3.1)	(3.3)	(1.9)	0.7
Earnings per share (adjusted)	(9.5)	(8.4)	(12.7)	(27.6)	(94.6)
Diluted earnings per share (adjusted)	(9.5)	(8.4)	(12.7)	(27.6)	(94.6)
Dividend per share (adjusted)	0	0	0	0	0
Staff					
Average full-time staff	885	1,001	1,084	1,156	1,238

* Figures have been adjusted for discontinued operations.

** Figures for 2010 and 2009 have further been adjusted for the transition to IAS 19R (2011) where impact on the income statement is concerned.

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33 (note 12).

The other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations & Ratios 2010".

Highlights

- Revenue of DKK 1,260 million and organic growth of 10%.
- EBITDA of DKK 94 million in line with our guidance.
- Free cash flow of DKK 28 million in line with our upgraded guidance.
- Our excellence programme was again successful and has resulted in average annual savings in production over the last three years of around DKK 20 million.
- To improve earnings, the factory in Finland was closed in April 2013, and it was decided to shut down production temporarily at the factory in Skawina, Poland.
- Xella was denied permission to merge with H+H in the German market.
- The new organisation was fully implemented, and a new strategic plan is in place: *Creating value through profitable growth*.
- Outlook for 2014: Organic revenue growth is expected to be in the region of 3-6%. EBITDA is expected to be in the region of DKK 110-130 million. Investments are expected to be in the region of DKK 60 million.

Single-family home built of solid blocks from H+H.

Our company

"Our one-company approach is key to safeguarding and growing our market position"

Michael Troensegaard Andersen, CEC

BUILD WITH EASE

H+H can trace its roots back to 1909, when it was founded in Denmark to mine sand and gravel, and was one of the pioneers in the manufacture of aircrete, which it started in 1937. Today we develop, produce, sell and distribute aircrete products and solutions primarily for walls in residential, industrial and other non-residential buildings.

H+H has built a very strong market position and is today Europe's second-largest aircrete supplier.

Construction techniques may vary greatly from country to country, but our expertise does not, and changing long-standing building traditions takes vision and innovative thinking.

H+H offers a wide range of services and solutions to ensure a high level of customer satisfaction. Our *Build with ease* value proposition has been incorporated across our sales organisation and is a strong communicator of how we work and where we focus our efforts. *Build with ease* sets the overall standard for how we work as a team with our customers.

OUR MARKETS

H+H operates in a number of countries in Western and Eastern Europe.

H+H's activities in Western Europe cover the Benelux countries, Denmark, Finland, Germany, Sweden and the UK. Demand in the UK market will be favoured in the longer term by demographic pressure from new households. In the medium term, demand will be boosted by a number of government programmes designed to stimulate the construction of new homes. In Germany, we have seen increasing building activity, with the fastest growth in the high-rise segment. In Denmark and Sweden, construction activity reached its lowest levels since the start of the economic crisis but is believed to have bottomed out.

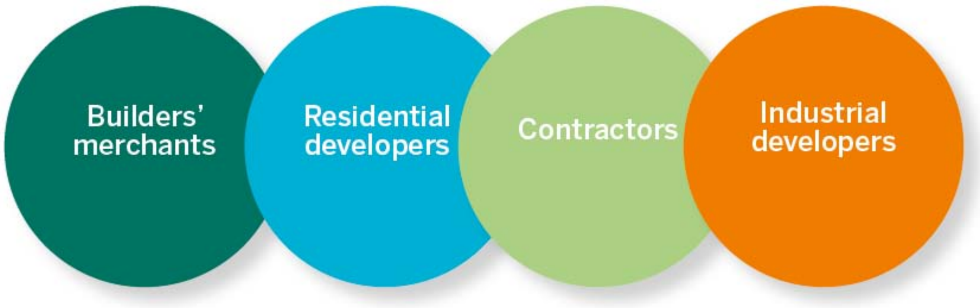
Our activities in Eastern Europe cover Poland and Northwest Russia. Poland is the biggest aircrete market in Europe, but activity levels have dropped significantly in recent years due to the market economic slowdown. Fierce competition and extensive overcapacity put pressure on prices. The market in Northwest Russia remains volatile, with low visibility, but our underlying long-term positive growth expectations are intact.

In general, 2013 was characterised by widespread uncertainty and rapidly changing market conditions. The OECD forecasts economic growth in our markets of around 2% in 2014.

One general market trend is an increased focus on urbanisation. This includes the production of high-rise apartment buildings and single-family homes around the larger cities. Another general trend is a continued strong focus on environmental and energy considerations.

OUR CUSTOMERS

Our strongest customer groups are builders' merchants and residential developers. We will continue to work closely with them to offer the best possible solutions at the best possible prices and with the best possible products. Only through our joint success will we be able to increase our market share and sales.



All customer groups have been affected by the economic turmoil of recent years, and activity and investments have been lower than normal. We are convinced that construction activity will pick up again as the economy recovers, increasing sales from current levels.

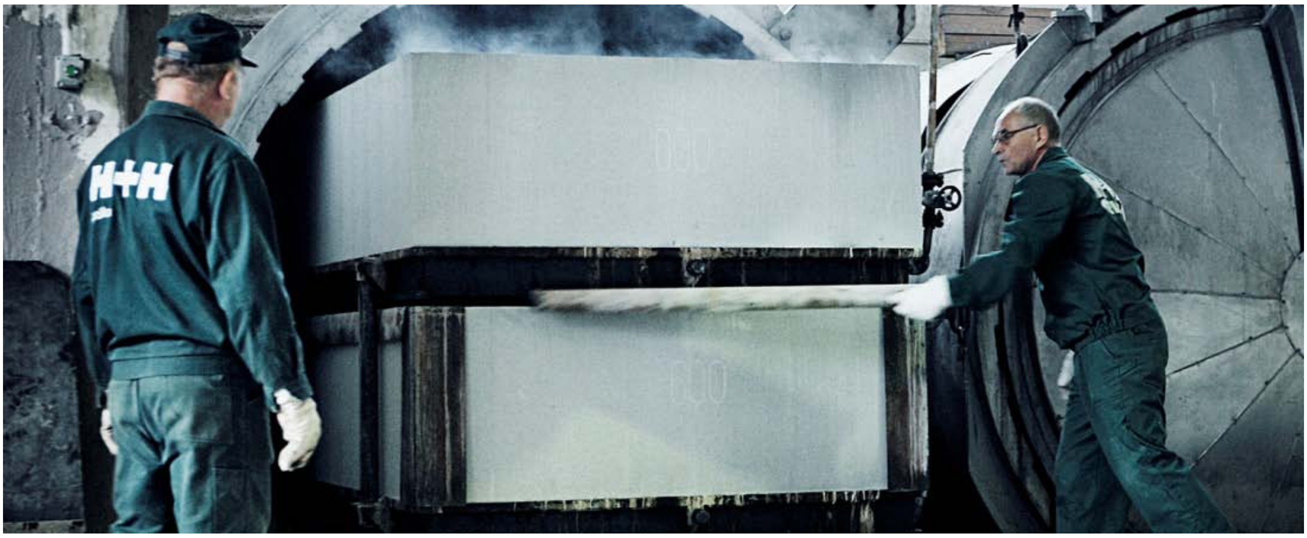
We meet our customers with our one-company approach, utilising best practice within sales and marketing. To strengthen our sales efforts, we will invest further in cross-border sharing of best practices, training and harmonisation of methodologies. This will be a strong tool for our sales force in its daily work in a competitive market and ensure that our strategic objectives are realised.

H+H meets challenges by evaluating the possible consequences on an individual basis, and reacts to unforeseen market challenges to safeguard our market position. We constantly monitor economic and political developments and competitors in the markets in which we operate.

OUR PEOPLE

H+H International A/S in Denmark is the parent company of the H+H Group, which consists of nine active companies operating in nine countries and has a total of around 900 competent and committed employees. Essentially, it is people who create value, not machinery.

H+H is functionally organised to enable best practice sharing across operations, and a strong team approach across the functions ensures local coordination in our individual geographical markets. We must have skilled people at all levels of our organisation, and we will strive to ensure that we have the necessary training programmes in place. We will continue to develop our organisation to the highest competitive level with a team of people who have a clear winning attitude and the strongest commitment.



Coming out of the autoclave the aircrete products are cooled and are packed ready for transport.

Strategy and long-term financial targets

"Creating value through profitable growth is the foundation for our new strategic plan. We are focusing sharply on optimising our business and on new initiatives to make us the overall number one aircrete supplier in our chosen geographical markets."

Michael Troensegaard Andersen, CEO.

Following a long economic crisis, we are starting to see small signs of recovery in our European markets. Successful execution of our strategic plan for 2014-2016 will lead to a stronger H+H with an improved debt ratio and an enhanced market position.

Our focus is on obtaining a reasonable return on invested capital that exceeds our cost of invested capital.

We aim to consolidate H+H's position as one of the leading global aircrete suppliers and become the overall number one within our chosen geographical footprint in terms of size, profit and market share.

We aim to have the highest growth rate of the main competitors in the market and to exceed the underlying market growth rate.

We are adopting a one-company approach for improved profitability, realising synergies and sharing best practices across our organisational entities.

Focusing on our core competences, we are determined to offer the most attractive aircrete solutions in general and to seek increased penetration of fast-growing construction market segments.

The strategic plan contains a number of key initiatives, which will be funded by our own cash flow and within the scope of our current credit facilities.

THE THREE CORE ELEMENTS OF OUR STRATEGIC PLAN

One-company approach

H+H is adopting a one-company approach to deliver the most shareholder value. One of the key measures for the value of the one-company approach is scalability – our ability to create revenue growth without a similar increase in fixed costs.

H+H will continue to harvest synergies from operations, sales and marketing to increase shareholder value. The benefits of the one-company approach far exceed the cost of running H+H as one group.

H+H's strong position in the main European markets is a major advantage over most competitors, which are active in one country only. Our cross-border position offers scale advantages as well as opportunities to share best practices.

H+H continues to build its pan-European brand, and our value proposition *Build with ease* is ensuring a strong, homogeneous and value-added service for our local and international customers.

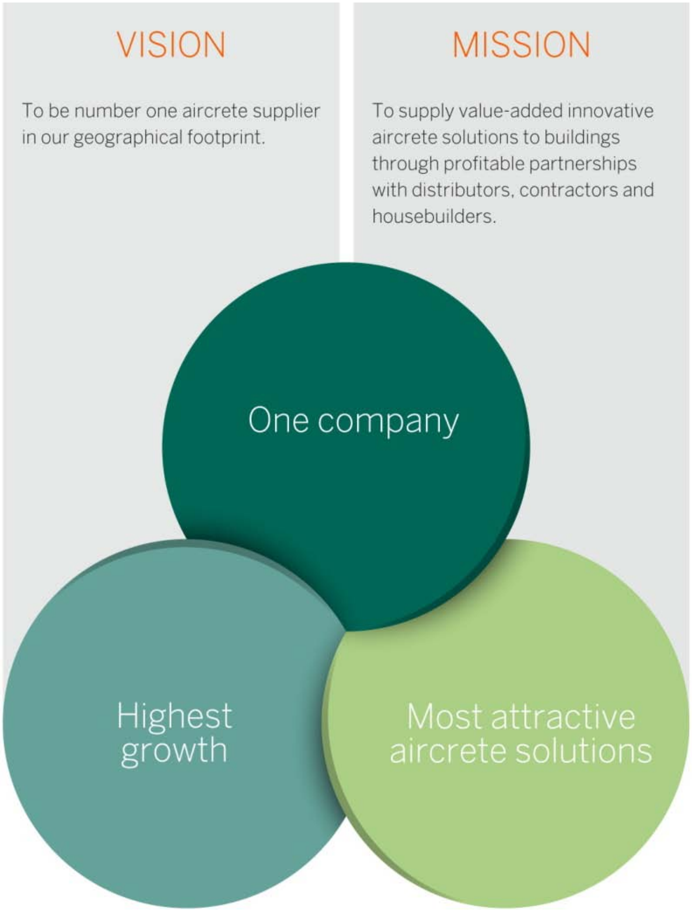
Through functional cross-border organisation of Sales and Marketing as well as Operations, we have launched, and will be launching, a number of programmes to increase market share and profitability.

Within Sales, we will be sharing best practices across borders and developing joint sales training concepts. Using common definitions of market and customer segments, we are identifying the most lucrative focus areas and steering the organisation in that direction.

Plant utilisation remains a focus area and a key driver of profitability. Through structural change and volume growth, H+H has met its original overall target for plant utilisation of above 75%.

Through our excellence programme, including sharing best practice across all plants, we are constantly looking to improve our production efficiency.

The programme will continue in the coming years, and the focus will be on achieving similar annual savings. At the same time, the programme will target further increases in plant utilisation to increase available plant output.



Our target in the planning period will be for cost increases to be below general inflation, and for us to be able to absorb the planned volume growth within the current infrastructure.

Attractive aircrete solutions

Building traditions and methods differ from country to country, and H+H has successfully been able to adapt and develop solutions for local markets.

Our *Build with ease* value proposition will continue to drive our development of value-added solutions.

We will focus on further strengthening and supporting both local innovation and more group-wide set-ups.

Product innovation will be essential to meet the growing interest in environmentally friendly and energy-saving products, while also enabling penetration of new or less-developed segments.

H+H is the only cross-border player in Europe specialising solely in aircrete. Compared with our competitors, we are focused and/or have a large enough market to achieve economies of scale for centrally driven innovation activities.

Our focus will be on improving environmental properties and on developing powerful solutions to increase penetration in higher-growth segments such as residential high-rises and non-residential buildings.

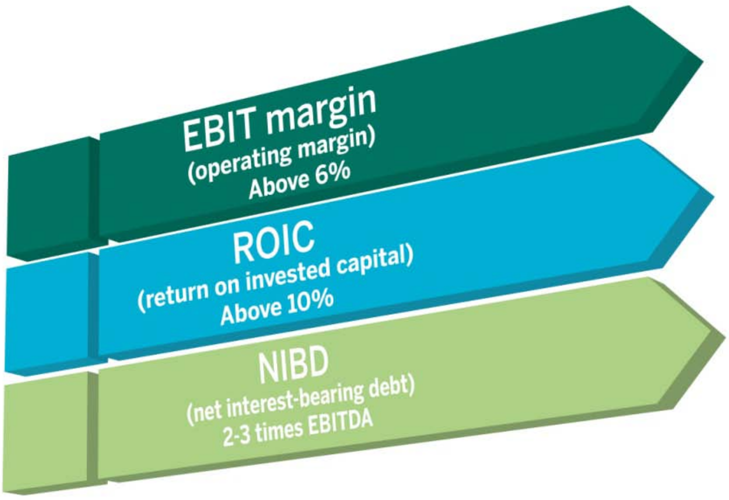
Highest growth rate

We continue to strengthen our market position as the number two in Europe, and our long-term goal is to become the overall number one aircrete supplier in our chosen geographical footprint.

Our large market share in growth markets such as the UK and Northwest Russia with little or no presence from our main competitor is helping us, and at the same time we have successfully managed to gain market share from other wall-building materials.

However, to reach our long-term objective, it is mandatory that we achieve a higher growth rate than our competitors and exceed the general market growth rate.

LONG-TERM FINANCIAL TARGETS



Financial review and outlook for 2014

"We achieved results that were in line with our guidance for EBITDA and cash flow. We used 2013 to optimise our business processes."

Niels Eldrup Meidahl, CFO.

INCOME STATEMENT

Revenue

Revenue was DKK 1,260 million, against DKK 1,224 million in 2012, an increase of DKK 36 million or 3.0%. There was organic growth of 10.0%. Expressed in local currency, revenue was up 5.6% on last year. GBP and RUB exchange rates had a negative effect on revenue of DKK 31.4 million, while EUR and SEK exchange rates had a positive effect of DKK 0.6 million.

Production costs

Average production costs were slightly lower than in 2012. Price rises for raw materials, primarily energy, and transport were as expected. Higher sales activity increased capacity utilisation at a number of factories, which together with savings due to production improvements through the excellence programme fully offset the higher raw material costs.

A wide range of cost savings were made in 2013 as part of the excellence programme. Savings in production were at a higher level than in 2012. Average annual savings over the last three years have been around DKK 20 million.

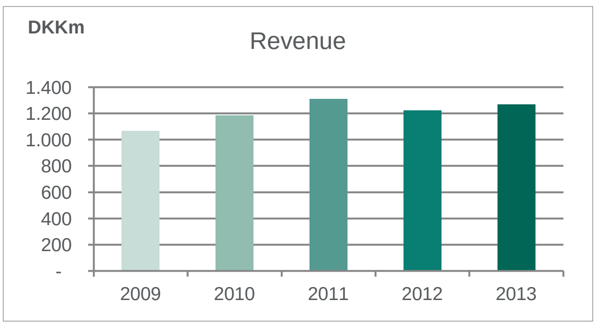
Gross profit

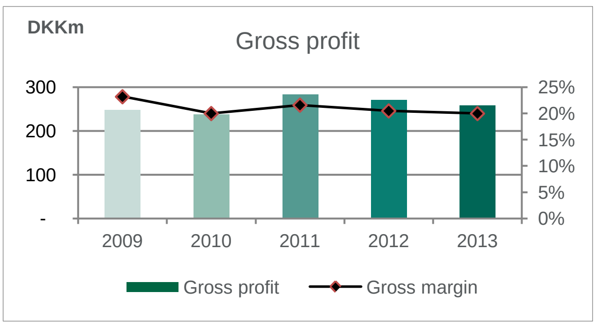
The overall gross margin in 2013 was 20.8%, against 22.3% in 2012. Average selling prices were slightly below last year.

Special items

The results for 2013 include net negative special items of DKK 1.6 million, consisting of lawyers' fees, costs for implementing the final phase of the new organisation and costs connected to the temporary shutdown of a factory in Poland, almost fully offset by the profit from sales of unused production equipment.

The results for 2012 included net negative special items of DKK 6.0 million, mainly costs relating to the implementation of the new organisation and costs for advisers etc. in connection with the sale of H+H Česká republika s.r.o.





EBITDA

EBITDA was DKK 93.6 million, against DKK 103.4 million in 2012. Earnings in H+H Česká and profit from the sale of H+H Česká in 2012 impacted earnings by DKK 10.4 million. Excluding H+H Česká, the figure would have been DKK 93.0 million in 2012.

Operating profit (EBIT)

H+H made an operating profit of DKK 5.9 million in 2013, against DKK 35.6 million in 2012, down DKK 29.7 million. Adjusted for the write-downs in 2012 mentioned below, operating profit increased by DKK 4.3 million.

In 2012 previous write-downs of DKK 104 million in Russia were reversed due to improved market conditions, while real estate in the Czech Republic was written down by DKK 46 million in connection with the sale of H+H Česká, and goodwill in Poland was written down by DKK 24 million as a result of market conditions remaining difficult, resulting in a net gain of DKK 34 million.

Loss before tax from continuing operations

H+H recorded a loss before tax of DKK 36.6 million, against a loss of DKK 7.3 million in 2012, down DKK 29.3 million.

Taxation

The tax figure for the year was a negative DKK 3.5 million, against a negative DKK 29.6 million in 2012.

Closedown of the factory in Finland and temporary shutdown of a factory in Poland

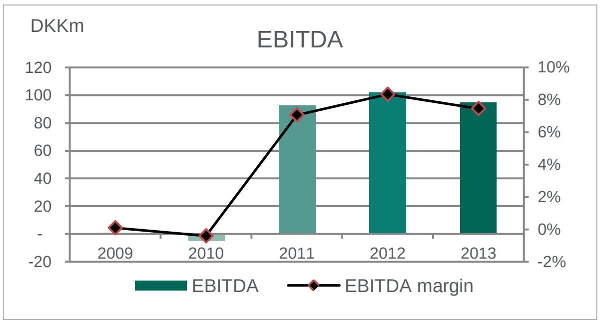
As announced in the interim report for the first quarter of 2013, it was decided to close H+H Finland Oy's factory in Ikaalinen, and production ceased in April. The Finnish operation has therefore been reclassified as discontinued in H+H's financial reporting. Discontinued operations generated a loss of DKK 52.4 million in 2013, against a loss of DKK 45.5 million in 2012.

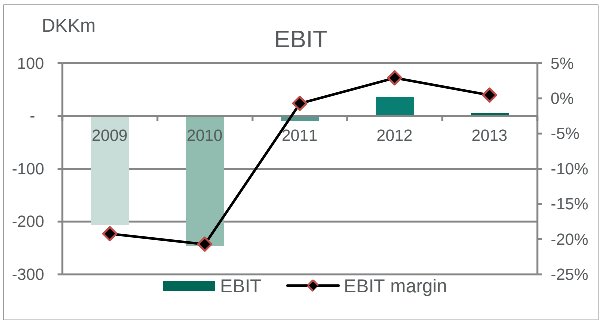
To further improve earnings, H+H decided to shut down production temporarily at the factory in Skawina, Poland. There has been excess capacity in the Polish market in recent years, resulting in stiff price competition and low capacity utilisation at Polish production facilities. With this shutdown, H+H aims to help reduce this excess capacity and increase capacity utilisation at the company's other Polish production facilities. The change resulted in severance costs in 2013, recognised under special items.

Western Europe

Revenue in Western Europe was DKK 936 million, an increase of DKK 76 million or 8.8% on 2012. Expressed in local currency, revenue was up 11.5% on 2012.

Revenue was markedly higher in the UK and was also up in Germany and the Benelux countries, but lower in Denmark and Sweden.





Government initiatives in particular stimulated the UK market, contributing to a more general improvement. H+H's market share in the UK increased, due primarily to consolidation in the homebuilder market, where H+H's customers improved their market share. There are clear signs of a recovery in construction activity in the UK.

In Germany, the first quarter brought very poor weather conditions, which led to unwanted stocks at competitors and strong price competition. In consequence, average selling prices in 2013 dropped below 2012 levels in spite of higher market activity.

Construction activity in the other Western European markets remains low relative to previous years. There has been a sharp fall in construction activity in Sweden relative to 2012.

EBITDA was DKK 67.4 million, against DKK 92.5 million in 2012. The decrease was due to lower export sales to Africa and price pressure in Germany and Scandinavia.

Loss before tax of DKK 11.0 million, against a profit of DKK 13.6 million in 2012, a decrease of DKK 24.6 million.

Eastern Europe

Revenue in Eastern Europe was DKK 324 million, a decrease of DKK 39.6 million or 10.9% on 2012. However, there was organic growth of 5.9%.

Sales volumes in Russia in 2013 were on a par with 2012, whereas revenue was up more than 10% due to price increases. During 2013 the market slowed down periodically before picking up again. Visibility in the market remains very poor.

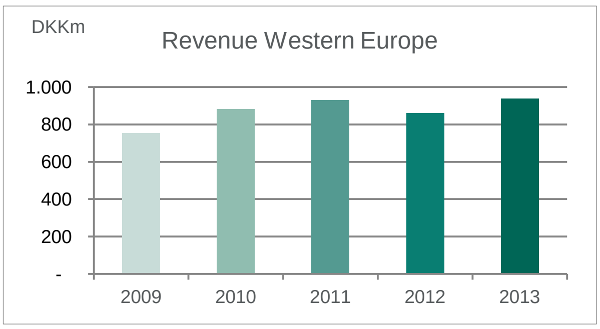
In Poland, demand remained low, and the high number of competitors and significant overcapacity led to a continued price war between local producers in particular, which affected the general level of prices.

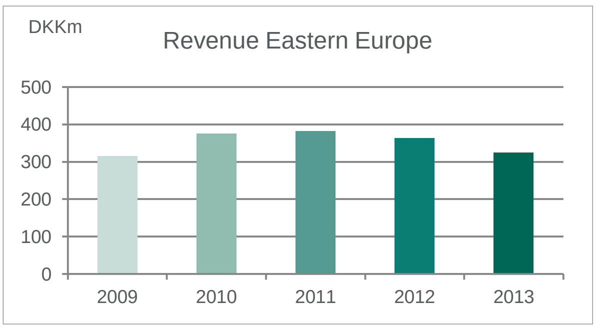
EBITDA was DKK 35.7 million, against DKK 36.8 million in 2012. There were improvements in both Russia and Poland. The downward trend seen in Poland in recent quarters seems to have come to an end. The 2012 figure was impacted by earnings in H+H Česká of DKK 4.7 million.

Loss before tax of DKK 15.4 million, against a profit of DKK 4.7 million in 2012, a decrease of DKK 20.1 million. The 2012 figure includes write-downs of assets in the Czech Republic of DKK 46 million and reversal of previous write-downs in Russia of DKK 104 million.

BALANCE SHEET

The balance sheet total at 31 December 2013 was DKK 1,293 million, against DKK 1,389 million at year-end 2012.





Sale of assets

In July 2013 H+H entered into an agreement with CEMEX Kies & Splitt GmbH under which the latter took over the extraction rights of raw materials from H+H's sand pit in Northern Germany. The agreement means that H+H will be paid a total of DKK 40 million over the next 12 years for the extraction of materials from the pit. The agreement had a positive impact on EBITDA in 2013 of DKK 3.5 million.

In January 2013 we sold the unused production equipment in the UK. The selling price for this equipment was DKK 5.5 million. The sale had a positive impact on earnings of DKK 3.7 million.

Investments

Total investments of DKK 35.9 million were made during 2013, against DKK 24.7 million in 2012.

Financing

Net interest-bearing debt totalled DKK 532 million at the end of 2013, down DKK 7 million since the beginning of the year due to improvements in working capital. Negotiations are in progress on a new bank agreement to replace the current one before it expires in February 2015.

The ratio of net working capital to sales improved from 9% on 31 December 2012 to 7% on 31 December 2013.

Financing costs totalled DKK 42.8 million in 2013, against DKK 44.5 million in 2012.

Cash flow

Free cash flow from continuing operations was DKK 28.1 million, against DKK 148.5 million in 2012. This was in line with our upgraded guidance for free cash flow for 2013 in the region of DKK 20 million. Cash flow from discontinued operations was negative DKK 28.8 million, due mainly to the closedown of the factory and finalisation of house-building projects in Finland.

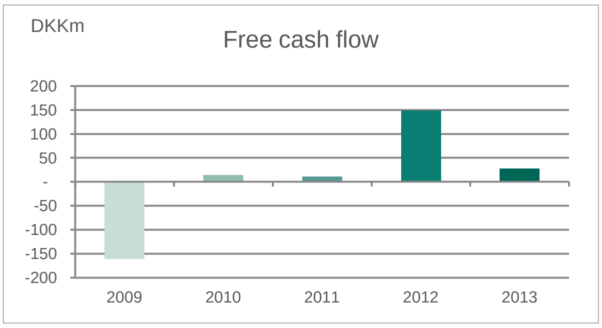
Equity

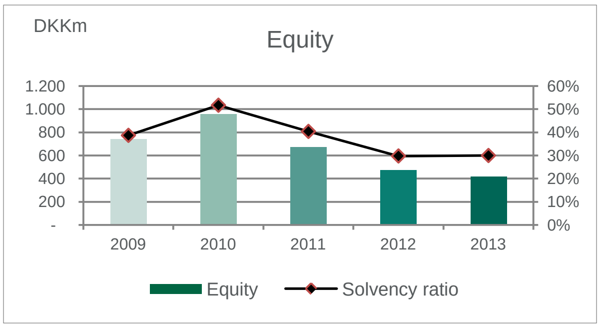
Equity fell by DKK 124 million in 2013. The loss after tax for the year decreased equity by DKK 92.5 million, while foreign exchange adjustments of investments in subsidiaries reduced equity by DKK 27.0 million.

Events after the balance sheet date

A plot of land in the United Kingdom was disposed of after the end of the financial year at a carrying amount of DKK 9 million. No other significant events have occurred after the balance sheet date.

The current political situation in Ukraine and Russia may have a negative impact on our business in Russia, for example as a result of possible fluctuation in the RUB exchange rate or higher energy costs.





OTHER

Interest in taking over H+H International A/S

In 2013 Xella International Holdings S.à.r.l. was denied permission for a possible merger with H+H International A/S in the German market. For more details, please refer to our company announcements in 2011-2013 on www.HplusH.com.

OUTLOOK FOR 2014

- Organic revenue growth is expected to be in the region of 3-6%.

- EBITDA is expected to be in the region of DKK 110-130 million.

- Investments are expected to be in the region of DKK 60 million.

These expectations for H+H's financial performance in 2014 are based partly on the following specific assumptions:

- Economic growth of around 2% in our geographical footprint.
- The operational excellence programme continues and reduces production costs further.
- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold at their mid-March 2014 levels, which in the case of RUB is a lower level than in 2013.
- Energy and raw material prices rise only in line with inflation from their mid-March 2014 levels.
- The current political situation in Russia and Ukraine does not result in changed market conditions in Russia.

ABOUT THE OUTLOOK FOR 2014

The expectations for H+H's financial performance are based on a number of general assumptions.

Management believes that the most significant assumptions underlying H+H's expectations relate to:

- Sales volumes and product mix
- Price competition in many of H+H's geographical markets
- Developments in the market for building materials
- Distribution factors
- Weather conditions

H+H International A/S will update and adjust the expectations presented where so required by Danish legislation, including the Danish Securities Trading Act, or the rules for issuers on NASDAQ OMX Copenhagen.

DISCLAIMER

This annual report contains forward-looking statements.
Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H International A/S, may cause actual developments and results to differ materially from the expectations expressed in the annual report.

Production

"The operational excellence programme makes us a strong competitor in a challenging market. We will continue this important work and maintain our focus on product innovation in the years ahead."

Bjørn Rici Andersen, Chief Operating Officer.

Production facilities

H+H produces aircrete at 11 factories in Germany, Poland, Russia and the UK with a total output of more than 2.5 million cubic metres of aircrete per year. In 2005-2010 we invested more than DKK 1 billion in upgrading and establishing new production facilities, but in recent years we have limited our investments to DKK 25-40 million per year.

Organisation

In 2013 a new organisational structure was implemented, moving the Group from a national structure to a functional structure with a Chief Operating Officer responsible for the global supply chain.

The Group's competitive advantages have been enhanced through:

- Harvesting operational synergies
- Efficient transfer of best practices
- Simplification and uniformity of product portfolio
- Optimal production allocation and improved capacity utilisation
- Streamlining of operational policies
- Uniform performance management system

Focus areas going forward:

Health & safety management

Health & safety (H&S) management is a top priority for our operations team. In 2013 we implemented several initiatives to improve the safety culture in our factories, including the introduction of a group safety officer function, clear reporting and follow-up of any lost-time accident, implementation of new H&S policies, and making management's commitment to H&S visible in the organisation. The H&S journey has not yet ended, but 2013 was used to lay out the basics to ensure successful implementation of a proactive H&S culture throughout the organisation.

Operational excellence programme

Launched in 2011, our very successful operational excellence programme focuses on improving H+H's competitive position through reductions in production costs. The programme has three parts:

- Improving production and energy efficiency
- Maximising purchasing power by bundling raw materials throughout the Group where beneficial
- Exchanging best practices across the Group

These initiatives brought average annual savings of DKK 20 million in 2011-2013. Going forward, we will continue the operational excellence programme and aim at annual savings of around 2% of total production costs.

Supply chain platform

In order to ensure a profitable business, we have been adjusting to the current somewhat unstable market conditions by paying close attention to the performance and potential of our production facilities and making any necessary changes.

In 2013 H+H planned to embark on an investment of DKK 40 million to increase significantly the capacity of the factory in Kikerino, Russia. However, detailed analysis and a focused effort to increase capacity utilisation have made it possible to limit the scope of the investment while still achieving a significant increase in annual output.

One of our five factories in Poland, the factory in Skawina, was temporarily closed down at the end of 2013 until the local market improves to the extent that production cannot be handled at one of the other Polish factories. We have also permanently closed down H+H Finland Oy’s factory in Ikaalinen, with production ceasing in April 2013. It was concluded that these facilities would not be capable of meeting the Group’s strategic goals for market positioning and production capacity within a reasonable time frame.

Product innovation

Through innovation we aim to make aircrete a stronger and more competitive product when compared with other building materials, and to make our products competitive with products supplied by our peers in our geographical markets.

H+H has a history of supplying innovative products and solutions to the aircrete market. However, to ensure our continued competitiveness and to be able to satisfy the demand from changing social and demographic trends in our markets, such as the ever increasing demand for environmentally sustainable solutions, H+H has intensified the focus on cross-border sharing of ideas and best practices and the generation of innovative new products and solutions.

We are in the process of developing a structured, common platform for sharing ideas across geographical markets and generating innovative new solutions, with the purpose of fully realising our intellectual and economic potential. The platform will ensure that ideas are shared systematically to address cross-border product and solution needs.

Risk management

Risk management is an ongoing process at H+H involving the identification of risks and an assessment of their potential impact on earnings. We aim to mitigate identified risks through internal business procedures, insurance and/or follow-up. Procedures, guidelines and various control systems have been developed to monitor and mitigate the risks identified, ensuring optimal management of all key risks.

H+H uses long-term scenarios as part of an annual evaluation of opportunities for and barriers to future growth, conducted during the strategy process. The scenarios are used to evaluate the impact of major decisions and the potential impact of major risks.

The Board of Directors has ultimate responsibility for the Group's risk management process and establishes the overall framework for it, whereas the duty of monitoring compliance with policies has been delegated to the CFO.

Risk	Scenario	Probability	Impact factor	Action
Market	With significant operational gearing and fixed costs, demand has a noticeable effect on H+H's financial performance. Developments in the global economy and especially the construction sector, as well as political initiatives such as taxes or tax deductions targeting the building industry or home owners, or changes to the mortgage system, have a significant direct and indirect impact on H+H.	High	High	Monitoring economic and political developments in the various markets and effective sales follow-up on a weekly basis.
Production	A major production breakdown or fire in a factory could cause a long-term loss of production. This shortfall would have an effect on sales unless made up by the other factories.	Low	Medium/ high	Plans are in place to limit the time to fix production issues. Business interruption due to natural disasters/fire/explosions etc. is covered by insurance, which includes the additional cost of servicing the market from other sourcing options.
Raw materials & energy	Production is dependent on the supply of raw materials in order to perform and fulfil orders. Production costs are exposed to the effects of higher energy prices on the cost of transportation and price changes for cement, sand and lime.	High	Medium	All critical raw materials have dual sourcing, and substitution of suppliers can be implemented relatively easily (although at a cost). The cost of energy consumption in production corresponds to 5-10% of revenue, so we monitor prices closely.

Risk	Scenario	Probability	Impact factor	Action
Competition & pricing	H+H is the second-largest player in the European market. This market position could be endangered by mergers between other suppliers. Excess production capacity in some markets could result in a price war.	Low	Medium	Competitor monitoring to the extent possible. Strong market visibility to maintain market position. Price monitoring in the various markets on a weekly basis with possible price adjustments.
Financial & foreign exchange	H+H's earnings are primarily in RUB, GBP and EUR, while its borrowings are primarily in GBP, PLN, EUR and DKK. Any developments in the financial markets, especially in RUB and GBP, could have a negative impact on the financial results of H+H.	High	Medium/ high	Exchange rate and interest rate risks are mitigated under established policies and are subject to ongoing follow-up and reporting.
Capital structure & cash flow	Net interest-bearing debt amounted to DKK 532 million at the end of 2013, and H+H will remain dependent on external financing in the future. The current agreement on a credit facility of DKK 700 million expires in February 2015. The bank can terminate the facility prematurely if H+H fails to meet certain financial covenants. In 2013 there was no breach of the financial covenants.	Low	High	Negotiations are in progress on a new bank agreement to replace the current one before it expires in February 2015.

Corporate social responsibility

CORPORATE SOCIAL RESPONSIBILITY (CSR)

H+H develops, manufactures and sells aircrete products for the building industry in Western and Eastern Europe and strives to do so sustainably from a commercial, health & safety and environmental perspective. This goal of doing business in a sustainable way is an integral part of all of H+H's activities.

Aircrete is a particularly eco-friendly building material, not only because of its excellent thermal insulation properties but also because the production of aircrete is easy on the environment, and at the end of its life cycle aircrete can be crushed and used for other purposes, such as road fill and cat litter. The primary materials used in the production of aircrete are cement, lime and sand, all of which are based on abundantly available natural resources. In some countries, PFA (pulverised fuel ash, a residual product from power generation at coal-fired power stations) is used as a raw material instead of sand.

CSR policies

Up until 2011 H+H executed its business on the basis of unwritten CSR-oriented principles rather than formal written CSR group policies. In addition CSR-related policies and actions were implemented locally in the various H+H subsidiaries on the basis of local legislation, trends and traditions. The development and updating of group-based CSR policies was initiated in 2011, but there are still relevant CSR issues for which group-based policies have not yet been developed. It is the intention to establish a structured compliance organisation in the H+H Group during 2014, and a more complete group CSR policy structure is expected to be in place by the end of 2016 when the current strategy period ends.

As one of its guiding principles, H+H is to work actively to reduce the environmental impact of its manufacture of aircrete, and H+H's production and products are always to comply with applicable requirements and standards. Therefore, H+H continuously seeks to develop its production processes, products and business practices in ways that can increase the sustainability of its production, logistics and products.

Furthermore, H+H is to be a safe place to work and is always to comply with statutory health & safety requirements wherever it does business. H+H is to be an attractive place to work, offering scope for professional development and a good work-life balance.

Another guiding principle for H+H's strategy and business activities is the recognition of human rights, including but not limited to the freedom of organisation and equal opportunities regardless of gender, religion, colour, ethnic or national origin and political convictions, as well as a ban on child labour and forced labour.

CSR statement for 2013

Pursuant to section 99a of the Danish Financial Statements Act, H+H International A/S publishes an annual statement on its CSR policies, actions taken to implement these policies and the results of these actions. The 2013 statement forms part of Management's review and can be found on the company's website at www.HplusH.com/csr-statement.

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Corporate governance

RECOMMENDATIONS ON CORPORATE GOVERNANCE

As a company listed on NASDAQ OMX Copenhagen, H+H International A/S is subject to its *Rules for issuers of shares,* including an obligation either to comply with the *Recommendations on Corporate Governance* issued by the Danish Committee on Corporate Governance or to explain why not and describe any alternative implemented instead. The recommendations as last revised in May 2013 are available on the Committee's website, www.corporategovernance.dk.

In accordance with the recommendations, H+H International A/S has prepared a report on the company's compliance with the recommendations in 2013. The report forms part of the company's *Statutory annual corporate governance statement under section 107b of the Danish Financial Statements Act*, which can be viewed on the company's website at www.HplusH.com/governance-statement. H+H International A/S essentially complies with the recommendations, and in the few instances of non-compliance, the reason for the non-compliance and a description of what is done instead are provided in the above corporate governance statement for 2013.

Evaluation of the Board of Directors

The Board of Directors held nine meetings in 2013, while the Audit Committee held four, the Nomination Committee held one and the Remuneration Committee three.

The Board of Directors has undertaken a self-evaluation based on input from one-on-one sessions between the Chairman and each member of the Board of Directors and the Executive Board. The input from and issues raised during the one-on-one sessions were subsequently discussed by the Board of Directors and considered in the light of, among other things, the Board of Directors' competence and diversity profile published on the company's website www.HplusH.com and used together with recommendations from the Nomination Committee to decide who the Board of Directors will nominate as candidates for the Board of Directors at the company's annual general meeting on 10 April 2014.

Diversity at management level

H+H International A/S's organisation represents different skills, nationalities, ages and genders, and international experience. Recruitment for management positions takes place with an emphasis on skills and experience, and without discrimination on the grounds of age, gender, nationality etc.

H+H International A/S's organisation is very small with only 13 employees (including the two members of the Executive Board) of different nationalities and ranging in age from 30 to 60+, five of whom are women and eight men. There are eight management positions at various levels of the company, one of which is held by a woman.

Pursuant to section 139a of the Danish Companies Act, H+H International A/S has set an objective for the gender distribution of the Board of Directors, whereby the Board shall seek to ensure that each gender is represented by at least one shareholder-elected board member when the Board of Directors consists of four or five shareholder-elected board members, and that each gender is represented by at least two shareholder-elected board members when the Board of Directors consists of six, seven or eight shareholder-elected board members. This objective is to be reached no later than by the annual general meeting in 2016; however, it has already been met, since the present five shareholder-elected board members consist of one woman and four men.

In accordance with the exemption granted to small organisations with fewer than 50 employees in respect of the obligation to set objectives and produce a policy to ensure diversity, including a higher proportion of the under-represented gender, cf. section 139a(6) of the Companies Act, H+H International A/S has not set any objectives or produced any policies to ensure diversity in the company's management. Even though this is in accordance with the Companies Act, the lack of diversity-related objectives and policies for management positions is a departure from recommendation 2.1.6 of the *Recommendations on Corporate Governance,* since the recommendations are stricter in this respect than the obligations under the Companies Act.

The decision not to establish any objectives or policy with regard to diversity is due to the very small size of H+H International's organisation, with fewer than 15 persons in total. The limited number of employees means there are only limited or no changes in the organisation in any given year, which again makes it very difficult to effectively pursue any diversity objectives or policy within a meaningful time frame.

It should be noted that management of subsidiaries is generally diverse with people of different nationalities, ages and genders working as managers within production, sales, marketing, HR and finance.

Shareholder information

SHARE CAPITAL AND SHAREHOLDERS

H+H International A/S has share capital with a nominal value of DKK 490,500,000 carrying a total of 98,100,000 votes and divided into 9,810,000 shares, each with a nominal value of DKK 50 and carrying 10 votes.

As at 1 January 2014, H+H International A/S had 3,229 registered shareholders (corresponding to 74.82% of the share capital), including 160 foreign shareholders, and the company held 20,489 treasury shares. On the same date, H+H International A/S had three major shareholders, each holding more than 5% of its shares: ATP (11.52%), Laurids Jessen and his company Danebroge ApS (6.76%) and LD Equity 1 K/S (5.84%).

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 four weeks immediately after the publication of each interim financial report or annual report. If in possession of inside information, such persons are prohibited from trading even during the said four-week period for as long as this information remains inside information. The company may not buy or sell its own shares during a three-week period immediately preceding each interim financial report or annual report, and the company may not trade whilst in possession of inside information.

CAPITAL STRUCTURE

The Board of Directors and Executive Board regularly evaluate the company's capital structure on the basis of expected cash flow and in the light of the company's earnings, debt, loan covenants etc. with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

H+H International A/S had a solvency ratio of 22.7% at the end of 2013, compared with 30.0% at the end of 2012. The company's net interest-bearing debt totalled DKK 532 million at the end of 2013, compared with DKK 539 million at the end of 2012.

SHARES

H+H International A/S's shares are listed on NASDAQ OMX Copenhagen in the Small Cap segment (ticker code HH, ISIN DK0015202451). The company has a single share class, and the Board of Directors is of the opinion that the shares' listing increases the company's options when it comes to raising new capital.

The company's share price rose by around 83% to DKK 47.7 per share in 2013. By way of comparison, the OMXC20 index gained around 32% and the OMXCXC20 Index gained 45.5%. Turnover in 2013 was 5,903,077 shares at a total price of DKK 211 million.

DIVIDENDS

All major investment projects were completed in 2009, and investments have been kept at low levels since 2010. In the current trading environment, H+H expects investments in the region of DKK 60 million in 2014. However, H+H International A/S's net interest-bearing debt is still relatively high compared with current revenue and earnings levels, and it is still uncertain when and how quickly revenue and earnings will return to stable growth.

Given the loss after tax for 2013 of DKK 93 million, and given the above uncertainty with respect to H+H's future earnings, the Board of Directors will recommend to the annual general meeting on 10 April 2014 that no dividend be paid for the 2013 financial year. It should also be noted that under the terms of H+H International A/S's loan agreement with Danske Bank A/S, the Board of Directors is subject to an obligation to the effect that any proposed resolution concerning the distribution of dividends for a given financial year must not exceed 50% of the company's profit after tax in the financial year in question.

Despite recent years' negative results as a consequence of the economic crisis, it is still a natural overall objective for H+H International A/S to generate a reasonable return for its shareholders in the form of share price appreciation and the distribution of dividends and/or reduction of share capital through the buyback and cancellation of shares in the company.

INVESTOR RELATIONS 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 requirements 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. This 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 publication of an interim financial report or of the annual report.

Relevant investor information is available on the company's website www.HplusH.com. In 2013 the company held more than 50 investor meetings and published 15 company announcements. The company is covered by an analyst from Danske Bank Markets.

Enquiries concerning IR issues should be addressed to CFO Niels Eldrup Meidahl at shareholder@HplusH.com or by telephone on +45 35 27 02 00.

ANNUAL GENERAL MEETING

The next annual general meeting will be held on 10 April 2014. The time and place will be announced in the notice of the annual general meeting published via the Danish Business Authority's IT system as well as in a company announcement and on the company's website. The notice will be published no earlier than five weeks and no later than three weeks prior to the annual general meeting.

Documents for use at the annual general meeting will be made available on the company's website www.HplusH.com no later than three weeks before the meeting. Shareholder proposals for the agenda of the annual general meeting must be submitted no later than six weeks before the meeting (i.e. before 27 February 2014).

Unless otherwise stated in the Danish Companies Act or the company's Articles of Association, resolutions on the amendment of the Articles of Association will be valid only if carried by at least two-thirds of the votes cast and of the voting share capital represented at the general meeting.

FINANCIAL CALENDAR 2014

Date	Event
14 March 2014	Annual Report 2013
10 April 2014	Annual General Meeting
22 May 2014	Interim financial report Q1 2014
21 August 2014	Interim financial report H1 2014
20 November 2014	Interim financial report Q1-Q3 2014

Board of Directors

From left: Pierre-Yves Jullien, Henriette Schütze, Kent Arentoft, Stewart A Baseley and Asbjørn Berge.

According to the company's Articles of Association, all shareholder-elected board members are elected by simple majority for a term of office lasting until the next annual general meeting. The current term of office expires at the annual general meeting on 10 April 2014. At the coming annual general meeting, the Board of Directors will propose the re-election of all members. If the annual general meeting follows the Board's proposal for board members, these board members will re-elect Kent Arentoft as Chairman of the Board of Directors. The remuneration of the individual members of the Board of Directors and the Executive Board in 2013 is presented in note 3 to the financial statements.

KENT ARENTOFT

Male. Born 1962. President and CEO, Dalhoff Larsen & Horneman A/S.

- Chairman. Joined the Board of Directors in 2013. Member of the Nomination Committee (chairman) and Remuneration Committee (chairman).
- Holds 10,000 H+H shares, all acquired in 2013.
- Broad organisation and management experience in international companies in the building materials and contracting sector, in particular within strategy development and M&A transactions.
- Independent board member as defined in the *Recommendations on Corporate Governance*.

Other management positions and directorships

- Member of the board of directors of Xilco Holding (CH) AG (Switzerland) and one subsidiary.

STEWART A BASELEY

Male. Born 1958. Executive Chairman, Home Builders Federation (UK).

- Joined the Board of Directors in 2010. Member of the Remuneration Committee.
- Holds 10,000 H+H shares, with no changes in his holding in 2013.
- Experience in the international house-building industry and the developer industry, particularly in the UK, as well as international management experience.
- Independent as defined in the *Recommendations on Corporate Governance*.

Other management positions and directorships

- Member of the board of directors of Banner Homes Group PLC (UK), four subsidiaries of Home Builders Federation (UK), HBF Insurance PCC Limited (Guernsey), the National House-Building Council (UK), Akomex Sp. z o.o. (Poland), MEDI-system Sp. z o.o. (Poland) and ProService Agent Transferowy Sp. z o.o. (Poland).
- Senior Advisor on Central and Eastern Europe for Highlander Partners L.P. (USA).
- Chairman of Habitat for Humanity Great Britain (UK).
- Patron of Children with Special Needs Foundation (UK).

ASBJØRN BERGE

Male. Born 1955. Professional board member.

- Joined the Board of Directors in 2010. Member of the Audit Committee, Nomination Committee and Remuneration Committee.
- Holds 6,000 H+H shares, with no changes in his holding in 2013.
- Experience in the management of production companies within the building materials sector and the building industry, and long-standing experience of board work.
- Independent as defined in the *Recommendations on Corporate Governance*.

Other management positions and directorships

- Chairman of the board of directors of Board Governance A/S, Carnad A/S, Freja Transport & Logistics A/S, KA. Interiør Holding A/S and one subsidiary, and Trend Lines A/S.
- Deputy chairman of Palsgaard Træ A/S and member of the boards of five subsidiaries.
- Member of the board of directors and managing director of Berge Invest ApS and Industri Invest Herning A/S.
- Member of the board of directors of Bizzorp Holding ApS and two subsidiaries, C.C. Contractor A/S, Da'core A/S, Dansk Vækstkapital, Ejendomsselskabet Berlin og Hamborg A/S, Godt Smil Holding ApS, Junckers Industrier A/S, Lilleheden A/S and two subsidiaries, Pipers Teglværker A/S and one subsidiary, Plus A/S and Træfonden.

PIERRE-YVES JULLIEN

Male. Born 1950. President and CEO, Hempel A/S.

- Joined the Board of Directors in 2010. Member of the Audit Committee.
- Experience in the management of a major global manufacturer, including turnarounds and efficiency improvement as well as B2B sales.
- Independent as defined by the Re*commendations on Corporate Governance*.

Other management positions and directorships

- Managing director, chairman or member of the board of directors of 12 companies in the Hempel Group.
- Member of the board of Saudi Arabian Packaging Industry W.L.L. (Saudi Arabia).

HENRIETTE SCHÜTZE

Female. Born 1968. Executive director and CFO, Georg Jensen A/S, until mid 2013.

- Joined the Board of Directors in 2013. Member of the Audit Committee (chairman).
- Extensive financial management experience from international listed and unlisted companies as well as broad management experience including turnarounds, change management and productivity/efficiency improvements.
- Independent as defined by *Recommendations on Corporate Governance*.

Other management positions and directorships

- Member of the board of directors of IMD Alumni Club Denmark.

Executive Board and organisation

MICHAEL TROENSEGAARD ANDERSEN

Male. Born 1961. CEO of H+H International A/S since 2011.

- Holds 19,465 H+H shares, of which 4,400 net were acquired in 2013. All shares are invested in a matching share incentive programme.

Background

- 2004-2011: Employed at Trelleborg AB, from 2008 to 2011 as president of a global business unit consisting of 10 subsidiaries in Europe, the USA and Asia, and from 2004 to 2008 as managing director of Trelleborg Sealing Solutions Helsingør A/S.
- 1997-2004: Employed in executive positions within sales, marketing and general management at Alto International A/S (now part of the Nilfisk Group).
- Holds an M.Sc. (Engineering) and a B.Comm. (Accounting).

NIELS ELDRUP MEIDAHL

Male. Born 1973. CFO of H+H International A/S and member of the management team since 2009. Member of the Executive Board since 2010.

- Holds 10,802 H+H shares, of which 1,435 net were acquired in 2013. All shares are invested in a matching share incentive programme.

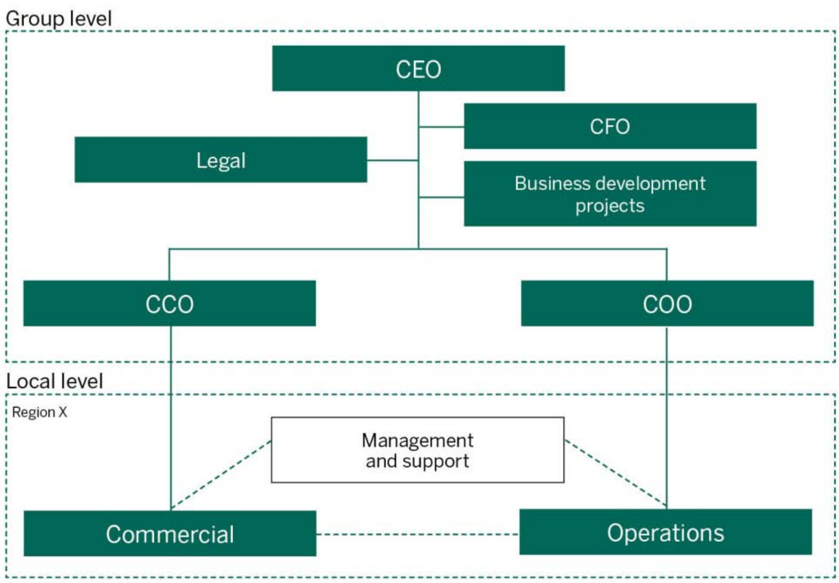
Background

- 2006-2009: CFO of DSV Miljø A/S.
- 2002-2006: Manager, investor relations and tax, at Novozymes A/S.
- 2001-2002: CFO of Learning Lab Denmark.
- 1997-2001: Accountant and tax advisor at Arthur Andersen.
- Holds an LL.M. and an M.Sc. (Business Administration and Auditing).

Other management positions and directorships

- Chairman of the board of directors of SoundEar A/S.
- Member of the board of directors of DanWEEE Recycling A/S.

ORGANISATION



Income statement

		Group		Parent company	
Note	**(DKK '000)**	**2013**	**2012**	**2013**	**2012**
2	Revenue	1,260,070	1,223,627	0	0
3, 16	Production costs	(998,583)	(951,366)	0	0
	Gross profit	**261,487**	**272,261**	**0**	**0**
3	Sales and distribution costs	(88,282)	(90,272)	0	0
3	Administrative costs	(87,224)	(91,901)	(24,886)	(27,707)
4	Other operating costs	(7,604)	(6,252)	(3,610)	(20,444)
5	Other operating income	15,189	19,575	19,323	22,921
	Profit/loss before depreciation, amortisation and financial items (EBITDA)	**93,566**	**103,411**	**(9,173)**	**(25,230)**
6	Depreciation and amortisation	(86,742)	(100,130)	(1,395)	(1,421)
7	Impairment losses	(940)	32,327	(144,965)	(111,435)
	Operating profit/loss (EBIT)	**5,884**	**35,608**	**(155,533)**	**(138,086)**
8	Financial income	281	1,571	24,264	34,349
9	Financial expenses	(42,754)	(44,476)	(23,684)	(32,711)
	Loss from continuing operations before tax	**(36,589)**	**(7,297)**	**(154,953)**	**(136,448)**
10	Tax on profit from continuing operations	(3,520)	(29,550)	0	0
	Loss for the year from continuing operations	**(40,109)**	**(36,847)**	**(154,953)**	**(136,448)**
24	Loss for the year from discontinued operations	(52,364)	(45,511)	0	0
	Loss for the year	**(92,473)**	**(82,358)**	**(154,953)**	**(136,448)**
12	Earnings per share (EPS-Basic) (DKK)	(9.45)	(8.41)		
12	Diluted earnings per share (EPS-D) (DKK)	(9.45)	(8.41)		
12	Earnings per share from continuing operations (EPS-Basic) (DKK)	(4.10)	(3.76)		
12	Diluted earnings per share from continuing operations (EPS-D) (DKK)	(4.10)	(3.76)		

Statement of comprehensive income

		Group		Parent company	
Note	**(DKK '000)**	**2013**	**2012**	**2013**	**2012**
	Profit for the year	**(92,473)**	**(82,358)**	**(154,953)**	**(136,448)**
	Other comprehensive income:				
	Items that will not be reclassified subsequently to profit or loss:				
	Actuarial losses and gains	(6,263)	(14,249)	0	0
	Tax on actuarial losses and gains	1,285	4,039	0	0
		(4,978)	**(10,210)**	**0**	**0**
	Items that may be reclassified subsequently to profit or loss:				
	Foreign exchange adjustments, foreign companies	(31,270)	39,178	0	0
	Tax on foreign exchange adjustments, foreign companies	4,220	(1,616)	0	0
		(27,050)	**37,562**	**0**	**0**
	Other comprehensive income after tax	(32,028)	27,352	0	0
	Total comprehensive income for the year	**(124,501)**	**(55,006)**	**(154,953)**	**(136,448)**

Balance sheet at 31 December

ASSETS

		Group		Parent company	
Note	**(DKK '000)**	**2013**	**2012**	**2013**	**2012**
	Goodwill	58,559	59,062	0	0
	Other intangible assets	4,669	11,835	3,758	5,010
13	**Intangible assets**	**63,228**	**70,897**	**3,758**	**5,010**
	Land and buildings	341,415	345,557	0	0
	Plant and machinery	388,180	445,099	0	0
	Fixtures and fittings, tools and equipment	134,540	154,690	612	457
	Property, plant and equipment under construction	18,740	15,608	0	0
13	**Property, plant and equipment**	**882,875**	**960,954**	**612**	**457**
14	Deferred tax assets	16,338	13,728	0	0
15	Equity investments in subsidiaries	0	0	800,605	891,550
	Receivables from subsidiaries	0	0	350,888	380,852
	Other non-current assets	**16,338**	**13,728**	**1,151,493**	**1,272,402**
	Total non-current assets	**962,441**	**1,045,579**	**1,155,863**	**1,277,869**
16	Inventories	166,202	194,213	0	0
17	Trade receivables	39,393	22,695	0	0
	Tax receivable	493	495	0	0
17	Other receivables	13,977	16,024	418	540
	Prepayments	5,882	7,279	0	0
	Cash	40,084	15,475	15	15
	Current assets	**266,031**	**256,181**	**433**	**555**
24	Assets held for sale	64,476	87,667	0	0
	Total current assets	**330,507**	**343,848**	**433**	**555**
	Total assets	**1,292,948**	**1,389,427**	**1,156,296**	**1,278,424**

Balance sheet at 31 December

EQUITY AND LIABILITIES

		Group		Parent company	
Note	**(DKK '000)**	**2013**	**2012**	**2013**	**2012**
	Share capital	490,500	490,500	490,500	490,500
	Translation reserve	(114,765)	(87,715)	0	0
	Retained earnings/losses	(81,848)	15,097	289,810	444,257
	Equity	**293,887**	**417,882**	**780,310**	**934,757**
19	Pension obligations	156,912	167,401	0	0
20	Provisions	4,000	6,940	0	0
14	Deferred tax liabilities	17,493	18,033	7,264	7,264
21	Credit institutions	571,678	554,112	294,403	253,967
	Non-current liabilities	**750,083**	**746,486**	**301,667**	**261,231**
	Trade payables	119,507	107,097	2,784	1,708
	Income tax	666	750	0	0
	Payables to subsidiaries	0	0	60,616	66,880
	Other payables	79,106	65,000	10,919	13,848
	Current liabilities	**199,279**	**172,847**	**74,319**	**82,436**
24	Liabilities relating to assets held for sale	49,699	52,212	0	0
	Total current liabilities	**248,978**	**225,059**	**74,319**	**82,436**
	Total liabilities	**999,061**	**971,545**	**375,986**	**343,667**
	Total equity and liabilities	**1,292,948**	**1,389,427**	**1,156,296**	**1,278,424**

Cash flow statement

		Group		Parent company	
Note	**(DKK '000)**	**2013**	**2012**	**2013**	**2012**
	Operating profit/loss	5,884	35,608	(155,534)	(138,086)
	Financial items, paid	(29,550)	(42,904)	3,257	1,638
	Depreciation, amortisation and impairment losses	87,682	67,803	146,360	112,856
	Other adjustments	(3,200)	(16,737)	(2,171)	205
	Change in inventories	(3,287)	3,885	0	0
	Change in receivables	(18,335)	61,528	123	137
	Change in trade payables and other payables	39,623	(32,021)	(1,853)	3,795
	Change in provisions	(20,759)	(33,321)	0	0
	Income tax paid	175	610	0	0
	Operating activities	**58,233**	**44,451**	**(9,818)**	**(19,455)**
	Sale of property, plant and equipment	5,785	7,628	222	216
	Capital contributions to subsidiaries	0	0	(54,020)	(25,261)
25	Sale of subsidiaries	0	121,144	0	56,684
	Acquisition of property, plant and equipment and intangible assets	(35,907)	(24,704)	(520)	(254)
	Investing activities	**(30,122)**	**104,068**	**(54,318)**	**31,385**
	Free cash flow	**28,111**	**148,519**	**(64,136)**	**11,930**
	Change in intragroup balances	0	0	23,700	9,631
	Raising of long-term debt	25,413	0	40,436	0
	Reduction of long-term debt	0	(101,089)	0	(21,564)
	Financing activities	**25,413**	**(101,089)**	**64,136**	**(11,933)**
24	**Cash flow from discontinued operations**	**(28,777)**	**(55,580)**	**0**	**0**
	Cash flow for the year	**24,747**	**(8,150)**	**0**	**(3)**
	Cash and cash equivalents at 1 January	15,475	22,454	15	18
	Foreign exchange adjustments of cash and cash equivalents	(138)	1,171	0	0
	Cash and cash equivalents at 31 December	**40,084**	**15,475**	**15**	**15**
	Cash and cash equivalents at 31 December, continuing operations	40,006	15,474		
	Cash and cash equivalents at 31 December, discontinued operations	78	1		
		40,084	**15,475**		

Statement of changes in equity

(DKK '000)	Group			
	Share capital	Translation reserve	Retained earnings	Total
Equity at 1 January 2012	**490,500**	**(125,277)**	**107,449**	**472,672**
Loss for the year	0	0	(82,356)	(82,356)
Other comprehensive income:				
Foreign exchange adjustments, subsidiaries	0	39,178	0	39,178
Actuarial gains/losses on pension plans	0	0	(14,249)	(14,249)
Tax on other comprehensive income	0	(1,616)	4,039	2,423
Net gains recognised directly in equity	**0**	**37,562**	**(10,210)**	**27,352**
Total comprehensive income	**0**	**37,562**	**(92,566)**	**(55,004)**
Share-based payment	0	0	214	214
Total changes in equity	**0**	**37,562**	**(92,352)**	**(54,790)**
Equity at 31 December 2012	**490,500**	**(87,715)**	**15,097**	**417,882**
Loss for the year	0	0	(92,473)	(92,473)
Other comprehensive income:				
Foreign exchange adjustments, subsidiaries	0	(31,270)	0	(31,270)
Actuarial gains/losses on pension plans	0	0	(6,263)	(6,263)
Tax on other comprehensive income	0	4,220	1,285	5,505
Net gains recognised directly in equity	**0**	**(27,050)**	**(4,978)**	**(32,028)**
Total comprehensive income	**0**	**(27,050)**	**(97,451)**	**(124,501)**
Share-based payment	0	0	506	506
Total changes in equity	**0**	**(27,050)**	**(96,945)**	**(123,995)**
Equity at 31 December 2013	**490,500**	**(114,765)**	**(81,848)**	**293,887**

Statement of changes in equity

(DKK '000)	Parent company			
	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2012	**490,500**	**580,491**	**0**	**1,070,991**
Loss for the year	0	(136,448)	0	(136,448)
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**(136,448)**	**0**	**(136,448)**
Share-based payment	0	214	0	214
Total changes in equity	**0**	**(136,234)**	**0**	**(136,234)**
Equity at 31 December 2012	**490,500**	**444,257**	**0**	**934,757**
Loss for the year	0	(154,953)	0	(154,953)
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**0**
Share-based payment	0	506	0	506
Total changes in equity	**0**	**(154,447)**	**0**	**(154,447)**
Equity at 31 December 2013	**490,500**	**289,810**	**0**	**780,310**

Notes to the consolidated financial statements

Notes - Financial statements

Notes - Income statement

Notes - Balance sheet

Notes - Supplementary information

Notes – Financial statements

1 GENERAL ACCOUNTING POLICIES

The annual report for the period 1 January – 31 December 2013 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

H+H International A/S is a public limited company registered in Denmark. The annual report of H+H International A/S for 2013 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.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2013 on 14 March 2014. The annual report will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 10 April 2014.

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 selling costs.

There have been no changes to the accounting policies compared with last year, except for implementation of new accounting standards. The accounting policies have been applied consistently to the financial year and the comparative figures.

The accounting policies applied to the consolidated financial statements as a whole are described below, while the remaining accounting policies are described in connection with the notes to which they relate. The aim is to aid a better understanding of the individual items. The descriptions of accounting policies in the notes form part of the overall description of accounting policies:

Adoption of new and revised IFRSs
H+H International A/S has adopted the new or revised and amended International Financial Reporting Standards (IFRSs) issued by IASB and endorsed by the European Union effective for the financial year 2013. Based on an analysis carried out by H+H International A/S, the application of the new IFRSs has not had a material impact on the consolidated financial statements in 2013 and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

New IFRSs which have been issued but not yet become effective
In addition to the above, IASB has issued a number of new or amended standards and interpretations (IFRSs), some of which have been endorsed by the European Union but not yet come into effect. H+H International A/S has assessed the impact of these IFRSs that are not yet effective. None of the new standards or interpretations are expected to have a material impact on H+H International A/S.

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.

Equity 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. Accounting items of subsidiaries are fully recognised in the consolidated financial statements.

Foreign currency translation
For each entity included in the consolidated financial statements, a functional currency has been determined. The functional currency of an entity is the currency of the primary economic environment in which the entity 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.

Notes – Financial statements

1 GENERAL ACCOUNTING POLICIES – CONTINUED

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 rate at the balance sheet date and the exchange rate at the date on which the receivable or payable arose or the exchange rate used in the last annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of foreign entities with a functional currency other than DKK, income statements are translated at the exchange rates at the transaction date and 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 entities at the exchange rates at the balance sheet date, and on translation of income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date, are recognised as other comprehensive income.

Foreign exchange adjustments of balances considered part of the overall net investment in entities with a functional currency other than DKK are recognised in the consolidated financial statements as other comprehensive income. Correspondingly, foreign exchange gains and losses on that part of loans and derivative financial instruments entered into to hedge the net investment in such entities which effectively hedges against corresponding exchange gains/losses on the net investment in the entity are recognised as other comprehensive income.

On the complete or partial disposal of a foreign operation, or on the repayment of balances that are considered part of the net investment, the share of the cumulative exchange adjustments that is recognised in equity and attributable to this is recognised in the income statement when the gain or loss on disposal is recognised. On the disposal of partially owned foreign subsidiaries, the part of the translation reserve attributable to non-controlling interests is not transferred to the income statement.

On the partial disposal of foreign subsidiaries without loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to non-controlling interests' share of equity.

The repayment of balances that are considered part of the net investment is not itself considered to constitute partial disposal of the subsidiary.

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

Cash flows in currencies other than 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, change in working capital, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities 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, purchase 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.

Notes – Financial statements

1 GENERAL ACCOUNTING POLICIES – CONTINUED

Critical accounting estimates and judgements
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 estimates made previously as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events.

Critical accounting estimates made in connection with the financial reporting are set out in the following notes:

- Impairment testing of intangible assets, note 13
- Impairment testing of property, plant and equipment, note 13
- Useful lives of production assets, note 13
- Recovery of deferred tax assets, note 14
- Valuation of inventories, note 16
- Valuation of receivables, note 17
- Defined benefit pension plans, note 19
- Assets held for sale and discontinued operations, note 24

Notes – Income statement

2 SEGMENT INFORMATION

Group								
(DKK million)	2013							
	Western Europe			Eastern Europe			Total	
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Discontinued operations*	Reporting segments
Revenue, external	775.8	160.4	936.2	323.9	0	323.9	43.7	1,303.8
Revenue, internal	71.7	0	71.7	0.8	0	0.8	0	72.5
EBITDA	68.0	(0.6)	67.4	36.8	(1.1)	35.7	(45.8)	57.3
Depreciation	(53.4)	(0.9)	(54.3)	(32.4)	0	(32.4)	0	(86,7)
EBITA	14.6	(1.5)	13.1	4.3	(1.1)	3.2	(45.8)	(29.5)
Impairment losses	(0.9)	0	(0.9)	0	0	0	(3.3)	(4.2)
Operating profit (EBIT)	13.7	(1.5)	12.2	4.3	(1.1)	3.2	(49.1)	(33.7)
Financial income	3.2	0.2	3.4	0.1	0	0.1	0	3.5
Financial expenses	(25.0)	(1.6)	(26.6)	(16.4)	(2.3)	(18.7)	(3.3)	(48.6)
Loss before tax**	(8.2)	(2.8)	(11.0)	(12.1)	(3.3)	(15.4)	(52,4)	(78.8)
Non-current assets	721.6	16.9	738.5	486.1	1.3	487.4	18.6	1,244.5
Investments in intangible assets and property, plant and equipment	25.4	0.1	25.5	9.6	0	9.6	0.6	35.7
Assets	954.3	53.8	1,008.1	567.9	1.4	569.3	18.6	1,596.0
Equity	371.5	2.4	373.9	199.9	(39.1)	160.8	(15.3)	519.4
Liabilities	582.8	51.4	634.2	368.0	40.6	408.6	33.9	1,076.7
Average full-time equivalent staff	390	41	431	413	0	413	28	872

Group								
(DKK million)	2012							
	Western Europe			Eastern Europe			Total	
	Production companies	Sales companies	Western Europe, total	Production companies	Sales companies	Eastern Europe, total	Discontinued operations*	Reporting segments
Revenue, external	668.0	192.1	860.1	358.4	5.1	363.5	202.2	1,425.8
Revenue, internal	108.1	0	108.1	10.1	0.1	10.2	0	118.3
EBITDA	85.8	6.7	92.5	37.8	(1.0)	36.8	(38.1)	91.2
Depreciation	(54.4)	(0.9)	(55.3)	(43.5)	0	(43.5)	(3.2)	(102.0)
EBITA	31.4	5.8	37.2	(5.7)	(1.0)	(6.7)	(41.3)	(10.8)
Impairment losses	0	0	0	32.3	0	32.3	0	32.3
Operating profit (EBIT)	31.4	5.8	37.2	26.6	(1.0)	25.6	(41.3)	21.5
Financial income	3.3	0.6	3.9	0.3	0.2	0.5	0.1	4.5
Financial expenses	(25.4)	(2.1)	(27.5)	(20.1)	(1.3)	(21.4)	(3.3)	(52.2)
Profit/loss before tax**	9.3	4.3	13.6	6.8	(2.1)	4.7	(44.5)	(26.2)
Non-current assets	751.7	21.2	772.9	533.4	1.4	534.8	0	1,307.7
Investments in intangible assets and property, plant and equipment	19.1	0.3	19.4	7.2	0	7.2	0	26.6
Assets	1,012.7	62.9	1,075.6	620.2	1.7	621.9	26.7	1,724.2
Equity	382.4	11.7	394.1	244.5	(36.6)	207.9	(28.4)	573.6
Liabilities	627.6	51.1	678.7	375.6	38.4	414.0	55.3	1,148.0
Average full-time equivalent staff	459	44	503	482	3	485	1	989

* See note 24.

** H+H's consolidated profit before tax and management fee etc.
Transactions between segments are carried out at arm's length.

Notes – Income statement

2 SEGMENT INFORMATION – CONTINUED

Reconciliation of revenue, loss before tax, assets and liabilities of reporting segments	Group	
(DKK million)	**2013**	**2012**
Segment revenue for the reporting segments	1,376.3	1,544.1
Elimination of inter-segment sales	(72.5)	(118.3)
Revenue for discontinued operations	(43.7)	(202.2)
Revenue	**1,260.1**	**1,223.6**
Segment loss before tax for reporting segments	(78.8)	(26.2)
Loss from discontinued operations	52.4	44.5
Non-allocated Group expenses, central functions	(10.2)	(25.6)
Loss before tax	**(36.6)**	**(7.3)**
Total assets for reporting segments	1,596.0	1,724.2
Other non-allocated assets, eliminations and similar	(284.5)	(308.1)
Assets relating to discontinued operations	(18.6)	(26.7)
Assets	**1,292.9**	**1,389.4**
Total liabilities for reporting segments	1,076.7	1,148.0
Other non-allocated obligations, eliminations and similar	(43.7)	(124.3)
Liabilities relating to discontinued operations	(33.9)	(52.2)
Liabilities	**999.1**	**971.5**

Revenue in Denmark was DKK 77,906 thousand in 2013 (2012: DKK 94,848 thousand). Non-current assets in Denmark at year-end 2013 amounted to DKK 7,283 thousand (2012: DKK 10,289 thousand).

Key customers
Travis Perkins in the United Kingdom represented approx. 28% of the H+H Group's total revenue in 2013 (2012: approx. 24%). The following countries represent more than 10% of revenue or non-current assets.

	Group			
(DKK million)	**2013**		**2012**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
UK	508.0	188.1	411.2	209.2
Germany	273.4	280.3	354.1	290.6
Poland	169.0	254.3	176.8	275.4
Russia	154.7	227.4	143.2	265.3
Other countries and eliminations	155.0	12.3	138.3	5.1
	1,260.1	**962.4**	**1,223.6**	**1,045.6**

When presenting information on geographical areas, information on revenue is based on the legal entity. All revenue relates to sales of goods.

Notes – Income statement

2 SEGMENT INFORMATION – CONTINUED

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

Segment revenue, 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 reliable basis. Unallocated items comprise primarily assets, liabilities, income and expenses relating to H+H'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.

3 STAFF COSTS

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Wages and salaries	222,180	215,165	14,785	13,310
Defined contribution plans, see note 19	9,640	9,543	0	0
Share-based payment	506	214	401	146
Remuneration to the Board of Directors	1,838	1,950	1,838	1,950
Other staff costs	34,258	34,340	469	481
	268,422	**261,212**	**17,493**	**15,887**
Staff costs are recognised as follows:				
Production costs	157,643	151,911	0	0
Sales and distribution costs	60,068	57,310	0	0
Administrative costs	50,711	51,991	17,493	15,887
	268,422	**261,212**	**17,493**	**15,887**
Average full-time equivalent staff	**885**	**1,001**	**13**	**12**
Remuneration to the Executive Board:				
Michael Troensegaard Andersen (CEO):				
Salary and fees	2,700	2,700	2,700	2,700
Bonus plans	649	500	649	500
Share-based payment	223	30	223	30
	3,572	**3,230**	**3,572**	**3,230**
Niels Eldrup Meidahl (CFO):				
Salary and fees	1,558	1,500	1,558	1,500
Bonus plans	499	300	499	300
Share-based payment	126	18	126	18
	2,183	**1,818**	**2,183**	**1,818**
Total	**5,755**	**5,048**	**5,755**	**5,048**

Notes – Income statement

3 STAFF COSTS – CONTINUED

Guidelines for remuneration to the Board of Directors and Executive Board
The annual general meeting on 14 April 2011 adopted the existing "Guidelines for remuneration to the Board of Directors and Executive Board, including general guidelines for incentive scheme for the Executive Board". All remuneration for 2013 is determined in accordance with these guidelines. The Board of Directors does not receive any form of incentive payment, and remuneration to the Executive Board consists of a combination of fixed annual salary and a performance-based element comprising a short-term and long-term incentive plan.

The maximum amount of incentive remuneration (short-term and long-term) that can be achieved in accordance with the annual pool of incentive programmes, valued at the start of the vesting period for the annual pool, must not exceed 80% of the executive officer's fixed annual salary in the financial year in question, based on valuation pursuant to IFRS.

Board of Directors
The Board of Directors comprised five members in the period up to the annual general meeting on 17 April 2013. Anders C Karlsson and Henrik Lind resigned at the annual general meeting, and Kent Arentoft and Henriette Schütze were elected as new members. The annual general meeting on 17 April 2013 approved remuneration to the Chairman of the Board for 2013 of DKK 600,000 (2012: DKK 600,000) and remuneration to ordinary board members of DKK 300,000 (2012: DKK 300,000). Remuneration to members of the Board of Directors also covers committee work. The Board's committees currently comprise an Audit Committee, a Nomination Committee and a Remuneration Committee.

The Executive Board of H+H International A/S may resign with six months' notice. The company may dismiss the Executive Board with 12 months' notice. Under normal circumstances, if the company gives notice to the Executive Board without reason, those concerned are entitled to a termination benefit equivalent to 12 months' fixed salary. 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 Executive Board must give the company is shortened to three months for a period of two years. In a corresponding takeover situation, the company's Executive Board has a claim to twice the termination benefit, equivalent to 24 months' fixed salary.

Cash-based incentive schemes
The Executive Board have the opportunity to earn an annual cash bonus. This is based on performance in relation to the achievement of defined financial ratios for the company (key performance indicators such as EBIT, EBITDA, PBT, EPS, ROE, increase in share price etc.) and/or defined individual performance criteria, economic or otherwise (e.g. execution of strategy, restructuring plans, R&D projects, lean projects etc.). The bonus is therefore not guaranteed. In case of termination, for any reason, the person in question shall be entitled to a pro rata bonus up to the date of termination.

SHARE-BASED INCENTIVE SCHEME
New matching share programme
In May 2013 a matching share programme was launched for the Executive Board and certain key employees. The Executive Board and key employees purchased a total of 20,316 shares at market price in May 2013, which will trigger allocation of a further 60,948 H+H shares in May 2016 if all of the vesting criteria are fulfilled.

The vesting criteria relate to employment in the vesting period, the Group's operating profit and other financial targets. The value of the programme at inception in May 2013 is estimated at DKK 1.7 million and will be recognised as staff costs until the expiry of the vesting period in May 2016.

The fair value of the programme has been determined as the maximum number of shares which can be granted. The share price used in calculating the value of the programme is the share price at 30 April 2013. The programme is not hedged by purchase of treasury shares.

Previous matching share programmes
Matching share programmes similar to the one described above were launched in May 2011 and June 2012. The vesting criteria relate to employment in the vesting period, the Group's operating profit and other financial targets. The value of the 2011 programme at inception in May 2011 was DKK 1.9 million, which is recognised as staff costs until the expiry of the vesting period in June 2014. One of the employees covered by the programme left the Group in 2012 and part of the programme has therefore been reversed. Further, it was assessed during 2013 that the programme could trigger a maximum of one matching share per purchased investment share, and the amount recognised for the programme has been adjusted accordingly.

The value of the 2012 programme at inception in June 2012 was DKK 1.8 million, which is recognised as staff costs until the expiry of the vesting period in June 2015. It was assessed during 2013 that the programme could trigger a maximum of one matching share per purchased investment share, and the amount recognised for the programme has been adjusted accordingly.

Neither of the two programmes is hedged by purchase of treasury shares.

Notes – Income statement

3 STAFF COSTS – CONTINUED

Previous option programme

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 with a vesting period of 2007-2009. No share option plan has been adopted for 2013. 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 in H+H. The exercise price is calculated as the average price in the 10 business days after the publication of the annual report for the financial year to which the share options relate, plus 20%. The options are exercisable during a one-year period beginning three years and ending four years after the publication of the annual report for the financial year to which the share options relate. Unless specifically agreed as part of a termination agreement, the right to be granted and to 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 breach of contract on the part of the option holder. There are no other vesting conditions. The fair value of the share option plan at the issue date 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. The fair value of the programme at 31 December 2013 is DKK 0 million.

No hedging of the granted share options has been carried out in recent years as the relatively large drop in the company's share price means that the probability of the oldest options still exercisable being used before expiry of the exercise period (March 2014) is considered very low. There were 20,489 treasury shares at year-end 2013 and 2012. The outstanding options have an average remaining contractual life of 0 years (2012: 0.8 year) and an exercise price of DKK 79 per option (2012: DKK 79-93 per option). The cost recognised in the 2013 income statement in respect of share options is DKK 16 thousand (2012: DKK 140 thousand).

	Group					
(DKK '000)	**Total**		**Former Executive Board**		**Other employees**	
Outstanding options	**Number**	**Avg. exercise price**	**Number**	**Avg. exercise price**	**Number**	**Avg. exercise price**
Outstanding options at 31 December 2011	62,889		16,638		46,251	
Additions	0		0		0	
Forfeited	0		0		0	
Expired	(29,007)		(8,088)		(20,919)	
Outstanding option plans at 31 December 2012	33,882		8,550		25,332	
Additions	0		0		0	
Forfeited	0		0		0	
Expired	(15,750)		(4,275)		(11,475)	
Outstanding options at 31 December 2013	**18,132**		**4,275**		**13,857**	

Breakdown of outstanding options by exercise period:						
Outstanding option plans at 31 December 2012						
2012-2013	15,750	93	4,275	93	11,475	93
2013-2014	18,132	79	4,275	79	13,857	79
Total	33,882		8,550		25,332	
Outstanding option plans at 31 December 2013						
2013-2014	18,132	79	4,275	79	13,857	79
Total	**18,132**		**4,275**		**13,857**	

Notes – Income statement

3 STAFF COSTS – CONTINUED

The internal rules for trading in H+H International A/S's shares by board members, executives and certain employees only permit trading in the four-week period following each quarterly announcement.

Management's holding of shares in H+H International A/S

(DKK '000)	1 January 2013	Additions	31 December 2013	Market value*
Board of Directors:				
Kent Arentoft	0	10,000	10,000	477
Asbjørn Berge	6,000	0	6,000	286
Stewart A Baseley	10,000	0	10,000	477
Pierre-Yves Jullien	0	0	0	0
Henriette Schütze	0	0	0	0
	16,000	10,000	26,000	1,240
Executive Board:				
Michael Troensegaard Andersen	15,065	4,400	19,465	928
Niels Eldrup Meidahl	9,367	1,435	10,802	515
	24,432	5,835	30,267	1,443
Total	**40,432**	**15,835**	**56,267**	**2,683**

* Calculation of the market value is based on the quoted share price of DKK 47.70 at the end of the year.

Accounting policies
The H+H Group's incentive schemes comprise a share option plan for senior executives and a matching share programme.

The value of services rendered by employees in return for option and share grants is measured at the fair value of the options and shares. 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 of the options and shares. The costs are set off directly against equity.

On initial recognition of the share options and shares, the number of options and shares expected to vest is estimated, cf. the service condition described. The figure initially recognised is subsequently adjusted for changes in the estimate of the number of options and shares expected to vest, so that the total recognition is based on the actual number of vested options and shares.

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

4 OTHER OPERATING EXPENSES

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Extra energy tax	0	908	0	0
Special costs related to closure of business units and employees made redundant	2,975	5,344	0	3,467
Expenses in connection with sale of H+H Česká	0	0	0	7,176
Provision for closure of Jämerä	0	0	0	5,789
Other	4,629	0	3,610	4,012
Total	**7,604**	**6,252**	**3,610**	**20,444**

Other comprises costs related to implementation of the new strategy at DKK 3,610 thousand (2012: DKK 3,880 thousand).

Accounting policies
Other operating expenses comprise items secondary to the entities' activities such as restructuring costs, losses on disposal of property, plant and equipment, and losses related to divestment of subsidiaries and activities.

Notes – Income statement

5 OTHER OPERATING INCOME

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Management fee	0	0	18,862	17,000
Gain on disposal of property, plant and equipment	6,376	4,246	461	0
Rental income	1,221	2,174	0	0
Adjustment of environmental provision	1,050	7,340	0	0
Gain on sale of H+H Česká	0	5,732	0	0
Gain on sale of the Jämerä trademark	0	0	0	5,921
Refund of property taxes	2,778	0	0	0
Other	3,764	83	0	0
Total	**15,189**	**19,575**	**19,323**	**22,921**

Accounting policies
Other operating income comprises items secondary to the entities' activities such as management fee, rental income, gains on disposal of property, plant and equipment, and gains related to divestment of subsidiaries and activities.

6 DEPRECIATION AND AMORTISATION

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Other intangible assets	4,240	3,409	1,252	1,252
Buildings	15,726	18,278	0	0
Plant and machinery	51,057	64,186	0	0
Fixtures and fittings, tools and equipment	15,719	14,257	143	169
Total	**86,742**	**100,130**	**1,395**	**1,421**

7 IMPAIRMENT LOSSES

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Land and buildings	940	44,248	0	0
Write-down of equity investments	0	0	144,965	111,435
Reversal of previous write-down relating to assets in Russia	0	(103,782)	0	0
Impairment loss relating to goodwill in Poland	0	24,487	0	0
Impairment loss relating to goodwill in the Czech Republic	0	2,720	0	0
Total	**940**	**(32,327)**	**144,965**	**111,435**

The write-down of equity investments in the parent company for 2013 relates to H+H Finland Oy, Stone Kivitalot Oy, H+H Polska Sp. z o.o., H+H Denmark and H+H Sweden and is based on the recoverable amount being lower than the parent company's original costs. In 2012 the write-down of equity investments related to H+H Polska Sp. z o.o. and H+H Česká Republika s.r.o. The write-down of equity investments in 2013 and 2012 has no bearing on the consolidated financial statements.

The reversal of the write-down relating to assets in Russia in 2012 was made in the light of favourable developments on the Russian market.

An impairment loss relating to goodwill in Poland was recognised in 2012 as a result of lower capacity utilisation and prices than previously anticipated. Impairment losses relating to goodwill and land and buildings in the Czech Republic were recognised in 2012 in connection with the sale of H+H Česká republika s.r.o.

Notes – Income statement

8 FINANCIAL INCOME

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Interest income	123	98	0	0
Interest income from subsidiaries	0	0	20,572	21,453
Exchange rate adjustments relating to loans to subsidiaries	0	0	0	5,775
Dividends from subsidiaries	0	0	0	7,121
Other exchange rate adjustments	132	587	0	0
Reversal of write-down of intragroup debt	0	0	3,692	0
Other financial income	26	886	0	0
Total	**281**	**1,571**	**24,264**	**34,349**

Accounting policies
Financial income comprises interest income, capital gains, transactions denominated in foreign currencies, amortisation of financial assets, and surcharges and allowances under the tax prepayment scheme etc.

Dividends from equity investments in subsidiaries are credited to the parent company's income statement in the financial year in which they are declared.

9 FINANCIAL EXPENSES

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Interest expenses	29,673	31,728	13,731	12,695
Interest expenses to subsidiaries	0	0	2,631	2,899
Exchange rate adjustments relating to loans to subsidiaries	0	0	2,678	0
Other exchange rate adjustments	1,829	1,446	116	538
Write-down of intragroup debt	0	0	0	12,897
Financial expenses relating to pension plans	6,211	7,754	0	0
Other financial expenses	5,041	3,548	4,528	3,682
Total	**42,754**	**44,476**	**23,684**	**32,711**

Accounting policies
Financial expenses comprise interest expenses, capital losses, impairment losses relating to securities, payables and transactions in foreign currencies, and amortisation of financial liabilities, including finance lease obligations etc.

Borrowing costs related to the financing of the production of the H+H Group's assets are recognised in the cost of the assets.

Notes – Income statement

10 TAX

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Tax on profit from continuing operations	3,520	29,550	0	0
Tax on other comprehensive income	(5,505)	(2,423)	0	0
Total	**(1,985)**	**27,127**	**0**	**0**
Tax on continuing operations can be broken down as follows:				
Current tax for the year	0	671	0	0
Adjustment relating to changes in tax rate	116	(1,246)	0	0
Adjustment of deferred tax	(2,156)	27,741	0	0
Prior-year adjustments	55	(39)	0	0
Total	**(1,985)**	**27,127**	**0**	**0**
Current joint taxation contribution for the year	**0**	**0**	**0**	**0**
Tax on profit from continuing operations can be broken down as follows:				
Calculated 25% (2012: 25%) tax on income from ordinary activities	(8,422)	(1,824)	(28,739)	(34,112)
Less tax in foreign Group entities compared with 25% rate (2012: 25%)	(249)	(6,185)	0	0
Tax effect of:				
Unrecognised deferred tax asset	10,371	21,695	3,306	6,251
Write-down of deferred tax asset	1,697	0	0	0
Other adjustments	(2,543)	1,968	0	0
Tax on other comprehensive income	(5,505)	(2,423)	0	0
Non-deductible expenses	2,746	15,215	26,627	31,085
Prior-year adjustments	55	1,839	0	0
Non-taxable income	(135)	(3,158)	(1,194)	(3,224)
Total	**(1,985)**	**27,127**	**0**	**0**

Accounting policies
Tax on profit 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 can be attributed to items in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity.

H+H International A/S is taxed jointly with all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies 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.

Where the H+H Group receives a tax deduction in the calculation of taxable income in Denmark or abroad as a result of share-based payment schemes, the tax effect of these schemes is recognised in tax on profit. If the total deduction exceeds the total remuneration expense, the tax effect of the excess deduction is recognised directly in equity.

Notes – Income statement

11 INCOME STATEMENT CLASSIFIED BY FUNCTION

It is Group policy to prepare the income statement based on an adapted classification of costs by function in order to show earnings before depreciation, amortisation and financial items (EBITDA). Depreciation, amortisation and impairment of property, plant and equipment and intangible assets are therefore separated from individual functions and presented on separate lines.

The table below shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function:

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Revenue	1,260,070	1,223,627	0	0
Production costs	(1,079,917)	(1,012,924)	0	0
Gross profit including depreciation and amortisation	**180,153**	**210,703**	**0**	**0**
Sales and distribution costs	(88,837)	(90,822)	0	0
Administrative costs	(93,017)	(97,596)	(171,246)	(140,563)
Other operating costs	(7,604)	(6,252)	(3,610)	(20,444)
Other operating income	15,189	19,575	19,323	22,921
Earnings before interest and tax (EBIT)	**5,884**	**35,608**	**(155,533)**	**(138,086)**
Depreciation, amortisation and impairment comprise:				
Amortisation of intangible assets	4,240	3,409	1,252	1,252
Write-down of intangible assets	0	27,207	0	0
Depreciation of property, plant and equipment	82,502	96,721	143	169
Write-down of property, plant and equipment	940	44,248	0	0
Reversal of previous write-down on assets in Russia	0	(103,782)	0	0
Write-down of equity investments	0	0	144,965	111,435
Total	**87,682**	**67,803**	**146,360**	**112,856**
Depreciation, amortisation and impairment are allocated to:				
Production costs	81,334	61,558	0	0
Sales and distribution costs	555	550	0	0
Administrative costs	5,793	5,695	146,360	112,856
Total	**87,682**	**67,803**	**146,360**	**112,856**

Accounting policies
Revenue from the sale of goods for resale and finished goods is recognised in the income statement when 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 entities recognise cost of sales and the producing entities' production costs, corresponding to revenue for the year. This includes the direct and indirect cost of raw materials and consumables, and wages and salaries.

Sales and distribution costs include costs of distribution of goods sold during the year as well as marketing costs etc. This includes costs of sales personnel, and advertising and exhibition costs. Administrative costs include costs incurred during the year for management and administration, including costs for administrative staff, office premises and office expenses. Administrative costs also include impairment of trade receivables.

Notes – Income statement

12 EARNINGS PER SHARE (EPS)

	Group	
(DKK '000)	**2013**	**2012**
Average number of shares	9,810,000	9,810,000
Average number of treasury shares	(20,489)	(20,489)
Average number of outstanding shares	9,789,511	9,789,511
Dilution from share options	0	0
Average number of outstanding shares, diluted	**9,789,511**	**9,789,511**
Adjustment of number of DKK 50 shares		
Adjusted average number of outstanding shares	9,789,511	9,789,511
Adjusted average number of outstanding shares, diluted	9,789,511	9,789,511
Loss for the year	(92,473)	(82,358)
Shareholders in H+H International A/S	**(92,473)**	**(82,358)**
Earnings per share (EPS) (DKK)	(9.45)	(8.41)
Diluted earnings per share (EPS-D) (DKK)	(9.45)	(8.41)

For earnings and diluted earnings per share from discontinued operations, see note 24.

Earnings per share from continuing and discontinued operations respectively for 2012 and 2013 are calculated on the basis of the equivalent key figures used to calculate earnings per share.

Loss from discontinued operations	(52,364)	(45,511)
Loss from continuing operations	(40,109)	(36,847)
Loss for the year	**(92,473)**	**(82,358)**

The calculation of diluted earnings per share excludes 18,132 share options (2012: 33,882) 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 the calculation of earnings per share (EPS) and diluted earnings per share (EPS-D) such that the average number of shares has been adapted to a face value of DKK 50.

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(DKK '000)	Parent company 2013		Parent company 2012	
	Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
Total cost at 1 January	6,262	1,020	6,262	1,102
Additions during the year	0	520	0	254
Disposals during the year	0	(346)	0	(336)
Total cost at 31 December	**6,262**	**1,194**	**6,262**	**1,020**
Total depreciation and amortisation at 1 January	(1,252)	(563)	0	(514)
Depreciation and amortisation of assets disposed of	0	124	0	120
Depreciation and amortisation for the year	(1,252)	(143)	(1,252)	(169)
Total depreciation and amortisation at 31 December	**(2,504)**	**(582)**	**(1,252)**	**(563)**
Carrying amount at 31 December	**3,758**	**612**	**5,010**	**457**

(DKK '000)	Group 2013					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under con-struction
Total cost at 1 January 2013	84,107	29,726	519,564	1,238,900	271,072	23,541
Transfers	0	(17,008)	18,013	5,141	2,657	(8,803)
Foreign exchange adjustments, year-end rate	(913)	(235)	(7,155)	(33,337)	(17,003)	(411)
Additions during the year	0	266	42	15,371	7,882	12,346
Disposals during the year	0	(902)	(9,839)	(69,213)	(10,467)	0
Transferred from assets held for sale	0	17,121	12,240	0	0	0
Transferred to assets held for sale	0	(3,214)	(9,020)	(6,657)	(918)	0
Total cost at 31 December 2013	**83,194**	**25,754**	**523,845**	**1,150,205**	**253,223**	**26,673**
Total depreciation and amortisation at 1 January 2013	(25,045)	(17,891)	(174,007)	(793,801)	(116,382)	(7,933)
Transfers	0	2,042	(2,042)	0	0	0
Foreign exchange adjustments, year-end rate	410	152	1,386	12,053	4,631	0
Foreign exchange adjustments for the year	0	(14)	5	730	500	0
Depreciation and amortisation of assets disposed of	0	940	9,501	68,512	8,063	0
Depreciation and amortisation for the year	0	(4,240)	(15,726)	(51,057)	(15,719)	0
Impairment losses for the year	0	0	(940)	0	0	0
Transferred from assets held for sale	0	(2,074)	(1,473)	0	0	0
Transferred to assets held for sale	0	0	866	1,538	224	0
Total depreciation, amortisation and impairment losses at 31 December 2013	**(24,635)**	**(21,085)**	**(182,430)**	**(762,025)**	**(118,683)**	**(7,933)**
Carrying amount at 31 December 2013	**58,559**	**4,669**	**341,415**	**388,180**	**134,540**	**18,740**

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Group					
(DKK '000)	2012					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under con-struction
Total cost at 1 January 2012	81,773	29,631	560,242	1,333,911	263,674	16,291
Transfers	0	1,552	2,003	278	2,816	(6,649)
Foreign exchange adjustments, year-end rate	5,058	676	24,174	38,221	7,732	107
Additions during the year	0	752	983	6,345	5,118	13,814
Disposals during the year	0	(462)	(254)	(6,651)	(8,268)	(22)
Disposals relating to divestment of subsidiary	(2,724)	(2,423)	(56,009)	(132,344)	0	0
Transferred to assets held for sale	0	0	(11,575)	(860)	0	0
Total cost at 31 December 2012	**84,107**	**29,726**	**519,564**	**1,238,900**	**271,072**	**23,541**
Total depreciation and amortisation at 1 January 2012	0	(16,294)	(162,040)	(826,274)	(140,170)	(7,933)
Transfers	0	(185)	0	0	185	0
Foreign exchange adjustments, year-end rate	0	46	(4,686)	(18,463)	(3,970)	0
Foreign exchange adjustments for the year	(562)	1	(118)	(131)	(69)	0
Depreciation and amortisation of assets disposed of	0	259	88	6,301	6,272	0
Depreciation and amortisation for the year	0	(3,513)	(19,090)	(65,719)	(14,555)	0
Impairment losses for the year	(27,207)	0	(44,248)	0	0	0
Reversal of write-down	0	0	0	67,857	35,925	0
Disposals relating to divestment of subsidiary	2,724	1,795	56,087	42,628	0	0
Total depreciation, amortisation and impairment losses at 31 December 2012	**(25,045)**	**(17,891)**	**(174,007)**	**(793,801)**	**(116,382)**	**(7,933)**
Carrying amount at 31 December 2012	**59,062**	**11,835**	**345,557**	**445,099**	**154,690**	**15,608**

Impairment test of goodwill

On 31 December 2013, management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill to the cash-generating units. Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is 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 and strategy projections as approved by management.

DKK 28,260 thousand (2012: DKK 28,260 thousand) of the goodwill relates to Germany and DKK 30,299 thousand (2012: DKK 30,802 thousand) to Poland.

The assumptions used for the impairment tests are the same as those used in the impairment tests for non-current assets and are shown on page 54.

Average annual growth has been assessed by local and Group management. The growth rate is not expected to exceed the average long-term growth rate in the H+H Group's markets. An increasing gross margin has been estimated for the period 2014-2019, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases.

The WACC is based on generally recognised principles including the determination of return on equity and cost of debt as well as assumptions provided by external analysts.

The return on equity is estimated on the basis of information provided by an independent survey performed by the IESE Business School regarding the market risk premium and the risk-free rate for the relevant countries. Furthermore, the beta value is the same as that used by the analysts covering the H+H share. The cost of debt is estimated based on the actual margin in the bank agreements and the risk-free rate.

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of goodwill. However, if the main assumptions are not met, this could result in indications of impairment. The main assumptions relate to annual growth in revenue and gross margin.

In 2012 the impairment test of goodwill showed indications of impairment of DKK 24 million relating to goodwill in Poland, which is discussed in more detail below. After recognising an impairment loss on goodwill in Poland and based on the assumptions above, management considers the recoverable amount to exceed the carrying amount of goodwill. If the assumptions are not met, this could result in further indications of impairment. The main assumptions relate to annual growth in revenue and gross margin. The primary reason for the impairment loss relating to goodwill in Poland is a generally greater slowdown in the Polish market for building materials than anticipated, and the fact that the Polish market is characterised by significant overcapacity and low prices. Continued cyclical difficulties in the market and increased competition have resulted in significant losses in the Polish subsidiary in recent years.

DKK 30,299 thousand (2012: DKK 30,802 thousand) of the total goodwill of DKK 58,559 thousand (2012: DKK 59,062 thousand) at 31 December 2013 relates to the Eastern European segment and DKK 28,260 thousand (2012: DKK 28,260 thousand) to the Western European segment.

Impairment tests of non-current assets
The Group's key non-current assets were tested for impairment in 2013, including with regard to assets in Poland, Germany, the UK and Russia, which together represent approx. 88% of the Group's total non-current assets at 31 December 2013.

The impairment tests of non-current assets performed at 31 December 2013 do not show any indications of impairment. However, as a result of the economic situation for the Group, there is a particular risk that the future will bring further indications of impairment in some subsidiaries. The assets in Poland are the most exposed to impairment in relation to the assumptions mentioned above. Based on these assumptions, management considers the recoverable amount to exceed the carrying amount of property, plant and equipment. If the assumptions above are not met, this could result in indications of impairment. The main assumptions relate to annual growth in revenue and gross margin.

The assumptions made can be summarised as follows:

	2013			
	Poland	**Germany**	**UK**	**Russia***
Carrying amount of property, plant and equipment at 31 December 2013 (DKK '000)	223,718	251,013	181,471	243,023
Estimated average annual growth in revenue 2014-2019 (CAGR)	7.9%	4.4%	4.9%	7.0%
Estimated gross margin 2014-2019	10-22%	21%	21-24%	37-38%
WACC, after tax	8.5%	6.0%	6.6%	10.5%

	2012			
	Poland	**Germany**	**UK**	**Russia***
Carrying amount of property, plant and equipment at 31 December 2012 (DKK '000)	241,357	246,905	205,298	248,900
Estimated average annual growth in revenue 2013-2018 (CAGR)	13.7%	1.5%	6.3%	15.7%
Estimated gross margin 2013-2018	6-19%	20-22%	19-20%	40-42%
WACC, after tax	9.3%	5.7%	6.1%	12.6%

* For Russia the forecast period has been extended to 2022. CAGR for the period 2013-2022 is 11.3%.

The WACC after tax in Poland is decreased from 2012 to 2013 due to a decrease in the risk-free rates from 4.7% to 3.9% and a minor decrease in the market premium from 6.4% to 6.3%.

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

On 31 December 2013 the recoverable amount for the cash-generating unit Poland (including goodwill) is DKK 18 million higher than the carrying amount. Almost any negative change in the assumptions will necessitate further impairment losses. The very sensitive analysis for Poland indicates the following adverse consequences:

- If average annual growth in revenue in the period 2014-2019 (CAGR) were to be reduced by 1.0 percentage point to 6.9%, this would necessitate impairment losses of DKK 24 million.

- If WACC after tax were to be increased by 1.0 percentage point to 9.5%, this would necessitate impairment losses of DKK 24 million.

- If the annual growth rate in the residual period were to be reduced by 0.5 percentage point to 2.5%, this would not necessitate an impairment loss. If the annual growth rate in the residual period were to be reduced by 1.0 percentage point to 2.0%, this would necessitate impairment losses of DKK 13 million.

- If the annual growth rate in the residual period were to be reduced by 1.0 percentage point to 2.0% and WACC after tax were to be increased by 1.0 percentage point to 9.5%, this would necessitate impairment losses of DKK 46 million.

Accounting policies
Intangible assets
Goodwill is recognised initially in the balance sheet at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and translated on initial recognition 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 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 patents/licences and development projects. 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 entity can be demonstrated, and which the entity 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 as incurred.

Recognised development costs are measured at cost less cumulative 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 cumulative 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, fixtures and fittings, and 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 relates 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.

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 or the H+H Group's incremental borrowing rate is used as the discount rate.

Notes – Balance sheet

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

Critical accounting estimates and judgements
Impairment of non-current assets
Goodwill is tested for impairment annually, the first time before the end of the year of acquisition. 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 entity or activity (cash-generating unit) to which the goodwill relates.

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 under depreciation and amortisation.

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.

The calculation for impairment testing is based on budgets approved by management. Cash flows after the budget period are extrapolated using individual growth rates. The discount rate used for the calculation incorporates possible impacts of future risks.

Useful lives of production assets
The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed. The Group has reassessed estimates of the useful lives for 2013. The expected useful lives of production assets are unchanged from 2012.

14 DEFERRED TAX

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Deferred tax at 1 January	(4,305)	23,922	(7,264)	(7,264)
Foreign exchange adjustments	(662)	(252)	0	0
Change in deferred tax	2,527	(32,013)	0	0
Tax effect of adjustment of accumulated actuarial losses	1,285	4,038	0	0
Deferred tax at 31 December	**(1,155)**	**(4,305)**	**(7,264)**	**(7,264)**

Notes – Balance sheet

14 DEFERRED TAX – CONTINUED

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Deferred tax relates to:				
Non-current assets	(70,806)	(68,214)	0	0
Current assets	(22)	(48)	0	0
Liabilities	32,705	23,875	0	0
Retaxation balance relating to discontinued joint taxation	0	0	(7,264)	(7,264)
Tax loss carry-forwards	36,968	40,082	0	0
Total	**(1,155)**	**(4,305)**	**(7,264)**	**(7,264)**
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	16,338	13,728	0	0
Deferred tax liabilities	(17,493)	(18,033)	(7,264)	(7,264)
Total	**(1,155)**	**(4,305)**	**(7,264)**	**(7,264)**

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 lower than the exercise price of the options.

No deferred tax has been recognised on the difference between the 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 carry-forwards has been recognised as deferred tax assets in the companies where, based on budget, it is considered likely that this can be utilised in future earnings, and a history of profit before tax within the last three years has been verified. The tax value of loss carry-forwards of DKK 71 million at 31 December 2013 (2012: DKK 48 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised.

Accounting policies
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 amount and tax base of assets and liabilities. However, the following temporary differences are not recognised: goodwill not deductible for tax purposes and other items – apart from business combinations – where temporary differences have arisen at the date of acquisition that affect neither profit nor taxable income. 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.

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

Critical accounting estimates and judgements
Recovery of deferred tax assets. Deferred tax assets are recognised for all unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The amount recognised for deferred tax assets is based on estimates of the likely date and size of future tax loss carry-forwards.

Notes – Balance sheet

15 INVESTMENTS IN SUBSIDIARIES

	Parent company	
(DKK '000)	**2013**	**2012**
Acquisition cost at 1 January	1,221,585	1,307,300
Additions	58,933	25,261
Disposals	(4,912)	(110,976)
Cost at 31 December	**1,275,606**	**1,221,585**
Impairment losses at 1 January	(330,036)	(272,892)
Reversal in connection with disposals	0	54,292
Reversal of previous write-down	0	52,610
Impairment losses, equity investments	(144,965)	(164,045)
Impairment losses at 31 December	**(475,001)**	**(330,035)**
Carrying amount at 31 December	**800,605**	**891,550**

The cost of investments in subsidiaries was tested for impairment at the end of 2013. The recoverable amount of the equity investments at 31 December 2013 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2014-2019 and a WACC after tax of 6.0-10.5% (2012: 5.7-12.6%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2018 has been estimated at 2.0-3.0% (2012: 2.0-4.0%). It is estimated that the growth rate will not exceed the long-term average growth rate in the respective company's markets.

In connection with the closing of the financial statements for 2013, it was found that the recoverable amount of some of the Group's companies was lower than the parent company's original cost. As a result, impairment losses of DKK 145 million were recognised in the parent company financial statements; see note 7.

		2013	2012
	Registered office	**Equity interest, %**	**Equity interest, %**
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH	Germany	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
H+H Finland Oy	Finland	100	100
Stone 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 EIQ s.r.o.	Czech Rep.	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	Russia	100	100
H+H Belgien SPRL	Belgium	100	100
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

The above list does not include indirectly owned companies without any activities.

* This activity comprises ownership of H+H UK Holding Limited and thus the activities of H+H UK Limited.

Accounting policies
Equity investments in subsidiaries in the parent company's financial statements. Equity investments in subsidiaries are measured at cost. If there is any indication of impairment, an impairment test is carried out as described in note 13. Cost is written down to the recoverable amount whenever the carrying amount is higher.

Notes – Balance sheet

16 INVENTORIES/PRODUCTION COSTS

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Raw materials and consumables	42,829	49,705	0	0
Finished goods and goods for resale	123,373	144,508	0	0
Total	**166,202**	**194,213**	**0**	**0**
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	10,715	6,500	0	0
Foreign exchange adjustments	(157)	88	0	0
Write-downs for the year	3,982	4,431	0	0
Realised during the year	(281)	(140)	0	0
Reversals	(45)	(164)	0	0
Transferred to assets held for sale	(5,155)	0	0	0
Total	**9,059**	**10,715**	**0**	**0**
Production costs comprised:				
Wages and salaries	157,643	151,911	0	0
Production overheads	88,428	78,787	0	0
Cost of sales	748,575	716,401	0	0
Write-downs for the year	3,982	4,431	0	0
Reversals of inventory write-downs	(45)	(164)	0	0
Total	**998,583**	**951,366**	**0**	**0**

Accounting policies
Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value. In the case of goods for resale, and raw materials and consumables, cost comprises purchase price plus expenses incurred in bringing the inventories to their existing location and condition.

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

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

Critical accounting estimates and judgements
Estimation uncertainty relates to write-downs to net realisable value. Inventories are generally written down in accordance with the Group's policies in this area, which comprise individual assessment of inventories with a view to possible losses as a result of obsolescence, quality and cyclical effects.

Notes – Balance sheet

17 TRADE AND OTHER RECEIVABLES

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Trade receivables	39,393	22,695	0	0
Other receivables	13,977	16,024	418	540
Total	**53,370**	**38,719**	**418**	**540**

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Age analysis of trade receivables:				
Not past due	27,766	15,128	0	0
0-30 days	9,840	5,640	0	0
30-90 days	1,673	1,211	0	0
Over 90 days	114	716	0	0
Total trade receivables	**39,393**	**22,695**	**0**	**0**
Write-downs relating to receivables, year-end	**4,939**	**4,513**	**0**	**0**

Write-down of receivables by geographical region	Group					
(DKK '000)	**2013**			**2012**		
	Western Europe	Eastern Europe	Total	Western Europe	Eastern Europe	Total
Write-downs at 1 January	2,394	2,119	4,513	2,346	2,800	5,146
Foreign exchange adjustments	(31)	(26)	(57)	21	26	47
Write-downs for the year	1,086	1,116	2,202	770	97	867
Realised during the year	(601)	(64)	(665)	(616)	(554)	(1,170)
Reversals	(935)	0	(935)	(127)	(250)	(377)
Transferred to assets held for sale	(119)	0	(119)	–	–	–
Write-downs relating to receivables at 31 December	**1,794**	**3,145**	**4,939**	**2,394**	**2,119**	**4,513**

The parent company has no trade receivables and there have not been any write-downs of receivables for 2013 or 2012.

Other receivables include VAT, other indirect taxes etc. and fall due within one year of the balance sheet date.

Receivables that are not past due are predominantly deemed to 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 2013.

Trade receivables which were past due at 31 December 2013 but not impaired are also included, as follows:

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Maturity period of trade receivables:				
0-30 days	9,840	5,640	0	0
30-90 days	1,673	1,211	0	0
Over 90 days	0	0	0	0
Total	**11,513**	**6,851**	**0**	**0**

Notes – Balance sheet

17 TRADE AND OTHER RECEIVABLES – CONTINUED

Accounting policies
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 an objective indication of impairment on a receivable, in which case 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 on 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.

Critical accounting estimates and judgements
Management currently makes estimates in assessing the recoverability of receivables at the balance sheet date. The international financial situation has been taken into consideration in the assessment of write-downs at the balance sheet date and in the day-to-day management and control of receivables.

18 SHARE CAPITAL AND TREASURY SHARES

	Number		Nominal value, DKK '000	
	2013	2012	2013	2012
Share capital at 1 January	9,810,000	9,810,000	490,500	490,500
Share capital at 31 December – fully paid	9,810,000	9,810,000	490,500	490,500

The share capital comprises 9,810,000 shares of nominal value DKK 50. All the shares have the same rights, with each share carrying 10 votes at the general meeting.

There have been no movements in the share capital in the last five years except for a capital increase in 2009 of DKK 436,000 thousand.

Treasury shares

	Number	Nominal value, DKK '000	% of share capital, year-end
Holding at 1 January 2012	20,489	1,024	0.2
Purchased during the year	0	0	0
Sold during the year	0	0	0
Holding at 31 December 2012	20,489	1,024	0.2
Purchased during the year	0	0	0
Sold during the year	0	0	0
Holding at 31 December 2013	**20,489**	**1,024**	**0.2**

All the treasury shares are owned by H+H International A/S. Treasury shares are acquired in order to hedge liabilities related to the company's option plans.

At 31 December 2013 a total of 18,132 shares are required in connection with the company's option plan (2012: 33,882 shares). Management has chosen not to hedge all the outstanding options as it is unlikely that all the options will be exercised. The company's matching share programme is not hedged by treasury shares.

Accounting policies
Equity: Proposed dividends are recognised as a liability at the date of adoption at the annual general meeting (declaration date).

Treasury shares: Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly in retained earnings under equity. Capital reductions on the 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.

Notes – Balance sheet

19 PENSION OBLIGATIONS

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

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

The Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate the 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 156,914 thousand (2012: DKK 167,401 thousand) has been recognised under liabilities in respect of the Group's obligations to existing and former employees after deduction of the assets associated with the plans.

In the consolidated income statement, an amount of DKK 9,640 thousand (2012: DKK 9,544 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 6,211 thousand (2012: DKK 7,754 thousand) has been recognised in the consolidated income statement as financial expenses.

The Group has defined benefit plans in the UK and Germany. The UK pension plans are managed by a pension fund – legally separate from the company – to which payments are made, whereas the German pension plans are unfunded. The board of the pension fund is composed of two representatives appointed by the employer, two elected by the pension fund members and two professional independent members.

The board of the pension fund is required by law and by articles of association to act in the interest of the pension fund members. The board of the pension fund is responsible for the investment policy with regard to the plan assets. Under the pension plan, employees are entitled to post-retirement annual payments amounting to 1/60 of the final pensionable salary for each year of service before the retirement age of 65. In addition, the service period is limited to 40 years, resulting in a maximum yearly entitlement (lifetime annuity) of 2/3 of the final pensionable salary.

The defined benefit pension fund in the UK typically exposes the company to actuarial risks, such as investment, interest rate, inflation and longevity. H+H Celcon Pension Fund is supervised by an independent corporate trustee, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, the corporate trustee must ensure among other things 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 2011 showed an unfunded pension obligation of DKK 169 million (GBP 20.4 million). Based on this calculation, on 16 August 2012 H+H UK Limited and H+H Celcon Pension Fund Trustee Limited entered into an agreement on the payment of contributions to cover the unfunded pension obligation (Schedule of Contributions). The agreement sets out a 12-year repayment profile under which H+H UK Limited will pay DKK 19 million (GBP 2.17 million) per year in the period April 2011 – March 2024.

The pension fund was closed to new entrants in June 2007 and to the accrual of future service benefits in December 2011. The link to final salary ended at this point.

Notes – Balance sheet

19 PENSION OBLIGATIONS – CONTINUED

The most recent actuarial valuations (based on IAS 19R) of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2013 by Mr C Richards, Fellow of the UK Institute of Actuaries, and in Germany by AON. The present value of the defined benefit obligation, and the related service and past service cost, were measured using the "projected unit credit method".

The pension fund has been replaced by a defined contribution pension scheme where the company is not subject to any ongoing investment, interest rate or longevity risk.

	Group	
(DKK '000)	**2013**	**2012**
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	567,367	560,480
Fair value of plan assets	420,073	402,821
Deficit	147,294	157,659
Present value of unfunded defined benefit plans recognised in the balance sheet	9,618	9,742
Net obligation recognised in the balance sheet	**156,912**	**167,401**
Development in present value of defined benefit obligation:		
Obligation at 1 January	570,222	513,286
Foreign exchange adjustments	(12,311)	13,002
Calculated interest on obligation	23,607	25,434
Gains/losses as a result of changes in economic assumptions	11,304	45,387
Gains/losses as a result of changes in demographic assumptions	4,304	(9,514)
Empirical changes	147	1,721
Pension paid	(20,288)	(19,094)
Obligation at 31 December	**576,985**	**570,222**
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	567,367	560,480
Present value of unfunded defined benefit obligations	9,618	9,742
Obligation at 31 December	**576,985**	**570,222**

Notes – Balance sheet

19 PENSION OBLIGATIONS – CONTINUED

	Group	
(DKK '000)	**2013**	**2012**
Development in fair value of plan assets:		
Plan assets at 1 January	402,821	349,094
Foreign exchange adjustments	(8,504)	8,890
Calculated interest income	17,396	17,680
Return on plan assets over and above the calculated interest	9,492	25,166
The company's contributions to plan assets	19,045	20,579
Pensions paid	(20,177)	(18,588)
Plan assets at 31 December	**420,073**	**402,821**
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	9,640	9,543
Total pension costs	**9,640**	**9,543**
Financial costs relating to the defined benefit plans for the current year:		
Calculated interest on obligation	(23,607)	(25,434)
Calculated interest on plan assets	17,396	17,680
Net interest on defined benefit plans	**(6,211)**	**(7,754)**
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	(11,304)	(47,208)
Gains/losses as a result of change in demographic assumptions	(4,304)	9,514
Return on plan assets over and above the calculated interest	9,492	25,166
Changes due to experience adjustment	(147)	(1,721)
Total	**(6,263)**	**(14,249)**

The cost has been recognised in the income statement under staff costs; see note 3. Costs recognised under production costs amount to DKK 5,662 thousand (2012: DKK 5,552 thousand), costs recognised under sales and distribution costs amount to DKK 3,978 thousand (2012: DKK 2,054 thousand) and costs recognised under administrative costs amount to DKK 1,821 thousand (2012: DKK 1,897 thousand).

Plan assets can be broken down as follows:

Shares	175,170	160,726
Bonds	243,223	239,276
Cash	1,680	2,819
Total	**420,073**	**402,821**

All plan assets are investments held in LGIM funds, which in turn invest directly in highly rated assets that are traded on a stock exchange.

Return on plan assets:		
Actual return on plan assets	26,888	42,846
Calculated interest on plan assets	17,396	17,680
Actuarial gain (loss) on plan assets	**9,492**	**25,166**

The average assumptions for the actuarial calculations at the balance sheet date can be stated as follows:

Discount rate (avg.)	4.60%	4.50%
Expected inflation rate	3.50%	3.20%
Members' lifetime from retirement age (years)	22.8	22.2

Notes – Balance sheet

19 PENSION OBLIGATIONS – CONTINUED

Sensitivity analysis
The table below shows the sensitivity of the pension obligation to changes in the key assumptions for determination of the obligation on the balance sheet date. The H+H Group is also exposed to developments in the market value of the plan assets. The key actuarial assumptions in determination of the pension obligation relate to interest rate level, pay increases and mortality.

The analysis is based on the reasonably likely changes which can be expected on the balance sheet date, provided that the other parameters in the calculations are unchanged and not subject to consequential changes:

	Group	
(DKK '000)	**2013**	**2012**
Sensitivity relative to discount rate:		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	9,722	9,607
Sensitivity relative to inflation:		
If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	4,174	4,119
Sensitivity relative to life expectancy from retirement age:		
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	14,182	14,008

The Group expects to pay DKK 19 million into the defined benefit pension plan in 2014 (2013: DKK 21 million).

The pension obligation is expected to fall due as follows:

0-1 year	21,000	21,000
1-5 years	84,000	84,000
Over 5 years	462,000	455,000
Total	**567,000**	**560,000**

Actuarial assumptions
Discount rate
The discount rate is based on high-quality corporate bonds, and an adjustment has been made to reflect the fact that the duration of the bonds does not correspond to the duration of the pension obligation.

Price inflation
Inflation is based on market expectations for inflation over the duration of the pension liabilities and is calculated as a single equivalent rate.

Demographic assumptions are based on the latest available mortality projection model.

Accounting policies
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.

Notes – Balance sheet

19 PENSION OBLIGATIONS – CONTINUED

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.

The pension cost for the year is recognised in the income statement based on actuarial estimates and the financial outlook at the start of the year. Differences between the expected development in plan assets and obligations and the realised values determined at year-end are designated as actuarial gains or losses and recognised in other comprehensive income.

Critical accounting estimates and judgements
Defined benefit pension plans: The present value of pension obligations depends on the actuarial assumptions made. These assumptions comprise the discount rate, inflation rate, estimated return on plan assets, future salary increases, mortality and future developments in pension obligations.

All assumptions are reviewed at the reporting date. Any changes in the assumptions will affect the carrying amount of the pension obligations.

Notes – Balance sheet

20 PROVISIONS

	Group	
(DKK '000)	**2013**	**2012**
Provisions at 1 January	6,940	7,725
Foreign exchange adjustments	(129)	229
Provisions for the year	10,334	1,589
Utilised during the year	(1,487)	1
Reversals during the year	(6,014)	(2,416)
Transferred from liabilities relating to assets held for sale	188	0
Transferred to liabilities relating to assets held for sale	(5,832)	(188)
Provisions at 31 December	**4,000**	**6,940**
Breakdown of the provisions at 31 December:		
Warranty obligations	1,486	1,810
Obligations relating to restoration of sites	933	4,290
Other provisions	1,581	840
Total	**4,000**	**6,940**

H+H'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 2013 warranty obligations relate predominantly to Germany.

A bank guarantee has been pledged on behalf of a business partner.

The obligation in respect of restoration of sites relates to H+H's sites in 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 after five years.

Accounting policies
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 attached 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 restructuring is recognised when a detailed formal plan for the restructuring has been made public, no later than the balance sheet date, to those affected by the plan.

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

If 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.

Notes – Balance sheet

21 CREDIT INSTITUTIONS

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Bank loans	590,355	557,482	295,016	256,046
Amortised borrowing costs	(613)	(2,079)	(613)	(2,079)
Total	**589,742**	**555,403**	**294,403**	**253,967**
Payables to credit institutions are recognised in the balance sheet as follows:				
Non-current	571,678	554,112	294,403	253,967
Liabilities relating to assets held for sale	18,064	1,291	0	0
Total	**589,742**	**555,403**	**294,403**	**253,967**

H+H will be dependent on debt financing in the coming years, and maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants.

Accounting policies
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 value 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.

22 CONTINGENT LIABILITIES

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Operating leases	**Lease payments**	**Lease payments**	**Lease payments**	**Lease payments**
0-1 year	9,507	4,917	342	370
1-5 years	17,475	10,625	238	231
Over 5 years	1,242	728	0	0
Total	**28,224**	**16,270**	**580**	**601**

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Assets held under operating leases comprise production equipment and vehicles, primarily in the UK and Germany.

	Group		Parent company	
	2013	**2012**	**2013**	**2012**
Rental obligations	**Rental payments**	**Rental payments**	**Rental payments**	**Rental payments**
0-1 year	3,084	3,147	606	606
1-5 years	5,108	6,531	758	1,364
Over 5 years	56,967	59,337	0	0
Total	**65,159**	**69,015**	**1,364**	**1,970**

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

An amount of DKK 7,928 thousand (2012: DKK 6,086 thousand) has been recognised in the consolidated income statement for 2013 in respect of operating leases and rental obligations.

Notes – Supplementary information

22 CONTINGENT LIABILITIES – CONTINUED

Taxes and duties
The parent company is the administration company for the jointly taxed Danish companies. Pursuant to the rules on this contained in the Danish Corporation Tax Act, the parent company is thus liable to withhold tax at source on interest, royalties and dividends for the jointly taxed companies for contingent liabilities, and to withhold corporation tax from 1 January 2013. The Group's Danish companies are further jointly and severally liable for joint registration of VAT.

Financial guarantee
The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's credit facility. The financial guarantee at 31 December 2013 amounts to DKK 295,474 thousand (2012: DKK 294,356 thousand).

Other
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.

Shares in subsidiaries have been pledged as security for a loan agreement with Danske Bank A/S.

23 AUDITORS' REMUNERATION

	Group		Parent company	
(DKK '000)	**2013**	**2012**	**2013**	**2012**
Total fees for the parent company's auditors elected at the annual general meeting:				
Deloitte	2,080	2,224	510	435
KPMG	0	585	0	405
Total	**2,080**	**2,809**	**510**	**838**
The total fee can be broken down as follows:				
Statutory audit	1,786	1,735	510	435
Tax and VAT assistance	188	327	0	11
Other services	106	747	0	394
Total	**2,080**	**2,809**	**510**	**838**

24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the coming year.

Various plots of land in Poland, a plot of land in the UK and unused production equipment have therefore been readied for sale and classified as assets held for sale. If all of these assets are sold at their expected value, the sale proceeds will be around DKK 60 million and result in an expected accounting gain before tax of around DKK 20 million. The transactions are expected to be completed within 12 months and are not included in the outlook for 2014.

As part of H+H's continued focus on core business, the Board of Directors decided in the third quarter of 2011 to divest the Finnish subsidiary Jämerä-kivitalot Oy, which designs, builds and sells aircrete houses for private individuals. The divestment was carried out in 2012 through the disposal of the bulk of the subsidiary's activities. All that is left in the subsidiary, subsequently renamed Stone Kivitalot Oy, is a few projects due to be completed in 2014. Stone Kivitalot Oy has therefore been classified as a discontinued operation.

Following the conclusion of negotiations with the unions, it was decided to close H+H Finland Oy's factory in Ikaalinen in order to boost overall competitiveness and optimise the capacity utilisation of H+H's other factories.

The closure took place in April 2013 and is not expected to affect sales volumes in H+H's European markets, but exports to Africa will be substantially reduced. The closure entailed 66 redundancies at H+H Finland Oy. The Finnish operation has therefore been classified as a discontinued operation.

Notes – Supplementary information

24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE – CONTINUED

	Group	
(DKK '000)	**2013**	**2012**
Discontinued operations have impacted the income statement as follows:		
Operating loss for the period until transfer of control	(52,364)	(50,835)
Tax on loss for the period	0	(1,020)
Gain on sale of non-current assets held for sale	0	6,344
Impact on profit for the year, net	**(52,364)**	**(45,511)**
Operating loss for the period until transfer of control can be specified as follows:		
Revenue	43,178	202,200
Expenses	(95,542)	(253,035)
Loss for the year before tax	(52,364)	(50,835)
Tax on loss for the year	0	(1,020)
Loss for the year after tax	(52,364)	(51,855)
Loss for the year from discontinued operations	**(52,364)**	**(51,855)**
Earnings per share from discontinued operations (EPS) (DKK)	(5.35)	(4.65)
Diluted earnings per share from discontinued operations (EPS-D) (DKK)	(5.35)	(4.65)
Cash flow from operating activities	(45,555)	(51,553)
Cash flow from investing activities	9	(551)
Cash flow from financing activities	16,769	(3,476)
Total cash flow	**(28,777)**	**(55,580)**
The sale of the discontinued operation can be specified as follows:		
Carrying amount of net assets	0	1,116
Gain on sale	0	6,344
Selling price	**0**	**7,460**
Assets for sale and liabilities relating to assets held for sale:		
Intangible assets	3,962	15,215
Property, plant and equipment	42,988	46,416
Inventories	10,550	0
Receivables	6,900	26,036
Cash and cash equivalents	76	0
Assets held for sale, total	**64,476**	**87,667**
Credit institutions	18,064	1,291
Trade payables	1,143	3,193
Other payables	8,694	5,583
Other provisions	21,798	42,145
Liabilities relating to assets held for sale, total	**49,699**	**52,212**

Notes – Supplementary information

24 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE – CONTINUED

Accounting policies
Assets held for sale: Assets held for sale comprise non-current assets and disposal groups which are intended for sale. A disposal group is a group of assets which will be disposed of together by means of sale or similar in a single transaction. Liabilities relating to assets "held for sale" are liabilities directly associated with these assets, which will be transferred at the time of the transaction. Assets are classified as "held for sale" if their carrying amount will primarily be recovered by means of sale within 12 months in accordance with a formal plan rather than by means of continued use.

Assets or disposal groups held for sale are measured at the lower of the carrying amount at the time of classification as "held for sale" and the fair value less selling costs. No depreciation or amortisation is applied to assets from the time they are classified as "held for sale".

Impairment losses arising in connection with initial classification as "held for sale" and gains or losses on subsequent measurement at the lower of carrying amount and fair value less selling costs are recognised in the income statement under the items to which they relate. Gains and losses are disclosed in the notes.

Assets and associated liabilities are recorded separately in the balance sheet, and the main items are specified in the notes. The comparative figures in the balance sheet are not restated.

Presentation of discontinued operations. Discontinued operations make up a significant part of the business, the activities and cash flows of which can be clearly separated from the rest of the business in operational and accounting terms, and where the entity has either been disposed of or has been classified as "held for sale" and the sale is expected to be implemented within one year in accordance with a formal plan. Discontinued operations also include entities classified as "held for sale" in connection with the acquisition.

Profit after tax from discontinued operations, value adjustments after tax on associated assets and liabilities, and gains/losses on sale are presented in a separate line in the income statement, and the comparative figures are restated. Revenue, expenses, value adjustments and tax on the discontinued operation are disclosed in the notes. Assets and associated liabilities for discontinued operations are recorded separately in the balance sheet without the comparative figures being restated, cf. "Assets held for sale", and the main items are specified in the notes.

Cash flows from operating, investing and financing activities for the discontinued operations are disclosed in a note.

Critical accounting estimates and judgements
Assets held for sale and discontinued operations: Estimates significant to the financial reporting for discontinued operations mainly comprise measurement of the selling price of projects in progress, which is determined i.a. on the basis of expected residual expenses and income. Also relevant here is the outcome of disputes relating to claims for additional performance, payment for delays etc., determined i.a. on the basis of the stage of negotiation with the counterparty and an assessment of the likely outcome.

25 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND ACTIVITIES

No subsidiaries or activities have been acquired or disposed of in 2013.

In 2012 H+H International A/S disposed of the subsidiary H+H Česká republika s.r.o. and the majority of the activities in Jämerä-kivitalot Oy. The cash selling price was DKK 121,144 thousand. The disposals resulted in a total gain on sales of DKK 12,077 thousand. Total expenses in connection with the disposals amounted to DKK 10,660 thousand.

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

Currency risks
H+H's companies are exposed to currency risks. Financial instruments are primarily entered into in the individual consolidated entities' functional currencies as a result of their purchase and sales transactions. However, H+H has a translation risk, and as a result of this H+H's profit/loss is exposed to fluctuations in the functional currencies. H+H does not engage in currency speculation.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS - CONTINUED

The individual consolidated entities 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. H+H did not use derivatives or other financial instruments to hedge currency risks in 2013 and 2012.

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

Interest rate risks
As a result of its investing and financing activities, H+H 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 H+H's policy to hedge interest rate risks on H+H's loans if it is assessed 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.

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.

H+H regularly evaluates the capital structure on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

Loan agreement
The Group has a loan agreement with Danske Bank A/S, which is a committed credit facility running until 15 February 2015. More favourable covenants were obtained in connection with reducing the committed credit facility in 2012. The loan agreement's covenants will be calculated quarterly until the agreement expires.

There is no obligation to make ordinary repayments prior to the expiry of the loan agreement on 15 February 2015. The company and those of its subsidiaries that are participating in the loan agreements, or that may be considered a material subsidiary, provide cross-guarantees for each other's obligations under the loan agreement.

The loan agreement may be cancelled without notice by the lender if the company's shares are delisted from NASDAQ OMX Copenhagen. The loan agreement may also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors, individually or through coordinated collaboration, gain control of more than one-third of the shares or more than one-third of the total number of voting rights carried by the shares in H+H International A/S.

The loan agreement prevents the Board of Directors, without the prior permission of the lender, from recommending annual dividend distributions to 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 the lender, including:

- The sale of key assets
- Significant acquisitions, mergers, restructuring or similar transactions
- Entering into significant leases

The loan agreement contains a number of financial conditions ("covenants"):

- Total net interest-bearing debt to EBITDA
- Equity to total assets
- Debt service cover
- EBITDA interest cover
- Maximum capital expenditure

The H+H Group has fulfilled all covenants in 2013 and the budget for 2014 supports fulfilment of the covenants in each quarter of 2014.

Credit risks
H+H is exposed to credit risks in the course of its activities. These risks are primarily related to receivables in respect of sales of H+H'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.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

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 are credit rated on a regular basis. Credit limits are determined on the basis of the individual customer's credit rating.

If the credit rating of a customer 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 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. 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.

Monetary items in foreign currency

	Group						
(DKK '000)	**2013**						
	EUR	**GBP**	**PLN**	**DKK**	**RUB**	**Other**	**Total**
Trade receivables	3,110	7,716	5,922	6,862	9,472	6,311	39,393
Cash and cash equivalents	12,963	18,557	1,852	136	6,014	562	40,084
Trade payables	(21,229)	(62,775)	(20,677)	(7,104)	(2,484)	(5,238)	(119,507)
Credit institutions	0	(249,746)	(17,304)	(300,650)	0	(3,978)	(571,678)
Gross exposure	(5,156)	(286,248)	(30,207)	(300,756)	13,002	(2,343)	(611,708)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	**(5,156)**	**(286,248)**	**(30,207)**	**(300,756)**	**13,002**	**(2,343)**	**(611,708)**
	2012						
	EUR	**GBP**	**PLN**	**DKK**	**RUB**	**Other**	**Total**
Trade receivables	4,370	0	2,317	6,844	2,872	6,292	22,695
Cash and cash equivalents	9,512	44	4,969	164	341	445	15,475
Trade payables	(31,821)	(42,108)	(20,671)	(6,016)	(1,951)	(4,530)	(107,097)
Credit institutions	0	(288,309)	0	(261,686)	0	(4,117)	(554,112)
Gross exposure	(17,939)	(330,373)	(13,385)	(260,694)	1,262	(1,910)	(623,039)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	**(17,939)**	**(330,373)**	**(13,385)**	**(260,694)**	**1,262**	**(1,910)**	**(623,039)**

Parent company's monetary items and sensitivity

(DKK '000)	**2013**				**2012**			
	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	316,728	1%	3,167	2,375	347,903	1%	3,479	2,609
GBP/DKK	(57,075)	5%	(2,854)	(2,140)	(60,446)	5%	(3,022)	(2,267)
PLN/DKK	57,929	5%	2,896	2,172	51,531	5%	2,577	1,932
			3,209	2,407			3,034	2,274

* 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.

The parent company has significant monetary items in currencies other than the functional currency in the form of loans to subsidiaries. The table above shows the parent company's key monetary positions broken down by currency and derived sensitivity.

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

Sensitivity of profit and equity to market fluctuations

	Group			
(DKK '000)	**2013**		**2012**	
	Profit	**Equity**	**Profit**	**Equity**
5% increase in GBP/DKK	799	5,374	216	4,918
5% increase in PLN/DKK	(1,577)	9,271	(3,200)	11,074
5% increase in RUB/DKK	873	725	3,843	1,191
	95	**15,370**	**859**	**17,183**

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A decline 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.

Interest rate exposure

	Group							
(DKK '000)	**2013**				**2012**			
	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	300,514	0	300,514	0	261,523	0	261,523	0
EUR	(12,964)	0	(12,964)	0	(9,512)	0	(9,512)	0
PLN	15,452	0	15,452	0	(4,969)	0	(4,969)	0
CZK	(137)	0	(137)	0	(126)	0	(126)	0
RUB	(6,014)	0	(6,014)	0	(341)	0	(341)	0
GBP	231,189	0	231,189	0	288,265	0	288,265	0
Other	3,555	0	3,555	0	3,797	0	3,797	0
Total	**531,595**	**0**	**531,595**	**0**	**538,637**	**0**	**538,637**	**0**

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2013 the Group was not involved in any interest rate swaps.

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level relative to the average interest rate level in 2013 would reduce profit/loss before tax by DKK 5.3 million (2012: DKK 5.4 million).

The interest rate is variable. The interest level changes in accordance with to the performance of the covenants contained in the loan agreement.

H+H's financial liabilities fall due as follows:

	Group			
(DKK '000)	**2013**			
Non-derivative financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Credit institutions and banks	571,678	0	571,678	0
Trade payables	119,507	119,507	0	0
Total	**691,185**	**119,507**	**571,678**	**0**

	2012			
Non-derivative financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Credit institutions and banks	554,112	0	554,112	0
Trade payables	107,097	107,097	0	0
Total	**661,209**	**107,097**	**554,112**	**0**

Notes – Supplementary information

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS – CONTINUED

Hedge accounting under IAS 39
The fair value of those financial instruments that qualify for designation as hedge accounting under IAS 39 is recognised directly in equity until the hedged items are recognised in the income statement. No such financial instruments were used in 2013 or 2012.

Other derivatives which do not qualify for hedge accounting under IAS 39
The fair value of those financial instruments that do not qualify for hedge accounting under IAS 39 is recognised directly in the income statement. No such contracts have been recognised at 31 December 2013.

	Group					
(DKK '000)	2013			2012		
	Gain/loss recognised in the income statement	Fair value at 31 December	Time to maturity	Gain/loss recognised in the income statement	Fair value at 31 December	Time to maturity
Forward exchange contract EUR/SEK EUR 650 thousand	0	0	-	(81)	0	-

Categories of financial instruments

	Group			
(DKK '000)	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	39,393	39,393	22,695	22,695
Other receivables	19,859	19,859	23,203	23,203
Cash and cash equivalents	40,084	40,084	15,475	15,475
Total receivables	**99,336**	**99,336**	**61,373**	**61,373**
Credit institutions and banks	571,678	572,291	554,112	557,482
Trade payables and other payables	198,613	198,613	172,097	172,097
Total financial liabilities measured at amortised cost	**770,291**	**770,904**	**726,209**	**729,579**

Classification and assumptions for the calculation of fair value
Current bank loans at variable interest rates are valued at a rate of 100. The fair value of long-term loans and finance leases is calculated using models that discount all estimated and fixed cash flows to net present value. The expected cash flows for the individual loan or lease are based on contractual cash flows. Financial instruments relating to sale and purchase of goods etc. with a short credit period are considered to have a fair value equal to the carrying amount. The methods are unchanged from 2012.

Notes – Supplementary information

27 RELATED PARTIES

The Group's related parties are the Executive Board, the Board of Directors and senior executives in the H+H Group.

Apart from contracts of employment, no agreements or transactions have been entered into between the company and the Executive Board. Remuneration to the Board of Directors, the Executive Board and senior executives is disclosed in note 3.

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries, cf. note 15.

A management fee totalling DKK 18,862 thousand (2012: DKK 17,000 thousand) was received by the parent company from 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 at arm's length.

28 EVENTS AFTER THE BALANCE SHEET DATE

A plot of land in the United Kingdom was disposed of after the end of the financial year at a carrying amount of DKK 9 million. No other significant events have occurred after the balance sheet date.

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2013.

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 financial position at 31 December 2013 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 2013.

In our opinion, the management's review includes a fair review of the development in the parent company's and the Group's operations and financial conditions, the results for the year and the parent company's financial position, and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the more significant risks and uncertainty factors that the parent company and the Group face.

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

Copenhagen, 14 March 2014

EXECUTIVE BOARD

Michael Troensegaard Andersen
CEO

Niels Eldrup Meidahl
CFO

BOARD OF DIRECTORS

Kent Arentoft
Chairman

Asbjørn Berge

Stewart A Baseley

Pierre-Yves Jullien

Henriette Schütze

Independent auditors' reports

To the shareholders of H+H International A/S

Report on the consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and parent company financial statements of H+H International A/S for the financial year 1 January – 31 December 2013, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the parent company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable 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.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and 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 parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 entity'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 the overall presentation of the consolidated financial statements and 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 has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2013, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2013 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 further procedures in addition to the audit of the consolidated financial statements and parent company financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent company financial statements.

Copenhagen, 14 March 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders O Gjelstrup
State Authorised
Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised
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