Annual Report 2007

H+H International A/S

build with ease

H+H in brief

WHO

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

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

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

WHAT

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

H+H's products are gaining ground within commercial and industrial construction.

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

WHERE

H+H International A/S in Denmark is the parent company of the H+H Group, which consists of subsidiaries in, so far, 12 countries and has a total of approx. 1,400 employees.

HOW

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

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

Contents

This document is a translation of the Danish Annual Report.

In case of inconsistency between the Danish text and this English translation, the Danish text shall prevail.

Multi-storey construction in Poland, where steel frames are being infilled with H+H mortar blocks as external walls.

Five-year summary

Income statement (DKKm)	2007	2006	2005	2004	2003
Revenue	1,850.2	1,662.4	1,354.4	1,370.9	1,583.3
Gross profit	960.3	815.9	703.2	767.8	970.3
Operating profit (EBIT)	222.4	128.9	141.6	195.2	168.6
Net financing costs	(17.4)	(14.8)	6.2	(5.2)	(10.5)
Profit from continuing operations before tax	205.1	114.0	147.8	190.0	158.1
Profit from continuing operations after tax	157.5	74.3	100.3	136.7	109.8
Profit for the year	157.5	74.3	100.3	141.6	109.8
Balance sheet – assets (DKKm)					
Non-current assets	1,361.7	1,248.4	1,046.6	860.7	880.5
Addition of intangible assets and property, plant and equipment	263.0	156.0	122.1	114.7	66.1
Current assets	422.1	389.8	372.9	429.0	388.2
Total assets	1,783.7	1,638.2	1,419.5	1,289.7	1,268.7
Balance sheet - equity and liabilities (DKKm)					
Share capital	116.0	116.0	116.0	116.0	116.0
Equity	990.3	870.4	827.7	745.3	668.9
Non-current liabilities	180.0	180.9	160.6	263.9	288.2
Current liabilities	613.4	586.8	431.2	280.5	311.6
Total equity and liabilities	1,783.7	1,638.2	1,419.5	1,289.7	1,268.7
Financial ratios					
Gross margin	51.9%	49.1%	51.9%	56.0%	61.3%
Operating margin (EBITA margin)	12.5%	7.8%	10.5%	14.2%	10.6%
Return on invested capital	16.1%	10.6%	14.4%	22.0%	18.1%
Return on equity	16.9%	8.8%	12.8%	20.0%	17.3%
Solvency ratio	55.5%	53.1%	58.3%	57.8%	52.7%
Average number of shares outstanding (per DKK 100)	1,146,072	1,147,872	1,137,012	1,119,006	1,083,120
Share price, year-end (DKK)	1,362	1,842	1,351	1,175	1,270
Book value per share, year-end (DKK)	854	750	713	642	577
Price/book value	1.6	2.5	1.9	1.8	2.2
Price earnings ratio (PE)	9.9	28.3	15.3	9.3	13.4
Earnings per DKK 100 share (EPS)	137.4	65.0	88.2	126.6	101.4
Diluted earnings per DKK 100 share (EPS-D)	137.0	64.9	87.5	124.3	
Dividend per share	30.0	20.0	35.0	35.0	30.0
Payout ratio	22.1%	31.1%	40.5%	28.7%	31.7%
Average full-time equivalent staff	1,379	1,385	712	761	1,101

In accordance with the transitional provisions in IFRS 1, the comparative figures for 2003 have not been restated to reflect the changes in the accounting policies, but have been prepared in accordance with the existing accounting policies based on the provisions in the Danish Financial Statements Act and Danish Accounting Standards.

Transportation costs for the manufacturing companies have been reclassified compared with last year. These companies' transportation costs were previously recognised as other external expenses. Prospectively, these costs have been classified as part of cost of sales. Gross profit has consequently been restated. The comparative figures for 2004-2006 have been restated.

Earnings per share and diluted earnings per share for 2004-2007 have been calculated in accordance with IAS 33 (note 21). The other financial ratios for 2004-2007 have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Ratios 2005'. Reference is made to definitions and concepts in note 1 "Accounting policies".

Summary

Profit before tax was DKK 205 million (2006: DKK 114 million), in line with the most recently announced outlook in the region of DKK 200-210 million. The original full-year outlook was profit of DKK 140-160 million.

- Revenue was DKK 1,850 million (2006: DKK 1,662 million), up 11.3%. Excluding activities acquired in 2006, the increase was 10.6%.

- The activities in the Polish market developed very positively, with significant increases in both sales and selling prices. The overall result before tax for the Polish activities was profit in the region of DKK 80 million compared with a loss before tax in the region of DKK 40 million for 2006.

- Upgrading of the Gorzkowice factory in Poland commenced in autumn and is scheduled for completion in the second quarter of 2008, when the factory will have an annual capacity of 300,000 m^3 of aircrete. H+H also plans to build a new aircrete factory in the Warsaw area with an annual production capacity of 400,000 m^3 of aircrete. The new factory is expected to be operational in the second half of 2009.

- In spring, H+H decided to build an aircrete factory southwest of St Petersburg. The factory is expected to have an annual production capacity of 400,000 m^3 of aircrete and is expected to be operational in the first half of 2009.

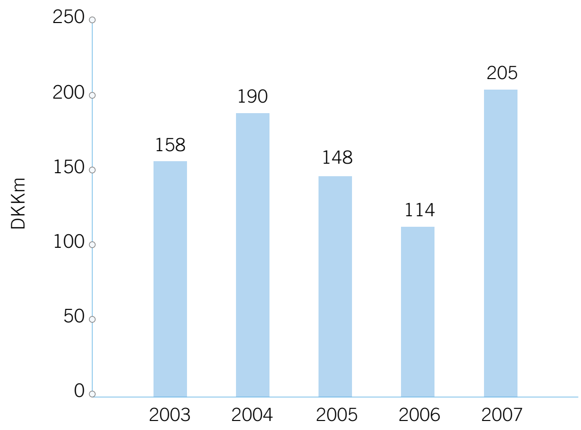
- Equity increased by DKK 120 million, standing at DKK 990 million at the end of 2007. With a balance sheet total of DKK 1,784 million, the solvency ratio is 55.5%.

- The Supervisory Board will recommend at the Annual General Meeting that a dividend of DKK 30 per share of nominally DKK 100 be paid for 2007, equivalent to a dividend of DKK 34.8 million or 22.1% of profit for the year.

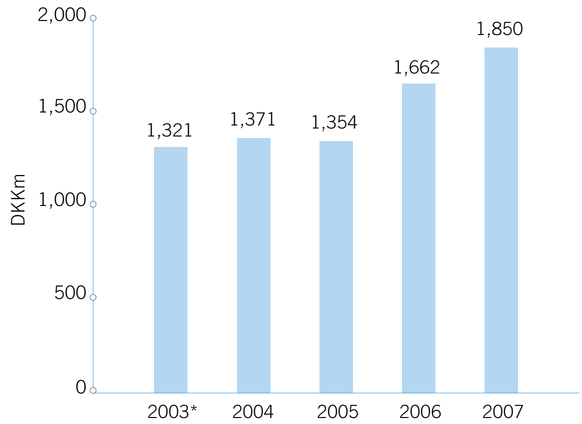
- At the start of 2008, the company completed a share buyback programme amounting to DKK 90 million for the company's B shares with a view to subsequent cancellation and reduction of the share capital.

- H+H expects full-year 2008 profit before tax in the region of DKK 180-200 million.

Pre-tax profit

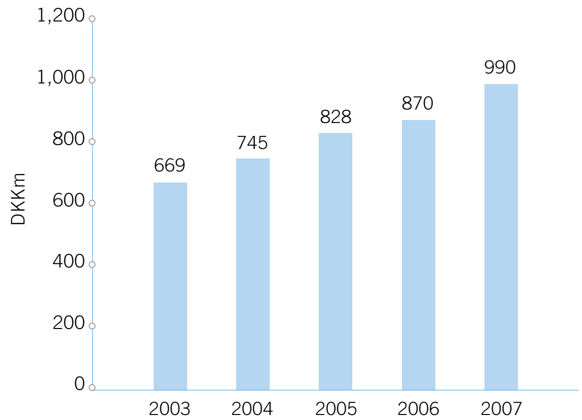


Revenue



* Revenue only includes aircrete, and revenue for H+H Fiboment A/S has consequently been deducted in 2003.

Equity



Review of the year

Financial highlights

Full-year 2007 profit before tax was DKK 205 million (2006: DKK 114 million), in line with the most recently announced outlook in the region of DKK 200-210 million. The original outlook was profit in the region of DKK 140-160 million.

The improvement in profit before tax compared with 2006 primarily reflected significant progress made by the Polish activities.

Revenue for 2007 was DKK 1,850 million, up 11.3% from DKK 1,662 million in 2006. Excluding acquisitions, revenue was 10.6% ahead. The Polish market accounted for the highest increase in revenue.

Major highlights

The most significant highlight of the year was the positive development of the Polish activities. Following the acquisition of five factories at the end of 2005 and the building-up of an integrated aircrete company in 2006, 2007 was the year in which the results filtered through. A mild winter coupled with a high level of construction activity created the basis for a substantial increase in sales and an improvement in selling prices. Overall, the Polish activities contributed full-year profit before tax in the region of DKK 80 million compared with a loss in the region of DKK 40 million the previous year.

Besides a general increase in the level of activity and alignment of the pricing, the Polish aircrete market was increasingly characterised by considerable differentiation in quality and price. The demand for top-quality aircrete products is ever-increasing and at prices at a level above the pricing of local-quality aircrete. During 2007, substantial volumes of aircrete from the Group's German factories were sold in Poland, at prices corresponding largely to the level in Germany and significantly above the pricing of Polish-quality products. However, earnings in 2007 from products imported from Germany to Poland were constrained by considerable transport costs.

It was consequently decided to implement a radical upgrading of H+H's factory south of Warsaw – the Gorzkowice factory. The upgrading commenced on 1 September and is scheduled for completion in the second quarter of 2008. Following the upgrading, the factory will have an annual production capacity of 300,000 m^3 of top-quality aircrete. H+H also plans to build a new aircrete factory in the Warsaw area. The new factory is expected to have an annual production capacity of 400,000 m^3 of aircrete and is expected to be operational in the second half of 2009.

In the Czech Republic, phase one of the upgrading of the Most factory northwest of Prague was successfully completed during the first months of the year. As part of phase one of the upgrading, the primary raw material has been changed from pulverised fuel ash to sand. Phase two of the upgrading will be implemented in the first half of 2008, and will include the implementation of a new cutting line. On completion of the overall upgrading, the factory will have an annual production capacity of 300,000 m^3 of aircrete.

In spring, H+H decided to build an aircrete factory in Volosovo southwest of St Petersburg. The factory is expected to have an annual production capacity of 400,000 m^3 of top-quality aircrete and is expected to be operational in the first half of 2009. The new factory will primarily be supplying the rapidly growing local market around St Petersburg with aircrete. The factory's geographical location will also strenghten H+H's deliveries of block products to Finland and the Baltic markets.

The Wittenborn II factory in northern Germany, with facilities for manufacture of both blocks and reinforced aircrete products, was inaugurated in 2006, and the full range of deliveries of reinforced aircrete products to Denmark and Sweden was implemented in the course of 2007. In future, the factory will be supplying Scandinavia and parts of Central Europe with reinforced aircrete products as a supplement to ordinary aircrete blocks. The factory is strategically important for the development of aircrete solutions promoting more efficient construction of new builds.

UK

H+H UK Limited

As expected, the level of housebuilding activity in the UK was on a par with 2006. However, the global credit crisis and a higher interest rate level led to a lower level of activity during the latter part of the year.

H+H recorded sales largely on a par with 2006. Although sales to builders' merchants fell by comparison with 2006, sales to national housebuilders and new market segments grew. This included an increase in sales of system solutions, which, however, remain relatively low.

The managing director of the UK activities decided to retire at the end of the year, after almost 20 years with the company. The newly appointed managing director comes from the position of business development director of one of the largest construction companies in the UK and will, in future, be intensifying H+H's focus on the development of intelligent building systems using aircrete.

Like previous years, 2007 was adversely impacted by considerable price increases of cement. Conversely, overall, 2007 gas prices were at a slightly lower level than the unusually high 2006 prices. H+H succeeded in achieving higher selling prices, thus making up for the increase in costs. Changes in the product and customer mix during the year contributed to an improvement in average selling prices.

Two non-recurring cost items, both of which relate to a plot of land in Borough Green, had a major impact on profit for the year. Despite an application process lasting several years, H+H was not granted permission to build a new factory in Borough Green in the longer term, contrary to expectations. The application process is ongoing, but it was decided to make a DKK 8.1 million write-down, corresponding to the costs so far incurred in this respect. In the course of the application process, minor oil contamination of the plot of land was found, resulting in a DKK 16.5 million provision for decontamination. The contamination is due to activities in a former gravel pit and was not caused by aircrete manufacture. The scope of the necessary clean-up action is subject to some uncertainty.

Despite the considerable non-recurring costs, profit was ahead of 2006.

GERMANY AND DENMARK

H+H Deutschland GmbH

A VAT increase and the discontinuation of a grant scheme led to expectations, from the start of the year, of a small decline in the number of new dwellings built in the German market, especially in the first half of the year. However, the actual decline in housebuilding activity proved highest in the second half and significantly higher than originally expected. H+H consequently recorded a downturn in sales in the German market. It is estimated that the fall in H+H's sales was proportionately in line with the fall in total sales of aircrete in the German market.

To partly compensate for the lower sales in Germany, sales to the affiliated companies were increased. The volume sold to the Polish market was particularly high, primarily during the first half of the year.

The cost increases were at a higher level than the general rate of inflation, as expected. Despite the downturn in sales, H+H largely succeeded in maintaining a level of selling prices that compensated for the increase in costs.

2007 was a running-in year for the new Wittenborn II factory, which manufactures reinforced aircrete products. The implementation of the full product range is time-consuming, and a prioritisation of products for the Danish and Swedish markets has led to a slight delay in the marketing of new products in the German market.

The overall result for the German activities was at a considerably lower level than the previous year.

H+H Danmark A/S

Recent years' high level of activity in the Danish housebuilding market continued at the start of 2007, but fell appreciably during summer and autumn. Competition in the Danish aircrete market intensified still further throughout 2007. H+H's aircrete sales in 2007 were thus down on 2006.

At the start of the year, deliveries of reinforced aircrete to the Danish market were changed over from an external manufacturer in Southeastern Germany to the new Wittenborn II factory in Northern Germany. The deliveries from H+H's own factory have enhanced the reliability of supply, contributed lower purchase prices and, not least, have reduced transport costs.

Furthermore, the Wittenborn II factory has enabled a further development of solutions for efficient construction of aircrete buildings. For example, solutions incorporating horizontal elements for industrial construction were introduced during the year.

Earnings were down on the previous year due to the fierce price competition and the declining market, despite lower costs for purchase and transport of the reinforced aircrete products.

EASTERN EUROPE

H+H Polska Sp. z o.o.

Unusually mild weather led to an unexpectedly high level of construction activity during the first months of the year. The high level of construction activity continued at the same high level throughout 2007.

At the start of the year, aircrete sales were characterised by an imbalance between supply and demand that resulted in all-day queues at the aircrete collection points at the company's factories. The imbalance also led to hoarding by both contractors and builders' merchants, resulting in a small dip in sales in the third quarter of 2007. By the fourth quarter, the balance between supply and demand had been restored, and sales again reached a high level.

Overall, H+H achieved aircrete sales from the Polish factories at a considerably higher level than last year. This despite the fact that one of the company's five factories was shut down from 1 September and for the rest of the year due to upgrading.

Selling prices increased from a low level at the end of 2006 to a level only slightly below the prices for the corresponding aircrete quality in the neighbouring countries.

In parallel with the sale of aircrete products manufactured in Poland, a significant volume of high-quality aircrete was imported from the Group's German factories, especially during the first half of 2007. Aircrete from the German factories was sold at considerably higher prices than locally manufactured products and at prices largely corresponding to the price level in Germany. However, earnings in Poland from the products manufactured in Germany were relatively modest in 2007 due to high transport costs.

The positive trend in both sales and pricing led to a very significant hike in earnings from the Polish activities.

H+H Česká republika s.r.o.

Construction activity in the Czech market continued the positive trend from 2006. Upgrading of the factory held the sales volume at a relatively modest level. Sales from the factory were supplemented, to a limited extent, by products supplied by the Polish factories. The volume sold was realised at increasing prices.

Like 2006, a break-even result was recorded for 2007.

OOO H+H Rus

In spring, H+H decided to build a factory in Volosovo southwest of St Petersburg. As previously announced, the factory is expected to be operational in the first half of 2009.

The activities in the Russian market contributed a small loss for 2007.

H+H Ukraina TOV

Following the establishment of a sales office at the end of 2006, efforts to cultivate the market with Polish imports continued throughout the year. However, the total sales volume in the Ukraine was modest, partly due to high local demand in Poland.

The investigations of the possibilities for establishing manufacturing capacity in the Ukraine, by construction of a new factory or by acquisition, were intensified during the year.

The activities in the Ukraine reported a small loss for 2007.

NORDIC COUNTRIES

H+H Finland Oy

General construction activity in Finland remained largely on a par with the previous year. However, the number of new single-family houses built was at a somewhat lower level than in 2006.

Despite mild weather during the first quarter of the year, full-year sales in the Finnish market were slightly down on the 2006 level. However, well aided by an increase in sales to the Swedish market, total sales from the Finnish factory were slightly ahead of the 2006 level.

Sales of aircrete for the Jämerä concept in 2007 were at a somewhat lower level than in 2006. The lower sales were due partly to a general decline in the number of new single-family houses built, and partly to a reorganisation of the Jämerä concept. During the year targeted efforts were made to achieve a greater degree of standardisation of the product range for construction of Jämerä houses.

Sales to the industrial market were at a higher level than in 2006.

Overall, the Finnish company delivered profit below the 2006 level.

H+H Sverige AB

As expected, the positive trend in the Swedish construction sector continued throughout 2007. Total investments in residential and industrial new builds were up by around 10-15%.

Overall, H+H realised sales considerably above the 2006 level.

During the first half of the year, purchases of reinforced aircrete from Germany were transferred from an external manufacturer in Southeastern Germany to the Wittenborn II factory in Northern Germany, giving substantial savings in the form of lower transport costs and lower purchase prices.

H+H has introduced a new building system for single-family houses using standard aircrete blocks and elements, ensuring a cost-effective and fast construction process for the customer. Purchasing reinforced products from the Wittenborn II factory reduces the cost of the building system and increases flexibility in connection with the development of new solutions.

Considerably higher sales and a saving on the purchase of reinforced aircrete led to full-year profit significantly ahead of 2006.

H+H Norge AS

The sales volume in the Norwegian market was at a modest level for 2007. At the end of the year, the Norwegian organisation was restructured and a new managing director appointed.

Segment information

	UK		Germany and Denmark		Eastern Europe**		Nordic countries		Eliminations and non-allocated items		Total	
DKKm	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenue	695.1	664.0	475.5	550.5	436.1	187.4	286.0	273.1	(42.5)	(12.6)	1,850.2	1,662.4
EBITDA	123.3	107.6	123.7	145.6	106.8	(15.2)	22.0	18.9	(28.7)	(22.3)	347.1	234.6
EBITA	80.5	66.4	77.8	104.6	87.1	(30.4)	14.6	11.1	(29.5)	(22.8)	230.5	128.9
EBIT	72.4	66.4	77.8	104.6	87.1	(30.4)	14.6	11.1	(29.5)	(22.8)	222.4	128.9
Profit (loss) before tax *	67.9	62.1	67.7	97.1	76.8	(41.2)	10.9	8.0	(18.2)	(12.0)	205.1	114.0
Non-current assets	390.3	434.9	403.7	425.0	468.3	318.3	50.9	36.6	48.5	33.6	1,361.7	1,248.4
Investments in intangible assets and property, plant and equipment	41.3	20.0	21.5	83.1	192.0	37.8	6.0	7.2	2.2	7.9	263.0	156.0
Depreciation for the year	42.8	41.2	45.9	41.1	19.7	15.1	7.4	7.8	0.8	0.5	116.6	105.7
Assets	544.2	616.0	549.6	538.5	532.6	399.9	130.6	103.6	26.7	(19.8)	1,783.7	1,638.2
Equity	233.3	314.5	224.8	221.9	146.6	73.2	20.9	9.6	364.7	251.2	990.3	870.4
Liabilities	310.9	301.5	324.8	316.6	386.0	326.8	109.7	93.9	(338.0)	(271.0)	793.4	767.8
Average full-time equivalent staff	317	319	201	200	688	696	158	162	15	8	1,379	1,385

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

** The activities in the Czech Republic were acquired in 2006. The sales units in the Ukraine and Slovakia were both set up in the second half of 2006. The activities have been recognised from the acquisition date.

Outlook for 2008

Full-year profit is expected to be in the region of DKK 180-200 million. The outlook for the individual countries is as follows:

UK

H+H UK Limited

The number of newbuilt dwellings in the UK is expected to fall in 2008 as a consequence of lower sales of new dwellings in the latter part of 2007. The decline in house sales reflects a combination of an expected fall in house prices, higher interest rates and a general tightening of houseowners' credit options. For similar reasons, the market for renovation and maintenance is expected to be weakened in 2008.

As a result of the trend in construction activity, aircrete sales are expected to be at a lower level than in 2007. However, the fall is not expected to be quite so large as the general drop in the number of new dwellings built. This is due partly to an expected shift away from construction of apartments, because these have proved most difficult to sell, and because less aircrete is used for these, and partly to the fact that the focus on new market areas and initiatives for new system solutions is expected to contribute positively to sales.

The long-term outlook for the level of construction activity in the UK remains positive. It is still estimated that the existing number of house completions is insufficient to cover future needs.

Price increases of energy and key raw materials are expected to exceed the level of inflation, and increases in selling prices are not expected to be able to fully compensate for the increased costs.

The GBP/DKK exchange rate fell significantly at the end of 2007 and the beginning of 2008. If the exchange rate remains at the existing level, this will impact adversely on profit denominated in DKK compared with 2007.

GERMANY AND DENMARK

H+H Deutschland GmbH

Despite a year-long decline in the number of newbuilt dwellings and a significant further sharp decline in autumn 2007, the level of activity in the German market is not expected to increase in 2008. In Germany, too, a tighter credit policy is expected to have an adverse effect on sales of new housing.

The focus on system solutions and sales to the industrial sector will contribute to slightly higher full-year 2008 sales for H+H in the German market than in 2007. Furthermore, an accelerated sales drive in the Netherlands, Belgium and France is expected to lead to higher sales from the German factories.

The product range from the Wittenborn II factory was extended considerably during 2007. The range of reinforced aircrete products is strategically important for the development of solutions promoting more efficient construction of buildings incorporating aircrete – both in the housing sector and the industrial sector. The factory is expected to contribute positively to the overall financial performance of the German activities in 2008.

As in previous years, cost increases at a level exceeding the rate of inflation are forecast for 2008. The cost increases are expected to be largely compensated for by higher selling prices.

H+H Danmark A/S

The adverse trend in demand for new housing that prevailed in autumn 2007 is expected to continue in 2008. Both construction of apartments and construction of detached single-family houses are expected to decline. The uncertainty in the market, including the turbulence among several housebuilders, may lead to further hesitation in construction in 2008.

Competition is expected to sharpen still further in 2008. Both the narrow competition within aircrete and the broader competition among substituting building materials are expected to intensify from the start of the year. The sharpened competition in a declining market is expected to lead to an unchanged level of selling prices compared with 2007.

The development of new aircrete solutions for residential and industrial buildings in the Danish market will continue in 2008.

EASTERN EUROPE

H+H Polska Sp. z o.o.

The very high level of activity in the construction sector in 2007 is expected to be sustained in 2008. In 2008, as in 2007, the primary constraint to construction activity is expected to be the lack of qualified labour.

H+H expects sales to the Polish market to be in line with the previous year. Sales to the affiliated companies in the Ukraine, the Czech Republic and Slovakia are expected to grow in 2008.

The high level of activity in the Polish construction sector is expected to lead to major price increases of the most cost-intensive raw materials. Likewise, salary increases are expected to be significantly above the rate of inflation. Planned increases in selling prices are expected to be able to make up for the increased costs.

The ongoing upgrading of the Gorzkowice factory is scheduled for completion in the second quarter of 2008, when H+H in central Poland will have an annual production capacity of approx. 300,000 m^3 of top-quality aircrete. The factory will primarily be servicing the market around Warsaw and the southern part of Poland and is strategically important for the development of more sophisticated solutions for fast and efficient construction of buildings using aircrete. The factory is expected to contribute positively to profit for 2008.

Both the upgrading of the Gorzkowice factory and the construction of the planned factory on the outskirts of Warsaw, with a planned annual production capacity in excess of 400,000 m^3, are expected to proceed to plan. The factory is expected to be operational in the second half of 2009.

H+H Česká republika s.r.o.

Construction activity in the Czech Republic is expected to be at the same level as in 2007.

Phase two of the upgrading of the Czech factory is expected to be completed in the second quarter, when the factory will be fully upgraded and have an annual production capacity of approx. 300,000 m^3 of top-quality aircrete.

Full-year 2008 sales are expected to be at a higher level than 2007 due to the increase in production capacity. During the upgrading phase, the Group plans to supplement sales with products from its German factories.

OOO H+H Rus

The core activities in the Russian market for 2008 will focus on the construction of the new factory southwest of St Petersburg. A sales organisation will be set up during the year, and limited imports of aircrete products from the Group's German factories are planned with a view to cultivating the market.

H+H Ukraina TOV

Aircrete sales from the Group's Polish factories to the Ukrainian market are expected to grow in 2008 compared with 2007. Efforts to establish manufacturing capacity by construction of a new factory or by acquisition will continue. H+H is currently negotiating with the authorities in the Rivne region in western Ukraine concerning the possibility of obtaining a building permit for the construction of a new aircrete factory of the same design and capacity as the factory near St Petersburg in Russia. H+H International A/S will make a final decision on this investment once the main terms for its construction are known.

H+H Baltic SIA

H+H set up a sales office in Latvia at the end of 2007. The office will supply the Baltic markets with aircrete from the company's affiliated companies. For 2008, the Baltic markets will primarily be serviced by the Group's factories in Finland, Germany and Poland. In future, the Baltic markets will also be serviced by the new factory near St Petersburg.

NORDIC COUNTRIES

H+H Finland Oy

Construction activity in Finland is expected to be on a par with 2007, although the number of new single-family houses is expected to be slightly down on the previous year. Overall, H+H anticipates growing sales to the Finnish market. Sales of aircrete for construction of Jämerä houses are expected to be at a slightly higher level than in 2007. Likewise, sales to the industrial market are expected to increase slightly.

H+H Sverige AB

The high level of activity in the Swedish construction sector is expected to remain largely unchanged in 2008. Labour shortages are believed to be the main constraint to this positive trend.

Competition for deliveries of aircrete products in the Swedish market is expected to intensify in 2008, particularly within block products. This is expected to have some adverse effect on the price level.

Despite the intensified competition, H+H expects sales in the Swedish market to be ahead of 2007. The increase in sales is expected to come predominantly from the new building systems for single-family houses, in competition with other building materials.

H+H Norge AS

Following the restructuring of the Norwegian organisation in 2007, sales for 2008 are expected to increase. However, total sales in the Norwegian market are still expected to be at a modest level compared with the Group's other markets.

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

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

Financial review

Results

Pre-tax profit for the year was DKK 205.1 million (2006: DKK 114.0 million), in line with the most recently announced outlook in the region of DKK 200-210 million. The original outlook was profit before tax in the region of DKK 140-160 million.

The very positive development in the Polish market was the main contributor to the increase in profit compared with both 2006 and the original profit outlook.

The first quarter of 2007 was characterised by a very high level of activity due to unusually mild weather, whereas the first quarter of 2006 had a low level of activity due to poor weather.

The UK segment showed pre-tax profit of DKK 67.9 million (2006: DKK 62.1 million), slightly up on the latest profit outlook in the region of DKK 65 million. Profit before tax for 2007 included non-recurring costs relating to a DKK 16.5 million provision for clean-up of a contaminated plot of land and a DKK 8.1 million write-down of capitalised costs in connection with an application for permission to build a new factory in the longer term. Excluding the non-recurring costs referred to in the foregoing, full-year 2007 profit before tax was DKK 92.5 million, up DKK 30.4 million on 2006. The increase was due to improved margins on the volume sold, and, to a lesser extent, changes in the inventory of finished goods. Profit was ahead of 2006, driven by lower gas prices in the first half of 2007.

Profit before tax for the German-Danish segment was DKK 67.7 million (2006: DKK 97.1 million), or slightly ahead of the latest outlook in the region of DKK 65 million. The decline in profit before tax compared with 2006 was DKK 29.4 million, mainly reflecting lower sales in both Germany and Denmark. Furthermore, profit was eroded by the running-in of the new Wittenborn II factory.

The Eastern European segment showed profit before tax of DKK 76.8 million (2006: loss of DKK 41.2 million), or slightly ahead of the latest profit outlook of DKK 75 million. The very positive profit development reflected a substantial improvement in the volume sold and in selling prices in the Polish market. In 2006, selling prices in Poland were at a very low level. Moreover, 2006 was depressed by various restructuring costs in connection with the integration of the five Polish aircrete factories acquired at the end of 2005 and the beginning of 2006. The Czech activities contributed a result close to break-even in 2007. Profit for 2007 for the Eastern European segment was adversely affected by the upgrading of the Czech factory during the first half and the upgrading of the Gorzkowice factory in Poland in the second half.

The profit outlook announced in connection with the acquisition of the five Polish aircrete factories at the end of 2005 was a loss in 2007 and a small profit in 2008. The actual results thus considerably exceed the original profit forecast. The positive development was due to a higher level of activity in Poland and faster alignment of the margin level than originally anticipated.

The Nordic segment generated profit before tax of DKK 10.9 million (2006: DKK 8.0 million), or marginally ahead of the latest outlook in the region of DKK 10 million. The positive profit trend was due to the Swedish activities, with higher sales and an improvement in margins leading to a significant improvement in profit. Profit for the Finnish activities was slightly down on 2006, the ongoing restructuring of the Jämerä concept having an adverse impact on profit. The Norwegian activities showed a small loss in 2007 compared with a small profit in 2006.

Non-allocated net costs amounted to DKK 18.2 million (2006: DKK 12.0 million). The result for 2007 included non-recurring income of DKK 5.6 million concerning final clarification of expenses for restoration of discontinued leases in the UK. Net costs in the parent company before financial income and expenses totalled DKK 34.3 million (2006: DKK 22.3 million). The increase in net costs primarily reflected a strengthening of the organisation and escalated canvassing of new geographical markets. Non-allocated net financial income amounted to DKK 11.3 million (2006: DKK 11.0 million).

Revenue

Revenue was DKK 1,850 million (2006: DKK 1,662 million), up DKK 188 million or 11.3%. Excluding the activities acquired in the Czech Republic in May 2006, revenue was 10.6% ahead. Changes in foreign exchange rates affected the increase in revenue by less than one percentage point.

The UK segment delivered revenue of DKK 695 million (2006: DKK 664 million), up 4.5%. Changes in the average DKK/GBP exchange rate affected the development in revenue adversely by 0.9 percentage points. The volume sold was on a par with 2006 in a generally flat market. Average increases in selling prices benefited from the product and customer mix.

Revenue for the German-Danish segment was DKK 476 million (2006: DKK 551 million), down 13.6%. The decline in revenue was primarily due to lower sales volumes in both Germany and Denmark. The decline in sales mainly reflected a general drop in the level of construction activity. Furthermore, the Danish market was adversely affected by a sustained increase in competition in the market for aircrete products.

The Eastern European segment delivered revenue of DKK 436 million (2006: DKK 187 million), up 133%. The increase was made up of a marked improvement in selling prices and a substantial increase in the volume sold The development was due primarily to the Polish market. 2007 sales benefited from a generally high level of activity in Poland. Compared with a very cold winter in 2006, unusually mild weather had a particularly positive effect on first-quarter 2007 sales. The increase in sales in the Polish market was mainly attributable to local production, although sales from the German factories also contributed to the increase. Expressed in m^3, H+H's 2007 sales in the Polish market exceeded UK sales. The selling prices for the volume sold in the Polish market increased significantly, from a very low level, through the first half of 2007. During the second half, selling prices stabilised at a level slightly below the selling prices for comparable products in the neighbouring countries.

The Nordic segment produced revenue of DKK 286 million (2006: DKK 273 million), up 4.7%. The increase was made up of higher revenue in the Swedish market and lower revenue in Finland and Norway.

In 2007 elimination of inter-segment revenue amounted to DKK 43 million (2006: DKK 13 million). The increase was predominantly due to deliveries from the German factories to the Polish market.

Capital expenditure

Capital expenditure totalled DKK 263 million in 2007 (2006: DKK 156 million). Excluding Poland, the Czech Republic, Russia and the new Wittenborn II factory, capital expenditure totalled DKK 59 million (2006: DKK 47 million). The adjusted capital expenditure was due primarily to maintenance of the production facilities in the UK, Germany and Finland and purchase of land in UK.

Capital expenditure in Poland, the Czech Republic and Russia totalled DKK 192 million (2006: DKK 38 million). Upgrading of manufacturing facilities in Poland and the Czech Republic and the construction of a new factory near St Petersburg accounted for most of the capital expenditure. Total 2007 capital expenditure on new construction and upgrading of manufacturing facilities included capitalisation of financing costs of DKK 1.6 million and of indirect costs of DKK 0.8 million.

At the end of 2007 binding contracts had been concluded for additional capital expenditure totalling DKK 216 million, relating mainly to new construction and upgrading of manufacturing facilities in Poland, the Czech Republic and Russia.

No acquisitions were made in 2007. In 2006, two Polish aircrete factories and one Czech aircrete factory were acquired for a total sum of DKK 92 million.

Financing

Net interest-bearing debt at 31 December 2007 amounted to DKK 381 million (31 December 2006: DKK 353 million), up DKK 28 million.

Operating cash flows amounted to DKK 266 million (2006: DKK 60 million), up DKK 206 million. Profit before depreciation and financial income and expenses added DKK 347 million to the operating cash flow (2006: DKK 235 million), while the net effect of the development in inventories, receivables and trade payables and other payables reduced the operating cash flow by DKK 9 million (2006: DKK 115 million).

Cash flows from investing activities totalled DKK 260 million (2006: DKK 246 million), and proceeds from disposal of fixed assets amounted to DKK 3.5 million (2006: DKK 1.8 million).

Total dividends paid to the shareholders, adjusted for dividends on treasury shares, amounted to DKK 23 million (2006: DKK 40 million). Dividend of DKK 20 per share of nominally DKK 100 was paid in 2007, while dividend of DKK 35 per share of nominally DKK 100 was paid in 2006.

The net proceeds from trading in treasury shares were a loss of DKK 8.3 million compared with a gain of DKK 2.6 million in 2006.

Net financing costs in respect of interest-bearing debt, excluding capital gains and losses, amounted to DKK 16.6 million (2006: DKK 14.1 million). The increase in net financing costs reflected a combination of higher average net interest-bearing debt and a general increase in interest rates. The interest-rate risk on a proportion of the debt portfolio has been hedged. At the end of 2007, hedging of interest-rate risks did not exceed 2½ years.

Capital gains, etc., totalling DKK 0.7 million were recorded in 2007 (2006: DKK 0.2 million). Capital losses, etc., in 2007 totalled DKK 1.5 million (2006: DKK 1.0 million).

The solvency ratio at the end of 2007 was 55.5% versus 53.1% at the end of 2006.

Taxation

Income tax expense was DKK 47.6 million (2006: DKK 39.8 million), corresponding to an effective tax rate of 23.2% (2006: 34.9%). The main reason for the change in the effective tax rate was the profit development in Poland, where profit is taxed at 19%. In 2006, the Group's effective tax rate was adversely affected by the relatively low Polish tax rate due to a pre-tax loss in the region of DKK 40 million. The opposite was the case in 2007, when the Polish activities generated profit before tax in the region of DKK 80 million.

The effective tax rate in 2007 also benefited from adjustment of tax provisions in Germany as a result of a lower tax rate from 1 January 2008, and a correction of deductible costs in connection with acquisitions, etc., from 1998 in H+H International A/S.

Equity

The H+H Group's equity increased by DKK 120 million during the financial year, standing at DKK 990 million at the end of the year.

Changes in equity (DKK 1,000)	
Balance at 1 January 2007	870,432
Retained earnings	157,454
Treasury shares, net	(8,305)
Value adjustments, investments, etc.	(12,778)
Fair value adjustments of hedging instruments	5,058
Dividends paid in 2007	(23,200)
Other adjustments	1,680
Balance at 31 December 2007	990,341

Dividends

The Supervisory Board will recommend at the Annual General Meeting on 16 April 2008 that a dividend of DKK 30 per share of nominally DKK 100 be paid for 2007, corresponding to a total dividend of DKK 34.8 million and 22.1% of profit for the year. In 2007 dividends of DKK 20 per share of nominally DKK 100 were paid, corresponding to total dividend of DKK 23.2 million and 31.1% of profit for 2006.

At the start of 2008 the company completed a share buyback programme purchasing 68,430 of the company's B-shares at a total purchase price of DKK 89,897,735. At the Annual General Meeting, the Supervisory Board will propose a reduction of the share capital by cancellation of own B shares.

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

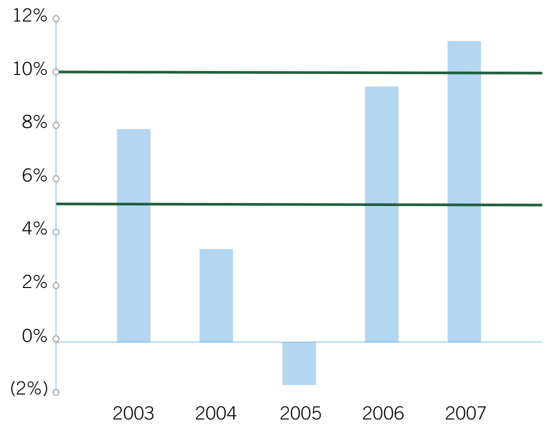
Financiel objectives

The financial objectives remain unchanged from the 2006 annual report.

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

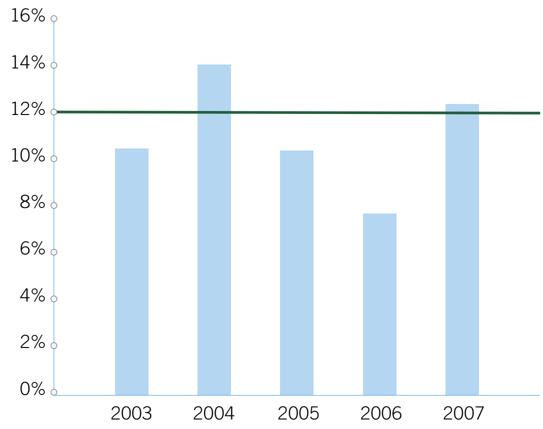
H+H's returns objective, ROIC, is based on the invested capital. Due to massive capital expenditure on new capacity in the current year and next year, the returns objective is not expected to be achieved until in a few years.

Sales growth of 5-10%



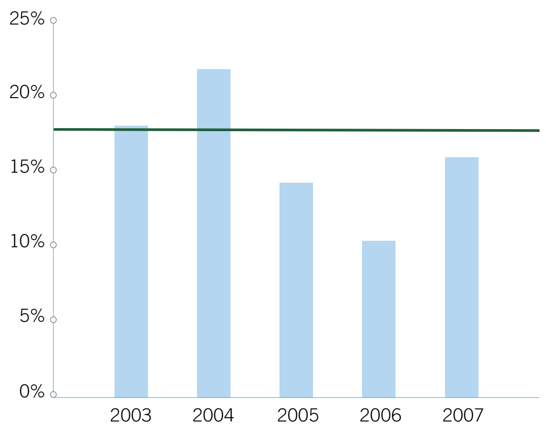
It is H+H's objective to achieve average annual organic revenue growth in the region of 5-10% in the years ahead. On average, growth is expected to reach a level somewhere around the middle of this range.

EBITA margin of 12%



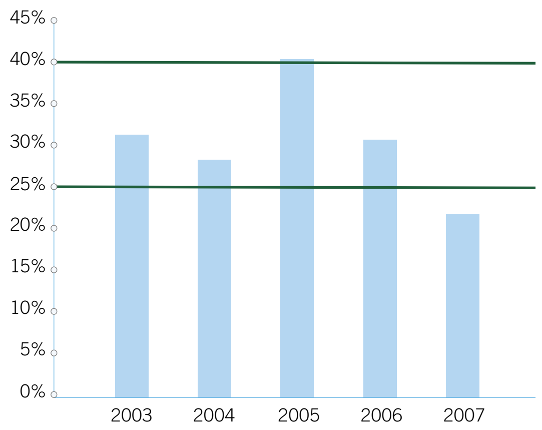
It is H+H's objective to achieve an average operating margin (EBITA) of 12%.

ROIC of 18%



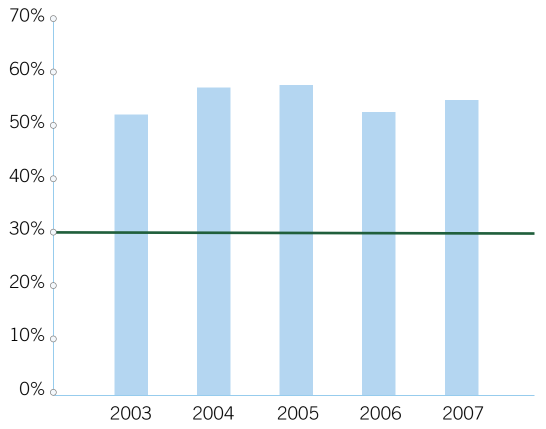
It is H+H's objective to achieve a pre-tax return on invested capital (ROIC) in the region of 18% in the course of a few years and, on average, to hold this level in the longer term. ROIC is computed as the ratio between EBITA and net assets.

Payout ratio of 25-40%



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

Solvency ratio of min. 30%



The H+H Group will endeavour to maintain its solvency ratio at a level above 30%. Due to accumulation of financial resources for future capacity expansions and acquisitions, the solvency ratio will, from time to time, considerably exceed this level. Any buybacks of shares will be evaluated regularly on the basis of whether surplus liquidity is expected from this perspective.

Note: Figures for 2003 have not been restated to IFRS. In the case of the historical growth levels, only revenue for H+H's aircrete activities has been used. In the case of acquisitions, revenue has been adjusted in the period prior to the acquisition in the growth calculations, with revenue from the acquired activities having been added to the revenue realised. The EBITA margins shown are based on actual revenue and actual results for all business activities. In connection with the calculation of ROIC, goodwill from before 1 January 2001 that was written off immediately has not been reversed.

Risk management

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

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

The main risks associated with the Group's business activities are described below, along with policies for hedging these.

MARKET RISKS

Market conditions and demand

With a significant operational gearing in the form of heavy capital expenditure and fixed costs, fluctuations in demand have a noticeable effect on the company's financial performance. A large percentage of the H+H Group's sales goes to dense low-rise new builds. H+H is therefore particularly vulnerable to fluctuations in the level of activity in this building segment.

H+H strives to expand the market for aircrete to include, to a greater extent, other forms of buildings than dense low-rise housing, including apartments, commercial buildings and the market for refurbishment and upgrading.

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

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

Competition

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

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

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

Raw material supplies and prices

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

The costs for energy consumption in production amount to around 5-6% of revenue. The production of steam for the autoclaving process accounts for a substantial part of the energy consumption. The primary energy sources are gas and electricity.

FINANCIAL RISKS

Currency

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

Besides EUR and DKK, a substantial part of the H+H Group's operations and values are tied to GBP and PLN. The H+H Group's equity and results are therefore exposed to fluctuations in the GBP and PLN exchange rates. Based on the profit outlooks for 2008, a 1% change in the rate of exchange for GBP and PLN will affect full-year pre-tax profit by around DKK 0.5-1.0 million for both GBP and PLN. A 1% change in the rate of exchange into DKK will affect the Group's equity at 31 December 2007 by DKK 2.3 million for GBP and DKK 1.3 million for PLN.

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

Capital structure and cash flow

H+H expects a considerable positive cash flow from the Group's operations in the years ahead, but also major capital expenditure on upgrading factories acquired in recent years and on further geographical expansion.

Net interest-bearing debt amounted to DKK 381 million at 31 December 2007. The debt was raised in local currencies and is primarily denominated in PLN, GBP, DKK and EUR. The effective interest rate for the Group in 2007 was at the 4.6% level, partly reflecting the interest rate levels of the individual currencies.

At the end of 2007, the interest-rate risks on loans totalling PLN 80 million had been hedged for a remaining period of just over two years. Hedging of the interest-rate exposure is regularly assessed in relation to the future strategy and thus the expected future debt portfolio.

Interest rates

With the expected development in net interest-bearing debt, a one percentage point change in the interest rate will affect pre-tax profit for 2008 by a figure in the region of DKK 5.6 million.

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

Granting of credit

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

Investor information

Share price development and volume traded

H+H International A/S's B shares are listed on OMX Nordic Exchange Copenhagen A/S on the Nordic list in the Mid Cap segment (HH B and ISIN code DK0015202451).

The price of the B share fell by approx. 25% from the start to the end of 2007, closing at DKK 1,362 per B share with a nominal value of DKK 100. The volume of B shares traded in 2007 was 815,824 shares at a total market value of DKK 1,705,804,000. By comparison, the volume of B shares traded in 2006 was 684,129 shares at a total market value of DKK 967,087,464.

Dividend

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

Dividend of DKK 20 per share of nominally DKK 100 was paid in 2007 for the 2006 financial year, equivalent to a payout ratio of 31.1%. The Supervisory Board will recommend at the Annual General Meeting on 16 April 2008 that a dividend of DKK 30 per share with a nominal value of DKK 100 be paid for the 2007 financial year, equivalent to a payout ratio of 22.1%.

At the start of 2008, the company completed a share buyback programme amounting to approx. DKK 90 million for the company's B shares with a view to subsequent cancellation and reduction of the share capital.

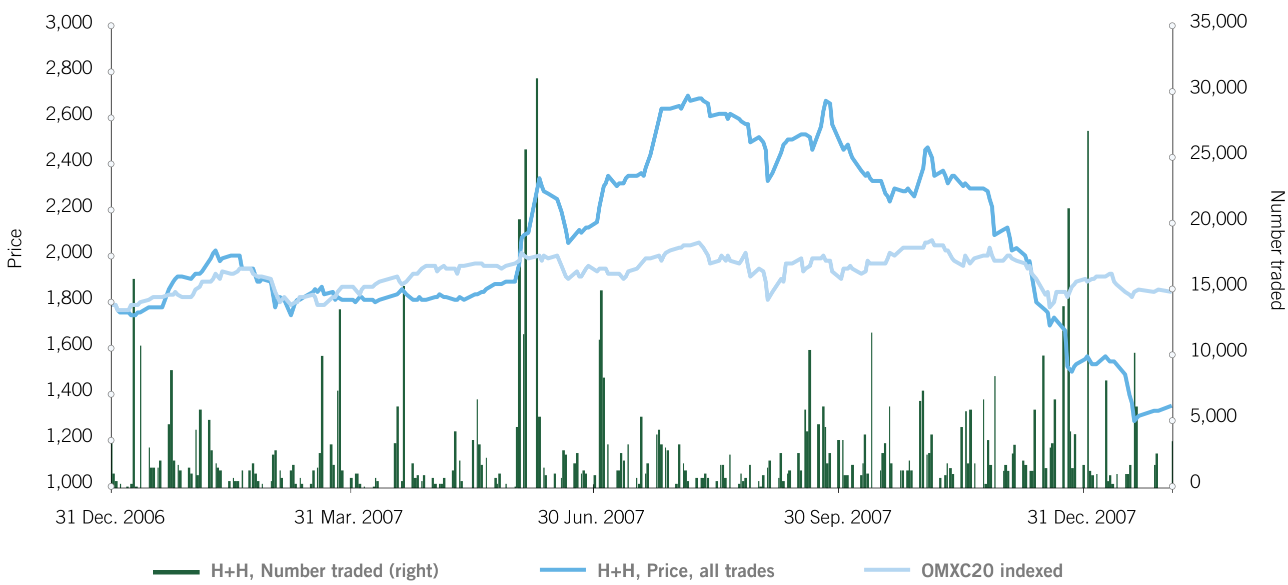
Capital structure

The company's financial objectives include an objective to the effect that the company's solvency must be at least 30%. The solvency ratio was 55.5% at the end of 2007. The Supervisory Board and Executive Board regularly evaluate the capital structure based on the expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to the shareholders.

As part of its growth strategy, H+H International A/S will make substantial investments in increased production capacity and enhanced product quality, and the decisions to build new factories and upgrade factories in Poland, the Czech Republic and Russia are part of this expansionary strategy. The expansionary strategy assumes a sustained, relatively high investment level, and, when also taking into account the construction sector's general dependence on market conditions, management considers the company's capital structure to be adequate.

At the Annual General Meeting in 2007 the Supervisory Board was granted authority to buy back up to 10% of the share capital. As part of the company's normal buyback of B shares to cover share option plans for the Group's management, the company bought back a net total of 6,839 B shares in 2007. As part of the announced share buyback programme, H+H bought back 68,430 B shares in 2008. On 1 February 2008, the company's holding of treasury

Share price performance and volume traded



shares was 83,089 B shares, equivalent to 7.16% of the share capital. Hereof 14,433 shares were allocated to the company's share option plans. Treasury shares are written off immediately to equity.

Incentive schemes

A final grant totalling 4,974 share options distributed on six persons was made in 2007, each option entitling the holder to buy one B share with a nominal value of DKK 100 at an exercise price of DKK 1,860. The options are exercisable for a period of two years from the date of publication of the 2009 annual report. This was the final grant under the share option plan for the 2004-2007 grant period.

To replace the option plan referred to in the foregoing, the Supervisory Board adopted a new share option plan for the 2007-2009 financial years in spring 2007, with final pricing of the grants in the period 2008-2010. The option plan currently comprises approx. 6,000 share options annually of one B share each for allocation among the two members of the Executive Board and four other senior executives in the Group. The exercise price for the share options granted each year will be calculated as the average price for ten business days after each preliminary announcement of financial statements/annual report in the year in question plus 20%. The share options may be exercised during a one-year period beginning three years from final pricing, and exercise of the options is conditional upon the option holder's employment with the company not having ceased, due to the option holder having given in notice or due to breach on the part of the option holder.

Further details of the company's share option plans are given in note 25.

Share capital and ownership

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

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

At 1 February 2008, 1,954 shareholders were registered by name (representing approx. 80% of the company's share capital), including 134 foreign shareholders.

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

Investor relations

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

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

Share capital and votes

Share class	Nominal share capital, DKK	Votes*
A shares	24,000,000	24,000,000
B shares	92,000,000	9,200,000
Total	116,000,000	33,200,000

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

Major shareholders at 1 February 2008

	% of share capital	% of votes*
Henriksen og Henriksen I/S	20.69	74.14
ATP**	12.54	4.49
Holdingselskabet af 9/11 2001 ApS	8.97	3.21
LD***	8.00	2.87
H+H International A/S	7.16	-

Shareholders controlling at least 5% of H+H International A/S's total share capital or votes. Reference is also made to note 13.

* Excluding H+H International A/S's holding of treasury shares.

** Arbejdsmarkedets Tillægspension and ATP Invest.

*** LD Equity 1 K/S, Fåmandsforeningen LD and PLD Dk. Akt.

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

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

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

Annual General Meeting 2008

The Annual General Meeting of H+H International A/S will be held on Wednesday 16 April 2008 at 3.00pm at Charlottehaven, Hjørringgade 12C, 2100 Copenhagen Ø, Denmark.

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

Shareholders wishing to have their shares registered should contact their own depository bank or advise the company's registrar, VP Investor Services (VP Services A/S), Helgeshøj Allé 61, P.O. Box 20, 2630 Taastrup, Denmark.

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

Analysts covering H+H International A/S

Carnegie Bank	Daniel E. Moustgaard	danielmoustgaard@carnegie.dk	tel. +45 32 88 03 78
Danske Equities	Daniel Patterson	DAPA@danskebank.com	tel. +45 45 12 80 45
FIH/Kaupthing	Michael D. Jørgensen	michael.jorgensen@kaupthing.com	tel. +45 72 22 54 40
Gudme Raaschou Bank	Stig Nymann	sny@gr.dk	tel. +45 33 44 90 93
Nordea Markets	Carsten Warren Petersen	carsten.warren.petersen@nordea.com	tel. +45 33 33 39 45
SEB Enskilda, Equities, Research	Kristian Marthedal	kristian.marthedal@enskilda.dk	tel. +45 36 97 75 29

Financial calendar 2008

10 March 2008	Annual report 2007
16 April 2008	Annual General Meeting
27 May 2008	Interim financial report Q1 2008
28 August 2008	Interim financial report H1 2008
26 November 2008	Interim financial report Q3 2008

Published announcements (1 January 2007 – 1 February 2008)*

29 January 2008	Share buyback progamme completed
18 January 2008	H+H takes next step towards aircrete production in the Ukraine
18 January 2008	Share buyback programme and narrowing of profit outlook for 2007
26 November 2007	H+H Financial Calendar 2008
26 November 2007	Interim financial report Q3 2007
17 October 2007	New managing director of H+H's activities in the UK
30 August 2007	Interim financial report H1 2007
19 June 2007	Full-year 2007 pre-tax profit outlook lifted
1 June 2007	H+H International A/S's share capital and number of votes
24 May 2007	Interim financial report Q1 2007
13 April 2007	Change of H+H Financial Calendar 2007
13 April 2007	Articles of Association
12 April 2007	Business transacted at Annual General Meeting and first meeting of the Supervisory Board
30 March 2007	Option grants – final grants in 2007
20 March 2007	Notice of Annual General Meeting of H+H International A/S
16 March 2007	Annual report 2006

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

We will be our customers'
trusted partner in business

At H+H we are always ready to share our expertise with our customers and advise our customers on both their current and future building projects.

Business principles

ENVIRONMENT

H+H does not at present prepare any separate environmental reports, as the environmental impact of its production is limited. However, H+H is committed to actively tackling the environmental issues related to its operations, including ways of avoiding, containing or remedying any adverse environmental impacts.

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

The machinery used for manufacturing aircrete is electrically powered, and gas is used for raising steam for autoclaving the aircrete. H+H continuously strives to minimise its consumption of electricity and gas in order to reduce its CO_2 emissions and production costs, and H+H regularly evaluates the possibility of replacing all or part of its electricity and gas consumption with alternative, more sustainable energy sources.

Aircrete can be reused in crushed form for applications such as road fill, insulation material and material for lightweight aggregate concrete.

KNOWLEDGE SHARING AND BEST PRACTICE

The H+H Group has a flat organisational structure with a small centralised management in the parent company H+H International A/S. Intragroup communication is therefore straightforward and efficient, involving very few links.

The various national companies in H+H regularly exchange experience and engage in intragroup benchmarking. Initiatives include the establishment of projects with participation by relevant employees from the national companies involved. One example of project aims is the development of best practices for production processes, products, logistics, sales and marketing, etc.

CORPORATE GOVERNANCE

H+H International A/S's principles for corporate governance are set out in the company's Corporate Governance Policy adopted by the Supervisory Board. The Corporate Governance Policy was prepared on the basis of Corporate Governance Recommendations 2005, which form part of Rules for Issuers on OMX Nordic Exchange Copenhagen A/S.

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

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

- Supervisory Board members are recommended and elected at the general meeting by the company's A shareholder, Henriksen og Henriksen I/S, which has controlling interest by virtue of its voting rights. The company is therefore only able to forward descriptions of the Supervisory Board candidates recommended by the A shareholder together with the notice of the general meeting if the A shareholder has notified the company, by the time of distribution of the notice, of the candidates the A shareholder wishes to recommend.

- As the A shareholder, Henriksen og Henriksen I/S, recommends and elects the members of the company's Supervisory Board of its own accord and independently of the Supervisory Board, the Supervisory Board does not deem it relevant to establish recruitment criteria for Supervisory Board candidates or to evaluate the Supervisory Board and its members. For the same reason, the Supervisory Board has not set any upper limit on the number of other supervisory board memberships a Supervisory Board member may hold besides the post as Supervisory Board member of H+H International A/S. However, the Supervisory Board would like to state that it is of the opinion that setting an upper limit on the number of supervisory board memberships is an irrelevant method of seeking to ensure that each Supervisory Board member has sufficient time to perform their duties in H+H International A/S, as the work commitments associated with such memberships may vary considerably from company to company.

- A majority of the Supervisory Board members is not independent of the company or its principal shareholder based on the definition of independence in the Corporate Governance Recommendations, as only three of the Supervisory Board's seven members can currently be deemed to be independent. The relations, if any, between a Supervisory Board member and the company or the principal shareholder appear from the presentation of the Supervisory Board members on pages 24 and 25.

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

- Information on remuneration to the company's Executive Board is provided at an overall level, and not individually, as the Supervisory Board does not consider it relevant to provide a breakdown of remuneration to the members of the Executive Board.

The Supervisory Board has adopted a remuneration policy the aim of which is to promote long-term value creation to the benefit of both the company and its shareholders.

The members of the Supervisory Board are paid a fixed remuneration fee approved by the shareholders in general meeting, and are not part of any incentive scheme. In addition to their fixed remuneration, Supervisory Board members may be paid a special remuneration fee approved by the shareholders in general meeting as part of the adoption of the annual report in respect of participation in particularly work-intensive ad hoc board committees. As in 2006, none of the Supervisory Board's members received any special remuneration for 2007.

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

The remuneration for 2007 for the Supervisory and Executive Boards and other senior executives is disclosed in notes 3 and 25.

The company may terminate the employment of members of the Executive Board by giving 12 months' notice. If the company terminates the employment of a member of the Executive Board without stating any grounds, the person in question is entitled to termination benefit corresponding to 12 months' regular salary.

Furthermore, the CEO is entitled to 24 months' notice in the event of the company terminating his employment on transfer of the company's activities to a new owner. Likewise, the CEO is entitled to 24 months' notice in the event of the company terminating his employment within three years of the voting majority in the company having changed owner or the company being dissolved by merger.

The Supervisory and Executive Boards evaluate the company's Corporate Governance Policy at least once a year. The current Corporate Governance Policy can be viewed at www.HplusH.com.

Members of the Supervisory Board and management (from left to right): Jørgen Ajslev, Lars Bredo Rahbek, Michael Witthohn, Anders C. Karlsson, Bjarne Olesen, Henrik Dietrichsen, Kresten Andersen Bergsøe, Henrik Lind, Martin Busk Andersen, Hans Gormsen, Christian Harlang.

Company management

SUPERVISORY BOARD

In 2007, the Supervisory Board held a total of eight meetings, including a meeting and a strategy seminar at H+H's factories in Wittenborn in Germany. The term of office of all Supervisory Board members expires at the company's Annual General Meeting on 16 April 2008. Members may stand for re-election.

Anders C. Karlsson (58)

Industrial advisor

- Chairman. Joined the Supervisory Board in 2005 and since re-elected, Chairman since April 2006
- Holds 500 B shares in H+H International

Supervisory board memberships

- AH Industries A/S (chairman)
- IPEG AB, Sweden (chairman), and a Swedish subsidiary
- Inwido AB, Sweden (chairman)
- Ludesi AB, Sweden (chairman)
- WSP Europe AB, Sweden (chairman)
- Air Liquide Gas AB, Sweden
- Lasabotte AB, Sweden
- Lindab International AB, Sweden
- Tele P AB, Sweden

Jørgen Ajslev (65)

Industrial advisor

- Joined the Supervisory Board in 2007. Former CEO of H+H International A/S from 1998 to 2004

Supervisory board memberships

- Fritz Schur Teknik A/S (chairman)
- Gourmetbryggeriet A/S (chairman)
- DSV Miljø A/S
- Grey Holding 1 A/S, and several Danish subsidiaries
- Hans Buch A/S
- Johs. Thornam A/S
- Meyn Food Processing Technology B.V., the Netherlands
- Skako Industries A/S
- Topdanmark A/S, and a Danish subsidiary
- Aalborg Industries Holding A/S, and a Danish subsidiary

Kresten Andersen Bergsøe (41)

Founder and managing director of Talefod A/S

- Joined the Supervisory Board in 2001 and since re-elected
- Holds, via shares in Holdingselskabet af 9/11 2001 ApS, 104,020 B shares in H+H International, 25,000 of which were acquired in 2007
- Partner in and related to a partner in Henriksen og Henriksen I/S and shareholder in Holdingselskabet af 9/11 2001 ApS, which is a partner in Henriksen og Henriksen I/S. Henriksen og Henriksen I/S holds all A shares in H+H International A/S

Supervisory board memberships

- A/S Saltbækvig
- Holdingselskabet af 9/11 2001 ApS
- Talefod A/S

Christian Harlang (55)

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

Supervisory board memberships
- Enkefru Plums Støttefond

Henrik Lind (60)

Partner in the law firm Gorrissen Federspiel Kierkegaard
- Joined the Supervisory Board in 1987 and since re-elected

Supervisory board memberships
- Skako Industries A/S

Bjarne Olesen (53)

Executive Director (Building & Installation) in Wavin B.V. Group, the Netherlands
- Joined the Supervisory Board in 2005 and since re-elected

Supervisory board memberships
- M.P.C. Sp. z o.o., Poland
- Wavin Ekoplastika s.r.o., Czech Republic

Lars Bredo Rahbek (46)

Film producer at Nimbus Film and proprietor and managing director of the film marketing firm Rabalder Film
- Joined the Supervisory Board in 2007. Also on the Supervisory Board from 2002 to 2006
- Member of the supervisory board of Enkefru Plums Støttefond, which is a partner in Henriksen og Henriksen I/S, which holds all A shares in H+H International A/S

Supervisory board memberships
- Enkefru Plums Støttefond

EXECUTIVE BOARD

Hans Gormsen (56)

CEO
- Holds 800 B shares in H+H International, 300 of which were acquired in 2007

Michael Witthohn (49)

Executive Vice President

OTHER SENIOR EXECUTIVES

Martin Busk Andersen (38)

CFO

Henrik Dietrichsen (36)

Senior Vice President

Statement by the Executive and Supervisory Boards

The Supervisory and Executive Boards have today considered and approved the annual report of H+H International A/S for the financial year 2007.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2007 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 2007.

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

Copenhagen, 10 March 2008

Executive Board

Hans Gormsen
CEO

Michael Witthohn
Executive Vice President

Supervisory Board

Anders C. Karlsson
Chairman

Jørgen Ajslev

Kresten Andersen Bergsøe

Christian Harlang

Henrik Lind

Bjarne Olesen

Lars Bredo Rahbek

Independent auditors' report

To the shareholders of H+H International A/S

We have audited the annual report of H+H International A/S for the financial year 1 January – 31 December 2007, which comprises the statement by the Executive and Supervisory Boards, the management's review and the income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Management's responsibility for the annual report

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

Auditors' responsibility and basis of opinion

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

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

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

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2007 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 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 10 March 2008

Audit

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Jesper Koefoed
State Authorised Public Accountant

David Olafsson
State Authorised Public Accountant

Kresten Foged
Statsautoriseret Revisionsaktieselskab

Lars Skovgaard-Sørensen
State Authorised Public Accountant

Jan Østergaard
State Authorised Public Accountant

Our products **can be seen on building sites everywhere** From our production sites we manufacture and supply the building industry with millions of pallets of H+H aircrete. Our distinctive green H+H logo is the outward sign of our commitment both to aircrete and to our customers.

Income statement

		Group		Parent company	
Note	DKK '000	**2007**	**2006**	**2007**	**2006**
2	Revenue	1,850,233	1,662,392	0	0
	Cost of sales	(889,950)	(846,445)	0	0
	Gross profit	**960,283**	**815,947**	**0**	**0**
	Other external expenses	(243,070)	(247,185)	(13,506)	(9,188)
3	Staff costs	(358,908)	(334,273)	(19,857)	(12,670)
4	Depreciation and amortisation	(116,557)	(105,686)	(755)	(500)
5	Impairment losses	(8,136)	0	(27,692)	0
6	Other operating income and expenses	(11,200)	71	18,666	14,636
		(737,871)	(687,073)	(43,144)	(7,722)
	Operating profit (loss)	**222,412**	**128,874**	**(43,144)**	**(7,722)**
7	Financial income	824	614	147,419	47,867
8	Financial expenses	(18,185)	(15,449)	(3,655)	(3,393)
		(17,361)	(14,835)	143,764	44,474
	Profit before tax	**205,051**	**114,039**	**100,620**	**36,752**
9	Tax on profit	(47,595)	(39,773)	2,842	(14,675)
	Profit for the year	**157,456**	**74,266**	**103,462**	**22,077**
	Attributable to:				
	Equity holders of H+H International A/S	157,454	74,630		
	Minority interest	2	(364)		
		157,456	**74,266**		
	Distribution of profit				
	Retained earnings			68,662	(1,123)
	Dividend for the year DKK 30 per share of nominally DKK 100 (2006:DKK 20)			34,800	23,200
	Profit for the year			**103,462**	**22,077**
21	Earnings per share (EPS)	137.39	65.02		
21	Diluted earnings per share (EPS-D)	136.95	64.93		

Balance sheet at 31 December

ASSETS

		Group		Parent company	
Note	DKK '000	**2007**	**2006**	**2007**	**2006**
	Non-current assets				
	Intangible assets				
	Goodwill	94,071	90,079	0	0
	Other intangible assets	13,810	12,972	0	5,915
10		107,881	103,051	0	5,915
	Property, plant and equipment				
	Land and buildings	463,613	433,069	0	0
	Plant and machinery	508,510	565,627	0	0
	Fixtures and fittings, tools and equipment	78,703	79,392	3,010	2,437
	Assests in the course of construction and prepayments	182,921	42,343	0	0
10		1,233,747	1,120,431	3,010	2,437
	Other non-current assets				
16	Deferred tax assets	20,036	24,729	0	0
12	Investments in Group subsidiaries	0	0	1,212,393	1,233,180
	Receivables from Group enterprises	0	0	399,628	279,534
	Securities	0	139	0	0
		20,036	24,868	1,612,021	1,512,714
	Total non-current assets	**1,361,664**	**1,248,350**	**1,615,031**	**1,521,066**
	Current assets				
14	Inventories	189,637	172,449	0	0
	Receivables				
15	Trade receivables	150,741	184,557	0	0
	Receivables from Group enterprises	0	0	38,974	0
	Tax receivable	28,992	1,808	2,918	0
15	Other receivables	13,727	20,417	724	1,169
	Prepayments	26,765	4,839	0	142
		220,225	211,621	42,616	1,311
	Cash and cash equivalents	**12.206**	**5,739**	**35**	**28**
	Total currents assets	**422.068**	**389,809**	**42,651**	**1,339**
	TOTAL ASSETS	**1,783,732**	**1,638,159**	**1,657,682**	**1,522,405**

EQUITY AND LIABILITIES

		Group		Parent company	
Note	DKK '000	**2007**	**2006**	**2007**	**2006**
	Equity				
	Share capital	116,000	116,000	116,000	116,000
	Translation reserve	(401)	12,379	0	0
	Hedging reserve	3,196	(1,862)	0	0
	Retained earnings	836,725	720,696	1,402,234	1,339,310
	Proposed dividend	34,800	23,200	34,800	23,200
	Total equity attributable to equity holders of H+H International A/S	**990,320**	**870,413**	**1,553,034**	**1,478,510**
	Minority interest	21	19	0	0
	Total equity	**990,341**	**870,432**	**1,553,034**	**1,478,510**
	Liabilities				
	Non-current liabilities				
22	Pension obligations	87,191	94,322	0	0
18	Provisions	26,110	13,355	0	0
17	Deferred tax liabilities	63,596	68,345	5,015	7,715
24	Lease obligations	1,133	2,017	0	0
	Other non-current liabilities	1,975	2,888	0	0
		180,005	180,927	5,015	7,715
	Current liabilities				
	Bank loans	390,937	355,677	74,629	6,579
	Trade payables	99,418	122,332	751	996
18	Provisions	0	5,299	0	0
24	Lease obligations	909	1,110	0	0
	Income tax	16,930	8,296	78	82
	Payables to Group subsidiaries	0	0	16,291	24,842
	Other payables	105,192	94,086	7,884	3,681
		613,386	586,800	99,633	36,180
	Total liabilities	**793,391**	**767,727**	**104,648**	**43,895**
	TOTAL EQUITY AND LIABILITIES	**1,783,732**	**1,638,159**	**1,657,682**	**1,522,405**

Note Accounting and supplementary information

1	Accounting policies	25	Incentive schemes
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Cash flow statement

	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Operating activities				
Operating profit (loss)	222,412	128,874	(43,144)	(7,722)
Net financing costs	(17,361)	(14,835)	143,764	44,474
Depreciation, amortisation and impairment losses	124,693	105,686	28,447	500
Other adjustments	7,103	3,344	1,820	378
Change in inventories	(22,927)	(22,242)	0	0
Change in receivables	6,407	(36,215)	(38,387)	(797)
Change in trade payables and other payables	7,125	(56,765)	3,957	909
Income tax paid	(60,983)	(47,934)	(10,049)	(19,085)
	266,469	59,913	86,408	18,657
Investing activities				
Selling prices for disposals of property, plant and equipment.	3,516	1,827	6,574	188
Acquisition of enterprises and capital contributions in subsidiaries	0	(92,214)	(6,905)	(55,534)
Acquisition of property, plant, equipment and intangibles	(263,021)	(156,045)	(1,821)	(8,264)
	(259,505)	(246,432)	(2,152)	(63,610)
Financing activities				
Dividend to equity holders of H+H International A/S	(22,894)	(40,239)	(22,894)	(40,239)
Sale of treasury shares and re-invoicing of exercised share options	945	6,112	945	11,467
Buyback of treasury shares	(9,250)	(3,487)	(-9,250)	(3,487)
Change in intragroup balances	0	0	(121,100)	104,221
Repayment and reduction of long-term debt	(1,215)	(609)	0	0
Increase in short-term debt	31,963	144,817	68,050	(26,999)
	(451)	106,594	(84,249)	44,963
Net increase (decrease) in cash and cash equivalents	**6,513**	**(79,925)**	**7**	**10**
Cash and cash equivalents at 1 January	5,739	85,533	28	18
Foreign exchange adjustments of cash and cash equivalents	(46)	131	0	0
Cash and cash equivalents at 31 December	**12,206**	**5,739**	**35**	**28**

Statement of changes in equity

	Group							
DKK '000								
	Sharecapital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total	Minority interest	Total
Equity at 1 January 2006	**116,000**	**7,333**	**0**	**663,548**	**40,600**	**827,481**	**208**	**827,689**
Changes in equity in 2006								
Foreign exchange adjustments, foreign companies	0	5,046	0	0	0	5,046	0	5,046
Recognised gains/losses for the year	0	0	(2,660)	0	0	(2,660)	0	(2,660)
Tax on changes in equity	0	0	798	1,888	0	2,686	0	2,686
Net gains recognised directly in equity	0	5,046	(1,862)	1,888	0	5,072	0	5,072
Profit for the year	0	0	0	51,066	23,200	74,266	364	74,630
Total recognised income and expense for the year	**0**	**5,046**	**(1,862)**	**52,954**	**23,200**	**79,338**	**364**	**79,702**
Dividend paid	0	0	0	0	(40,600)	(40,600)	0	(40,600)
Redemption of minority shareholders	0	0	0	0	0	0	(553)	(553)
Share-based payment	0	0	0	1,208	0	1,208	0	1,208
Sale of treasury shares	0	0	0	6,112	0	6,112	0	6,112
Buyback of treasury shares	0	0	0	(3,487)	0	(3,487)	0	(3,487)
Dividend, treasury shares	0	0	0	361	0	361	0	361
Total changes in equity in 2006	**0**	**5,046**	**(1,862)**	**57,148**	**(17,400)**	**42,932**	**(189)**	**42,743**
Equity at 31 December 2006	**116,000**	**12,379**	**(1,862)**	**720,696**	**23,200**	**870,413**	**19**	**870,432**
Changes in equity in 2007								
Foreign exchange adjustments, foreign companies	0	(12,780)	0	0	0	(12,780)	0	(12,780)
Recognised gains/losses for the year	0	0	6,605	0	0	6,605	0	6,605
Tax on changes in equity	0	0	(1,547)	(977)	0	(2,524)	0	(2,524)
Net gains recognised directly in equity	0	(12,780)	5,058	(977)	0	(8,699)	0	(8,699)
Profit for the year	0	0	0	122,654	34,800	157,454	2	157,456
Total recognised income and expense for the year	**0**	**(12,780)**	**5,058**	**121,677**	**34,800**	**148,755**	**2**	**148,757**
Dividend paid	0	0	0	0	(23,200)	(23,200)	0	(23,200)
Share-based payment	0	0	0	2,351	0	2,351	0	2,351
Sale of treasury shares	0	0	0	945	0	945	0	945
Buyback of treasury shares	0	0	0	(9,250)	0	(9,250)	0	(9,250)
Dividend, treasury shares	0	0	0	306	0	306	0	306
Total changes in equity in 2007	**0**	**(12,780)**	**5,058**	**116,029**	**11,600**	**119,907**	**2**	**119,909**
Equity at 31 December 2007	**116,000**	**(401)**	**3,196**	**836,725**	**34,800**	**990,320**	**21**	**990,341**

Statement of changes in equity

	Parent company			
DKK '000				
	Sharecapital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2006	**116,000**	**1,331,033**	**40,600**	**1,487,633**
Changes in equity in 2006				
Tax on changes in equity	0	(149)	0	(149)
Net gains recognised directly in equity	0	(149)	0	(149)
Profit for the year	0	(1,123)	23,200	22,077
Total recognised income and expense for the year	**0**	**(1,272)**	**23,200**	**21,928**
Dividend paid	0	0	(40,600)	(40,600)
Share-based payment	0	1,208	0	1,208
Sale of treasury shares and re-invoicing of exercised share options	0	11,467	0	11,467
Buyback of treasury shares	0	(3,487)	0	(3,487)
Dividend, treasury shares	0	361	0	361
Total changes in equity in 2006	**0**	**8,277**	**(17,400)**	**(9,123)**
Equity at 31 December 2006	**116,000**	**1,339,310**	**23,200**	**1,478,510**
Changes in equity in 2007				
Tax on changes in equity	0	(90)	0	(90)
Net gains recognised directly in equity	0	(90)	0	(90)
Profit for the year	0	68,662	34,800	103,462
Total recognised income and expense for the year	**0**	**68,572**	**34,800**	**103,372**
Dividend paid	0	0	(23,200)	(23,200)
Share-based payment	0	2,351	0	2,351
Sale of treasury shares	0	945	0	945
Buyback of treasury shares	0	(9,250)	0	(9,250)
Dividend, treasury shares	0	306	0	306
Total changes in equity in 2007	**0**	**62,924**	**11,600**	**74,524**
Equity at 31 December 2007	**116,000**	**1,402,234**	**34,800**	**1,553,034**

Notes

1 Accounting policies

H+H International A/S is a public limited company registered in Denmark. The annual report for the period 1 January – 31 December 2007 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the Group) and a separate annual report for the parent company in accordance with the requirements in the Danish Financial Statements Act.

The annual report of H+H International A/S for 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, cf. the Copenhagen Stock Exchange disclosure requirements for annual reports of listed companies and the Danish statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

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

Basis of preparation

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

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

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

There have been no changes to the accounting policies during the year.

Implementation of new accounting standards

The H+H Group has implemented the following new IFRS standards and interpretations (IFRIC) with effect from 1 January 2007: IFRS 7 Financial Instruments: Disclosures, IAS 1 (updated 2005) Presentation of Financial Statements, and IAS 32 (updated 2005) Financial Instruments: Disclosure and Presentation. The H+H Group has also implemented IFRIC 7-10.

The updated standards and interpretations have not had any effect on recognition and measurement or earnings per share or diluted earnings per share. There have consequently been no changes to the accounting policies during the year.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

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

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

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

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

Business combinations

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

On acquisition of enterprises whereby the parent company obtains control of the acquiree the purchase method is applied. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition.

Notes

1 Accounting policies – continued

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

In the case of business combinations occurring on or after 1 January 2004, the excess of the cost over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is recognised as goodwill under intangible assets. Goodwill is not amortised, but tested annually for impairment. The first impairment test is carried out before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency than DKK are accounted for as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

The classification of business combinations occurring before 1 January 2004 has not been changed. Goodwill is recognised on the basis of the cost that was recognised under the existing accounting policies (Danish Financial Statements Act and Danish Accounting Standards) less amortisation and impairment losses up to 31 December 2003. Goodwill is not amortised after 1 January 2004, but tested annually for impairment. The way in which business combinations occurring before 1 January 2004 are accounted for has not been changed in connection with the opening balance sheet at 1 January 2004.

If the measurement of identifiable assets acquired and liabilities and contingent liabilities assumed is subject to uncertainty at the date of acquisition, these are recognised initially on the basis of provisional fair values. Goodwill from business combinations may be adjusted for up to twelve months following their acquisition if the fair value of the identifiable assets, liabilities and contingent liabilities subsequently proves to differ from the fair value assumed at the time of acquisition. The effect of any such adjustments is recognised in opening equity, and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a consequence of changes in estimated contingent purchase consideration, except in the case of material errors. However, subsequent realisation of the acquiree's deferred tax assets that were not recognised at the date of acquisition leads to recognition of the tax benefit in the income statement and simultaneous reduction of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the date of acquisition.

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

Derivative financial instruments

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

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

INCOME STATEMENT

Revenue from the sale of goods for resale and finished goods is recognised in the income statement if risk has passed to the buyer, and if the income can be measured reliably and is expected to be received.

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

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

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

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

Other operating income and expenses comprise items secondary to the enterprises' activities, such as gains and losses on disposal of property, plant and equipment.

Financial income and expenses comprise interest income and expense, capital gains and losses and impairment losses relating to securities, payables and transactions denominated

Notes

1 Accounting policies – continued

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

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

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

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

BALANCE SHEET

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

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

On disposal of enterprises acquired before 1 January 2002, where, under the previous accounting policies, goodwill was written off immediately directly to equity, and where, pursuant to the exemption provision in IFRS 1, goodwill has not been recapitalised, the value of goodwill written off immediately is recognised at the carrying amount (DKK 0) in connection with the determination of profits or losses on disposal of enterprises.

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

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

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

On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful lives of the assets. The amortisation period is normally 5–10 years. The amortisation base is reduced by any impairment losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amounts of other non-current assets, other than deferred tax 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 is the higher of an asset's fair value less expected disposal costs and its value in use.

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

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

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

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

Notes

1 Accounting policies – continued

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 indirect labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process, and the cost of factory administration and management.

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

Receivables are recognised in the balance sheet at amortised cost, which in all material respects corresponds to the nominal value less write-downs for bad and doubtful debts. Write-downs for bad and doubtful debts are determined on the basis of individual assessment of each receivable.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years.

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

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

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

The translation reserve in the consolidated financial statements comprises foreign exchange adjustments arising on translation of the financial statements of foreign enterprises from their functional currencies to the presentation currency (DKK) of the H+H Group.

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

The translation reserve has been deemed to be zero at 1 January 2004 in accordance with IFRS 1.

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

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

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

The costs are set off directly against equity.

On initial recognition of the share options, the number of options expected to vest is estimated, cf. the service condition described in note 25. The estimate of the number of vested options is adjusted subsequently, so that the total recognition is based on the actual number of vested options.

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

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

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

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

In the income statement the pension cost for the year is recognised based on actuarial estimates and the financial outlook at the start of the year. If the cumulative actuarial gains and losses at the start of a financial year exceed the greater of the numerical value of 10 % of the pension obligations and 10 % of the fair value of the plan assets, the excess is recognised in the income statement. The amount in question is recognised in the income statement over the participating employees' expected average remaining working lives with the company. The proportion of actuarial gains/losses that is not recognised is disclosed in a note. In connection with the transition to IFRS, cumulative actuarial gains and losses have been recognised in full in the opening balance sheet at 1 January 2005.

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

When the calculation results in plan assets exceeding liabilities to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

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

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. However, the following temporary differences are not provided for: goodwill not deductible for tax purposes, office properties and other items - apart from business combinations - where temporary differences have arisen at the date of acquisition that affect neither accounting nor taxable profit. Where alternative tax rules can be applied to compute the tax base, deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability, respectively.

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

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

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

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

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

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

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

Notes

1 Accounting policies – continued

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

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

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

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income recognised under liabilities comprises payments received in respect of income in subsequent years.

Presentation of discontinued operations. A discontinued operation is an entity the operations and cash flows of which can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity, and that has either been disposed of or is classified as held for sale, and is expected to be sold within twelve months under a formal plan.

The profits/losses of discontinued operations are presented as a separate line item in the income statement.

CASH FLOW STATEMENT

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

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

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

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

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

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

SEGMENT INFORMATION

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

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

FINANCIAL RATIOS

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

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

The financial ratios under financial highlights have been calculated as follows

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

Notes

2 Segment information — **Group**

DKKm — **2007**

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

2006

	UK	Germany and Denmark	Eastern Europe **	Nordic countries	Eliminations and non-allocated items	Group total
Revenue, external	664.0	537.9	187.4	273.1	0.0	1,662.4
Revenue, internal	0.0	12.6	0.0	0.0	(12.6)	0.0
EBITDA	107.6	145.6	(15.2)	18.9	(22.3)	234.6
Depreciation and amortisation	(41.2)	(41.0)	(15.2)	(7.8)	(0.5)	(105.7)
EBITA	66.4	104.6	(30.4)	11.1	(22.8)	128.9
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	66.4	104.6	(30.4)	11.1	(22.8)	128.9
Profit (loss) before tax *	62.1	97.1	(41.2)	8.0	(12.0)	114.0
Non-current assets	434.9	425.0	318.3	36.6	33.6	1,248.4
Addition of intangible assets and property, plant and equipment	20.0	83.1	37.8	7.2	7.9	156.0
Depreciation for the year	41.2	41.1	15.1	7.8	0.5	105.7
Assets	616.0	538.5	399.9	103.6	(19.8)	1,638.2
Equity	314.5	221.9	73.2	9.6	251.2	870.4
Liabilities	301.5	316.6	326.8	93.9	(271.0)	767.8
Non-cash adjustments	(5.3)	1.0	15.3	0.0	(7.7)	3.3
Average full-time equivalent staff	319	200	696	162	8	1,385

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

** The activities in the Czech Republic were acquired in 2006. The sales units in the Ukraine and Slovakia were both set up in the second half of 2006. The activities have been recognised from the acquisition date.

3 Staff costs

DKK '000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Wages and salaries	297,541	280,050	16,648	10,140
Defined benefit plans, see note 22	11,485	12,111	0	0
Defined contribution plans	8,540	8,657	0	0
Share-based payment	2,351	1,208	1,196	531
Remuneration to the Supervisory Board	1,700	1,700	1,700	1,700
Other staff costs	37,291	30,547	313	299
	358,908	334,273	19,857	12,670
Remuneration to the Executive Board:				
Salaries and fees	4,575	4,270	4,575	4,270
Bonus plans	1,770	826	1,770	826
Share-based payment	705	336	705	336
	7,050	5,432	7,050	5,432
Remuneration to other senior executives:				
Salaries and fees	5,041	4,660		
Bonus plans	1,505	1,032		
Share-based payment	1,311	580		
	7,857	6,272		

The Executive Board has consisted of two persons since February 2006. There were three senior executives, both in 2006 and 2007. Former COO Michael J. Flynn decided to retire with effect from 31 December 2007.

No special remuneration was paid to the Supervisory Board in 2006 or 2007. The Supervisory Board remuneration was distributed with DKK 500,000 to the chairman of the Supervisory Board and DKK 200,000 to each of the other six members.

For further particulars about share option plans, reference is made to note 25.

Of the total staff costs for 2007, 58.6 % was attributable to aircrete production (2006: 58.9 %).

Average full-time equivalent staff	1,379	1,385	15	8

4 Depreciation and amortisation

DKK '000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Other intangible assets	1,869	1,485	0	0
Land and buildings	17,076	15,510	0	0
Plant and machinery	81,198	74,326	0	0
Fixtures and fittings, tools and equipment	16,414	14,365	755	500
	116,557	105,686	755	500

5 Impairment losses

DKK '000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Land and buildings	8,136	0	0	0
Impairment loss in respect of investments	0	0	27,692	0
	8,136	0	27,692	0

Notes

6 Other operating income and expenses	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Management fee	0	0	18,500	14,500
Gain on disposal of property, plant and equipment	347	136	166	136
Loss on disposal of property, plant and equipment	(591)	(65)	0	0
Adjustment of obligation in respect of restoration of leases	5,584	0	0	0
Provision for clean-up of plot of land	(16,540)	0	0	0
	(11,200)	71	18,666	14,636

7 Financial income	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Interest income	77	416	27	59
Interest income from Group enterprises	0	0	15,311	12,718
Dividend from subsidiaries	0	0	128,513	35,000
Exchange rate adjustments relating to loans to subsidiaries	0	0	3,568	0
Value adjustments	620	40	0	0
Other financial income	127	158	0	90
	824	614	147,419	47,867

8 Financial expenses	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Interest expense	18,214	14,472	2,265	818
Interest expense to Group enterprises	0	0	1,390	707
Exchange rate adjustments relating to loans to subsidiaries	0	0	0	1,340
Value adjustments	1,373	274	0	43
Other financial expenses	175	703	0	485
Portion relating to capitalised interest expenses	(1,577)	0	0	0
	18,185	15,449	3,655	3,393

9 Tax	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Income tax expense	47,595	39,773	(2,842)	14,675
Tax on changes in equity	2,524	(2,686)	90	149
	50,119	37,087	(2,752)	14,824
Which can be broken down as follows:				
Current tax for the year	52,024	40,950	3,018	0
Adjustment relating to change in tax rate	(4,221)	0	(142)	0
Effect of withdrawal from joint taxation	0	5,320	0	13,995
Reassessment of tax asset	0	(8,471)	0	0
Adjustments of deferred tax	5,784	1,020	(2,710)	1,780
Prior-year adjustments	(3,468)	(1,732)	(2,918)	17
	50,119	37,087	(2,752)	15,792
Current joint taxation contribution for the year	0	0	0	(968)
	50,119	37,087	(2,752)	14,824
Breakdown of tax on profit from ordinary activities:				
Calculated 25 % (2006: 28 %) tax on profit from ordinary activities	51,262	31,931	25,155	10,290
Adjustment of calculated tax in foreign Group enterprises in relation to 25 % (2006: 28 %)	580	9,456	0	0
Tax effect of:				
Change in tax rate	(4,221)	0	(142)	0
Other adjustments	(975)	(142)	0	(149)
Tax on changes in equity	2,524	(2,686)	90	149
Effect of withdrawal from joint taxation	0	5,320	0	13,995
Non-deductible expenses	4,525	3,821	6,940	0
Adjustment re prior-year taxes	(3,576)	(1,732)	(2,918)	321
Reassessment of tax asset	0	(8,471)	0	18
Non-taxable income	0	(410)	(31,877)	(9,800)
	50,119	37,087	(2,752)	14,824

Income tax expense corresponds to an effective tax rate of 23.2 % (2006: 34,9 %). The main reason for the change in the effective tax rate was the profit development in Poland, where profit is taxed at 19 %. In 2006, the Group's effective tax rate was adversely affected by the relatively low Polish tax rate due to a pre-tax loss in the region of DKK 40 million. The opposite was the case in 2007, when the Polish activities generated profit before tax in the region of DKK 80 million.

In 2007, a policy change led to reopening of the parent company's tax return for the years 1999-2002. A positive adjustment of DKK 2,918 thousand has been recognised as a consequence of this.

The joint taxation between the Danish companies and the Norwegian company and the Swedish company ceased with effect from 1 January 2005. This resulted in an adjustment of the Group's tax assets in 2006. Overall, the discontinuation of the joint taxation affected the Group adversely by DKK 5,320 thousand.

In 2006, a positive adjustment of DKK 8,471 was made to tax assets. The positive adjustment was mainly due to reassessment of a specific tax asset.

Notes

10 Intangible assets and property, plant and equipment

DKK '000	Parent company 2007		2006	
	Other intangible assets	Fixtures and fittings, tools and equipment	Other intangible assets	Fixtures and fittings, tools and equipment
Total cost at 1 January	5,915	3,124	0	1,124
Additions for the year	62	1,759	5,915	2,349
Transfers for the year	0	0	0	0
Disposals for the year	(5,977)	(903)	0	(349)
Total cost at 31 December	0	3,980	5,915	3,124
Total depreciation at 1 January	0	687	0	484
Depreciation of assets disposed of	0	(472)	0	(297)
Depreciation for the year	0	755	0	500
Total depreciation at 31 December	0	970	0	687
Carrying amount	0	3,010	5,915	2,437

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

10 Intangible assets and property, plant and equipment – continued	Group					
DKK '000	2006					
	Goodwill	Other intangible assets	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Assests in the course of construction and prepayments
Total cost at 1 January 2006	70,483	9,006	395,178	846,406	70,867	75,648
Final allocation of purchase sum relating to 2005	9,099	0	(1,549)	(3,283)	0	0
Additions on acquisition of enterprises	10,144	643	87,510	35,441	0	0
Transfers	0	0	8,342	68,741	30,642	(107,725)
Foreign exchange adjustments, year-end rate	353	18	3,111	10,927	372	908
Additions for the year	0	10,820	19,933	26,054	25,726	73,512
Disposals for the year	0	(255)	0	(2,354)	(4,203)	0
Total cost at 31 December 2006	90,079	20,232	512,525	981,932	123,404	42,343
Total depreciation and amortisation at 1 January 2006	0	6,026	62,922	338,529	31,977	0
Transfers	0	0	0	0	0	0
Foreign exchange adjustments, year-end rate	0	(7)	882	4,524	233	0
Changes in foreign exchange rates	0	11	142	691	63	0
Depreciation and amortisation of assets disposed of	0	(255)	0	(1,765)	(2,626)	0
Depreciation and amortisation for the year	0	1,485	15,510	74,326	14,365	0
Impairment losses for the year	0	0	0	0	0	0
Total depreciation, amortisation and impairment losses at 31 December 2006	0	7,260	79,456	416,305	44,012	0
Carrying amount	90,079	12,972	433,069	565,627	79,392	42,343
Of which assets held under finance leases				5,277		

The carrying amount of capitalised interest at 31 December 2007 was DKK 10,266 thousand (31 December 2006: DKK 9.746 thousand). Interest of DKK 1,577 thousand was capitalised in 2007 (2006: DKK 0). The interest rate depends on the situation for the individual currency. For the Group, the interest rate was between 3.85 % and 5.5 %.
An amount of DKK 111 thousand was capitalised in 2007 in respect of development. No costs were capitalised in 2006 in respect of development.
Binding contracts totalling DKK 216,463 thousand for the supply of non-current assets were entered into at the end of 2007 (2006: DKK 7,915 thousand). The contracts predominantly relate to the construction of new manufacturing facilities in Russia and Poland.
Other intangible assets consist of acquired patents, software and similar.
Some fixed assets in Poland have been provided as security for bank loans. The security provided amounts to DKK 28,503 thousand, and the carrying amount of the asset is DKK 27,423 thousand.
A write-down of DKK 8.1 million was made in 2007 in respect of capitalised costs in connection with an application for permission to build a new factory in the longer term. The carrying amount of the asset at the end of the year was DKK 0. Reference is made to the comments on page 11.
On 31 December 2007, management tested the carrying amount of goodwill for impairment, based on the allocation of the cost of goodwill among the cash-generating units. Of the total goodwill of DKK 94,071 thousand (2006: DKK 90,079 thousand), DKK 65,823 thousand (2006: DKK 61,827 thousand) related to the Eastern Europe segment, while DKK 28,248 thousand (2006: DKK 28,252 thousand) related to the Germany/Denmark segment.

Impairment test, Eastern Europe
The activities in Poland and the Czech Republic were acquired in 2005 and 2006. The operation of this segment was positive in 2007 despite the short ownership period. The development of the new activities was more positive than originally anticipated and the segment is also expected to deliver an operating profit in future.
The contribution margin for the budget period has been estimated on the basis of the expected pricing in the markets. It has been assumed that the existing market shares will, as a minimum, be held.
The recoverable amount of goodwill attributable to the Eastern Europe segment (determined per operative entity) is based on the value in use, which has been determined using expected net cash flows based on management's estimates for the years 2008-2010 and a discount rate before tax of about 9.8 %.
The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2010 has been estimated at 2 %. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.
Based on these assumptions, management is of the opinion that the carrying amount of goodwill is lower than the recoverable amount.

Impairment test, Germany and Denmark
The segment Germany and Denmark has historically recorded operating profit between DKK 66 million and DKK 110 million.
The contribution margin for the budgeting period has been estimated on the basis of the expected pricing in the markets. In addition, the expected market share has been estimated to be on a par with that achieved in 2006 and 2007.
The recoverable amount of goodwill attributable to the activities (determined per operative entity) is based on the value in use, which has been determined using estimated net cash flows based on an investment case with estimates for the years 2008-2010 and a discount rate before tax of 9.2%.
The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2010 has been estimated at 2 %. The growth rate is not expected to exceed the long-term average growth rate in the company's markets.
Based on these assumptions, management is of the opinion that the carrying amount of goodwill is lower than the recoverable amount.

Notes

11 Acquisitions	Group	
DKK '000	2006	
Poland	Fair value at acquisition date	Carrying amount before the acquisition date
Intangible assets	643	8
Property, plant and equipment	102,091	21,708
Other non-current assets	1,521	1,668
Inventories	4,919	6,741
Receivables	5,983	6,296
Cash and cash equivalents	1,651	1,651
Deferred tax	(15,375)	(10)
Bank loans	(6,962)	(6,962)
Trade payables	(6,593)	(6,981)
Other provisions	(11,759)	(9,904)
Other payables	(14,806)	(12,874)
Net assets acquired	61,313	1,341
Attributable to minority interest	(6,176)	
H+H's share of net assets acquired	55,137	
Goodwill	2,845	
Cost	57,982	
Of which cash and cash equivalents	(1,651)	
Purchase consideration in cash	56,331	

Acquisition of the share attributable to minority interest	
Attributable to minority interest	5,785
Goodwill	4,915
Purchase consideration in cash	10,700

On 3 January 2006, H+H acquired the controlling interest in the company PPH Faelbet S.A. via a subsidiary in Poland. PPH Faelbet S.A. owned 78.18 % of the company Prefabet-Pulawy Sp. z o.o. at the date of acquisition, thereby controlling the two factories, both of which manufacture aircrete. All the minority shareholders in the company Prefabet-Pulawy Sp. z o.o. have subsequently been bought out. The purchase price totals DKK 67,031 thousand for 100 % of the shares in Prefabet-Pulawy Sp. z o.o.

Czech Republic	Fair value at acquisition date	Carrying amount before the acquisition date
Land and buildings	16,006	5,066
Plant and machinery	4,854	2,676
Inventories	1,939	1,763
Net assets acquired	22,799	9,505
Goodwill	2,384	
Cost	25,183	
Of which cash and cash equivalents	0	
Purchase consideration in cash	25,183	

On 2 May 2006, the H+H Group acquired an aircrete factory in the Czech Republic. The purchase price totalled DKK 25,183 thousand.

12 Investments in subsidiaries

DKK '000	Parent company 2007	2006
Cost at 1 January	1,233,180	1,176,969
Additions to cost	6,905	56,211
Impairment loss, investments in subsidiaries	(27,692)	0
Cost at 31 December	1,212,393	1,233,180

The former Norwegian management stepped down in autumn 2007. As a result of a subsequent reorganisation of the Norwegian company, management is of the opinion that the historical cost of the Norwegian company exceeds the recoverable amount. The investment has consequently been written down to the recoverable amount. The impairment loss only has an effect in the parent company financial statements, where the investments have been valued at the historical cost.

The recoverable amount of the investment is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2008-2010 and a discount rate before tax of just 8.7 %.

The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2010 has been estimated at 2 %. It is estimated that the growth rate will not exceed the long-term average growth rate in the company's markets.

		2007	2006
	Registered office	Equity interest %	Equity interest %
H+H UK Holding Limited *)	UK	100%	100%
H+H Deutschland GmbH	Germany	100%	100%
H+H Danmark A/S	Denmark	100%	100%
H+H Finland Oy	Finland	100%	100%
H+H Sverige AB	Sweden	100%	100%
H+H Norge AS	Norway	100%	100%
H+H Polska Sp. z o.o. **)	Poland	100%	100%
H+H Ceská republika s.r.o.	Czech Republic	100%	100%
Kway Holdings Ltd. ***)	UK	100%	100%
HH ApS af 15. april 2004	Denmark	100%	100%
HHI A/S af 3. maj 2004	Denmark	100%	100%
H+H Slovenská republika s.r.o.	Slovakia	100%	100%
H+H Ukraina TOV	Ukraine	100%	100%
H+H UA TOV	Ukraine	100%	100%
000 H+H Rus	Russia	100%	100%
H+H Baltic SIA	Latvia	100%	100%

* The activity consists of ownership of H+H UK Limited.
** H+H Polska Sp. z o.o. holds 99.94 % of the shares in Prefabet S.A.
*** Indirect companies without any activity are not included in the list above.

Notes

13 Treasury shares	Group and Parent company		
	Number of shares	Nominal value of shares DKK '000	% share of year-end share capital
Holding at 1 January 2006	19,367	1,936	1.7%
Purchased during the year	2,500	250	0.2%
Sold during the year	(11,547)	(1,154)	(1.0%)
Holding at 31 December 2006	10,320	1,032	0.9%
Purchased during the year	5,000	500	0.4%
Sold during the year	(661)	(66)	(0.1%)
Holding at 31 December 2007	14,659	1,466	1.2%

The selling price for the shares sold in 2007 totalled DKK 945 thousand (2006: DKK 6,112 thousand).

The total purchase price for the shares acquired in 2007 was DKK 9,250 thousand (2006: DKK 3,488 thousand).

Treasury shares are acquired in order to hedge liabilities related to the company's option plans. At 31 December 2007 a total of 14,433 shares must be available in connection with the company's option plans (2006: 10,120 shares).

Reference is made to note 25.

14 Inventories	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Raw materials and consumables	48,838	40,164	0	0
Finished goods and goods for resale	140,799	132,285	0	0
	189,637	172,449	0	0
Value of inventories recognised at net realisable value	13,752	14,747	0	0
Impairment losses recognised in the above inventories developed as follows:				
Impairment losses at 1 January	10,277	8,949	0	0
Foreign exchange adjustments	(301)	97	0	0
Impairment losses during year	7,431	5,017	0	0
Realised during year	(5,378)	(3,786)	0	0
Impairment losses in respect of inventories, year-end	12,029	10,277	0	0
Cost of sales	882,820	841,331	0	0
Impairment charge for the year	7,130	5,114	0	0
	889,950	846,445	0	0

15 Receivables

	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Trade receivables	150,741	184,557	0	0
Other receivables	13,727	20,417	724	1,169
	164,468	204,974	724	1,169
Impairment losses recognised in the above receivables developed as follows:				
Impairment losses at 1 January	7,714	5,429	0	0
Foreign exchange adjustments	74	(35)	0	0
Impairment losses during year	490	2,235	0	0
Realised during year	(773)	85	0	0
Impairment losses in respect of receivables, year-end	7,505	7,714	0	0

The overdue trade receivables are predominantly attributable to the Polish company. These receivables were part of the assets acquired at the end of 2005 and the start of 2006. At the end of 2007, write-downs on these receivables amounted to DKK 2,641 thousand (2006: DKK 2,475 thousand).

Security is not normally required in respect of claims. The Group's customers are typically large well-consolidated builders' merchants and housebuilders. The Group's customers are credit rated on a regular basis.

Receivables are written down directly if the value of each debtor's ability to pay has deteriorated, for example as a result of suspension of payments, bankruptcy or similar, based on individual assessment of each receivable. Write-downs are made to calculated net realisable value.

Age analysis of trade receivables				
DKK '000	**2007**	**2006**	**2007**	**2006**
Not due	123,929	164,402	0	0
Overdue by up to 30 days	24,191	13,872	0	0
Between 30 and 90 days overdue	2,118	3,942	0	0
More than 90 days overdue	503	2,341	0	0
	150,741	184,557	0	0

16 Deferred tax, asset

	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Deferred tax asset at 1 January	24,729	18,369	0	8,060
Foreign exchange adjustments	45	(181)	0	0
Adjustment relating to change in tax rate	(572)	0	0	0
Change in deferred tax	(4,166)	(3,150)	0	(605)
Effect of withdrawal from joint taxation	0	1,220	0	(7,455)
Reassessment of tax asset	0	8,471	0	0
Deferred tax asset at 31 December	20,036	24,729	0	0
Deferred tax asset relates to:				
Non-current assets	3,052	4,558	0	0
Current assets	804	689	0	0
Liabilities	51	308	0	0
Tax loss carryforwards	16,129	19,174	0	0
	20,036	24,729	0	0

Notes

17 Deferred tax, liability	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Deferred tax liability at 1 January	68,345	51,367	7,715	0
Adjustment of allocation of purchase price	0	(2,142)	0	0
Additions on acquisition of enterprise	0	15,375	0	0
Foreign exchange adjustments	(1,726)	834	0	0
Adjustment relating to change in tax rate	(4,793)	0	(142)	0
Effect of withdrawal from joint taxation	0	6,540	0	6,540
Prior-year adjustments	152	(1,499)	152	0
Change in deferred tax	1,618	(2,130)	(2,710)	1,175
Deferred tax liability at 31 December	63,596	68,345	5,015	7,715
Provisions for deferred tax relate to:				
Non-current assets	56,878	62,322	66	1,455
Current assets	1,679	(701)	0	(280)
Liabilities	89	184	0	0
Retaxation balance relating to discontinued joint taxation	4,950	6,540	4,949	6,540
	63,596	68,345	5,015	7,715

Temporary differences relating to equity investments have not been recognised, as the Group and the parent company, respectively, are able to check whether the liability crystallises and as it is likely that the liability will not crystallise. At the end of 2007, based on the difference between cost and net asset value, the deferred tax asset would be about DKK 4,924 thousand.

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 was less than the exercise price of the options.

18 Other provisions

DKK '000	Group 2007	Group 2006	Group 2007	Group 2006
	Non-current portion		Current portion	
Warranty obligations at 1 January	8,160	7,469	0	0
Foreign exchange adjustments	11	75	0	0
Provisions for the year	193	2,159	0	0
Utilised during the year	0	(825)	0	0
Reversal during the year	(1,876)	(718)	0	0
Warranty obligations at 31 December	6,488	8,160	0	0
Rental obligations 1 January	0	5,230	5,299	0
Foreign exchange adjustments	0	0	(125)	0
Transfer to current portion	0	(5,230)	0	5,230
Provisions for the year	0	0	0	69
Utilised during the year	0	0	(412)	0
Reversal during the year	0	0	(4,762)	0
Rental obligations at 31 December	0	0	0	5,299
Obligation relating to restoration of sites at 1 January	5,195	4,676	0	0
Foreign exchange adjustments	(942)	15	0	0
Provisions for the year	16,540	504	0	0
Utilised during the year	(426)	0	0	0
Reversal during the year	(745)	0	0	0
Obligation relating to restoration of sites at 31 December	19,622	5,195	0	0
Total other provisions	26,110	13,355	0	5,299

Parent company
The parent Company has not recognized any provisions at the end of 2006 or 2007.

Group
In 2007, a provision in respect of lease and restoration obligations relating to a discontinued lease in the UK was reversed. The parties have entered into a final agreement under which the previous provision has been reversed. The reversal of the provision is recognised as other operating income and is included in the segment information as a non-allocated item.

The H+H Group's companies provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs. Warranty obligations at 31 December 2007 relate predominantly to Germany and Poland.

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

In 2007, a minor case of oil contamination was detected on the plot of land at the Borough Green factory in the UK. This led to a DKK 16,540 thousand provision for clean-up. The scope of the necessary clean-up action is subject to some uncertainty.

Notes

19 Contingent liabilities	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Concluded contracts in respect of which guarantee insurance has been taken out	0	1,291	0	0
Financial guarantee	2,535	0	310,560	291,930
	2,535	1,291	310,560	291,930

As part of the financing of the subsidiary H+H Polska Sp. z o.o., the parent company has a guarantee to the company's bankers. The guarantee comprises a non-committed credit facility of PLN 150,000 thousand. The draw-down on this credit facility was PLN 87,435 thousand at the balance sheet date (2006: PLN 98,358 thousand).

The H+H Group is a party to a few pending legal proceedings. In management's opinion, the outcome of these proceedings will not have any impact on the Group's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2006 and at 31 December 2007.

A bank guarantee has been provided on behalf of a strategic business partner in the UK. The guarantee amounts to DKK 2,535 thousand.

Taxes and duties
The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income for financial years up to and including 2004 and for joint registration of VAT.

20 Auditors' remuneration	Group		Parent company	
DKK '000	**2007**	**2006**	**2007**	**2006**
Fees for statutory audit:				
KPMG	2,312	2,194	475	450
Kresten Foged	150	150	150	150
	2,462	2,344	625	600
Non-audit fees:				
KPMG				
Other accounting services	72	36	0	0
Tax assistance	692	1,108	87	50
Other services	170	1,186	170	455
	934	2,330	257	505

21 Earnings per share (EPS)/Diluted earnings per share (EPS-D)	Group	
DKK '000	**2007**	**2006**
Average number of shares	1,160,000	1,160,000
Average number of treasury shares	(13,928)	(12,128)
Average number of outstanding shares	1,146,072	1,147,872
Dilution from share options	3,620	1,482
Average number of outstanding shares, diluted	1,149,692	1,149,354
Profit for the year	157,456	74,266
Attributable to minority interest	(2)	364
Equity holders of H+H International A/S	157,454	74,630
Earnings per share of nominally DKK 100 (EPS)	137.39	65.02
Diluted earnings per share of nominally DKK 100 (EPS-D)	136.95	64.93

Of the total calculated number of options entitling the holder to buy one share of nominally DKK 100 under H+H's option programmes, there were 13,740 options in 2007 (2006: 5,387 shares) that had an exercise price below the average market price for the year in question.

As mentioned in management's review, a share buyback programme amounting to approx. DKK 90 million for the company's B shares was implemented at the start of 2008 with a view to subsequent cancellation and reduction of the share capital. Adjusted for the repurchased shares, earnings per share for 2007 amounts to DKK 146.21, while diluted earnings per share for 2007 amounts to DKK 145.72 (Assuming ownership during the entire period).

22 Pension liabilities

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

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

Danish enterprises' pension obligations are insured. Some foreign enterprises' pension obligations are also insured. Foreign enterprises that are not insured or only insured in part (defined benefit plans) calculate their obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements an amount of DKK 87,191 thousand (2006: DKK 94,322 thousand) has been recognised under liabilities in respect of the Group's liabilities to existing and former employees after deduction of the assets associated with the plans.

An amount of DKK 8,540 thousand (2006: DKK 8,657 thousand) has been recognised in the consolidated income statement in respect of expenses relating to insured plans (defined contribution). For non-insured plans (defined benefit plans) an amount of DKK 11,485 thousand (2006: DKK 12,111 thousand) has been recognised in the consolidated income statement in respect of expenses.

The Group has defined benefit plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded.

	Group	
DKK '000	**2007**	**2006**
Pension and similar obligations:		
Present value of fully or partly funded defined benefit plans	445,752	490,164
Fair value of plan assets	344,802	364,928
Underfunding	100,950	125,236
Unrecognised actuarial losses (gains)	21,097	38,240
Present value of unfunded defined benefit plans	7,338	7,326
Net obligation recognised in balance sheet	87,191	94,322
Development in present value of fully or partly funded defined benefit obligation:		
Obligation at 1 January	490,164	458,452
Foreign exchange adjustments	(42,037)	9,470
Pension costs relating to the current financial year	7,876	8,719
Calculated interest on obligation	25,199	23,292
Actuarial gains (losses)	(23,149)	44
Pensions paid	(12,301)	(9,813)
Obligation at 31 December	445,752	490,164
H+H did not have any pension obligations in respect of acquired companies in 2006 or 2007.		
Development in fair value of pension plans:		
Pension asets at 1 January	364,928	337,035
Foreign exchange adjustments	(32,190)	7,029
Expected return on plan assets	21,555	19,900
Actuarual gains(losses)	(8,342)	(339)
The company's contributions to plan assets	11,152	11,116
Pensions paid	(12,301)	(9,813)
Pension assets at 31 December	344,802	364,928

Notes

22 Pension liabilities – continued	Group	
DKK '000	**2007**	**2006**
Pension costs recognised in the income statement:		
Pension costs relating to the current financial year	7,841	8,719
Calculated interest on obligation	25,199	23,292
Expected return on plan assets	(21,555)	(19,900)
Total amount recognised in respect of defined benefit plans	11,485	12,111
Total amount recognised in respect of defined contribution plans	8,540	8,657
Total amount recognised in the income statement	20,025	20,768

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

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

DKK '000		
Pension assets can be broken down as follows:		
Shares	136,894	151,330
Bonds	204,671	211,277
Cash	3,237	2,321
Total	344,802	364,928
Return on plan assets:		
Actual return on plan assets	21,457	19,791
Expected return on plan assets	21,555	19,900
Actuarial gain(loss) on plan assets	(98)	(109)

The Group expects to contribute DKK 10,432 thousand to the defined benefit pension plan in 2008.

The average assumptions for the actuarial calculations at the balance sheet date are as follows:		
Discount rate (avg)	5.80%	5.20%
Expected return on plan assets	6.59%	6.23%
Future rate of salary increase	4.80%	4.60%

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

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

23 Related parties

Group

The Group's related parties are the Executive Board and the Supervisory Board of H+H International A/S as well as Henriksen og Henriksen I/S because of their significant shareholding in the parent company.

Apart from contracts of service, no agreements or transactions have been entered into between the company, the Executive Board and the Supervisory Board. Remuneration to the Supervisory Board and the Executive Board is disclosed in notes 3 and 25.

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

Parent company

In addition to the parties referred to above, the parent company's related parties are its subsidiaries, cf. note 12.

A management fee totalling DKK 18,500 thousand has been settled between the parent company and the other members of the Group (2006: DKK 14,500 thousand).

Besides the transactions referred to above, transactions between the parent company and its subsidiaries include borrowing, lending and interest as disclosed in the parent company's balance sheet and notes 7 and 8.

Henrik Lind – member of the Supervisory Board – is a partner in the law firm Gorrissen Federspiel Kierkegaard, which was paid fees totalling DKK 15 thousand in 2007 for legal assistance (2006 DKK 84 thousand).

Intragroup trading is on arm's length terms.

24 Lease commitments

	Group					
DKK '000	2007			2006		
Finance leases	Lease payments	Interest	Carrying amount	Lease payments	Interest	Carrying amount
0-1 year	956	47	909	1,177	67	1,110
1-5 years	1,317	184	1,133	2,485	468	2,017
	2,273	231	2,042	3,662	535	3,127

The Group leases property and capital equipment under finance leases. The lease term is typically between 2 and 5 years, with an option to purchase the asset in question at a favourable price on expiry of the lease term.

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

	2007	2006
Operationel leases	Lease payments	Lease payments
Not later than 1 year	763	894
Later than 1 year and not later than 5 years	2,170	3,827
Later than 5 years	1,334	1,460
Total minimum lease payment	4,267	6,181

In a few cases, the Group leases property, capital equipment and vehicles under operating leases.

An amount of DKK 6,009 thousand (2006: DKK 6,260 thousand) has been recognised in the consolidated income statement in respect of operating leases.

The parent company did not have any leases in 2006 or 2007.

Notes

25 Incentive schemes

Share option plans

In May 2007, the Supervisory Board of H+H International A/S laid down new guidelines governing share option grants in the years 2007-2009. The share option plan comprises the same circle of persons as under the old scheme, i.e. the two persons on the Executive Board and four other senior executives in the Group. As before, the Supervisory Board of H+H International A/S is not comprised by the company's share option plan.

Each share option entitles the holder to buy one B share with a nominal value of DKK 100. The total number of underlying shares in the share option plan for grants for 2007, 2008 and 2009 is 6,000 B shares, 6,000 B shares and 6,000 B shares, respectively. The exercise price for the share options will be calculated as the average price for ten business days after the publication of the annual report for each of the years in question plus 20 %. The options are exercisable during a one-year period beginning three years and ending four years after the determination of the exercise price. The right to be granted and exercise share options is conditional upon the option holder's employment with the company not having ceased, either due to the option holder having given notice of termination or due to breach on the part of the option holder.

The fair value of the new share option plan has been calculated at DKK 4.5 million in total, distributed with DKK 1.5 million for the 2007 grant, DKK 1.5 million for the 2008 grant and DKK 1.5 million for the 2009 grant. Costs will be recognised in the financial statements as staff costs over the vesting period from 2007 to 2013. Of the total fair value, the fair value of options granted to the Executive Board amounts to DKK 2.0 million and is distributed with DKK 0.7 million for the 2007 grant, DKK 0.7 million for the 2008 grant, and DKK 0.7 million for the 2009 grant. The fair values have been calculated using the Black-Scholes model. The main assumptions for the calculation of the fair values using the Black-Scholes model were a share price of DKK 2,160, an exercise price of DKK 2,592 per share of nominally DKK 100, a volatility of 25 %, an interest rate of 4.0 %, dividend of 2 %, and average exercise 4, 5 and 6 years after the grant date in 2007 for accounting purposes. The option life has been calculated from the date of final pricing to the date of possible exercise, corresponding to three years for all grants. The volatility has been fixed on the basis of an expected future level, based on the historical volatility in the past five years.

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

A total of 14,036 share options were exercised in 2006, with exercise window for the period 2006-2009 at an average exercise price of DKK 675 per share of nominally DKK 100. The average market price for the exercised options in 2006 was DKK 1,391 per share of nominally DKK 100. In 2007, a total of 661 share options were exercised with exercise window for the period 2007-2010 at an average exercise price of DKK 1,430 per share of nominally DKK 100. The average market price for the exercised options in 2007 was DKK 2,700 per share of nominally DKK 100.

At the end of 2006, there were no outstanding exercisable share options. At the end of 2007, there were 1,662 outstanding exercisable options. No options were forfeited in 2006 or 2007.

At the end of 2007, the overall share option plans amounted to 32,433 shares with exercise windows in the periods 2007-2009, 2008-2010, 2009-2010 and 2010-2011, 2011-2012, 2012-2013 and 2013-2014. This included 14,433 share options with final pricing. The share option plans are covered by treasury shares at the date of final pricing. Treasury shares amounted to 10,320 B shares at the end of 2006 and 14,659 B shares at the end of 2007.

Annual bonus

The Executive Board's two members and the company's two other senior executives have the opportunity to earn an annual cash bonus. Depending on the bonus agreement with the specific person, the maximum bonus amount is either 25 % or 40 % of the person's annual base salary in the year in which the bonus is earned. The earning of bonus is dependent on profit before tax in the year in which the bonus is earned, and bonus is therefore not guaranteed. The bonus amount will depend on profit before tax relative to budgeted profit, with the bonus amount being calculated on a straight-line basis within a fixed interval for budget compliance beyond the budgeted profit. Bonus earned is paid eight days after the approval by the shareholders in Annual General Meeting of the annual report for the year in which the bonus is

25 Incentive schemes – continued

earned. In case of termination of employment, regardless of the reason, the person in question is entitled to proportionately earned bonus up to the date of termination of his or her employment.

On the basis of profit before tax for 2006 a total cash bonus of DKK 1,206,000 was paid in 2007 to the four persons comprised by the bonus plan, including DKK 826,000 to be distributed between the two members of the Executive Board. The result for 2007 will entitle the four persons eligible for bonus to payment of a total cash bonus of DKK 2,631,000 in 2008 for distribution among them, with DKK 1,770,000 to be distributed between the two members of the Executive Board.

DKK '000	Total		Executive Board		Other employees	
Outstanding options	Number	Average exercise price	Number	Average exercise price	Number	Average exercise price
Outstanding options 31 December 2005	20,758	-	950	-	19,808	-
Allocated in 2006	3,398	1,388.00	1,386	1,388.00	2,012	1,388.00
Exercised in 2006	(14,036)	674.82	-	-	(14,036)	674.82
Transferred	-	1,430.00	676	1,430.00	(676)	1,430.00
Outstanding options 31 December 2006	10,120		3,012		7,108	
Allocated in 2007	4,974	1,860.00	2,094	1,860.00	2,880	1,860.00
Granted in 2007	18,000	-	7,875	-	10,125	-
Exercised in 2007	(661)	1,430.00	-	-	(661)	1,430.00
Outstanding options 31 December 2007	32,433		12,981		19,452	
Breakdown of outstanding options by exercise period:						
Outstanding options 31 December 2006						
2007-2009	2,323	1,430.00	-	-	2,323	1,430.00
2008-2010	4,399	1,430.00	1,626	1,430.00	2,773	1,430.00
2009-2011	3,398	1,388.00	1,386	1,388.00	2,012	1,388.00
	10,120		3,012		7,108	
Outstanding options 31 December 2007						
2007-2009	1,662	1,430.00	-	-	1,662	1,430.00
2008-2010	4,399	1,430.00	1,626	1,430.00	2,773	1,430.00
2009-2011	3,398	1,388.00	1,386	1,388.00	2,012	1,388.00
2010-2012	4,974	1,860.00	2,094	1,860.00	2,880	1,860.00
2011-2012	6,000	-	2,625	-	3,375	-
2012-2013	6,000	-	2,625	-	3,375	-
2013-2014	6,000	-	2,625	-	3,375	-
	32,433		12,981		19,452	

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

Notes

26 Hedging transactions and risk managementv

As a result of its operating, investing and financing activities, the Group is exposed to changes in exchange rates, interest rate levels and raw material prices for aircrete manufacture. It is the Group's policy not to speculate actively in financial risks. The Group's financial management is thus aimed exclusively at management of certain financial risks that are a direct consequence of the Group's operating and financing activities.

Financial risks

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

Besides EUR and DKK, a substantial part of the H+H Group's operations and values denominated in GBP and PLN. The H+H Group's equity and results are therefore exposed to fluctuations in the GBP and PLN exchange rates. The Group's sensitivity to market fluctuations can be seen from the table below.

H+H does not engage in currency speculation. The individual H+H companies do not take positions in foreign currencies unless commercially warranted, and commercial positions above a certain limited level must be hedged.

Market risks
The H+H Group regularly monitors the company's market risks and also evaluates hedging options and the need for hedging. The H+H Group does not have any significant assets the value of which would be materially affected by market fluctuations. The H+H Group's most significant financial assets are receivables, details of which are given in note 15.

The sensitivity information in relation to the H+H Group's results and equity shows the effect of isolated changes in exchange rates, interest rates and raw material prices for aircrete manufacture.

Sensitivity of profit to market fluctuations	**2007**	
DKK '000	Fluctuation	Change in profit
Sensitivity to exchange rates		
Change GBP	5 % change	3,380
Change PLN	5 % change	4,012
Sensitivity to interest rates	One percent point change	2,559
Sensitivity to raw material prices	1% change	4,984

Sensitivity of equity to market fluctuations	**2007**	
DKK '000	Fluctuation	Change in equity
Sensitivity to exchange rates		
Change GBP	5 % change	11,664
Change PLN	5 % change	6,532
Sensitivity to interest rates	One percent point change	2,723
Sensitivity to raw material prices	1 % change	-

The table above illustrates the effect each parameter would have had on profit for the year before tax, had it been 5% and 1% higher or lower, respectively, than was the case. An increase in both PLN and GBP would increase profit. Conversely, a fall in GBP and PLN would depress the H+H Group's profit. A rising interest rate level would depress profit, while profit would benefit from a fall in the interest rate level. The sensitivity to raw material prices includes both the actual raw materials and the energy consumption used to manufacture the aircrete. An increase in raw material prices would reduce the Group's profit, while profit would benefit from a fall.

In the case of equity, the effect is shown for equity at the end of 2007, excluding any effect on profit. An increase in PLN and GBP would consequently increase the Group's equity. Conversely, a fall in GBP and PLN would depress the H+H Group's equity. A rising interest rate level would increase the value of the Group's hedging instrument, increasing the Group's equity. Conversely, a fall would depress equity.

The illustrated sensitivity factors correspond to those applied in the H+H Group's internal reporting.

Credit risks
Credit risks related to financial assets correspond to the values recognised in the balance sheet. Credit risk related to trade receivables and other receivables is limited, as the H+H Group does not have any significant concentration of credit risk, the exposure being spread over a large number of counterparties and customers.

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

Liquidity risks
The H+H Group's liquidity risk is defined as the risk of losses as a result of the Group, in the outermost consequence, being unable to perform its obligations due to lack of financing. It is the H+H Group's policy for capital procurement and placing of surplus funds to be managed centrally by the parent company to the extent to which this is considered appropriate. The H+H Group also has targets for its cash resources in the form of surplus funds and credit facilities that must be available to the Group at all times.

Further details concerning risk management and policies are given on pages 16-17 of management's review. Details of capital management are given on page 18 of management's review.

26 Hedging transactions and risk managementv – continued

Hedging transactions

For a description of accounting policies and methods, including recognition criteria and basis of measurement, reference is made to the relevant sections under accounting policies.

DKK '000	2007			2006		
	Gain/loss recognised in equity	Net fair value at 31 December	Time to maturity	Gain/loss recognised in equity	Net fair value at 31 December	Time to maturity
Hedging transaction, raw material prices	1,862	-	-	(1,862)	(1,862)	0-1 år
Interest rate swap - PLN	3,196	3,196	1-3 år	-	-	-
	5,058	3,196		(1,862)	(1,862)	

The value of the hedging transaction for raw materials at 31 December 2006 reflects the additional price paid for future gas supplies. The contract expired in 2007, and the income statement for 2007 is thus adversely affected by the contract entered into. A cost of DKK 2,660 thousand is thus recognised in cost of sales in 2007, along with a positive tax effect of DKK 798 thousand.

It is the Group's policy to hedge interest rate risks on the Group's loans if it estimates that the interest payments can be secured at a satisfactory level. Hedging is effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans. At the start of 2007, an interest rate swap was thus entered into to hedge the interest rate risk on a significant proportion of the loan portfolio in Poland. The hedged liability amounts to PLN 80 million, and the fixed rate amounts to 4.895%.

27 Major shareholders and types of shareholders

	Parent company			
	Nominal capital	% of total	Votes	% of total
Share capital::				
A shares	24,000,000		24,000,000	
B shares (treasury shares have been deducted under votes)	92,000,000		8,369,110	
Total	116,000,000		32,369,110	
Major Shareholders				
The following shareholders hold more than 5 % of the share capital or at least 5 % of the voting rights in H+H International A/S at 1 February 2008.				
Henriksen og Henriksen I/S c/o Oluf Engell, Lawyer, Copenhagen A shares	24,000,000	20,69	24,000,000	74.14
Danish Labour Market Supplementary Pension Fund (ATP) and ATP Invest, Hillerød B shares	14,543,600	12,54	1,454,360	4.49
Holdingselskabet af 9/11 2001 ApS, Copenhagen B shares	10,402,000	8,97	1,040,200	3.21
LD Pensions and Fåmandsforeningen LD, Copenhagen B shares	9,276,400	8,00	927,640	2.87
H+H International A/S, treasury shares B shares	8,308,900	7,16	-	-

The calculation of ownership interest and voting rights covers both A shares and B shares, whereas the company's holding of treasury shares is excluded from the calculation of the share of voting rights. Shareholdings through controlling companies feature in the calculation of a major shareholder's holding, whereas ownership of a partnership interest in the A shareholder, Henriksen og Henriksen I/S, is not included in the holding.

Types of shareholders	Nominal capital	% of total	Votes	% of total
Henriksen og Henriksen I/S	24,000,000	20.69	24,000,000	74.14
Supervisory Board and Executive Board	10,532,000	9.08	1,053,200	3.25
LD og ATP	23,820,000	20.54	2,382,000	7.36
Foreign investors	14,411,500	12.42	1,441,150	4.45
H+H International A/S	8,308,900	7.16	-	-
Other registered shareholders	13,279,700	11.45	1,327,970	4.10
Unregistered shareholders	21,647,900	18.66	2,164,790	6.70
Total	116,000,000	100.00	32,369,110	100.00

Notes

28 Events after the balance sheet date

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

29 New International Financial Reporting Standards and IFRIC Interpretations

The IASB has issued the following new IFRSs that are not compulsory for the H+H Group in connection with the preparation of the annual report for 2007. Unless otherwise stated, they have also been adopted by the EU:

- IAS 1 (updated 2007) Presentation of Financial Statements applies to financial years commencing on or after 1 January 2009. The standard will not have any effect on recognition and measurement in the annual report (IAS 1 has yet to be adopted by the EU).

- IFRS 8 Operating Segments on segment disclosures applies to financial years commencing on or after 1 January 2009. The standard will not have any effect on recognition and measurement in the annual report.

- IAS 23 (updated 2007) Borrowing Costs applies to financial years commencing on or after 1 January 2009. IAS 23 (updated 2007) requires recognition of borrowing costs in the cost of qualifying assets (intangible assets; property, plant and equipment; and inventories). H+H already capitalises borrowing costs in relation to the production of qualifying assets. IAS 23 (updated 2007) is consequently not expected to have any effect on H+H's financial reporting (IAS 23 has yet to be adopted by the EU).

- IFRS 2 (updated 2008) Vesting Conditions and Cancellations concerning recognition of non-vesting conditions in the measurement of fair value and accounting treatment of cancellation of plans with a debt element applies to financial years commencing on or after 1 January 2009. The standard is not expected to have any effect on the H+H Group's financial reporting (IFRS 2 has yet to be adopted by the EU).

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

The IASB has issued the following new interpretations (IFRICs) that are not compulsory for the H+H Group in connection with the preparation of the annual report for 2007. Unless otherwise stated, they have also been adopted by the EU:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions becomes effective for financial years commencing on or after 1 March 2007. The H+H Group already accounts for Group transactions relating to share-based payment arrangements in accordance with the principles set out in IFRIC 11.

- IFRIC 12 Service Concession Arrangements becomes effective for financial years commencing on or after 1 January 2008. The H+H Group does not hold and does not expect to acquire any concessions. IFRIC 12 is consequently not expected to have any effect on the financial reporting (IFRIC 12 has yet to be adopted by the EU).

- IFRIC 13 Customer Loyalty Programmes becomes effective for financial years commencing on or after 1 August 2008. The H+H Group does not have any customer loyalty programmes, and IFRIC 13 is consequently not expected to have any effect on the financial reporting (IFRIC 13 has yet to be adopted by the EU).

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction becomes effective for financial years commencing on or after 1 January 2008. The H+H Group does not have any pension plans or similar that are limited by the asset ceiling and are subject to minimum funding requirements. IFRIC 14 is consequently not expected to have any effect on the financial reporting (IFRIC 14 has yet to be adopted by the EU).

The H+H Group expects to implement these IFRSs and IFRICs from the mandatory effective dates.

30 Management's estimates and judgements

Estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of future events on the carrying amounts of those assets and liabilities at the balance sheet date. Estimates that have a significant effect on the financial reporting are made in connection with, for example, the determination of depreciation, amortisation and impairment losses, pensions and similar liabilities, provisions and contingent liabilities.

The estimates applied are based on assumptions which are sound, in management's opinion, but which are naturally uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the company is subject to risks and uncertainties that may lead to the actual results differing from these estimates.

In the case of H+H International A/S significant changes in estimates and assumptions on which the calculations of the carrying amounts are based may have a material effect on the measurement of intangible assets, including goodwill. The valuation of goodwill is described in note 10.

Special risks for the H+H Group are disclosed on pages 16-17.

Accounting policies

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

There have been no circumstances or transactions in 2007 that have required special estimations in connection with the application of the accounting policies. In previous years, such estimations have been related, especially, to the identification of acquired net assets and the computation of fair values in connection with the allocation of purchase consideration on acquisition.

Being international makes us a
greater knowledge resource

At present, the H+H Group is one of the leading suppliers of aircrete products employing, around 1,400 people in the UK, Germany, Poland, the Czech Republic, Russia, the Ukraine, the Baltic States, Finland, Denmark, Sweden, Norway, the Netherlands and Belgium. Our goal is to be one of the market leaders in all of our existing and future markets – both in Europe and worldwide.

Strategy

GROWTH IS THE WAY FORWARD
H+H has a clear growth strategy:

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

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

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

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

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

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

H+H EXPANDING TOWARDS THE EAST
Since its decision in 2005 to focus on geographical expansion as part of its growth strategy, H+H has been expanding into several new geographical markets.

From and including 2005, H+H has acquired six factories – five in Poland and one in the Czech Republic. A total of three sales entities have been established since 2005, in Slovakia, the Ukraine and Latvia, the latter with all the Baltic States as sales area. In 2007, a decision was made to commence the construction of an aircrete factory in Russia, and H+H is also planning a factory in Poland. Lastly, H+H is currently in negotiations with the authorities in western Ukraine concerning the possible establishment of a factory.

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

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

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

ESTABLISHMENT OF NEW FACTORIES
As mentioned, a substantial part of H+H's geographical expansion is by establishment of new factories, and a decision has so far been made to establish a new factory in Russia, and a new factory in Poland is planned. The two new factories are almost identical in design. The factory layout is new, but the equipment is deliberately based on well-proven, reliable technology. Each factory will have an annual capacity of approx. 400,000 m^3 thin-joint blocks. According to the plan, the factories in Russia and Poland will be operational in the first half and second half of 2009, respectively.


Geographical growth strategy 2005
Established markets
New markets
Future markets

H+H addresses

H+H International A/S
CVR No. 49 61 98 12
Dampfærgevej 27-29, 4.
2100 København Ø
Denmark

Tel.: +45 35 27 02 00
Fax: +45 35 27 02 01
www.HplusH.com

H+H UK Limited
Celcon House
Ightham
Sevenoaks
Kent TN15 9HZ
UK

Tel.: +44 1732 88 63 33
Fax: +44 1732 88 68 10
www.hhcelcon.co.uk

H+H Deutschland GmbH
Industristr. 3
23829 Wittenborn
Germany

Tel.: +49 4554 700-0
Fax: +49 4554 700-223
www.HplusH.de

H+H Danmark A/S
Saralyst Allé 40
8270 Højbjerg
Denmark

Tel.: +45 70 24 00 50
Fax: +45 70 24 00 51
www.HplusH.dk

H+H Polska Sp. z o.o.
ul. Marywilska 42c
03-042 Warszaw
Poland

Tel.: +48 22 51 84 000
Fax: +48 22 51 84 029
www.HplusH.pl

H+H Česká republika s.r.o.
Růžodol 1
434 01 Most-Kopisty
Czech Republic

Tel.: +420 476 709 957
Fax: +420 476 000 439
www.HplusH.cz

OOO H+H Rus
Fuchika str., 4, office 311
192102 St Petersborg
Russia

Tel.: +7 812 709-8477
Fax: +7 812 774-7390
www.HplusH.ru

H+H Ukraina TOV
Lyuteranska Str. 21/12, of.1
01024 Kiev
Ukraine

Tel.: +380 44 253 86 88
Fax: +380 44 253 46 91
www.HplusH.ua

H+H Slovenská republika s.r.o.
Polná 4/1967
903 01 Senec
Slovakia

Tel.: +420 476 709 957
Fax: +420 476 000 439
www.HplusH.sk

H+H Baltic SIA
Rūpniecības iela 19-11
1010 Riga
Latvia

Tel.: +371 7324435
Fax: +371 7733054
www.HplusH.lt

H+H Finland Oy
Teikankaantie 256
39500 Ikaalinen
Finland

Tel.: +358 207 524 200
Fax: +358 207 524 222
www.HplusH.fi

H+H Sverige AB
Stenyxegatan 35
Box 9511
200 39 Malmö
Sweden

Tel.: +46 40 55 2300
Fax: +46 40 55 2310
www.HplusH.se

H+H Norge AS
Bjørnstjerne Bjørnsonsgate 86
3044 Drammen
Norway

Tlf.: +47 32 20 61 50
Fax: +47 32 20 61 59
www.HplusH.no

H+H Annual Report **2007**

H+H

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