Annual Report

H+H International A/S

2020

PARTNERS IN WALL BUILDING

Årsrapporten er fremlagt og godkendt på selskabets ordinære generalforsamling den 26/03/2021

Dirigent

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The Annual Report of H+H International A/S (hereinafter referred to as "H+H" or "the Group" when referring to the consolidated group of companies and "the Company" when referring to the parent company) comprises consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act, and Parent Company Financial Statements prepared in accordance with the Danish Financial Statements Act.

Forward-looking statements

The Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H, may cause actual developments and results to differ materially from the expectations expressed in this document. In no event shall H+H be liable for any direct, indirect, or consequential damages or any other damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action arising out of or in connection with the use of information in this document.

Comparative figures

Unless otherwise stated, all figures in parenthesis refer to the corresponding figures in the prior year.

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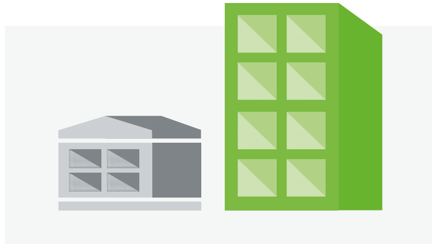

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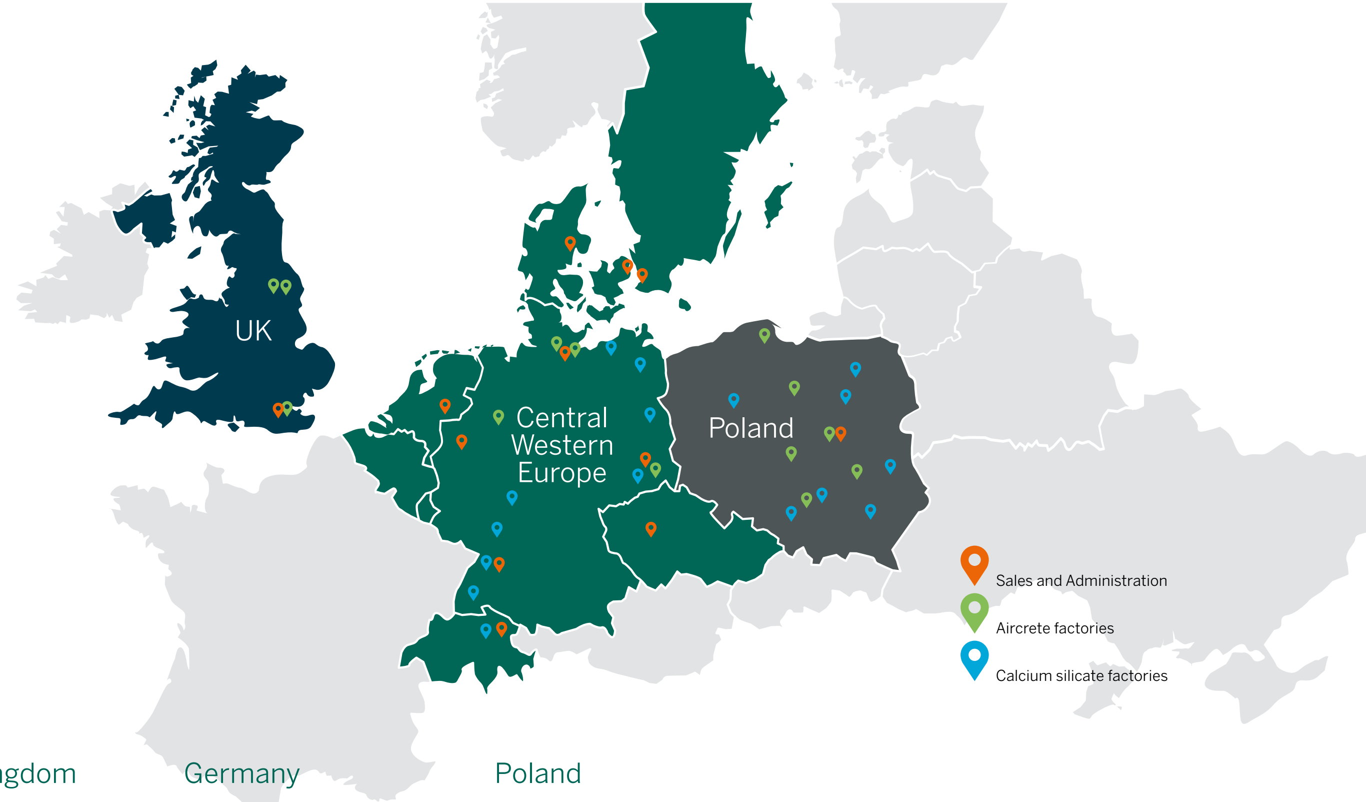
H+H at a glance

H+H has 29 factories in Northern and Central Europe with a total annual output of approximately four million cubic metres of wall-building materials. The Group has a leading position in most of its markets.



2020 financial highlights

Revenue in DKK million

2,654

EBIT in DKK million

332

Profit after tax

251

Financial gearing

0.4x

United Kingdom

Market position

#1

Market share

>40%

Germany

Market position

#2

Market share AAC

>15%

Market share CSU

~12%

Poland

Market position

#2

Market share AAC

20-25%

Market share CSU

20-25%

Revenue split by product line

32% Calcium silicate (CSU)

68% Aircrete (AAC)

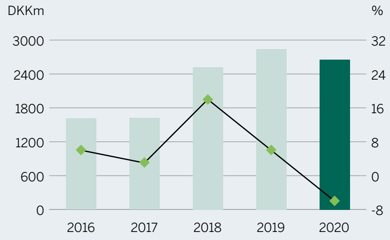
Performance Highlights

Selected financial figures and ratios

Revenue in DDKm

Revenue
Organic growth

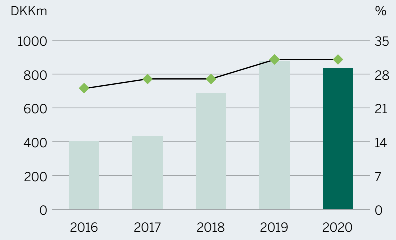
2020
2,654



Gross profit and gross margin before special items

Gross profit before special items
Gross margin before special items

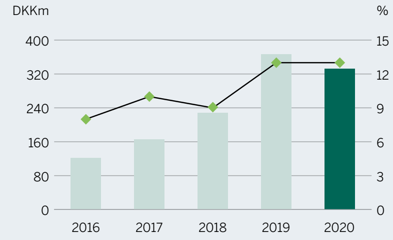
2020
31%



EBIT and EBIT margin before special items

EBIT before special items
EBIT margin before special items

2020
13%

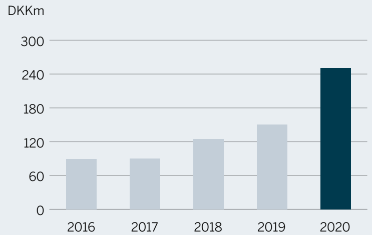


EBIT in 2018 was affected by a one-off effect related to the acquisition of the German CSU plants

Profit after tax in DKKm

Profit after tax

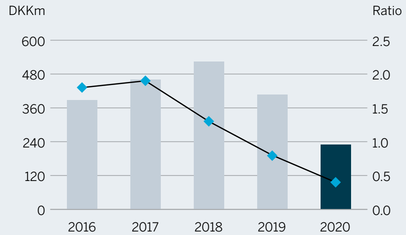
2020
251



NIBD/EBITDA before special items ratio

Interest-bearing debt
NIBD/EBITDA before special items ratio

2020
0.4x

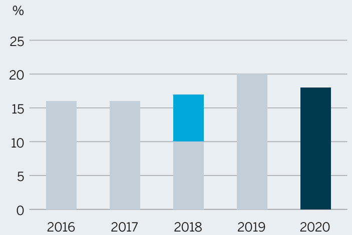


NIBD for 2019 onwards includes impact from IFRS 16

Return on invested capital (ROIC)

ROIC
Adjusted ROIC

2020
18%



ROIC in 2018 was negatively impacted by a one-off related to the acquisition and integration of the German and Polish businesses and impairment of fixed assets in Russia. Adjusted for this, ROIC would have been 17%.

Five-year summary

	Group				
(DKK million)	**2020**	**2019**	**2018**	**2017**	**2016**
Income statement					
Revenue	2,654	2,840	2,523	1,622	1,611
Gross profit before special items	836	877	690	434	405
EBITDA before special items	521	539	410	242	211
EBITDA	521	531	345	212	214
EBIT before special items	332	366	228	165	122
EBIT	332	358	163	134	125
Profit before tax	307	205	125	116	104
Profit after tax for the year	251	150	125	90	89
Balance sheet					
Assets	2,909	2,716	2,421	1,327	1,188
Invested capital	1,811	1,805	1,582	907	760
Investments in property, plant and equipment*	134	126	138	110	83
Acquisition and divestment of enterprises	72	(20)	839	35	31
Net working capital	55	48	8	58	(66)
Equity	1,520	1,371	1,000	377	278
Net interest-bearing debt (NIBD)	230	407	525	460	387
Cash flow					
Cash flow from operating activities	425	369	370	83	143
Cash flow from investing activities	(206)	(105)	(973)	(144)	(75)
Cash flow from financing activities	6	(131)	679	66	(110)
Free cash flow	219	264	(603)	(61)	68

	Group				
(DKK million)	**2020**	**2019**	**2018**	**2017**	**2016**
Financial ratios					
Organic growth	(6%)	6%	18%	3%	6%
Gross margin before special items	31%	31%	27%	27%	25%
EBITDA margin before special items	20%	19%	16%	15%	13%
EBITDA margin	20%	19%	14%	13%	13%
EBIT margin before special items	13%	13%	9%	10%	8%
EBIT margin	13%	13%	6%	8%	8%
Return on invested capital (ROIC) (excl. Goodwill)**	18%	20%	10%	16%	16%
Solvency ratio	50%	49%	41%	28%	23%
NIBD/EBITDA before special items ratio	0.4	0.8	1.3	1.9	1.8
ESG measures					
FTE's	1,619	1,685	1,651	1,062	1,041
FTE's end of period (excluding divestments)	1,538	1,625	1,616	1,022	986
Frequency of accidents (FRA)	6	6	9	11	16
Sickness absence (days per FTE)	13	13	11	10	9
Total Energy per m³ (MJ)	548	565	593	551	551
Water consumption per m³ (litre)	353	382	387	394	407

Financial ratios and ESG have been calculated in accordance with recommendations from the Danish Society of Financial Analysts.

* Investment in property, plant and equipment excludes effects from IFRS 16.

** Due to the acquisitions the method for calculating "Return on invested capital (ROIC)" has changed to better reflect a true and fair view. ROIC for 2020, 2019 and 2018 has been calculated as "Operating profit (EBIT)" held against the average invested capital (excluding goodwill), all measured on a twelve month's basis.

Outlook

Financial outlook for 2021

- Revenue growth before acquisitions and divestments measured in local currencies (organic growth) is expected to be in the range of 0-5%
- EBIT before special items is expected to be in the range of DKK 310-370 million

Assumptions for the financial outlook for 2021

Specific assumptions
The expectations for H+H's financial performance in 2021 are based on the following specific assumptions:

- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains
- Exchange rates, primarily GBP, EUR, and PLN remain at end-February levels
- Energy and raw material prices increase at greater levels than the current inflation

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

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

- Sales volumes and product mix
- Price competition
- Developments in the market for building materials
- Distribution factors
- Weather conditions
- Macroeconomic and geopolitical developments
- The factories run without significant breakdowns

Growth strategy maintained with meaningful strides taken in 2020

With the outbreak of COVID-19, 2020 turned out to be an extraordinary year for the H+H Group, as well as it was for our employees, customers and partners across our markets.

In the light of the pandemic, our key priority was the safety and well-being of our employees and stakeholders in our business activities. I am proud to see how promptly our managers acted and how they effectively implemented measures to secure everyone's safety and good health. I am also pleased to see how our employees handled the unique situation with great loyalty towards the company and our customers.

As a response to the increased uncertainty surrounding COVID-19, a contingency plan with continued focus on cash-flow generation and protecting earnings from declining volumes was implemented. The plan included adjustments to production volumes, certain investments were postponed, including the construction of the new CSU factory in Poland. In addition, our ability to create a flexible cost structure—resilient to volume fluctuations—was confirmed by our successful efforts to reduce costs and implement efficiency improvements to our production. The positive outcomes of these efforts and the strong recovery in the UK in the second half of the year were key to reaching the satisfactory financial results in 2020, with an EBIT of DKK 332 million for 2020—in line with the original full-year financial guidance from March 2020 and the results form a solid foundation for renewed growth and profitability on the other side of the pandemic.

Growth strategy maintained
We made meaningful strides in 2020 and started the year by taking yet another step in the right direction on our strategic growth journey by closing the acquisition of the majority shareholding in Porenbetonwerk Laussnitz GmbH & Co. KG, a German AAC unit business. The acquisition was completed in line with our strategic ambition to consolidate the German market, following the acquisitions of HDKS in Germany and Switzerland and Baustoffwerke Dresden, both CSU factories, in 2018 and 2019, respectively.

Despite the continued challenges faced from COVID-19, acquisitional growth in current or adjacent areas remains high on our strategic agenda. Looking into 2021, we have a pipeline of acquisition targets waiting for us to continue our pursuit for further growth. Most of the companies in our sight are family-owned businesses, where personal relations and mutual trust are fundamental to making a deal and we look forward to re-engaging the dialogues in 2021.

Investments in innovation and sustainability
Through continuous innovation and product development, H+H remains committed to participating in the building of better homes, which offer excellent indoor climate and acoustic comfort. We recently established a Group Innovation function dedicated to identifying and developing new solutions to improve our products, methodologies and the use of resources through their lifecycle. In addition to the longevity of 100 to 150 years, our products can be re-used following the end of their initial life cycle. We are also pursuing the development of new concepts to reduce labour resources in housing construction. These initiatives form an integral part of our intensified focus on sustainability and our approach to and efforts within ESG are presented in our first separate sustainability report for the year 2020.

Our Purpose

We provide solutions for environmentally friendly and sustainable homes with excellent indoor climate, fire resistance, and acoustic comfort. We are Partners in Wall Building, and through partnerships, continuous innovation and product development, we strive to always improve the customer and end-user experience.

Targeting carbon neutrality by 2050
Sustainability is a strategic enabler of growth for H+H. We are committed to supporting the sustainable transformation of Europe's cities and communities by developing products and applications that increase energy efficiency and lower the life-cycle carbon emissions of buildings.

Hence, we have set a target to achieve net-zero carbon emissions from our products and operations no later than by 2050 and we have joined the UN Global Compact. Development of the roadmap to achieve net-zero carbon emissions is ongoing and is expected to be submitted for Science Based Target approval in due time. This will also enable us to disclose a mid-term carbon-reduction target in addition to the current 2024-target on energy intensity in our manufacturing process, for which we have planned sustainability-related investments of DKK 50 million over three years.

Reaching our long-term financial targets
It is also satisfying to see that even in a year with so many challenges, we were still able to meet our long-term financial targets for EBIT margin, Return on Invested Capital ("ROIC") and financial gearing. Further, given the positive development in recent years and the current outlook for 2021, we are raising our ambitions and will therefore be increasing our long-term target for ROIC from 12% to 14%. With the underlying market trends of continued demographic growth, urbanisation, structural undersupply of housing, and government stimuli programmes, we are confident in the prospects for continued growth.

Share buy-back programme
While acquisitive growth remains the key strategic focus for H+H, we continue to prudently balance further investments in growth with returning value to shareholders. The Board of Directors is aware of the cash generation and general deleveraging of the company and while our acquisition pipeline remains intact, the Board of Directors has decided to return value to the shareholders. We will therefore initiate a repurchase and subsequent cancellation of H+H shares up to a total purchase price of DKK 100 million. Over the recent years, our solid financial position—backed by a strong balance sheet and robust cash flows—has enabled H+H to pursue growth initiatives and investments. Given the headroom to our long-term target for financial gearing and the sound cash position, there is an opportunity to return capital to our shareholders while still maintaining our ambition to pursue attractive opportunities on our ongoing strategic growth journey.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders for their continued support.

Kent Arentoft
Chairman

Kent Arentoft

Long-term financial targets

EBIT-margin before special items

11%

13% in 2020

Return on invested capital

14%

18% in 2020

Financial gearing

Net interest-bearing debt to EBITDA before special items

1-2x

0.4x in 2020

Note: The long-term financial targets reflect the ambition to maintain minimum average levels across a full business cycle.

Satisfactory results in a turbulent year

In a year with extraordinary market conditions, mainly as a result of the COVID-19 pandemic, I am very proud that we have been able to deliver the second-best EBIT and the highest-ever net profit after tax in the history of H+H. This is to a large extent a result of all the dedication and hard work from the employees in H+H, and I want to extent my gratitude to everyone across the organisation.

Following the lock-down on 23 March in the UK, our local management reacted swiftly and implemented an adjustment of our production as well as a reduction of shifts to adapt output to the sudden decrease in demand. In April, production was halted completely and did not start up again until late-June, when sales centres and merchants had re-opened and demand once again started to increase. Meanwhile, we benefitted from the availability of government support programmes to compensate for employees on furlough.

Adapting the business and protecting margins
In our other markets, demand was not as severely affected by COVID-19, and production sites kept producing at more-or-less normal levels. However, to comply with the significant health and safety restrictions, our front-end operations and sales processes across our markets had to be reorganised, while at the same time keeping the business running effectively, without compromising employee health and safety. All organisations were deeply engaged in creating resilience and implementing further efficiency improvements to protect margins during the uncertain market conditions.

Reorganisation and customer focus
In Germany, management also worked successfully to integrate the newly acquired businesses. A new Regional Head Office was opened in Düsseldorf, which will be supporting the sales organisation across the newly established Central Western Europe region comprising Germany, Switzerland, the Nordics, Benelux, and the Czech Republic. The re-organisation aims at a continued high customer focus in existing geographies, while strengthening the cross-border synergies in production planning and back-office functions.

In Poland, we saw increased competition and decreasing demand due to delayed high-rise projects following COVID-19. Just as in the UK, production and shifts were quickly adjusted to match the new market situation. The Polish market continues to represent an attractive

potential, and a lower revenue in 2020 should be seen against an extraordinarily strong performance in 2019. We are therefore all set on re-initiating the building project for a new CSU factory in Gdansk in 2021 and further consolidating our Polish business.

Strengthening our footprint
Overall results in 2020 are satisfactory and a testament to our strategy of building a more balanced footprint with three core markets. In addition to reducing the dependence and risk exposure related to the development in any individual market, we are seeing good results from our continued consolidation efforts, including higher market penetration, improved capacity utilisation in the acquired plants, and synergies related to both sourcing and sales channels with positive impacts on our margins. Our strategic growth journey continues, and we look forward to further strengthening our footprint in 2021.

Sustainability journey continues
In 2020, H+H reached an important milestone on our sustainability journey with the release of our first stand-alone sustainability report for 2020. Climate change is one of the greatest challenges faced by the world, and H+H fully supports the Paris Agreement.

A life-cycle analysis undertaken in 2020 on our autoclaved aerated concrete and calcium silicate units determined that H+H is on a path to achieve net-zero—and possibly net-negative—emissions by 2050. Our next step on this journey is to develop emissions-reduction roadmaps for our products and operations, which are expected to be submitted for Science Based Target approval in due time.

Investing in production footprint
Besides investing in a new CSU factory in Poland, we also drive towards continuous improvements and thereby incrementally increasing our production capacity. Such investments combined with converting our UK production from being PFA-based to being sand-based is expected to increase the investment levels going forward. In recent years, investments have been significantly below depreciation levels, but these are now expected to be more balanced in the coming years.

Fundamentals intact
We are confident that our fundamental equity story remains intact, and we are well-positioned to continue to execute on our strategic agenda in 2021.

Once again, I would like to thank everyone in our organisation for the great commitment that brought us successfully through 2020, and to our customers and partners across our markets for supporting H+H. We look forward to continuing our collaboration in 2021.

Michael Troensegaard Andersen
CEO

Our products and solutions

H+H's product range is diverse, and its flexibility allows for various applications. As a result, the customer segments are also diverse and provide a differentiated risk profile.

A strong solution in sustainable building

Foundations
H+H Foundations Blocks are quick to install and can be used to support solid or cavity wall constructions as well as timber frame structures.

External walls
H+H wall elements can also be used for solid external walls. They offer the fastest building method as well as an unparalleled air tightness and insulation.

Internal walls
Partition walls built with H+H wall materials meet any sound-insulation requirements and are quick and easy to install.

Applicable across segments and purposes

Private low-rise houses
H+H has strong track record and expertise in construction of walls for private low-rise houses.

Volume housebuilders
H+H is a trusted partner to builders of large construction projects ensuring cost-efficient and high-quality solutions.

Public sector housing
H+H is committed to supporting public sector housing providers with high quality, long-lasting and energy-efficient housing.

Commercial and industry
H+H's solutions are immensely versatile and can be used in many types of commercial and industrial buildings, low as well as high-rise.

Residential high-rise
H+H wall building solutions also include solid and partition wall products used in residential high-rise buildings.

Self-build
H+H wall solutions also support self-build and DIY projects of any kind. An eco-friendly and easy to handle material for any wall.

Renovation
H+H wall-building solutions are a popular choice for domestic renovations, extensions, and small building projects, including energy-efficient improvements.

Our products

H+H is a provider of building materials. Our core activities are the production and sale of autoclaved aerated concrete ("AAC" or "aircrete") and calcium silicate ("CSU" or "sand lime bricks"). The products are building blocks used for wall-building, primarily in the residential new-building segment.

The product range also includes more advanced products, such as high-insulating blocks, larger elements, and a range of traded goods used for wall-building.

Business model – We focus on adding value to our customers throughout the entire wall-building process

Quality Manufacturing

Modern and carbon-friendly products

Value-added Sales

Trusted partners in wall building

Diversified Market

Innovative product solutions for high-rise and low-rise

Key raw materials

- Sand, water, and lime
- Cement and aluminium added for AAC

Quality products

- Autoclaved aerated concrete and calcium silicate units
- Quality products with sustainable features
- Carbon-friendly products
- Improved energy savings

Partnerships

Partnerships with the customers
Solution selling

- Early involvement
- Supports customers in early planning stage
- Optimising building process
- Cooperation with planners, architects, distributers and builders

Delivery

Building site (75-80%)
Builders' merchant

- Premium brand
- Availability
- One point of contact
- One-stop shop for wall building
- Transparency
- Reliable and timely delivery

Foundation Inner & Exterior walls

High-rise (primarily CSU)

Residential low-rise (primarily AAC)

Non residential (primarily AAC)

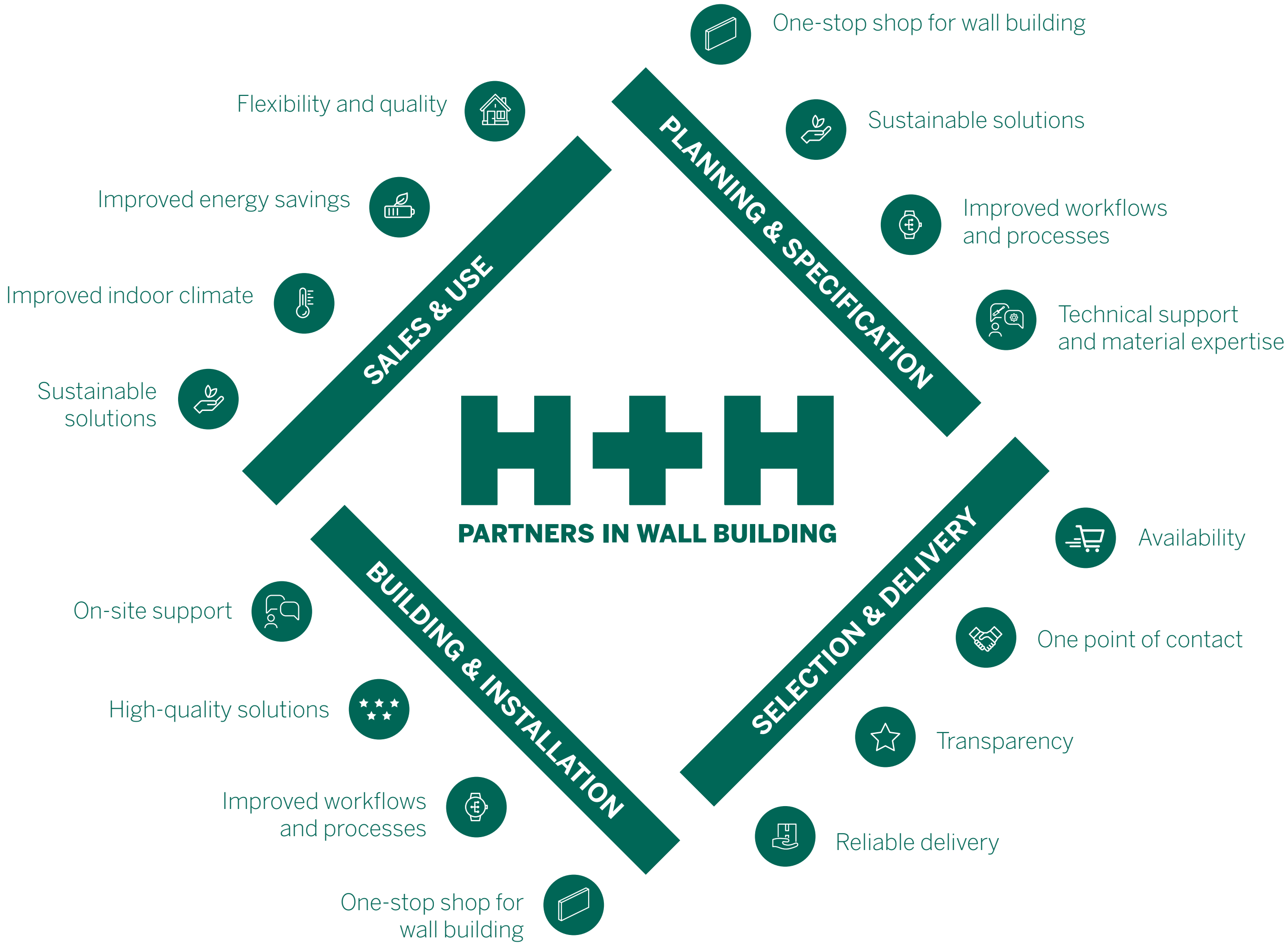
- Sustainable building products
- High quality solutions
- On-site support
- Improved workflows and processes
- Technical support and material expertise
- Mixed product sales

Partners in Wall Building

Our homes, flats, offices and other buildings need to be comfortable, safe and sustainable. Our wall-building solutions have been specifically developed to deliver high-quality and sustainable results.

An improved indoor climate and energy savings due to better thermal insulation, fire-resistance and increased safety, as well as better acoustic insulation between rooms—these are just some of the many benefits people who use and live in buildings featuring H+H solutions will enjoy.

Our value proposition is to be a trusted partner to builders and developers across our markets, aiming to adding value at every stage of the building process. We are constantly striving to find new ways to improve our products and building concepts to make building better, easier and more efficient to everyone involved—from sourcing and production to distribution and building sites.



Strategy

H+H is a leading player in the European AAC and CSU markets. Over the recent years, the Group has doubled in size and has significantly increased its earnings through acquisitions, achieving a diversified European geographic footprint and expanding from one to two product lines. Today, H+H stands on a solid foundation for continued growth through further acquisitions, new markets, and the updated value proposition, Partners in Wall Building.

1. **Pursuing profitable growth**
2. **Defending margins and maintaining attractive returns**
3. **Driving Innovation and IT**
4. **Focus on safety and sustainability**

Pursuing profitable growth

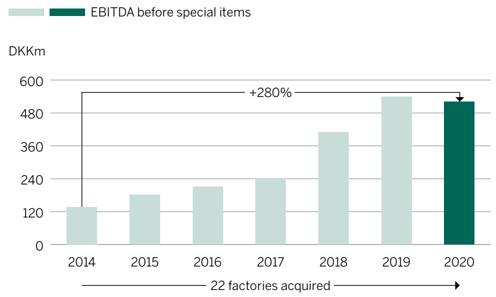
Growth through acquisitions
H+H has a strong track record as a market consolidator. Since 2014, the strategy has been focused on consolidating the European whitestone market with a primary focus on Germany and Poland. The ambitious restructuring began in 2015 with the acquisition of five factories in the AAC market in Poland, thereby adding significant incremental volume to the Group capacity and allowing for improved productivity by optimisation of plant footprint.

In 2018, H+H entered the CSU market through two large acquisitions with activities in Germany, Switzerland and Poland. The addition of the CSU business has proven to be a successful expansion under the "Partners in Wall Building" value proposition. CSU comprises 32% of the revenue in 2020 and provides a diversified market exposure as the product is more focused towards the high-rise segment.

These acquisitions have also lowered H+H's relative exposure towards the UK market and have established a more balanced geographical footprint with reduced exposure to country-specific risks. At 1 January 2021, three core regions were established, as the Nordic region was integrated into the Central Western Europe ("CWE") region. H+H now has critical mass in all its markets, and synergies from scale effects are positively reflected in earnings.

Since its introduction in 2014, a vital part of H+H's overall strategy has been the Group's ability to act as a consolidator in the European AAC and CSU markets. Through effective integration and organisational development, H+H has shown significant progress in terms of establishing a market-leading position in Central Western Europe. In 2020, earnings in the region continued to increase, thus showing a solid return on investment—a testament to H+H's consolidation efforts and growth strategy.

EBITDA before special items



400
DKKm EBITDA added

1,100
DKKm – total M&A investments

Consolidating the markets through acquisitions remains a key element in H+H's strategy. The aim is to be a driving force in the restructuring of the Central European markets for wall-building materials and H+H will be focusing on markets in which a market-leading position as number one or two is obtainable within a foreseeable future. In the current core markets, H+H is either the market leader or a strong number two.

Most recently, in January 2020, H+H closed the agreement to acquire the majority ownership of an AAC factory situated in Laussnitz, Germany (Porenbetonwerk Laussnitz GmbH & Co. KG). Combined with the existing CSU factory in Dresden, Germany, H+H's network of factories in the Eastern part of Germany was further strengthened and now provides better access to the Berlin market. In addition, the integration of the sales force has enabled increased efficiencies in the combined sales department, now forming a unified front towards the customers. Finally, the anticipated economies of scale have been realised in the purchasing of raw materials, and improvements to logistics and pallet management have been implemented.

Attractive potential for further growth
H+H will continue to pursue opportunities to restructure and consolidate its core markets. The Group remains in a unique position, as German legislation presents favourable acquisition conditions for smaller mid-sized companies. H+H has both the necessary financial strength and a proven track record of integration and restructuring from recent years' acquisitions.

During the COVID-19 pandemic, it has proven difficult to meet in person with company owners and establish the foundation for completing acquisitions. However, H+H continues to have a pipeline of attractive acquisition targets and maintains an ongoing dialogue with these.

New markets and updated value proposition

In parallel with the German focus, H+H will pursue further growth in the European markets. Entering new markets may include countries adjacent to the already-existing markets, as well as the addition of new products under the value proposition, Partners in Wall Building.

H+H firmly believes that collaboration creates lasting value—both for the customers, but ultimately also for H+H's shareholders. By understanding its customers, their local needs and industry trends, H+H can help them overcome challenges, eliminate waste, and manage complexities throughout the building process. H+H aims to be the ideal partner and a one-stop-shop for every wall-building project, while also assisting in optimising the building process.

Stepping up investments

As part of the resilience plan implemented as a response to the COVID-19 pandemic, a number of capital investments were postponed. As the markets recover, investments planned for 2020 are now expected to be continued in 2021 and beyond. Among these was the planned expansion of the existing AAC site in Reda near Gdansk to support the network of CSU factories in Poland.

The investment rationale remains, as there is room in the market for the added CSU capacity. Further, the investment is significantly lower than the cost of building a greenfield factory. The investment project is expected to be re-initiated during 2021 with final completion expected for 2022.

H+H is also planning additional investments over the coming years to catch up with the relatively low investments in recent years. These investments will entail a mix of plant optimisation, conversion to sand in the UK, and ESG-dedicated investments. Consequently, and for directional guidance, the yearly capital investment levels are expected to increase to around DKK 200 million over the coming years.

Defending margins and maintaining attractive returns

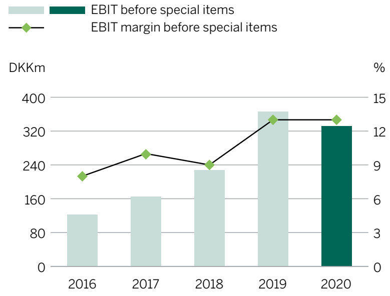
Pricing discipline

In recent years, H+H has had a firm discipline in sales pricing, utilising the demand situation and synergies achieved through acquisitions to continuously defend margins. H+H believes that there are additional synergies to be gained from duo-product selling of AAC and CSU products and efforts to maintain reasonable and fair prices will continue to be of key importance.

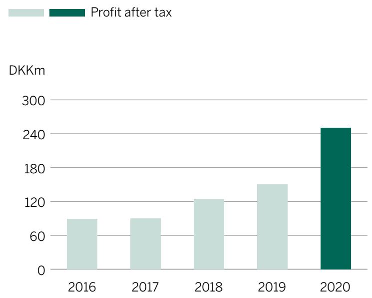
Continuous improvement programme to maintain margin levels

Cost pressure is expected in the coming years from growing inflationary pressure, primarily from increasing costs of emission allowances. To offset this pressure, H+H continues to follow a lean manufacturing approach to improve manufacturing efficiency and effectiveness. Identifying waste and eliminating it from the production process have enabled an increased factory output and have thereby offset cost inflation in several areas. This has been complemented by targeted capital investments to improve reliability, throughput, and quality across the manufacturing network. As part of the 'Continuous improvement programme', vacuuming of the autoclaves during operations showed good results since 2019. H+H has continued its efforts during 2020, with increased

EBIT and EBIT margin before special items



Profit after tax



focus on energy efficiency, productivity increases, and savings on raw materials. These initiatives continue through internal focus and further capital investments.

Defending margins through the COVID-19 pandemic
2020 has been a challenging year due to the COVID-19 pandemic. Key focus has been to navigate through these uncertain times, while defending the Group's margin levels.

The year has shown that the strategy has given the Group critical mass in the markets in which H+H is operating. The robustness and scale flexibility combined with solid execution of resilience plans demonstrated the ability to defend the long-term margin target through downturns.

Procurement
Following a strengthening of the procurement function in recent years, H+H has benefitted from the impact of consolidated buying positions in Poland and Germany and improved procurement processes in all regions. The company-wide Category Management approach has led to beneficial Group contracts, enabling H+H to leverage its increased size across the entire footprint in terms of equipment, utilities, transport, and raw materials. This approach will remain a key focus going forward.

Logistics
In addition to customer orientation, tangible processes—such as logistics—are key, especially in times of increased pressure from supply shortages and the reduction of construction time. By combining the right set of skills, the right IT solutions, and the right partners, the logistics solution can become a differentiator in the marketplace. As H+H has grown, the production footprint and network of logistics partners have increased as well. H+H aims to deliver top-of-the-class solutions at the right place and time, and due to its size, H+H can benefit from a more efficient setup.

Driving innovation and IT

Innovative solutions—New Group Innovation Function
Wall-building materials are to a large extent limited by physics, and the industry has seen no real breakthroughs on the product side for years. However, as a key competitive edge, H+H has been able to excel in application methodologies and services around the core product and will continue to pursue local innovations with potential cross-border launches.

At the end of 2020, H+H established a new Group Innovation function. The function includes resources dedicated to innovation of products tailored towards improving the CO2 capabilities of walls, as well as towards improving customers' productivity during the assembly of H+H's products. Furthermore, the department will also investigate application methods that are more suitable to the repair, maintenance and improvement market ("RMI"), with special attention to energy-efficiency improvements.

IT
Customers in the building industry are increasing their focus on digitalisation, and new technologies are constantly emerging. H+H will participate in this development and offer efficient solutions to be used throughout the value chain and across product lines wherever possible.

In recent years, H+H has stepped up its focus and competencies within IT. In 2020, a Global Process Framework was established to align and strengthen the business processes and support the strategic growth initiatives. Also, an upgrade of the existing ERP system was initiated based on standard Microsoft Business Central functionality. The ERP upgrade will be implemented on a market-by-market basis based on a common template over the coming years. The IT focus also entails a further strengthening of general IT processes to allow for more scalability, while defending the Group's assets and business operations from IT-related threats.

Focus on sustainability and safety

Sustainability
Sustainability is a key strategic priority and doing business in a sustainable manner is an integral part of all of H+H's activities. This includes an environmental focus on production and taking the environmental impact of the use of H+H's products over their lifetime into account.

Sustainability is a strategic enabler of growth. H+H remains committed to supporting the sustainable transformation of Europe's cities and communities by developing products and applications that increase energy efficiency and lower the life-cycle emissions of buildings.

Safety
Providing a safe and attractive work environment is essential to remaining an employer of choice within the building materials industry. In 2020, employee health and safety was in even greater focus due to the COVID-19 pandemic. Throughout the pandemic, H+H has been able to ensure business continuity and improved safety performance through a dedicated focus on Zero Harm and the well-being of the employees.

Through a continuous focus on employee safety, H+H is pleased to report yet another year with no fatalities. Further, H+H maintains a strong focus on reducing the frequency of accidents as well as absenteeism.

Strategic investments

For some years, following the financial crisis, investments in production facilities have been kept at a minimum. Combined with the state of the recently acquired production equipment in Poland, this means that some larger investments are to be made in existing production over the coming years.

Timely care
Since 2011, capital investments have been significantly below the depreciation level. Such a situation is obviously not sustainable in the longer term. Further, there are production areas, where investments offer a good business case, such as for selected AAC and CSU production plants in Germany and the production plants in the UK outside Borough Green.

In addition, while the CSU production in Poland is running well, there are increasing upsides from investments. None of these investments include full factory upgrades, but rather more focused upgrades within specific parts of the manufacturing chain.

These investments are considered timely care and are expected to provide a payback of three to six years through a combination of cost savings, improved up time, and, to a limited extend, added capacity.

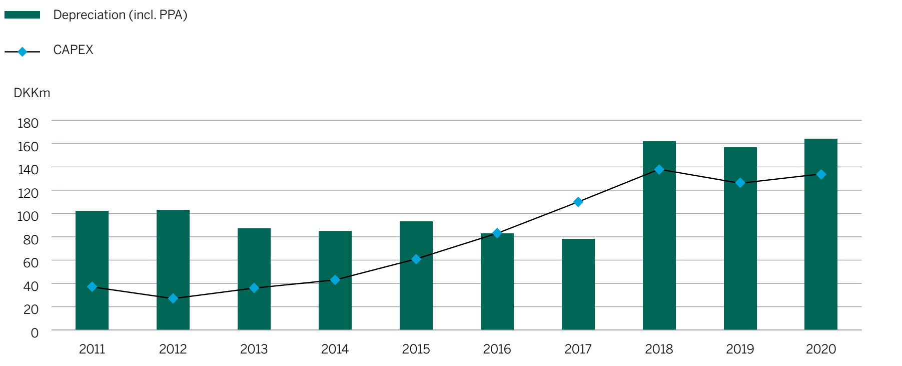
Sand conversion in the UK
Historically, H+H has used PFA (Pulverised Fuel Ash) as a key raw material in the production of AAC products. As the UK is generally moving away from coal as a source of energy, sources of PFA supply are becoming increasingly unpredictable. The alternative to PFA is sand, which is also used at all of H+H's plants outside the UK, and where sourcing is fully available and more predictable.

Consequently, over the coming five years, H+H will be investing in a conversion from 100% PFA to a more flexible solution which allows for the use of sand.

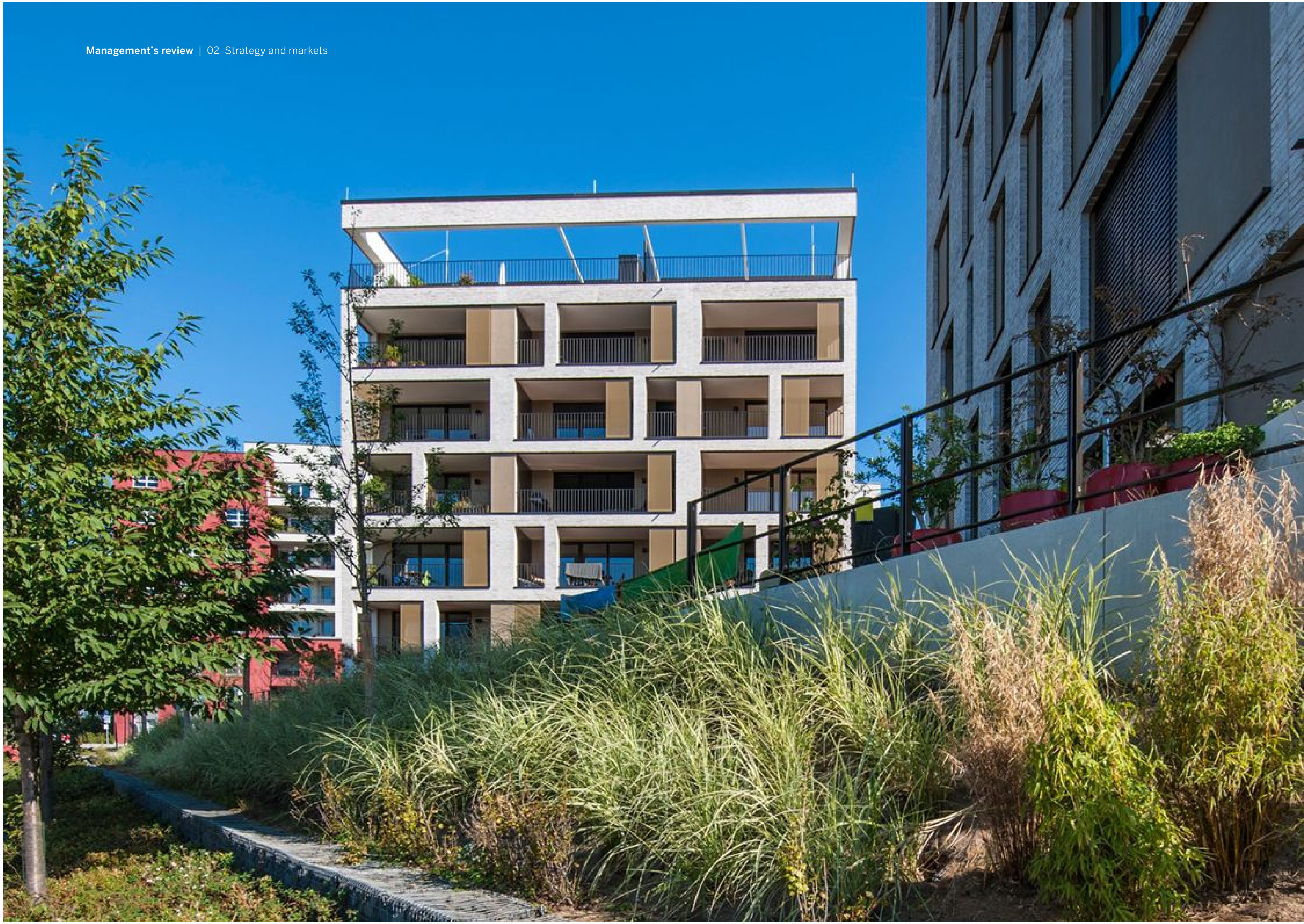
Sustainable investments
In March 2020, H+H announced an increased focus on sustainable investments, including an ESG-dedicated investment allocation totalling DKK 50 million over three years.

Summary
For directional guidance, over the coming years, the annual capital investment levels are expected to be around DKK 200 million, of which around a third is maintenance investments, while the remaining two-thirds cover plant optimisations, conversion from PFA to sand in the UK, and ESG-dedicated investments.

Depreciation (incl. PPA) relative to capex

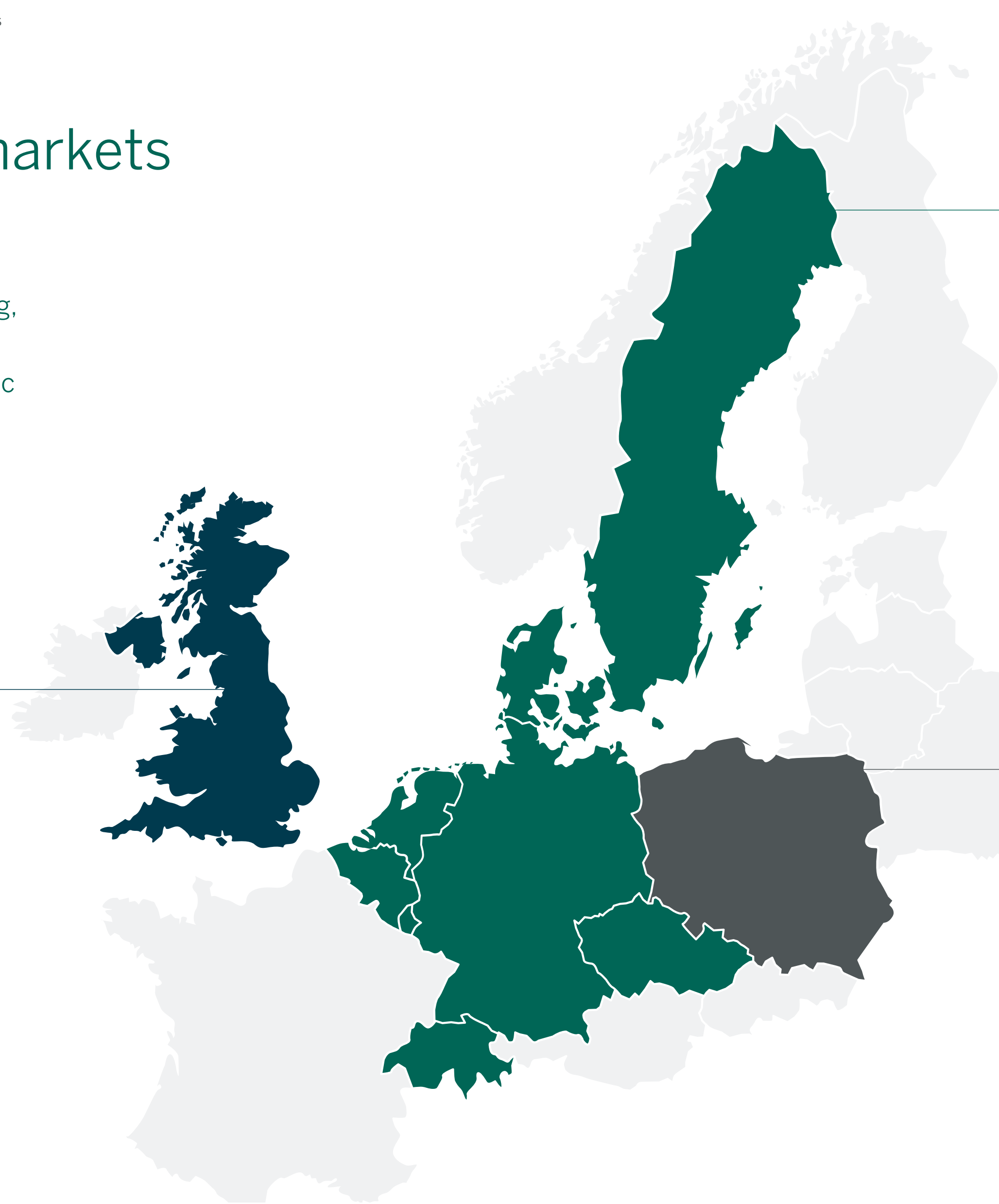


*excl. depreciation regarding IFRS 16, customer relation, order books and brands



Industry and markets

The European housing market is expected to continue growing, driven by a structural undersupply of housing, demographic growth, and urbanisation.



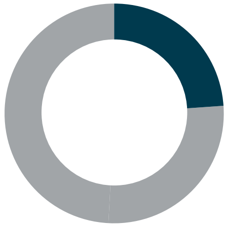
Central Western Europe
Share of Group revenue

49%

#2
market position in Germany
Market share **AAC >15%**
Market share **CSU ~12%**

UK
Share of Group revenue

24%



#1
market position
Market share **>40%**

Poland
Share of Group revenue

27%

#2
market position
Market share **AAC 20-25%**
Market share **CSU 20-25%**

The UK

Following the lock-down measures introduced by the British Government in the beginning of the year as a response to the COVID-19 pandemic, demand was instantly halted. The UK market did, however, enjoy a strong second half of 2020, fuelled by Government support initiatives and the expiry of the initial "Help to Buy" programme.

Market conditions and trends
During the first quarter of 2020, demand for wall building remained stable and in line with industry expectations. The improvement market ("RMI") started the year with similar demand levels to 2019, but the lockdown measures introduced in late-March instantly halted demand, and with the exception of light-side/retail-related sales, there was no real market activity until the beginning of June, where demand for aircrete in the RMI sector saw a significant uplift.

From mid-July, volumes in the residential house-building sector ("low-rise") increased considerably and demand in this sector continued its positive trend through the remainder of the year, fuelled by Government support initiatives such as stamp duty holiday and the expiry of the initial "Help to Buy" programme.

Growing population, shortage of affordable housing, and shortage of available land continue to drive the structural undersupply of housing. Private housebuilders are evolving their product offering, as the market in many areas is moving away from cities and into more rural areas where they require larger properties with outdoor space. During 2020, this development accelerated and impacted the housing mix, as fewer flats are being built, whereas larger, detached properties are in increasing demand.

Brexit and its impact on consumer preferences are ever-present and are still difficult to predict for 2021. As more than 95% of H+H's production costs in the UK are domestically sourced, the impact on import costs or restrictions is, however, expected to be limited. Furthermore, around 5% of the AAC market in the UK is currently imported by H+H's competitors.

Stimuli programmes
The British Government continues its efforts to cope with the structural undersupply of housing through governmental stimuli programmes, such as the "Help to Buy" programme, which has been extended to 2023 and continues to assist the first-time-buyer market. Another programme introduced by the UK Government in 2020 was a "stamp duty holiday", which increases the threshold for stamp duty and further supports the housing market until its expiry in end-June 2021. The Government remains committed to increasing the housing output to 300,000 dwellings annually.

Competition and market capacity
Over the past years, H+H UK has increased its sales volume per dwelling at the expense of dense blocks, wood frame solutions, and stud walls. Driven by the increased volumes and the general market growth, the increasing demand for H+H's products has been met by capacity increases from H+H as well as from other domestic manufacturers.

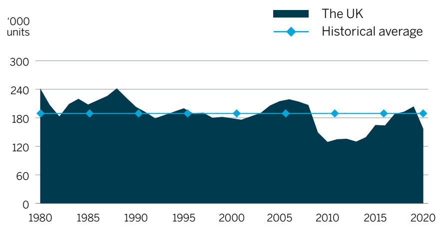
The market outlook for 2021 indicates a recovery from 2020, but not necessarily to the level of 2019. The latest market analysis indicates a stable demand in the short-to-medium term, as the journey towards 300,000 dwellings annually appears to have been prolonged due to COVID-19.

Product mix and pricing
Aircrete continues to show increasing levels of market penetration, as the growth in the building industry has primarily been driven by an increasing demand for larger, detached houses—which require more aircrete—rather than for flats. In addition, further penetration is supported by aircrete being used below the ground as foundation blocks as well as increasing volumes of aircrete used in the affordable housing sector.

H+H business highlights in 2020
Following the lock-down measures introduced in late-March, UK production was quickly adjusted to the decreasing demand, with reduced shifts and a period of full production halt. In June and July, as the market resurged, both production and sales were re-engaged in order to maximise sales opportunities.

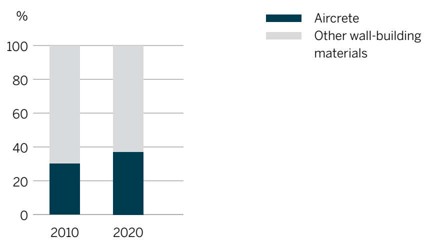
The UK market in brief

New dwellings completed



* 2020 figure is an estimate from the Construction Products Association

Predominantly used wall-building material (2020E versus 2010)



Estimated market size

3 million m³

(2019)

A number of long-term deals were concluded with merchant customers. H+H's development of a vertical panel solution continued in conjunction with Roofspace, and penetration of this solution has increased during the year.

During 2020, several initiatives were taken to strengthen operations. The Sales, Marketing and Technical functions were restructured to better coordinate and support the changing needs of the customer base. Initiatives to improve factory efficiencies have been successful and resulted in a higher output. Finally, cost reductions were implemented without affecting performance or customer relationships.

Central Western Europe

As a result of H+H's growth activities, sales volumes in Germany and the Nordics have more than doubled from 2017 to 2020, and earnings have quadrupled over the same period. H+H will continue to seek further strategic growth opportunities available in the fragmented German market.

To support the growth strategy, the Central Western Europe ("CWE") region was reshaped in 2020 to include the Nordics. Going forward, the CWE region will comprise Germany, Switzerland, the Benelux countries, the Nordics, and the Czech Republic. In connection with the reshaping of the CWE region, new management structure was formed with a regional management team leading the CWE organisation and overseeing the new broader region. Further, H+H established an office for the CWE Regional Management Team in Düsseldorf.

Germany

Market conditions and trends

The outbreak of COVID-19 adversely impacted the German economy, leading to a declining GDP and increasing unemployment rates during the year. The construction market, however, was relatively unaffected, as construction was considered a vital industry.

The country still faces the challenges from the structural undersupply of housing driven by growing urbanisation and general demographics. The growth in permissions for new buildings has decreased since 2017 but remains on a relatively high level compared to the years prior to 2017. In 2020, the number of building permits was stable compared to 2019, but a significant pipeline of permitted buildings awaiting completion persists, due to a continued lack of installation capacity. Growth in the low-rise housing segment is restrained by the lack of available building plots and skilled labour, and there is no immediate resolution to any of these challenges. For 2021, the low-rise segment is therefore expected to remain more or less on par with 2020. Housebuilding, however, continues to be on the political agenda in Germany and the overall macroeconomic outlook remains positive.

Stimuli programmes

Various stimuli programmes, providing incentives for homeowners, are in place to counter the continued structural undersupply of housing in Germany. However, the duration of the programmes are limited and insufficient to convince builders to invest in overcoming the labour challenges. In combination with a lack of productivity improvements, this means that expectations to the outcome of the political incentives are low, although the programmes are still expected to reduce risks on the back of the COVID-19 pandemic.

Competition and market capacity

Overall capacity utilization in the building materials industry is good, although some capacity is still available in the CSU production. Order backlog for construction companies remained at a high level in 2020, which is mainly caused by the bottleneck issues related to both labour and transport, pointing to a general need to increase productivity in the building industry through product innovation, process improvements and digitalisation. In addition, continued efforts to consolidate the German building-material market are still needed.

In both 2019 and 2020, there were minor AAC capacity expansions in the Eastern part of Germany, which had limited effect on local pricing. Furthermore, a newly constructed CSU factory was set online by a competitor in the Western part of Germany, but not in the vicinity of H+H plants.

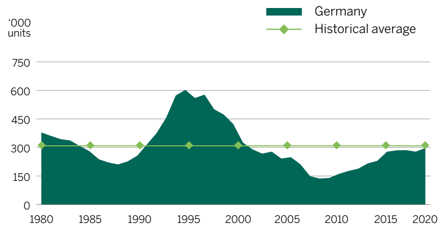
Product mix and pricing

The above-mentioned factors are preventing price increases from significantly exceeding the expected cost increases, further reinforced by the increased pressure from the cost of emission allowances.

The product mix between AAC and CSU in new buildings has been stable over the past years, with AAC being the primary building material used for around 18% of new buildings, while CSU is the main building material in around 16% of new buildings.

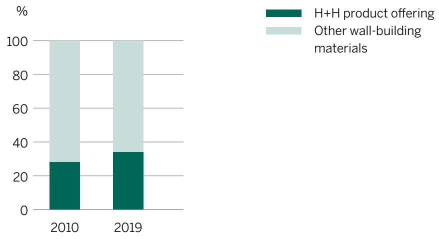
The German market in brief

New dwellings completed



* 2020 figures is an estimate from the German Federal Ministry for Economic Affairs and Energy

Predominantly used wall-building material in new buildings in Germany (2019 versus 2010)



Estimated market size

7 million m³

H+H business highlights in 2020
H+H took immediate measures to secure workplaces and customer interaction following the outbreak of COVID-19 through the implementation of safety procedures to maintain social distancing in production, homework where possible, and virtual meetings to keep momentum in projects and daily operations. The support from employees and managers across the organisation made it possible to maintain and adapt business activity with no significant effect on production efficiency.

During 2020, a key focus for the German organisation was the integration of the AAC factory in Laussnitz close to Dresden, acquired in the beginning of the year. The integration process proceeded according to plan, and the new factory adds good synergies to H+H's position in the German market. H+H will continue to explore further opportunities to consolidate the German market through additional mergers and acquisitions which will further strengthen H+H's position in the German market.

Also, a new central sales office for Germany was set up in Düsseldorf. The core responsibility of the new entity will be to coordinate sales initiatives, as well as business controlling, price management, and product-line planning across Germany and the overall CWE region.

The strategy to increase or maintain price levels continues according to plan with a focus on high-margin customers.

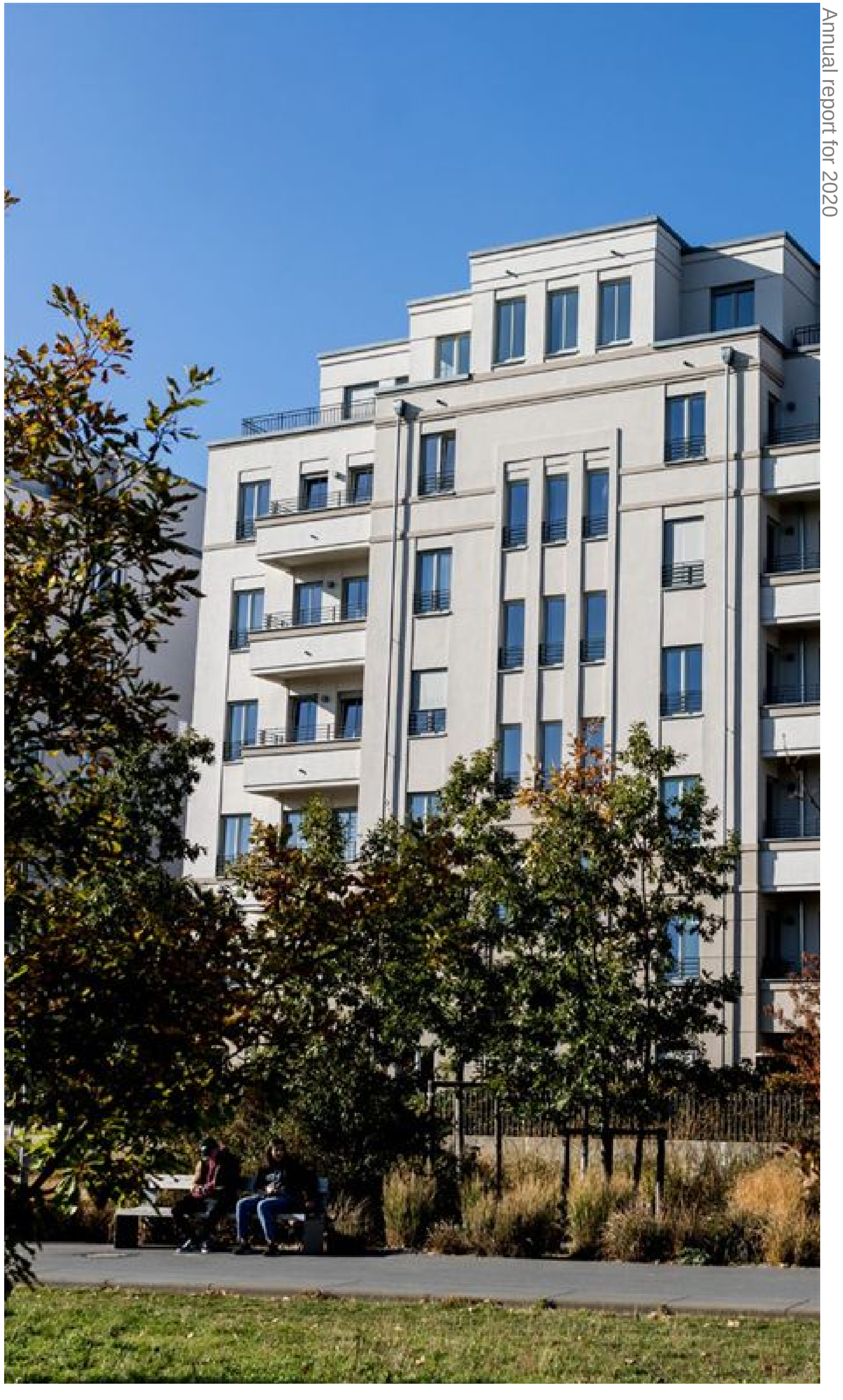
Other markets

The Danish market remains strong, with increased activity in demand for housing and holiday homes, which has led to increasing growth—especially in the segment for small housing. During the COVID-19 pandemic, H+H has changed the way in which it approaches its customers in the Nordic to enable virtual communication.

In Sweden, activities have been declining slightly compared to previous years. As a result, H+H has chosen to consolidate the Nordic region to one unit to better utilise its back-office resources.

In the Benelux countries, AAC house-building activity continues to increase. H+H has maintained its market share through a gradual expansion into Belgium and expects a continued positive development in the Benelux market in 2021.

The Swiss housing market is developing in line with expectations. H+H maintains a market-leading position in CSU and is accompanied by some local players. The outlook for 2021 is positive.



Poland

The Polish market remains characterised by intense competition and price pressure, but H+H was has been able to utilise its differentiated product offering to mitigate the impact.

Market conditions and trends
The Polish construction industry and general economy were off to a strong start to 2020, but the outbreak of COVID-19 adversely affected GDP-growth, leading to a significant slowdown in both public and private investments. The construction and assembly production saw an overall decline of 0.5% with an underlying total growth of 6.6% in residential buildings and a decline in non-residential buildings of 4.2%. The growth in residential buildings was primarily driven by realisation of projects started in 2018 and 2019, while the number of new projects and building permits declined by 7.7% and 4.5%, respectively. The declines were primarily driven by lower activity among developers, as many chose to postpone or stop projects due to the uncertain market conditions. Individual investors, however, continued initiating projects at more or less the same level as in 2019. During the year, the public office handling permits was impacted by national lockdowns, leading to additional postponements.

Permits for developers are declining, and indicates a slight declining outlook for 2021 for the high-rise market. However, permits from individual investors are stable, or even slightly increasing, indicating a mild growth for the low-rise market.

Stimuli programmes
In May 2020, the Polish Government presented the "Anti-crisis Shield"—a COVID-19 stimulus programme—as a general support to the Polish economy and public health, covering aid to the protection of workplaces and employee safety, financial support to entrepreneurs, increased public investments, etc. The programme amounts to more than PLN 312bn (approximately DKK 510bn) and has been an important factor in keeping the overall economy running as well as in dampening an increasing unemployment rate.

Competition and market capacity
In the CSU segment, a new factory was brought online by a competitor in Central Poland, while another competitor decided to close one of their minor factories in the same area. As a result of the market slowdown in the high-rise segment, the CSU business was affected by declining demand, with the entire industry experiencing underutilisation and periodical shutdowns—especially in the second half of 2020. In the AAC market, there were no new competition entries, and the market capacity was to some degree periodically underutilised depending on regionality.

Product mix and pricing
The overall demand driving the technology mix between AAC, CSU, and ceramic blocks continues to show a preference towards the use of white-stone, resulting in increased penetration for H+H's product offering.

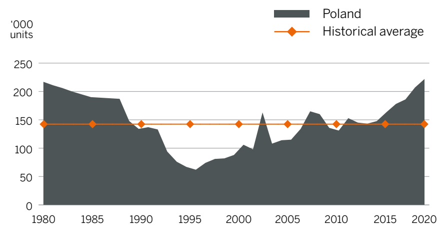
Pricing in the AAC segment is following a positive trend due to the overall positive development in demand and the moderate competitive environment. In the CSU segment, pricing is under pressure driven by the entry of new competition and impact from the 2020 slow-down in the high-rise market. The ceramic segment was adversely affected by the development in the high-rise market and a generally lower competitiveness against the other products in the mix, resulting in a negative price development during 2020.

H+H business highlights in 2020
The overall market development and COVID-19 outbreak affected the H+H business with intense competition and price pressure, particularly in the CSU business. In such volatile environments, H+H Poland benefitted from the market consolidation achieved in 2018 and was able to utilise the differentiated product offerings to mitigate the impact and maintain its strong customer relationships. As demand declined in April and May, the production setup was adjusted accordingly through reduction of shifts and employees. The AAC business saw a stable and positive market development with a positive impact on prices. Efforts to increase the share of pull sales through value-added sales processes continued and synergies from the broad footprint in Poland continue to materialise.

To protect health and safety as well as profitability, a number of initiatives were launched, including safety programmes at jobsites and towards customers, pricing projects, marketing and promotion to strengthen brand recognition.

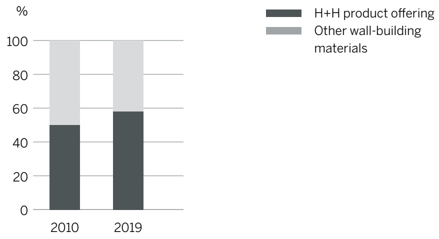
The Poland market in brief

New dwellings completed



Source: GUS-National Statistical Office

Predominantly used wall-building material in new buildings (2019 versus 2009)



Estimated market size

7 million m^3


H+H
H+H
H+H
H+H
H+H

Equity story

H+H remains in a unique position for continued growth due to attractive market fundamentals, a differentiated market approach, sustainable products, and proven track record of strategy execution

Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and changing housing needs
- Fragmented markets with room for consolidation through acquisitions
- High entry barriers for new competitors

Differentiated market approach: Partners in Wall Building

- Value-added customer relationships and assistance through entire building process
- Supplying sophisticated and sustainable solutions
- High degree of local market adaption
- High customer retention rate

Sustainable solutions—net-zero emissions by 2050

- Long-lasting and reusable products
- Carbon-friendly products with increasing market penetration
- Insulating properties leading to energy savings and more sustainable buildings
- Excellent indoor climate and acoustic comfort
- Fire resistant products

Proven track record of strategy execution

- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets has led to the realisation of synergies
- Efficient integration process and agile organisation
- ROIC consistently above WACC
- Strong cash-flow generation to fund bolt-on acquisitions

Resilience plan and risk management helped navigating through turbulent year

2020 was a challenging year for our entire organisation, affecting our business operations and increasing our exposure to a number of financial and operational risks. To mitigate the changing risk scenarios and the many uncertainties related to the outbreak of COVID-19 in the first quarter of 2020, we quickly initiated and implemented a comprehensive resilience plan covering a broad range of focus areas across the organisation.

Cash management and cost control
We intensified our cash and liquidity management, including an even more cautious cash spending, leading to the postponement of several capital projects. We implemented new policies for tighter cost management and imposed a general prudency in spending throughout our organisation. As the year progressed and we saw a renewed business activity, we were able to lift some of the capex restrictions, but not to the extent needed to catch up with our original plans for the year. However, the tight cost management throughout the year enabled us to reach the mid-point of our original EBIT-guidance from the beginning of the year, despite the overall lower volumes, which is very satisfactory.

Further driving risk management
Our strategic focus and initiatives within Enterprise Risk Management ("ERM") were accelerated in 2020, and over the year, the ERM programme was further rolled out and adopted across the organisation. This provided further support to our ability to withstand and adapt to the changing market conditions and activity levels, and we will continue our efforts to manage and mitigate operational and financial risks over the coming years.

IT to support future growth
Another important point on our strategic agenda is IT and digitisation. Last year, we established a corporate IT function to drive our efforts to further strengthen the business processes, support innovation and growth, as well as defending our business against IT-related threats. In 2020, we commenced the upgrade of our existing ERP platform to ensure further scalability, efficiencies, and state-of-the-art IT processes across the entire organisation. To further support these efforts, we have established a Global Process Framework which allows us to align business processes across our operations around the upgraded ERP platform, thereby creating additional operational synergies and efficiencies. In 2021, we will commence a gradual roll-out of the upgraded ERP platform, supporting the use of technology to improve our competitiveness and act as a driver to create new and innovative solutions to our customers.

Strong capital structure and shareholder value
We also maintain our overall focus on keeping a strong and flexible capital structure, which can support our continued growth journey and allow for a sustainable shareholder value-creation over the coming years. In addition, continued performance in accordance with the long-term financial targets for earnings, financial leverage, and ROIC remain key focus areas.

Peter Klovgaard-Jørgensen
CFO

Changes to financial guidance during 2020

The initial financial outlook for 2020 was introduced on 11 March 2020 in connection with the release of the annual report for 2019. The initial outlook assumed no impact from the outbreak of the COVID-19 pandemic, but as lockdown measures were introduced by the UK Government, adding significant uncertainties and adversely impacting visibility, the Company suspended its financial guidance on 24 March.

Over the summer, as the UK market recovered and visibility to a certain degree was regained, H+H re-introduced a financial outlook for 2020 on 12 August. However, as volume visibility for the second half of the year remained low, and a softening of the Polish and Central Western Europe markets was expected, the financial expectations for the year were lower than in the initial guidance. In addition, the capex guidance was reduced as part of the Company's resilience plans.

During the third quarter of the year, the UK market was recovering faster than anticipated, leading to an upgrade of the financial outlook on 29 October. The updated guidance assumed a stable development in Germany and a continued softening of the Polish market through the remainder of the year.

The solid performance of the UK market, strongly supported by Government stimuli programmes, continued through the fourth quarter. In addition, the Polish market, and especially the aircrete segment, experienced a stronger-than-expected finish to the year, fuelled by increased demand towards year-end. This led to the announcement of preliminary, unaudited full-year results, as the financial performance exceeded the expectations set out in the financial guidance from October 2020.

H+H Group	Initial financial outlook for 2020	24 March 2020	12 August 2020	29 October 2020	Preliminary, unaudited 2020 full-year results, 28 January 2021	Actual 2020 full-year results, 4 March 2021
Organic growth	(2%) to 2%	Guidance suspended	(16%) to (8%)	(12%) to (8%)	~(6%)	(6%)
EBIT	DKK 300-360m	Guidance suspended	DKK 250-300m	DKK 290-320m	~DKK 330m	DKK 332m
Capex	DKK 140-180m	Guidance suspended	DKK 100-130m	DKK 120-130m	~DKK 130m	DKK 134m

Financial review

Income statement

Revenue
Total revenue, including the acquired and divested businesses, decreased by 7% to DKK 2,654 million (DKK 2,840 million). Revenue in local currencies, excluding the acquired and divested businesses (organic growth), decreased by 6%.

The negative organic growth was primarily a result of the national lockdown in the UK as well as a general softening on the market in Poland, but partly offset by a strong Q1 2020 where weather conditions for wall building were very good.

Revenue in the UK amounted to DKK 639 million compared with DKK 877 million in 2019. Organic growth was negative 26%, severely affected by the lockdown measures introduced at the end of March, where distribution centres and building sites closed. A recovery was seen during the second half of the year, ultimately reaching an activity level in Q4 which was slightly better than in the prior year. In addition, revenue was negatively impacted by 1% related to foreign exchange rates.

Revenue in Central Western Europe amounted to DKK 1,299 million against DKK 1,106 million in 2019. The increase was driven by the acquisition of Porenbetonwerk Laussnitz GmbH & Co. KG, which was taken over as on 1 January 2020. Organic growth was 9%, driven by both prices and volumes.

Revenue in Poland was DKK 716 million against DKK 773 million in 2019, primarily as a result of lower volume, particularly in the CSU business, due to increased competition and a lower demand. Organic growth was negative 4% compared to positive 12% in 2019. Organic growth in 2019 was extraordinarily high, and a softening of the market was therefore expected for 2020. Pricing was in line with 2019 as pricing discipline was maintained.

Of the total revenue of DKK 2,654 million, AAC accounted for 68%, while CSU accounted for 32%. The corresponding figures for 2019 were a total revenue of DKK 2,840 and a split of 71% and 29%, respectively.

Production costs
Production costs was affected by lower volumes produced in the UK and Poland due to lockdown measures to cope with the COVID-19 pandemic and the aforementioned competition on the Polish market.

Gross profit before special items
The gross margin before special items was 31%, which is the same level as in the prior year, despite a 5% decline in gross profit to DKK 836 million compared with DKK 877 million in 2019.

The gross profit was negatively impacted by lower volumes and higher input costs, offset by lower transport costs, efficiency improvements, and overall price increases.

Gross profit in the AAC business was DKK 564 million and DKK 272 million in the CSU business, equalling a gross margin of 31% and 32%, respectively.

EBITDA before special items
EBITDA before special items declined by 3% to DKK 521 million, compared with DKK 539 million in 2019. This corresponds to an EBITDA margin before special items 20%, compared to 19% in the prior year.

The relatively higher EBITDA margin year-on-year was primarily a result of the positive price development and effects from resilience plans across the Group but was partly offset by lower volumes.

Depreciations, amortization and impairment losses
Depreciations, amortizations and impairment losses amounted to DKK 189 million against DKK 173 million in 2019, a change of 9%.

Adjusted for depreciations related to purchase price allocations, depreciations were DKK 131 million compared to DKK 112 million 2019.

EBIT before special items
EBIT before special items declined by 9% to DKK 332 million in 2020 compared to DKK 366 million in 2019. This corresponds to an EBIT margin before special items of 13%, which is unchanged from 2019.

Special items
Special items were DKK 0 million, against negative DKK 8 million in 2019.

EBIT
EBIT was DKK 332 million, against DKK 358 million in 2019, a decrease of DKK 26 million.

Net financials
Net financials totalled an expense of DKK 25 million in 2020, against DKK 153 million in 2019. The year-on year decrease was a result of a non-cash effect from recycling of cumulative translation differences related to disposed entities in 2019 of DKK 121 million.

Profit before tax
Profit before tax increased by 50% to DKK 307 million compared to DKK 205 million in 2019.

Tax
Tax shows an expense of DKK 56 million, against an expense of DKK 55 million in 2019.

Profit for the period
Profit for the period totalled DKK 251 million, against DKK 150 million in 2019, representing an increase of 67% year-on-year.

Profit for the period attributable to H+H International A/S' shareholders was DKK 241 million and DKK 10 million attributable to non-controlling interest. For 2019, the profit attributable to H+H International A/S' shareholders and to non-controlling interest was DKK 149 million and DKK 1 million, respectively.

Other comprehensive income
Other comprehensive income was negative DKK 137 million, against positive DKK 183 million in 2019, a change of DKK 320 million. The main influence being movements in foreign exchange less deferred tax of negative DKK 192 million, hereof DKK 121 million in 2019 related to recycling of cumulative translation differences related to disposed entities, and losses less deferred tax on value adjustment of net pension obligations of DKK 128 million.

Further details can be found in the section "Statement of changes in equity".

Cash flow

Operating activities
Cash flow from operating activities increased by 15% to DKK 425 million, compared to DKK 369 million in 2019, primarily driven by positive working capital development but partly offset by the relatively lower EBITDA.

Investing activities
Cash flow used in investing activities was DKK 206 million, compared with DKK 105 million in 2019. The relatively higher amount year-on-year was mainly driven by acquisitions and disposal of entities for 2020 of negative DKK 72 million against a net positive of DKK 20 million in 2019.

Capital expenditures totalled DKK 134 million, against DKK 126 million in 2019. Despite the relatively higher level year-on-year, the Group immediately re-evaluated its CAPEX plans as part of the resilience plans introduced in the wake of the COVID-19 pandemic. These plans included a postponement of the construction of the Polish CSU factory in Reda, near Gdansk to 2021.

Free cash flow
Free cash flow amounted to DKK 219 million, against DKK 264 million in 2019.

Financing activities
Cash flow from financing activities was positive DKK 6 million in 2020, compared to negative DKK 131 million in 2019. The development is driven by a change in borrowings of DKK 146 million.

Balance sheet

The balance sheet total at 31 December 2020 was DKK 2,909 million, against DKK 2,716 million at 31 December 2019.

Financing
Net interest-bearing debt totalled DKK 230 million on 31 December 2020, and DKK 407 million on 31 December 2019. The net interest-bearing debt to EBITDA ratio was 0.4x compared to 0.8x in the prior year.

Acquisitions of DKK 72 million comprised the acquired company Porenbetonwerk Laussnitz GmbH & Co. KG. and deferred payments related to Grupa Silikaty.

Equity
H+H's equity increased by DKK 138 million in 2020.

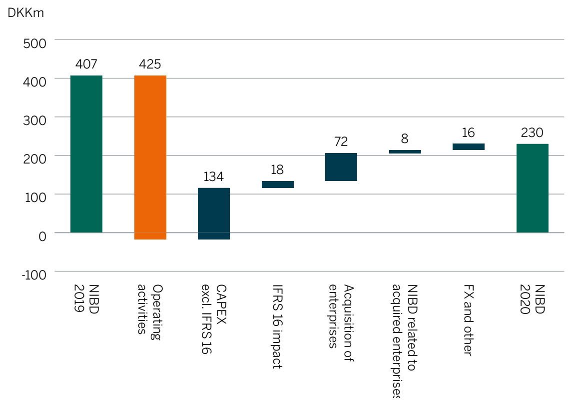
Net gains recognised directly in equity comprise profit for the year of DKK 251 million, foreign exchange adjustments of investments in foreign entities of negative DKK 48 million and a value adjustment of pension obligations less deferred tax of DKK 89 million.

Other changes to equity comprise recognition of non-controlling interests arising from the acquisition of PBWL of DKK 29 million, dividend paid to non-controlling interests of DKK 5 million, recognised costs for share programmes of DKK 4 million and acquisition of treasury shares of DKK 4 million.

Please refer to note 3 "Staff costs", note 20 "Share capital and treasury shares", note 21 "Pension obligations" and note 27 "Business combinations" for further information.

Equity attributable to H+H International A/S' shareholders and to non-controlling shareholders was DKK 1,438 million and DKK 71 million, respectively.

Return on invested capital (ROIC)
Return on invested capital was 18%, compared with 20% in 2019.



Management review for the parent company

Profit for the year was DKK 118 million compared to DKK 131 million in 2019.

Events after the balance sheet date

H+H has after the balance sheet day extended the committed credit facility by one year to April 2024. Please refer to note 30 "Events after the balance sheet date" for further information.

Documents for signing by BoD and/or EB-25-03-20

Key figures Q4

Comments relating to fourth quarter 2020

Revenue
Revenue in local currencies, excluding the acquired and divested businesses (organic growth), increased by 4% in the fourth quarter 2020. Revenue, including the acquired and divested businesses, increased by 3% to DKK 642 million compared to DKK 625 million in 2019.

The positive organic growth in Q4 2020 was mainly driven by Central Western Europe.

Gross profit before special items
The gross margin in Q4 2020 was DKK 196 million, against DKK 191 million in 2019, equalling a gross margin, on par with 2019.

EBITDA before special items
EBITDA before special items increased by 20% to DKK 125 million compared to DKK 104 million in Q4 2019.

The EBITDA margin before special items increased by 2 percentage-points to 19% compared to Q4 2019, driven by lower input costs in the CWE region and lower SG&A across all regions.

Depreciations, amortization and impairment losses
Depreciation, amortization and impairment losses amounted to DKK 51 million compared to DKK 44 million in Q4 2019.

Adjusted for depreciations related to purchase price allocations, depreciations were DKK 39 million against DKK 30 million 2019.

EBIT before special items
EBIT before special items increased by 23% from DKK 60 million in Q4 2019 to DKK 74 million in Q4 2020.

The EBIT margin before special items increased by 2 percentage-points to 12% compared to Q4 2019.

Special items
Special items was DKK 0 million, against negative DKK 8 million in Q4 2019.

In 2019, special items comprised transaction costs of DKK 9 million offset by a net gain after transaction costs of DKK 1 million related to the disposal of the Russian entity.

EBIT
EBIT amounted to DKK 74 million compared to DKK 52 million in Q4 of 2019.

Net financials
Net financials totalled an expense of DKK 7 million in Q4 2020 against and expense of DKK 132 in Q4 2019. Net financials for 2019 were affected by a non-cash effect of recycling of cumulative translation differences related to disposed entities of DKK 121 million.

Profit/loss before tax
Profit before tax was DKK 67 million against a loss before tax of DKK 80 million in Q4 2019. The loss in Q4 2019 was affected by the aforementioned recycling effects.

	Group					Group				
(DKK million)	**2020**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**2019**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**
Income statement										
Revenue	2,654	642	712	596	704	2,840	625	779	770	666
Gross profit before special items	836	196	241	177	222	877	191	263	241	182
EBITDA before special items	521	125	162	104	130	539	104	182	156	97
EBIT before special items	332	74	116	57	85	366	60	137	114	55
Profit/loss after tax for the year	251	66	83	38	64	150	(75)	97	89	39
Balance sheet										
Investments in property, plant and equipment	134	69	22	22	21	126	70	29	16	11
Cash flow										
Cash flow from operating activities	425	120	158	130	17	369	56	165	160	(12)
Cash flow from investing activities	(206)	(67)	(22)	(22)	(95)	(105)	33	(29)	(74)	(35)
Cash flow from financing activities	6	(38)	(59)	(33)	136	(131)	(135)	(99)	61	42
Financial ratios										
Organic growth	(6%)	4%	(7%)	(22%)	2%	6%	(7%)	5%	7%	22%
Gross margin before special items	31%	31%	34%	30%	32%	31%	31%	34%	31%	27%
EBITDA margin before special items	20%	19%	23%	17%	18%	19%	17%	23%	20%	15%
EBIT margin before special items	13%	12%	16%	10%	12%	13%	10%	18%	15%	8%

Tax
Tax amounted to DKK 1 million, against DKK 5 million in Q4 2019. Current tax for Q4 2020 has been offset by adjustment of deferred tax.

Profit/loss for the period
Profit for the period was DKK 66 million, against a loss of DKK 75 million in Q4 2019.

Profit for the period is attributable to H+H International A/S's shareholders by DKK 61 million and to non-controlling interest by DKK 5 million. For Q4 2019, all of the profit was attributable to H+H International A/S' shareholders.

Other comprehensive income
Other comprehensive income amounted to negative DKK 21 million, against DKK 181 million in Q4 2019, driven by actuarial gains net deferred tax of negative DKK 18 million in relation to pension obligations and foreign exchange adjustment related to foreign entities of negative DKK 3 million. Other comprehensive income was in Q4 2019 positively impacted by the recycling of cumulative translation differences related to disposed entities of DKK 121 million.

Further details can be found in the section "Statement of changes in equity".

Cash flow

Operating activities
Cash flow from operating activities amounted to DKK 120 million compared to DKK 56 million in Q4 2019, representing an increase of 114%, mainly driven by higher earnings and a relatively more positive working-capital development.

Investing activities
Net investments in Q4 of 2020 were negative by DKK 67 million compared to a net gain of DKK 33 million in Q4 2019. Net investments in Q4 2019 were positively impacted by a total of DKK 117 million related to the divestment of the Russian entity.

Capital expenditures for Q4 2020 amounted to DKK 69 million, roughly unchanged from Q4 2019.

Free cash flow
Free cash flow declined to DKK 53 million compared to DKK 89 million in Q4 2019.

Financing activities
Cash flow from financing activities was negative DKK 38 million in Q4 2020, compared to negative DKK 135 million in Q4 2019, driven by change in borrowings.

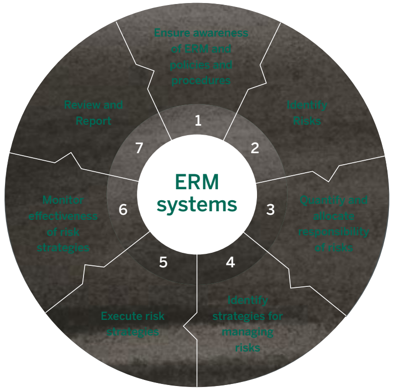
Risk management

The Board of Directors evaluates the Group's risk management processes on a continuous basis to ensure that the risk profile, risk processes and risk awareness are appropriate. Responsibility for Enterprise Risk Management (ERM) effectiveness has been delegated to the Chief Financial Officer.

The risk management processes were updated during 2019 and took full effect in 2020. Deployment of the ERM processes across our main markets included establishing and completing the activities identified in the annual wheel. As part of the integrated ERM processes links were established to both local strategies and the Group strategy, which supports the long-term targets of H+H.

The ERM processes in H+H ensures a dynamic process, involving the identification of risks, an assessment of their probability and the potential impact on business performance, reputation and people. The aim is to mitigate identified key risks to an acceptable level through appropriate ERM processes, but also to take advantage of identified opportunities.

The governance structure for ERM is a "Three Lines of Defence model" consisting of an ERM community as first line, an ERM Committee second line and the Audit Committee as third line.



Three Lines of Defence

1 **ERM Community**

Comprises Group and Subsidiary business representatives, ensuring a balanced and complete bottom-up process. Subsidiary management and Group functional heads conduct an annual risk review, in which all identified key risks are described, discussed and evaluated. They are individually and collectively responsible for ensuring that mitigating actions are implemented to reduce the identified risks to an appropriate level as well as assessing the effectiveness of implemented mitigating actions.

Communicating and ensuring risk compliance

2 **ERM Committee**

Comprised of Group management team members and is responsible for communicating and ensuring risk compliance as well as evaluating the ERM processes. The Committee develops the overall risk strategies and scope for the ERM processes as well as reviewing it's effectiveness. The Committee also reports on assessed risks, effectiveness and mitigating actions to the Audit Committee.

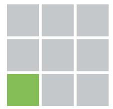
Oversees developments of ERM

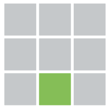
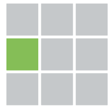
3 **Audit Committee**

Oversees the development of the ERM system, the ongoing reporting on assessed risks and the mitigating actions taken. Responsible for monitoring the overall status of ERM governance as to its performance and relevance.

Top six risks

In the first quarter of 2020, the outbreak of COVID-19 changed the risk landscape for H+H, but due to effective initiation and implementation of comprehensive resilience plans, associated risks were reduced to an acceptable level

	1. Market	2. Production	3. Financial
Probability/ impact			
Risk Description	Risk of a change in market conditions due to a worsening global economy, the COVID-19 pandemic, changes to EU or UK regulation, or the carbon emission agenda resulting lack of demand for and/or substitution away from H+H's products. The markets in which H+H operate tend to be cyclical and to some degree correlate, which could cause a risk of imbalanced earnings. Finally, risks related to competition could occur due to excess production capacity or changes in competitors' pricing strategies.	Risk of reduction in production capacity due to COVID-19, contamination resulting in temporary closure, a shortage of raw material supply or a major breakdown in a production facility causing a mid- to long-term loss of production. Such a shortfall could impact overhead recovery and potentially sales.	Risk of insufficient cash or financing to conduct daily business, execute the growth strategy and to comply with financial covenants. Also, volatility in foreign exchange rates could result in a risk of losses when funds are retrieved to the Group.
Risk Mitigation	At H+H, we continuously monitor our geographical footprint and have a good understanding of our core markets and demographic developments. A structured process for continuously updating mitigation plans exists, and H+H conducts weekly sales monitoring including key leading indicators for signs of changes in the market in order to anticipate potential impact and execute mitigating plans. Furthermore, H+H has established a Group Innovation organisation that will have a strong focus on products and applications for lower carbon emission and productivity at building sites. Finally, H+H closely monitors economic, political and competition developments in and outside our footprint and participate in European interest organisations for masonry products to impact the political environment.	H+H's first priority is to ensure the safety of our employees and visitors, and enhanced safety precautions is implemented across all sites focusing on reducing contamination risk during a pandemic. H+H regularly conducts preventive maintenance checks to limit risk of a major breakdown. Should a major breakdown occur, other plants could mitigate as a short-term option. Furthermore, H+H is insured for breakdowns and business interruptions, so the isolated financial impact is considered low. Finally, H+H dual sources key raw materials to ensure steady supply.	H+H has a committed credit facility with Nordea of DKK 1.1 billion and an additional accordion facility of DKK 0.6 billion not currently utilized. The agreement matures in 2024. The facilities secure funding of daily operations and the growth strategy. Financial covenants are monitored monthly and reported quarterly. Reports show significant headroom. The translation risk is reduced by FX hedging on a transactional basis. When deemed appropriate, H+H participates in government grant schemes (e.g., as in relation to the COVID-19 pandemic).
Risk assesment	Operating in the construction sector, H+H is exposed to political and economic developments, but we believe that we have reduced the risk to an acceptable level through mitigating actions and have during 2020 been able to defend earnings and cashflow in line with long term financial targets. Similarly, as we are market leading in most of our markets, we are able to reduce competition risk to an acceptable level.	Considering the mitigating plans and factory footprint, we believe the risk is medium but acceptable. However, H+H is continuously focusing on improving mitigating actions to production risk. Our aim is to further reduce the risk as the Enterprise Risk Management approach becomes an even more integrated part of our processes.	With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom.

	4. Compliance	5. People	6. IT
Probability/impact			
Risk Description	Risk of lack of compliance with law and regulation, e.g. competition law, GDPR, transfer pricing etc. could result in loss of reputation and/or fines resulting in financial impact.	Risk of incidents or fatalities at our production facilities as they are inherently dangerous workplaces. Risks of a scarcity of qualified labour or lack of succession to key roles.	The risk of growing dependence of the business on technology. Ensuring an effective IT platform and mitigation of threats from cyber security, data leakage and data security are key focus areas for H+H. An extended period of down-time or lack of integration of acquired entities could result in delays and additional costs.
Risk Mitigation	H+H continuously monitors new regulations within all our markets as well as continues training within key areas. Where relevant, H+H will consult specialists before decisions are executed. Code of Conduct policies are deployed and the Management of H+H communicates the importance of compliance and regulation regularly. Also, whistle-blower policies are deployed and communicated across the organisation. H+H has an Environmental, Social and Governance Committee consisting of officers representing each related topic and a compliance team across our footprint to facilitate, implement and ensure awareness to compliance related matters.	Health & Safety are a key management area including KPI monitoring and part of Management renumeration programmes. Internal and external Health & Safety audits are conducted annually in rotation and actions are prioritised and carried out by skilled Health & Safety Managers. HR processes continue to mature through the new HR organisation implemented in 2019. Specific focus for HR includes retaining, developing and recruiting talent as well as succession planning.	H+H has defined its new information security framework, including updated policies, guidelines and tools which will take H+H to the desired information security level. Over the last year, H+H has taken several initiatives to improve the IT platform and the embedded security framework. Also H+H has implemented ongoing cyber awareness training of the employees.
Risk assesment	Risk of a lack of compliance with law and regulations is considered low including mitigating actions taken.	The risk of incidents and fatalities does exist, but it is our assessment that considering the mitigating actions taken, the risk is reduced to an acceptable level. Improved HR processes also contribute to a reduced people risk.	IT related risk is considered low but the likelihood of occurrence will be further reduced as the above mitigating actions are fully implemented.

Sustainability

Sustainability is a strategic enabler of long-term growth for H+H

Buildings are a significant source of energy consumption and greenhouse gas emissions ("GHG") that cause climate change. As such, building materials that ensure energy-efficient building fabrics and help to reduce the life-cycle emissions of buildings are well-positioned for long-term growth. H+H's products qualifies for this.

Sustainability is therefore a strategic enabler of growth for H+H. The Group's approach is based on seizing the opportunity for growth in sustainable building materials, while mitigating the environmental, social and governance risks that are present in its products and operations.

H+H has committed to joining the UN Global Compact and supports the UN Sustainable Development Goals. The SDGs that are strategically important to H+H are highlighted below.

2020 sustainability highlights

Steady safety performance
2020 was the fifth consecutive year with zero employee and contractor fatalities at H+H's sites.

The Lost Time Incidents Frequency was 6, on par with last year and on its path to reach 3 in 2024.

There were zero safety incidents in 19 out of 29 factories.

Net zero by 2050
H+H committed to achieving net-zero emissions in its operations and products by 2050. The target and plan behind are expected to be submitted to achieve verification as 'Science Based Target'.

UN Global Compact
H+H committed to joining the UN Global Compact. H+H's and its products support SDG-11 (Sustainable cities and communities) and SDG-12 (Responsible consumption and production) by nature.

Reduced carbon emissions and carbon intensity
8% reduction in CO_{2e} scope 1 intensity obtained in 2020. Actual scope 1 emissions were 17% lower than last year.

Slight reduction in CO_{2e} scope 2 intensity despite lower production volumes. Actual scope 2 emissions were 6% lower than last year.

Energy intensity was reduced with 3% and on track to meet the 7% reduction target in 2024.

Lower water usage
8% reduction in water intensity and 16% lower water usage than last year. This is exceeding the targeted reductions set out for 2024.

Policy updates
During 2020, H+H introduced an ESG policy and a Diversity policy and updated its Code of Conduct and Code of Conduct for suppliers.

First separate sustainability report
H+H's sustainability approach and progress on sustainability priorities are described in further detail in the Group's first separate sustainability report. Pursuant to section 99a of the Danish Financial Statements Act, the 2020 Sustainability Report is available on H+H' website at https://www.hplush.com/environment

Shareholder information

H+H International A/S is listed on the Nasdaq Copenhagen stock exchange and is trading under the ticker symbol, HH.

Share price development
The H+H International A/S share started the year at a price of DKK 124.80 and closed the year at DKK 132.00. The OMX Copenhagen Mid-Cap index increased by 22% in 2020, and the Danish KAXCAP index, an index comprising all stocks listed on the Nasdaq Copenhagen stock exchange, increased by 28%.

The market value of H+H was DKK 2,374 million at the end of the year.

The year's highest traded price was DKK 144.80 on 13 November and the lowest traded price was DKK 63.90 on 23 March.

The average daily turnover was 46,377 shares representing an increase of 56% relative to 2019.

Share capital
H+H's share capital is divided into 17,983,365 shares with a nominal value of DKK 10 per share. All the Group's shares enjoy the same voting and dividend rights. At the end of 2020, H+H held a total of 97,946 treasury shares to cover part of or all its obligations under the share-based incentive scheme.

Share information

Exchange	Nasdaq Copenhagen
ISIN code	DK0015202451
Ticker symbol	HH
No. of shares	17,983,365
Denomination	DKK 10 per share
Share capital	DKK 179,833,650
Voting rights	One vote per share

Composition of shareholders
At the end of the year, H+H had a total of 4,749 registered shareholders (collectively holding 92% of the share capital), representing a decrease of 4% compared to 2019. The majority (56%) lies with Danish institutional shareholders. The following table shows three shareholders each holding more than five percent of the share capital.

Major shareholders at 31 December 2020

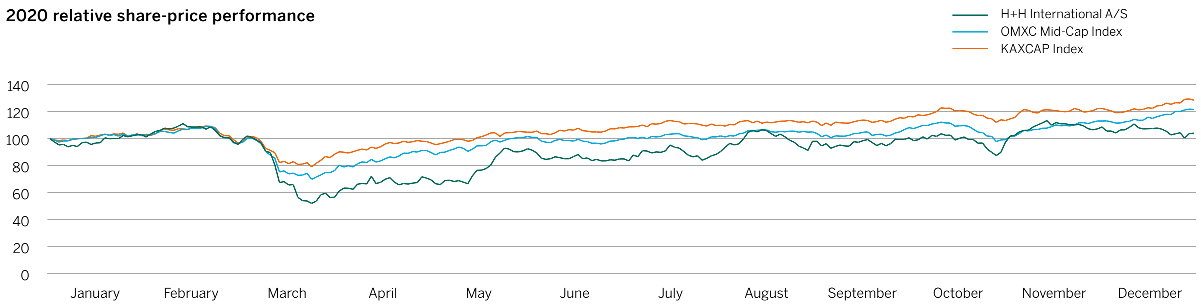
ATP, Denmark	11.72%
Nordea Funds Ltd.	7.65%
Handelsbanken Fonder AB	5.14%

Approximately 15% of the share capital is held by Danish retail investors.

Share buy-back programme
The Board of Directors has decided to initiate a share buy-back programme of up to DKK 100 million. The purpose of the share buy-back programme is to adjust the capital structure of H+H.

H+H intends to announce further details regarding the share buy-back programme in a separate Company Announcement.

2020 relative share-price performance



H+H will announce the number of shares bought back and their value in separate Company Announcements in detailed and in summarised form.

H+H is entitled to suspend or stop the share buy-back programme at any time subject to an announcement to Nasdaq Copenhagen.

Annual General Meeting
The next annual general meeting will be held on 26 March 2021. The time and place will be announced in the notice to convene the annual general meeting as published in a Company Announcement and on the Group's website. The notice will be published no earlier than five weeks and no later than three weeks prior to the annual general meeting. Documents for use at the annual general meeting will be made available on the H+H's website, www.HplusH.com, no later than three weeks before the meeting. Shareholder proposals for the agenda of the annual general meeting must be submitted no later than six weeks before the meeting (i.e., before 11 February 2021).

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

Investor Relations
The purpose of H+H's financial communications and other investor relations activities is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of the H+H share. Relevant investor information is available on H+H's website, www.hplush.com/investor-relations.

Since joining the OMX Copenhagen Mid-Cap Index in 2019, H+H has further developed its investor relations activities and now has a dedicated investor relations resource. To ensure that capital market participants, including current and prospective shareholders, are able to make well-informed investment decisions, H+H seeks a transparent and active dialogue with all financial market participants, including investors, sell-side analysts, journalists, and the general public, via conference calls, participation in investor meetings and equity conferences, and social media.

H+H is currently covered by three sell-side analysts who regularly publish equity research reports about the company. A list of analysts covering H+H can be found on the Group's investor relations website, https://www.hplush.com/analysts-and-share-analyses. H+H is not normally available for dialogue about financial matters in the three-week period leading up to the publication of an interim financial report or the annual report. Inquiries concerning investor relations issues should be addressed to the Group's Investor Relations and Treasury Manager via email to Shareholder@HplusH.com.

Financial calendar 2021

Date	Title
26 March 2021	Annual General Meeting, including the adoption of the 2020 Annual Report
17 May 2021	Interim Financial Report Q1 2021
12 August 2021	Interim Financial Report H1 2021
10 November 2021	Interim Financial Report Q1-Q3 2021

Corporate Governance

Pursuant to the Articles of Association of H+H International A/S, the Board of Directors shall consist of four to eight members elected at the general meeting for a term that expires at the next annual general meeting. Currently, the Board of Directors consists of six shareholder-elected board members.

Board of Directors

In light of the Group's current growth strategy, the main competences relevant for the Board of Directors are deemed to be strategy development and execution and in-depth experience in relation to integration processes for acquired businesses, including special focus on finance, IT and HR issues, risk management, and ESG-driven business development as well as innovation, and commercial and operational experience in H+H's main markets of Poland, Central Western Europe and the UK.

The Board of Directors' annual self-evaluation procedure for 2020 was managed by an external expert who, based on each board member's answers to a questionnaire concerning various subject matters, conducted one-on-one conversations with each board member. The feedback from the external expert led the Board of Directors to conclude that the collective competences of the Board of Directors match the overall needs of H+H considering the Group's risks and opportunities, that the number of board members is appropriate, and that the cooperation between the board members and with the Executive Board and the chairman's leadership of the Board of Directors are all good and effective.

In light of the conclusions of the board evaluation and in order to safeguard the need for continuity considering the more complex management of risks due to the effects of the Covid-19 pandemic, the Board of Directors will propose that all current six board members are re-elected at the annual general meeting on 26 March 2021.

In 2021, the Board of Directors will re-evaluate the board-committee structure as well as the composition of the Board of Directors in respect of diversity.

All remuneration to the Board of Directors follows the principles set out in the Remuneration Policy as well as the specific board fee amounts—all approved at the annual general meeting on 2 April 2020. Detailed information about the remuneration received by each member of the Board of Directors is provided in the Remuneration Report for 2020. The Remuneration Policy and the Remuneration Report for 2020 are both available at www.HplusH.com.

Attendance at the board meetings and board committee meetings is shown in the table on the next page, and the attendance rate is found to be satisfactory. Board members unable to participate will, except in the case of non-planned sudden hindrances, read the agenda and background material for the meeting and then submit comments and input prior to the meeting to ensure that the views of all members are considered at the meeting.

Corporate governance

The Corporate Governance recommendations applicable for 2020 are the recommendations as updated in November 2017. H+H has issued a statutory annual corporate governance statement pursuant to section 107b of the Danish Financial Statements Act. The statement shows that H+H follows the recommendations in all material respects, and explanations to the few deviations are provided in the statement. The statement can be found at the Group's website at www.HplusH.com/corporate-governance-statement.

Diversity

Pursuant to section 139c of the Danish Companies Act, H+H has set a target for the gender distribution of the Board of Directors, whereby the Board shall seek to ensure that each gender is represented

- (i) by at least one shareholder-elected member when the Board of Directors has four shareholder-elected members;
- (ii) by at least two shareholder-elected members when the Board of Directors has five to seven shareholder-elected members; and
- (iii) by at least three shareholder-elected members when the Board of Directors has eight shareholder-elected members

The aim is to achieve the target no later than by the annual general meeting to be held in 2023. The target was not achieved in 2020, as the number of female board members remained at one out of six members, since there were no changes to the board composition during 2020. However, the Board of Directors finds the target achievable within the set deadline and, as stated above, one of the focus points in 2021 from the Board of Directors' annual evaluation will be the diversity of the Board of Directors, including how to achieve the set gender target within the deadline.

Due to H+H International A/S's small organisation, the company is not obliged by law to have a gender policy for its different management levels as otherwise stipulated in section 139a (cf., the exemption in section 139a(7) of the Danish Companies Act). Accordingly, due to its relatively small size with only 17 employees at year-end, the Company has for the time being opted not to have a gender diversity policy, as the expectation of limited or no changes to the staff in any given year would make it difficult to achieve gender diversity targets within a meaningful time frame.

Instead, since H+H finds it relevant to focus on diversity in a broader sense encompassing not only gender, but also other aspects, including but not limited to age, education and skills, experience, geographical and cultural background, a Diversity Policy for the Group was established in 2019, which can be found on www.HplusH.com/diversity. The Diversity Policy applies to all executives and employees of the Group and has as its purpose to foster an inclusive and open working climate where diversity is embraced and promoted, since H+H recognises the advantages of diversity. Having a diverse mix of cultures, backgrounds, genders, skills, expertise, and experiences ensures a dynamic organisation that continues to develop and advance exactly due to its diversity, whereas having a monoculture creates a risk of overlooking relevant opportunities and risks due to the right questions not being asked.

Even though H+H International A/S due to its limited number of employees is not subject to the requirements of diversity in general (i.e., not only gender) for its Board of Directors and the Executive Board as set out in section 107d of the Danish Financial Statements Act, the current Board of Directors and the Executive Board is considered to be diverse, as the members represent very different competences and experiences, five different nationalities and ages ranging from early 40's up to early 70's. As stated earlier, it is acknowledged that gender diversity is lagging in the Board of Directors and for that reason, diversity will be one of the focus areas of the annual evaluation of the Board of Directors.

Board meeting and board committee meeting attendance

		Meetings				Meetings				Meetings				Meetings		
	Board	2020	2019	2018	Audit Committee	2020	2019	2018	Remuneration Committee	2020	2019	2018	Nomination Committee	2020	2019	2018
Kent Arentoft,	Chairman	●●●●●●	6/6	8/8	-	-	-	-	Chairman	●●●	3/3	2/2	Chairman	●	1/1	1/1
Stewart Antony Baseley	Member	●●●●●●	6/6	8/8	-	-	-	-	Member	-	1/1	2/2	Member	●	1/1	1/1
Volker Christmann	Member	●●●●●●	5/6	7/8	-	-	-	-	Member	●●●	1/1	1/1	-	-	-	-
Pierre-Yves Jullien	Member	●●●●●○	6/6	8/8	Member	●●●●	4/4	-	Member	-	3/3	1/1	Member	●	1/1	-
Miguel Kohlmann	Member	●●●●●●	6/6	5/5	-	-	-	-	Member	●●●	-	-	-	-	-	-
Helen MacPhee	Member	●●●●●●	5/5	-	Chairman	●●●●	3/3	-	-	-	-	-	-	-	-	-
Former members	Member	-	1/1	2/3	Member	-	1/1	5/5	-	-	-	-	Member	-	-	1/1
		-	-	7/8		-	-	2/2	-	-	-	-	-	-	-	-
Attendance rate		**97%**	**97%**	**93%**		**100%**	**100%**	**100%**		**100%**	**100%**	**100%**		**100%**	**100%**	**100%**

The overall attendance rate is measured as:

$$\frac{\text{The total number of meetings attended by each member x 100}}{\text{(number of meetings x number of members)}}$$

● Attended
○ Not attended

Board of Directors

Kent Arentoft, Chairman
Male. Born 1962. Danish.

Chairman of DSVM Invest A/S and subsidiaries (Denmark).

Joined the Board of Directors in 2013. Chairman since 2013. Member of the Nomination Committee (Chairman) and Remuneration Committee (Chairman).

Indirectly holds 60,000 H+H shares via a company he controls, with a change of 20,000 shares in the holding in 2020.

Independent as defined in the Danish Recommendations on Corporate Governance.

Broad organization and management experience in international companies in the building materials and contracting sector, particularly within strategy development and M&A transactions.

Other management positions and directorships
Chairman of the Board of Directors of Cembrit Group A/S and subsidiaries (Denmark)
Member of the Board of Directors of Solix Group AB (Sweden) and Per Aarsleff Holding A/S (Denmark)

Stewart Antony Baseley
Male. Born 1958. British.

Executive Chairman, Home Builders Federation and Board of Directors member of four subsidiaries (UK).

Joined the Board of Directors in 2010. Member of the Nomination Committee.

Holds 19,000 H+H shares with no change in his holding in 2020.

Independent as defined in the Danish Recommendations on Corporate Governance.

Experience in the international housebuilding industry and the developer industry, particularly in the UK, as well as international management experience.

Other management positions and directorships
Chairman of Fuerst Day Lawson Holdings Limited (UK) and Highlander-Partners (Poland) (two group-related companies) and Troy Homes Limited (UK).
Member of the Board of Directors of Sferra Fine Linens UK Limited (UK) and Quantum Food Group Ltd. (UK) (two group-related companies). Patron of Children with Speciel Needs Foundation (UK).

Volker Christmann
Male. Born 1957. German.

Managing Director, Senior Vice President Insulation Central Europe, Member of Group Management ROCKWOOL International A/S. Chairman of the Board of Directors of two companies in the ROCKWOOL Group, managing director of five companies in the ROCKWOOL Group and member of the Board of Directors of ROCKWOOL Foundation.

Joined the Board of Directors in 2017. Member of the Remuneration Committee.

Holds no H+H shares, with no changes in his holding in 2020.

Independent as defined in the Danish Recommendations on Corporate Governance.

Extensive experience within the building materials production sector of Central Europe, particularly in Germany.

Other management positions and directorships
Chairman of the Board of Directors of BuVEG (Bundesverband energieeffiziente Gebäudehülle) (Germany).
Member of the Board of Directors of FIW (Forschungsinstitut für Wärmtechnik) (Germany).

Pierre-Yves Jullien
Male. Born 1950. French.

Professional board member and advisor.

Joined the Board of Directors in 2010. Member of the Audit Committee and the Nomination Committee.

Holds no H+H shares, with no changes in his holding in 2020.

Independent as defined in the Danish Recommendations on Corporate Governance.

Experience in management of a major global production company, including turnarounds and efficiency improvement as well as B-t-B sales.

Other management positions and directorships
Member of the Board of Directors of Saudi Arabian Packaging Industry W.L.L. (Saudi Arabia and United Arab Emirates).
Vice President of the Danish Chamber of Commerce (France) and member of the Danish Tunisian Chamber of Commerce (Denmark).

Miguel Kohlmann
Male. Born 1962. German & Brazilian.

Professional board member and advisor.

Joined the Board of Directors in 2018. Member of the Remuneration Committee.

Holds no H+H shares, with no changes in his holding in 2020.

Independent as defined in the Danish Recommendations on Corporate Governance.

Extensive management experience in building materials and industry on a global scale. Worked in controlling, sales, production and general management.

Other management positions and directorships
Chairman of the Board of Directors of Ewellix AB (Sweden), Pfleiderer Gmbh (Germany) and Logstor A/S (Denmark).
Member of the Board of Directors of Archroma Holdings SARL (Luxembourg) and Paul Bauder Gmbh (Germany).

Helen MacPhee
Female. Born 1962. British.

Vice President of Finance, AstraZeneca plc (UK).

Joined the Board of Directors in 2019. Member of the Audit Committee (Chairman).

Holds no H+H shares, with no changes in her holding in 2020.

Independent as defined in the Danish Recommendations on Corporate Governance.

Extensive experience within strategic and operational finance as well as international experience in change management, financial oversight and control, governance and risk frameworks and international talent development.

Other management positions and directorships
N/A

Executive Board

Remuneration

In accordance with the Remuneration Policy, the Executive Board members' remuneration comprises the following components:

The allocation of the remuneration components and the total remuneration to each Executive Board member are subject to an annual assessment by the Remuneration Committee, and any adjustments are decided by the Board of Directors.

The aim of the remuneration package is that it shall, at all times, be sufficiently competitive to enable H+H to attract, motivate, and retain Executive Board members with the relevant qualifications, and to ensure both short-term and long-term high-level performance by the each member.

Through a larger value allocation of the total remuneration to the long-term incentive programme (up to 60%) than the short-term incentive programme (up to 40%) there is sufficient motivation to achieve the annual strategic targets, while still ensuring that the primary focus of the Executive Board members is the long-term, sustainable profitability of H+H in line with the long-term strategy and the interests of the Group's shareholders. Alignment with shareholder interests is further enhanced through the three-year revolving vesting periods for the share-based, long-term incentive programmes, as it ensures that a large part of each Executive Board member's remuneration is continuously dependent on the share price development of the H+H share. Further, the share-based, long-term incentive programmes acts as a retention measure, as any unvested shares shall expire without compensation, should a member of the Executive Board resign without the company being in breach.

Current annual remuneration components for executive board members	**Remuneration policy – annual maximum value allowed**
Fixed salary (currently no pension contributions)	N/A
Ordinary benefits (cell phone and broadband subscriptions, health insurance etc.)	N/A
Non-ordinary benefits (currently only a company car for each executive board member)	Max. value ~ 10% of annual fixed salary
Cash-based short-term incentive program	Max. value ~ 40% of annual fixed salary
Share-based long-term incentive program	Max. value at initiation ~ 60% of annual fixed salary

Michael Troensegaard Andersen Male. Born 1961. Danish.	**Peter Klovgaard-Jørgensen** Male. Born 1978. Danish.
CEO since 2011	CFO since 2019
Holds 48,810 H+H shares, with a change of net 7,810 shares in his holding in 2020.	Holds 2,839 H+H shares, with no change in his holding in 2020.
Background	**Background**
2008-2011: President of global business unit in Trelleborg Group with 10 subsidiaries in Europe, USA and Asia	2016-2019: CFO in ISS Denmark A/S (Denmark)
2004-2008: Managing Director of Trelleborg Sealing Solutions Helsingør A/S (Denmark)	2014-2016: Head of Finance in ISS Denmark A/S (Denmark)
1997-2004: Alto International A/S (now part of Nilfisk Group). Executive positions within sales, marketing and general management.	2010-2014: Treasury Vice President in ISS Group
Board member of Hansen Group A/S	Prior: Auditor in EY
Education	**Education**
MSc. (Engineering and a B.Comm. (Accounting))	MSc. (Business Economics and Auditing)

More detailed information on the remuneration of the members of the Executive Board is available in the Remuneration Report for 2020 which is available at HplusH.com/remuneration-report.

Financial statements

Income statement

		Group		Parent company	
Note	**(DKK million)**	**2020**	**2019**	**2020**	**2019**
2	Revenue	2,654	2,840	0	0
3, 18	Cost of goods sold	(1,818)	(1,963)	0	0
	Gross profit before special items	**836**	**877**	**0**	**0**
3	Sales costs	(151)	(159)	0	0
3	Administrative costs	(168)	(180)	(60)	(65)
4	Other operating income and costs, net	4	1	47	56
	EBITDA before special items	**521**	**539**	**(13)**	**(9)**
5	Depreciation, amortisation and impairment losses	(189)	(173)	(2)	(1)
	EBIT before special items	**332**	**366**	**(15)**	**(10)**
6	Special items, net	0	(8)	0	(3)
	EBIT	**332**	**358**	**(15)**	**(13)**
7	Financial income	2	1	145	171
8	Financial expenses	(27)	(154)	(17)	(31)
	Profit before tax	**307**	**205**	**113**	**127**
9	Tax on profit	(56)	(55)	5	4
	Profit for the year	**251**	**150**	**118**	**131**
	Profit for the year attributable to:				
	H+H International A/S' shareholders	241	149	118	131
	Non-controlling interest	10	1	0	0
	Profit for the year	**251**	**150**	**118**	**131**
12	Earnings per share (EPS-Basic) (DKK)	13.5	8.3		
12	Diluted earnings per share (EPS-D) (DKK)	13.5	8.3		

Statement of comprehensive income

		Group		Parent company	
Note	**(DKK million)**	**2020**	**2019**	**2020**	**2019**
	Profit for the year	**251**	**150**	**118**	**131**
	Other comprehensive income:				
	Items that will not be reclassified subsequently to the income statement:				
21	Actuarial losses and gains	(110)	47	0	0
	Tax on actuarial losses and gains	21	(8)	0	0
		(89)	39	0	0
	Items that may be reclassified subsequently to the income statement:				
13	Foreign exchange adjustments, foreign entities	(48)	144	0	0
	Tax on foreign exchange adjustments, foreign entities	0	0	0	0
		(48)	144	0	0
	Other comprehensive income after tax	**(137)**	**183**	**0**	**0**
	Total comprehensive income for the year	**114**	**333**	**118**	**131**

Balance sheet at 31 December

Assets

Note	(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
	Goodwill	211	196	0	0
	Customer relations	244	231	0	0
	Other intangible assets	14	12	0	0
14	**Intangible assets**	**469**	**439**	**0**	**0**
	Land and buildings	709	714	0	0
	Plant and machinery	642	671	0	0
	Other equipment, fixtures and fittings	87	74	7	8
	Assets under construction	100	99	0	0
15	**Property, plant and equipment**	**1,538**	**1,558**	**7**	**8**
16	Deferred tax assets	18	12	10	10
17	Equity investments in subsidiaries	0	0	1,230	1,252
	Investments in associated companies	1	1	0	0
	Other receivables	5	7	0	0
	Receivables from subsidiaries	0	0	747	752
	Other non-current assets	**24**	**20**	**1,987**	**2,014**
	Total non-current assets	**2,031**	**2,017**	**1,994**	**2,022**
18	Inventories	282	303	0	0
19	Trade receivables	80	101	0	0
	Group debtors	0	0	59	64
19	Other receivables	29	28	1	1
	Prepayments	6	5	1	0
	Cash	481	262	353	186
	Current assets	**878**	**699**	**414**	**251**
	Total assets	**2,909**	**2,716**	**2,408**	**2,273**

Equity and liabilities

Note	(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
20	Share capital	180	180	180	180
	Translation reserve	(147)	(99)	0	0
	Retained earnings	1,405	1,253	1,310	1,192
	Equity attributable to H+H International A/S's shareholders	1,438	1,334	1,490	1,372
	Equity attributable to non-controlling interests	71	37	0	0
	Equity	**1,509**	**1,371**	**1,490**	**1,372**
21	Pension obligations	147	64	0	0
22	Provisions	34	33	0	0
16	Deferred tax liabilities	130	137	0	0
	Lease liabilities	84	96	1	1
23	Credit institutions	609	558	572	545
	Non-current liabilities	**1.004**	**888**	**573**	**546**
23	Credit institutions	0	0	0	0
	Trade payables	180	207	5	6
	Lease liabilities	18	15	5	6
	Income tax	30	18	0	0
	Payables to subsidiaries	0	0	320	327
	Deferred payment, acquisition of subsidiary	0	24	0	0
22	Provisions	6	11	0	0
	Other payables	162	182	15	16
	Current liabilities	**396**	**457**	**345**	**355**
	Total liabilities	**1,400**	**1,345**	**918**	**901**
	Total equity and liabilities	**2,909**	**2,716**	**2,408**	**2,273**

Cash flow statement

		Group		Parent company	
Note	**(DKK million)**	**2020**	**2019**	**2020**	**2019**
	Operating profit/loss	332	358	(15)	(13)
8	Financial income, received	3	1	21	22
9	Financial items, paid	(23)	(26)	(17)	(22)
5	Depreciation, amortisation and impairment losses	189	173	2	1
	Gain on disposal of property, plant and equipment	0	(1)	0	0
	Loss on disposal of property, plant and equipment	4	0	0	0
	Other adjustments with non-cash effects	1	2	4	0
	Change in inventories	20	(33)	0	0
	Change in receivables	21	45	4	(53)
	Change in trade payables and other payables	(38)	(52)	(2)	4
	Change in provisions and pension contribution	(28)	(33)	0	0
	Income tax paid	(56)	(65)	5	0
	Operating activities	**425**	**369**	**2**	**(61)**
	Sale of property, plant and equipment	0	1	0	0
	Change in borrowings to subsidiares	0	0	(2)	191
	Capital increase and reductions in subsidiaries	0	0	22	0
7	Dividend from subsidiaries	0	0	124	125
27	Acquisition of enterprises and related deferred payments	(72)	(97)	0	0
26	Disposal of of enterprises	0	117	0	0
14, 15	Acquisition of property, plant and equipment and intangible assets*	(134)	(126)	0	(1)
	Investing activities	**(206)**	**(105)**	**144**	**315**
	Free cash flow	**219**	**264**	**146**	**254**

		Group		Parent company	
Note	**(DKK million)**	**2020**	**2019**	**2020**	**2019**
23	Change in borrowings	51	(95)	27	(65)
	Debt from acquisitions	(15)	(13)	0	0
	Change in lease liabilities	(21)	(19)	(1)	(1)
	Dividend to non-controlling interests	(5)	0	0	0
	Acquisition of treasury shares	(4)	(4)	(4)	(4)
	Financing activities	**6**	**(131)**	**22**	**(70)**
	Cash flow for the year	**225**	**133**	**168**	**184**
	Cash and cash equivalents at 1 January	262	133	186	1
26,27	Cash related to the acquired and divested enterprises	8	(8)	0	0
	Foreign exchange adjustments of cash and cash equivalents	(14)	4	(1)	1
	Cash and cash equivalents at 31 December	**481**	**262**	**353**	**186**

* Cash flow from acquisitions of property, plant and equipment and intangible assets is offset by financial leases (IFRS 16) of DKK 18 million in 2020 (2019: DKK 33 million).

Statement of changes in equity

Group

(DKK million)	Share capital	Translation reserve	Retained earnings	H+H shareholders share	Non-controlling interests' share	Total
Equity at 1 January 2019	**180**	**(243)**	**1,063**	**1,000**	**0**	**1,000**
Profit for the year	0	0	149	149	1	150
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	0	144	0	144	0	144
Actuarial gains/losses on pension plans	0	0	47	47	0	47
Tax on other comprehensive income	0	0	(8)	(8)	0	(8)
Net gains recognised directly in equity	**0**	**144**	**39**	**183**	**0**	**183**
Total comprehensive income	**0**	**144**	**188**	**332**	**1**	**333**
Acquisition of treasury shares	0	0	(4)	(4)	0	(4)
Share-based payment	0	0	6	6	0	6
Non-controlling interests arising from acquisition	0	0	0	0	36	36
Total changes in equity	**0**	**144**	**190**	**334**	**37**	**371**
Equity at 31 December 2019	**180**	**(99)**	**1,253**	**1,334**	**37**	**1,371**
Profit for the year	0	0	241	241	10	251
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	0	(48)	0	(48)	0	(48)
Actuarial gains/losses on pension plans	0	0	(110)	(110)	0	(110)
Tax on other comprehensive income	0	0	21	21	0	21
Net gains recognised directly in equity	**0**	**(48)**	**(89)**	**(137)**	**0**	**(137)**
Total comprehensive income	**0**	**(48)**	**152**	**104**	**10**	**114**
Acquisition of treasury shares	0	0	(4)	(4)	0	(4)
Share-based payment	0	0	4	4	0	4
Non-controlling interests arising from acquisition	0	0	0	0	29	29
Dividend to non-controlling interests	0	0	0	0	(5)	(5)
Total changes in equity	**0**	**(48)**	**152**	**104**	**34**	**138**
Equity at 31 December 2020	**180**	**(147)**	**1,405**	**1,438**	**71**	**1,509**

Parent company

(DKK million)	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	**180**	**1,059**	**0**	**1,239**
Profit for the year	0	131	0	131
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**131**	**0**	**131**
Acquisition of treasury shares	0	(4)	0	(4)
Share-based payment	0	6	0	6
Total changes in equity	**0**	**133**	**0**	**133**
Equity at 31 December 2019	**180**	**1,192**	**0**	**1,372**
Profit for the year	0	118	0	118
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**118**	**0**	**118**
Acquisition of treasury shares	0	(4)	0	(4)
Share-based payment	0	4	0	4
Total changes in equity	**0**	**118**	**0**	**118**
Equity at 31 December 2020	**180**	**1,310**	**0**	**1,490**

Notes to the consolidated financial statements

Notes – Financial statements

1 General accounting policies

The annual report for the period 1 January - 31 December 2020 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) and separate financial statements for the parent company.

H+H International A/S is a public limited company registered in Denmark. The annual report of H+H International A/S for 2020 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The Board of Directors and Executive Board discussed and approved the annual report of H+H International A/S for 2020 on 4 March 2021. The annual report for 2020 will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 26 March 2021.

Basis of preparation
The annual report is presented in DKK, which is the parent company's functional currency, rounded to the nearest DKK 1 million. The annual report has been prepared using the historical cost principle. However, derivatives are measured at fair value, and noncurrent assets and disposal classified as held for sale are measured at the lower of their carrying amount before the reclassification and fair value less selling costs.

Compared to last year an accounting policy for government grants has been implemented. Except for this, the accounting policies are unchanged compared to last year. Accounting policies have been applied consistently throughout the financial year and for the comparative figures, if not mentioned otherwise.

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

Adoption of new, revised and amended IFRSs effective 1 January 2020
H+H International A/S has adopted all relevant new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2020. It is assessed that they have not had a material impact on the consolidated financial statement.

Other new interpretations effective 1 January 2020
It is assessed that application of other new interpretations effective on 1 January 2020 has not had a material impact on the consolidated financial statements.

New, revised and amended IFRS Standards effective 1 January 2021
It is assessed that new, revised or amended IFRSs and Interpretations effective from 1 January 2021 will not have a material impact on the consolidated financial statements.

New, revised and amended IFRSs and interpretations not yet adopted by EU
It is assessed that new, revised or amended IFRSs and interpretations that have been issued but not yet adopted by EU as at 31 December 2020 will not have a material impact on the consolidated financial statements.

Description of accounting policies

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

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

Equity investments in subsidiaries are offset against the proportionate share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition. Accounting items of subsidiaries are fully recognised in the consolidated financial statements.

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

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

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

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

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

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

Notes – Financial statements

1 General accounting policies – continued

On the disposal of partially owned foreign subsidiaries, the part of the translation reserve attributable to non-controlling interests is not transferred to the income statement. On the partial disposal of foreign subsidiaries without loss of control, a proportionate share of the translation reserve is transferred from the parent company shareholders' share of equity to non-controlling interests' share of equity.

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

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

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

Cash flows in currencies other than the functional currency are translated at average exchange rates, unless these deviate significantly from the rates at the transaction date. Cash flows from operating activities are determined as operating profit adjusted for depreciations, amortization and impairment losses, non-cash operating items, change in working capital, pension contributions, interest received and paid, and income tax paid.

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

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

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.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in liabilities in the balance sheet.

Financial ratios
Other financial ratios have been prepared in accordance with the Danish Finance Society's guidelines.
The financial ratios under Key figures have been calculated as follows:

Gross margin	Gross profit x 100	Revenue
EBITDA margin	EBITDA x 100	Revenue
EBIT margin	EBIT x 100	Revenue
Return on invested capital *	EBIT	Average invested capital
Earnings per share (EPS) **	Profit/loss for the year	Average number of shares outstanding
Diluted earnings per share (EPS-D) **	Diluted earnings	Diluted average number of shares outstanding
Return on equity	Profit/loss for the year x 100	Average equity excl. non-controlling interests
Solvency ratio	Equity at year-end (attributable to H+H) x 100	Total equity and liabilities, year-end
Book value per share, year-end	Equity (in H+H),year-end	Number of shares, year-end
Price/book value	Share price	Book value per share, year-end
Price-earnings ratio (PE)	Share price	Earnings per share
Frequency of accidents	Number of lost time accidents x 1 million	Hours worked
Payout ratio	Total dividend paid x 100	Profit/loss for the year
Free cash flow	The sum of cash flow from operating and investing activities	
NIBD/EBITDA	Net interest-bearing debt, year-end	EBITDA

* Return on invested capital is measured on a twelve months basis. Invested capital is calculated as net working capital plus tangible assets and intangible assets excluding goodwill deducted by provisions and operating non-current liabilities. Net working capital is defined as inventories, trade receivables, other receivables, prepayments deducted by trade payables and other payables.

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

Notes – Financial statements

1 General accounting policies – continued

Glossary

EBITDA	Operating profit/loss before depreciation, amortization and financial items
EBIT	Operating profit/loss before financial items
Special items	Refer to note 6 for accounting policy for special items.
Margins before special items	Consists of defined margins adjusted for special items re above and note 6.
Organic growth	Revenue growth excluding effects from changes in foreign exchange rates and revenue from acquisitions and divestments

Significant accounting estimates and judgements

Determining the carrying amounts of some assets and liabilities requires Management to make judgements, estimates and assumptions concerning future events. The estimates and assumptions made are based on historical experience and other factors that are believed by Management to be sound under the circumstances but that, by their nature, are uncertain and unpredictable. The estimates and assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the H+H Group is subject to risks and uncertainties that may lead to the actual outcomes differing from these estimates and assumptions. It may be necessary to change estimates and assumptions made previously as a result of changes in the factors on which these were based or as a result of new knowledge or subsequent events.

Critical accounting estimates and assumptions made in connection with the financial reporting are set out in the following notes:
- Impairment testing of intangible assets, note 14
- Lease and service contracts, note 15
- Recovery of deferred tax assets, note 16
- Investments in subsidiaries, note 17
- Defined benefit pension plans, note 21
- Disposed entities and assets held for sale, note 26
- Business combinations, note 27

Given the evolving nature of the Covid-19 pandemic and the uncertainties involved, we will monitor the situation and implication on Group's financial position, activities and cash flows. Depending on the escalation of Covid-19 in the future and thereby the long-term impact for H+H, there is an inherent risk that the estimates and judgements made in the consolidated financial statements for 2020 could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position. As of 31 December 2020, we have included updated estimates to assess the recoverability of our asset base, including expected credit losses. We have made no specific impairments of assets and no additional obligations or liabilities have been recognised as a direct result of Covid-19.

Further information is provided in the Management Review where Management has outlined their view and response to the outbreak of Covid-19 including specific information on contingency planning.

Notes – Income statement

2 Segment information

Key customers
One customer in the United Kingdom represented approx. 19% of the H+H Group's total revenue in 2020 (2019: approx. 18%). The following geographical areas in the Group represent more than 10% of revenue or non-current assets.

	Group			
(DKK million)	**2020**		**2019**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
UK	639	216	877	235
Central Western Europe	1,299	1,381	1,106	1,329
Poland	716	414	773	435
Other countries and eliminations*	0	20	84	18
	2,654	**2,031**	**2,840**	**2,017**

* Revenue included in "Other countries and eliminations" for 2019 comprise Russia.

When presenting information on geographical areas, information on revenue is based countries except for "Central Western Europe" which comprise of Germany, Switzerland, Denmark, Sweden, Czech Republic, Holland and Belgium. Revenue for Germany amounts to DKK 885 million (2019: DKK 716 million). All revenue relates to sales of goods and transport services.

Revenue in Denmark was DKK 197 million in 2019 (2019: DKK 184 million). Non-current assets in Denmark at year-end 2020 amounted to DKK 21 million (2019: DKK 19 million).

Accounting policies
The reporting of operating segments is in accordance with the internal reporting to the Executive Management which constitute H+H's chief operating decision maker. Segment information is prepared in accordance with H+H's accounting policies and the internal financial reporting framework.

H+H has identified several operating segments which has been aggregated into one reporting segment. The operating segments all share similar economic characteristics, are similar in the nature of products, production processes and customer base as well as in distribution methods.

Executive Management is responsible for decisions about overall resource allocation and performance assessment. Business decision on resource allocation and performance evaluation for each of the operating segments are made on basis of EBIT before special items. Decision on financing and tax are made for H+H as a whole.

Segment income and expenses as well as segment assets are those items that are directly attributable to the individual segment or can be allocated to the segment on a reliable basis. Unallocated items comprise primarily of items relating to H+H's administrative functions, investing activities etc.

3 Staff costs

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Wages and salaries	458	482	30	30
Defined contribution plans, see note 20	8	10	0	0
Share-based payment	4	6	4	6
Remuneration to the Board of Directors	3	2	3	2
Other staff costs	50	60	0	0
	523	**560**	**37**	**38**
Staff costs are recognised as follows:				
Production costs	311	341	0	0
Sales and distribution costs	110	113	0	0
Administrative costs	102	106	37	38
	523	**560**	**37**	**38**
Average full-time equivalent staff	**1,619**	**1,685**	**16**	**13**
Remuneration to the Executive Board:				
Michael Troensegaard Andersen (CEO):				
Salary	3.9	3.8	3.9	3.8
Bonus	1.3	1.5	1.3	1.5
Share-based payment	1.5	1.4	1.5	1.4
Pension	0.0	0.0	0.0	0.0
	6.7	**6.7**	**6.7**	**6.7**
Peter Klovgaard-Jørgensen (CFO from 1 June 2019):				
Salary	2.3	1.3	2.3	1.3
Bonus	0.8	0.5	0.8	0.5
Share-based payment	0.4	0.1	0.4	0.1
Pension	0.0	0.0	0.0	0.0
	3.5	**1.9**	**3.5**	**1.9**

Notes – Income statement

3 Staff costs – continued

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Ian Lea Perkins (CFO until 1 June 2019):				
Salary	0.0	0.9	0.0	0.7
Bonus	0.0	0.4	0.0	0.4
Share-based payment	0.0	1.0	0.0	1.0
Pension	0.0	0.1	0.0	0.0
Severance payment	0.0	4.4	0.0	3.0
	0.0	**6.8**	**0.0**	**5.1**
Total	**10.2**	**15.4**	**10.2**	**13.7**
Remuneration to non-registered members of executive management:				
Salary	4.4	4.4	4.4	4.4
Bonus	1.3	1.6	1.3	1.6
Share-based payment	0.9	0.8	0.9	0.8
Pension	0.0	0.0	0.0	0.0
Total	**6.6**	**6.8**	**6.6**	**6.8**

Remuneration Policy for Board of Directors and Executive Board
The Remuneration Policy for H+H International A/S (H+H) was adopted at the annual general meeting on 2 April 2020. The overall objective of the Remuneration Policy is to provide a remuneration framework that supports successful execution of the H+H Group strategy.

The Board of Directors has established a Remuneration Committee that assists the Board of Directors in developing, implementing and continuously complying with the Remuneration Policy. The Charter of the Remuneration Committee as well as a description of the key matters handled by the Remuneration Committee for the latest financial year is available at www.HplusH.com/board-committees.

The Board of Directors does not receive any form of incentive payment, and remuneration to the Executive Board consists of fixed salary and other benefits as well as the variable elements short-term incentive programs (STIP) and long-term incentive programs (LTIP).

Board of Directors
The Board of Directors comprises of six members. The annual general meeting on 2 April 2020 approved remuneration for 2020 to the Chairman of the Board of DKK 825,000 (2019: DKK 650,000) and remuneration to ordinary board members of DKK 275,000 (2019: DKK 325,000). In addition, and for the first time as a separate remuneration item, each member of the Board of Directors also received remuneration for board committee work, DKK 75,000 (2019: DKK 0) and the chair of the Audit Committee DKK 150,000 (2019: DKK 0). The board committees currently comprise of an Audit Committee, a Nomination Committee and a Remuneration Committee.

Executive Board
Short-term incentive programs (STIP)
In addition to the fixed salary, remuneration for the Executive Board consists of an annual cash bonus based on performance related to the extent of achievement of pre-defined key performance indicators (KPIs). The bonus is therefore not guaranteed. In the case of termination of employment, the member is entitled to a pro rata bonus up to the date of termination, if the performance achieved by year-end means that a cash bonus has been earned.

Long-term incentive programs (LTIP) for 2020
In April 2020, a new long-term incentive program (LTIP), being a performance share unit (PSU) program, was implemented by the Board of Directors. At initiation, a total of 88,300 PSUs was granted to the participants, including 23,400 PSUs to H+H's CEO and 13,800 PSUs to CFO. The number of PSUs that vest at the end of a vesting period depends on the extent of achievement of the specific KPIs. The vesting period for the PSUs is approximately three years, with vesting for the 2020 LTIP being in 2023 when the audited annual report for 2022 is publicly announced. Upon vesting, the participants will receive one H+H share per PSU that vests.

Long-term incentive programs (LTIP) related to prior years
In 2017, 2018 and 2019, matching share programs was launched for the Executive Board and certain key employees in the H+H Group. In the matching share programs, each participant invested H+H shares into the program, which will trigger vesting of a maximum allocation of 3 shares per investment share by the end of the vesting period, if all the vesting criteria are fulfilled. Vesting criteria also relate to continuous employment in the H+H Group during the vesting period or dismissal as a "good leaver". Vesting period for the matching share programs is approximately 3 years.

In March 2020 a total of 42,438 shares vested relating to the 2017 matching share program, hereof 5,285 shares settled in cash.

Pending share programs
The fair value of the programs are determined as the number of shares/PSU's which are expected to vest. The share price used in calculating the value of the programs is the average share price on the first 10 days of the trading window when the programme is launched. At vesting, grants can be settled with shares or by cash, based on the company's decision. Cost for share programs are recognised as staff costs until the expiry of the vesting periods. Cost are reversed for participants that voluntarily (i.e. "bad leavers") leave the H+H Group.

As of 31 December 2020, the Company had the following pending share programs with associated fair values:

	Max. shares to be granted	Expected shares to be granted	Max. value (DKK million)	Exp. value (DKK million)
2018-programme, vesting in March 2021	31,068	31,068	3.6	3.6
2019-programme, vesting in March 2022	54,957	54,957	5.6	5.6
2020-programme, vesting in March 2023	87,400	72,475	7.0	5.8

The programmes pending are hedged in whole or in part by purchase of treasury shares. In August 2020, the Company bought 30,000 shares (2019: 40,000 shares).

Notes – Income statement

3 Staff costs – continued

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

	1 January 2020	Additions or sold/ settled during the year	31 December 2020	Market value*
Kent Arentoft (indirect ownership)	40,000	20,000	60,000	7,920
Stewart Antony Baseley	19,000	0	19,000	2,508
Volker Christmann	0	0	0	0
Pierre-Yves Jullien	0	0	0	0
Miguel Kohlmann	0	0	0	0
Hellen MacPhee	0	0	0	0
	59,000	20,000	79,000	10,428
Executive Board:				
Michael Troensegaard Andersen	41,000	7,810	48,810	6,443
Peter Klovgaard-Jørgensen	2,839	0	2,839	375
Total	**102,839**	**27,810**	**130,649**	**17,246**

* Calculation of the market value is in DKK thousand and is based on the quoted share price of DKK 132.00 at 31 December 2020.

Accounting policies

The H+H Group's incentive schemes comprise share programmes for senior executives and certain key employees.

The value of services rendered by employees in return for share grants is measured at the fair value of the shares. For equity settled shares, the grant date fair value is measured and recognised in the income statement as staff costs over the vesting period of the shares. The costs are set off directly against equity.

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

4 Other operating income and costs

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Other operating income:				
Management fee	0	0	47	56
Gain on disposal of property, plant and equipment	0	1	0	0
Rental income	10	9	0	0
Other income	2	2	0	0
	12	12	47	56
Other operating costs:				
Exiting Westbury land lease and other costs related to Westbury	0	(2)	0	0
Loss on disposal of property, plant and equipment	(4)	(1)	0	0
Other costs	(4)	(8)	0	0
	(8)	**(11)**	**0**	**0**
Total	**4**	**1**	**47**	**56**

Accounting policies

Other operating income and costs comprise items secondary to the entities' activities such as gain and losses on disposal of property, plant and equipment, management fee, rental income, refunds of energy taxes etc.

5 Depreciation, amortisation and impairment losses

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Other intangible assets	38	33	0	0
Land and buildings	37	30	2	1
Plant and machinery	84	84	0	0
Fixtures and fittings, tools and equipment	30	26	0	0
Total	**189**	**173**	**2**	**1**

No impairment loss is recognised in 2020 or 2019.

Notes – Income statement

6 Special items, net

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Net gain on divestment of entities	0	1	0	0
Acquisition and transaction related costs	0	(9)	0	(3)
Total	**0**	**(8)**	**0**	**(3)**

Impact of special items on EBIT	2020	2019	2020	2019
Other operating costs	0	(9)	0	(3)
Other operating income	0	1	0	0
Total	**0**	**(8)**	**0**	**(3)**

Accounting policies

Special items include significant income and expenses of a special nature in terms of the Group's revenue-generating activities that cannot be attributed directly to the Group's ordinary operating activities.

Special items also include significant non-recurring items, including gains and losses on the disposal of activities and associates and transaction costs in a business combination. Significant restructuring of processes and structural adjustments are also included in special items.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

7 Financial income

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Interest income	2	1	3	1
Interest income from subsidiaries	0	0	18	21
Dividend from subsidiary	0	0	124	125
Gain from disposal of entities	0	0	0	24
Total	**2**	**1**	**145**	**171**

Accounting policies

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

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

8 Financial expenses

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Interest expenses	12	11	14	12
Interest expense, leases	4	3	0	0
Interest expenses to subsidiaries	0	0	1	2
Interest on financial instruments	16	14	15	14
Financial expenses relating to pension plans	2	3	0	0
Past service costs relating to pension plans; see note 21	1	0	0	0
Foreign exchange rate adjustments	4	3	0	8
Other financial expenses	4	13	2	8
Write-down of intra-group debt	0	0	0	1
Recycling of cumulative translation differences of entities disposed of (non-cash)	0	121	0	0
Total	**27**	**154**	**17**	**31**

Accounting policies

Financial expenses comprise interest expenses, past service costs, capital losses, impairment losses relating to securities, recirculation of cumulative translation differences of entities disposed of, payables and transactions in foreign currencies, and amortisation of financial liabilities, including finance lease obligations etc.

Notes – Income statement

9 Tax

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Tax on profit from continuing operations	56	55	(5)	(4)
Tax on other comprehensive income	(21)	8	0	0
Total	**35**	**63**	**(5)**	**(4)**
Total tax can be broken down as follows:				
Current tax for the year	64	70	(5)	(4)
Adjustment relating to changes in tax rate	2	(6)	0	0
Adjustment of deferred tax	(26)	5	3	0
Change in valuation of tax assets	(8)	(4)	(3)	0
Prior-year adjustments	3	(2)	0	0
Total	**35**	**63**	**(5)**	**(4)**
Current joint taxation contribution for the year	**0**	**0**	**(5)**	**(4)**
Tax on profit from continuing operations can be broken down as follows:				
Calculated 22.0% (2019: 22.0%) tax on income from ordinary activities	68	45	25	28
Less tax in foreign Group entities compared with 22.0% rate (2019: 22.0%)	(12)	(9)	0	0
Tax effect of:				
Change in valuation of tax assets	(8)	(4)	(3)	0
Change in tax rate	1	(6)	0	0
Other adjustments	1	2	0	0
Non-deductible expenses/non taxable income	6	27	(27)	(27)
Non-deductible losses/non taxable gains related to investments in subsidaries	0	0	0	(5)
Total	**56**	**55**	**(5)**	**(4)**

Accounting policies

Tax on profit comprises current tax and changes in deferred tax for the year. The portion that relates to profit for the year is recognised in the income statement, and the portion that can be attributed to items in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity.

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

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

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

Notes – Income statement

10 Income statement classified by function

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

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

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Revenue	2,654	2,840	0	0
Cost of goods sold	(1,943)	(2,087)	0	0
Gross profit including depreciation and amortisation	**711**	**753**	**0**	**0**
Sales costs	(201)	(197)	0	0
Administrative costs	(182)	(191)	0	(66)
Other operating income	12	12	47	56
Other operating costs	(8)	(11)	0	0
EBIT before special items	**332**	**366**	**47**	**(10)**
Special items	0	(8)	0	(3)
EBIT	**332**	**358**	**47**	**(13)**
Depreciation, amortisation and impairment comprise:				
Amortisation of intangible assets	38	33	0	0
Depreciation of property, plant and equipment	151	140	0	1
Total	**189**	**173**	**0**	**1**
Depreciation, amortisation and impairment are allocated to:				
Cost of goods sold	125	124	0	0
Sales costs	50	38	0	0
Administrative costs	14	11	0	1
Total	**189**	**173**	**0**	**1**

The Company's revenue streams contain of contracts for sale of goods and related transport services. Change of control for contracts for goods are satisfied upon shipment whereby the performance obligation is met instantly. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location whereby the performance obligation is met.

The transaction price is the amount to which H+H expects to be entitled in exchange for the transfer of goods and transport services. The transaction price for delivery of goods and transport services are an integrated part of the contracts and the standalone selling prices are directly observable. Accounting estimates are made for variable considerations which consist of customer rebates and bonusses. These are allocated to the transaction price based on "The most likely amount"-method.

Payment terms mainly comprise of 30 days end of month, hence no significant financing component. Defect products and return pallets can be redelivered and provisions has been recognised accordingly. For further description, please refer to note 22 "Provisions".

Accounting policies

Revenue from contracts for goods recognised in the income statement when the customer obtains control. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location. Revenue is recognised if the income can be measured reliably and is expected to be received. Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

Cost of goods sold comprise costs incurred in generating the revenue for the year. The trading entities recognise cost of sales and the producing entities recognise production costs, relating to revenue for the year. This includes the direct and indirect cost of raw materials and consumables, distribution and wages and salaries.

Sales costs comprise marketing costs etc. which includes costs of sales personnel, and advertising and exhibition costs.

Administrative costs include costs incurred during the year for management and administration, including costs for administrative staff, office premises and office expenses. Administrative costs also include impairment of trade receivables.

Notes – Income statement

11 Government grants

For 2020, H+H has participated in three government grant schemes, in the UK, Germany and Poland, respectively.

In the UK, H+H has participated in the UK Government's "Coronavirus Job Retention" scheme. This scheme has benefitted H+H by receiving grants from the Government for employees who are placed on Furlough. Grants received has amounted to 80% of the wages up to GBP 2,500 per employee, totaling DKK 13 million in 2020.

H+H has also participated in government grant schemes for Germany and Poland where grants of DKK 1 million was received.

In total for 2020, grants of DKK 14 million was received which has been recognised in the income statement as "Cost of goods sold" by DKK 12 million and "Sales costs" by DKK 2 million.

As of 31 December 2020, no grants are recognised as receivables in the balance sheet.

H+H has no unfulfilled conditions related to above schemes for the government grants received.

Accounting policies
Government grants is recognised in the income statement as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. A grant received as compensation for costs already incurred or for immediate financial support, with no future related costs, is recognised as income in the period in which it is received. Government grants not received at the balance sheet date are recognised as a receivable.

Government grants is recognised only when there is reasonable assurance that H+H will comply with any conditions attached to the grant, and that the grant will be received.

12 Earnings per share (EPS)

	Group	
	2020	**2019**
Average number of shares	17,983,365	17,983,365
Average number of treasury shares	(86,350)	(86,655)
Average number of outstanding shares	17,897,015	17,896,710
Dilution from share options	0	0
Average number of outstanding shares, diluted	**17,897,015**	**17,896,710**
Profit/loss for the year (DKK million)	251	150
Attributable to non-controlling interest	(10)	(1)
Shareholders in H+H International A/S (DKK million)	**241**	**149**
Earnings per share (EPS) (DKK)	13.5	8.3
Diluted earnings per share (EPS-D) (DKK)	13.5	8.3

13 Financial items recognised in other comprehensive income

	Group	
(DKK million)	**2020**	**2019**
Foreign exchange adjustment of foreign entities		
Foreign currency translation of foreign entities	(48)	23
Recycling of cumulative translation differences of entities disposed of	0	121
Total foreign exchange adjustments of foreign entities included in other comprehensive income	**(48)**	**144**

Notes – Balance sheet

14 Intangible assets

(DKK million)	Group 2020			
	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January 2020	226	280	70	576
Foreign currency translation adjustments	(4)	(6)	(7)	(17)
Additions from acquired companies	17	50	0	67
Additions during the year	0	0	13	13
Disposals during the year	0	0	(1)	(1)
Total cost at 31 December 2020	**239**	**324**	**75**	**638**
Total depreciation and amortisation at 1 January 2020	(30)	(49)	(58)	(137)
Foreign currency translation adjustments	2	1	2	5
Amortisation for the year	0	(32)	(6)	(38)
Amortisation of disposals	0	0	1	1
Impairment losses for the year	0	0	0	0
Total amortisation and impairment losses at 31 December 2020	**(28)**	**(80)**	**(61)**	**(169)**
Carrying amount at 31 December 2020	**211**	**244**	**14**	**469**

(DKK million)	Group 2019			
	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January 2019	205	251	62	518
Foreign currency translation adjustments	0	0	0	0
Additions from acquired companies	21	29	4	54
Additions during the year	0	0	4	4
Disposals during the year	0	0	0	0
Total cost at 31 December 2019	**226**	**280**	**70**	**576**
Total depreciation and amortisation at 1 January 2019	(30)	(22)	(52)	(104)
Foreign currency translation adjustments	0	0	0	0
Amortisation for the year	0	(27)	(6)	(33)
Amortisation of disposals	0	0	0	0
Impairment losses for the year	0	0	0	0
Total amortisation and impairment losses at 31 December 2019	**(30)**	**(49)**	**(58)**	**(137)**
Carrying amount at 31 December 2019	**196**	**231**	**12**	**439**

Notes – Balance sheet

14 Intangible assets – continued

Impairment testing
Management has tested goodwill for impairment in each of the cash-generating units to which such assets have been allocated.

Management has identified the following five cash-generating units;

Cash-generating units and goodwill (DKK million)	2020 Product	Year of origin	Goodwill
Poland	AAC	2003	22
Poland	CSU	2018	0
Central Western Europe	AAC	2006/20	45
Central Western Europe	CSU	2018/19	144
UK	AAC	N/A	0
Total			**211**

In 2020, goodwill of DKK 17 million was acquired in connection to PBWL acquisition adding into the Central Western Europe AAC cash-generating unit. Refer to note 27 "Business combinations" for further information on the purchase price allocation.

Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in each CGU.

In both 2020 and 2019, the impairment test of goodwill showed no impairment.

Key assumptions
For the purpose of impairment testing the recoverable amount was defined as the value in use. The impairment tests were based on budget for 2021 approved by the Board of Directors and strategy projections for the years 2022-2026 for all CGUs. The assumptions of the forecast period are based on benchmarked external data and historic trends.

2020	Poland AAC	Central Western Europe AAC	Central Western Europe CSU
Carrying amount of intangible assets, property, plant and equipment at 31 December 2020 (DKK million)	303	498	875
Goodwill (DKK million)	22	45	144
Estimated average annual growth in revenue 2021-2026 (CAGR)	0.3%	3.3%	1.8%
Estimated average annual growth in gross margin in percentage points 2021-2026	0.5%	-0.3%	0.1%
WACC before tax (budget and terminal period, respectively)	11.0%/11.0%	9.3%/11.1%	9.8%/11.7%
WACC after tax (budget and terminal period, respectively)	8.9%/8.9%	7.2%/8.6%	7.2%/8.6%

2019	Poland AAC	Central Western Europe AAC	Central Western Europe CSU
Carrying amount of intangible assets, property, plant and equipment at 31 December 2019 (DKK million)	328	397	931
Goodwill (DKK million)	24	28	144
Estimated average annual growth in revenue 2020-2025 (CAGR)	0.3%	4.3%	4.3%
Estimated average annual growth in gross margin in percentage points 2020-2025	0.5%	0.2%	0.0%
WACC before tax (budget and terminal period, respectively)	10.9%	9.4%	9.7%
WACC after tax (budget and terminal period, respectively)	8.8%	7.1%	7.1%

The weighted average growth rate used for the terminal period for the years after 2026 has been estimated at 1.0% - 2.0% (2019: 1.0% - 2.0%). The weighted average annual growth rate for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual CGUs.

Notes – Balance sheet

14 Intangible assets – continued

For Poland AAC and CWE CSU, increasing gross margin has been estimated for the period 2021-2026, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity as well as price increases. For CWE AAC, gross margin is estimated to slightly decrease for the period 2021-26, driven by input costs.

The WACC is based on generally applied principles including the determination of return on equity and cost of debt. Components for the return on equity, the marked risk premium, company specific risk premium and beta-values, is benchmarked to information provided by an external valuation specialist. The risk-free rate for each CGUs for the budget period has been sourced from trading economics and is equal a 10-years government bond. The risk-free rate for the terminal period are normalised. The cost of debt is estimated based on the actual margin in the bank agreements and the risk-free rate.

Sensitivity on changes in key assumptions
Group Management believes that likely changes in the key assumptions will not cause the carrying amount of goodwill and noncurrent assets to exceed the recoverable amounts. Sensitivity analysis of impairment tests focuses on changes in discount rate (WACC), long-term growth rate, revenue and EBITDA. All other factors are unchanged in the sensitivity analysis.

Based on sensitivity analyses, it is Management's opinion that no probable change in any key assumptions would cause the carrying amounts of CGUs to exceed the recoverable amount as at 31 December 2020.

Accounting policies

Goodwill is recognised initially in the balance sheet at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. On acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the H+H Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity, and translated on initial recognition into the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the date of acquisition.

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

Other intangible assets comprises of customer relations, order-book, trademarks, development projects and patent and licenses. Customer relations, order book and trademarks acquired in connection with business combinations are measured at cost less cumulative amortisation and impairment losses. They are amortised using a straight-line method over the expected useful life.

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

Recognised development costs are measured at cost less cumulative amortisation and impairment losses. Cost comprises salaries, amortisation and other expenses attributable to the H+H Group's development activities and interest expenses on loans to finance development projects that relate to the production period. On completion of the development work, development projects are amortised on a straight-line basis over the estimated economic useful life from the date the asset is available for use. The amortisation period is normally 5-10 years. The amortisation base is reduced by any impairment losses.

Patents and licences are measured at cost less cumulative amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the shorter of the remaining patent or contract period and the useful life.

Software and other intangible assets are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

- Software 3-6 years
- ERP systems 8 years
- Customer relations 10 years
- Other intangible assets 1-10 years

Critical accounting estimates and judgements

Impairment of goodwill and non-current assets
Goodwill is tested for impairment annually, the first time before the end of the year of acquisition. The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. As a rule, the recoverable amount is determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

The carrying amounts of other non-current assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less expected disposal costs and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under depreciation and amortisation. Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment loss have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value the asset would have had after depreciation/amortisation if no impairment losses had been charged.

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

Notes – Balance sheet

15 Property, plant and equipment

(DKK million)	Parent company 2020	Parent company 2019
	Fixtures and fittings, tools and equipment	**Fixtures and fittings, tools and equipment**
Total cost at 1 January	9	0
Additions	0	9
Disposals during the year	0	0
Total cost at 31 December	**9**	**9**
Total depreciation at 1 January	0	0
Depreciations for the year	(2)	(1)
Depreciations of disposals	0	0
Total amortisation at 31 December	**(2)**	**(1)**
Carrying amount at 31 December	**7**	**8**
Right-of-use assets included at 31 December		
Depreciation	2	1
Carrying amount at 31 December	6	7

Group

(DKK million) 2020	**Land and buildings**	**Plant and machinery**	**Other equipment, fixtures and fittings**	**Property, plant and equipment under construction**	**Total**
Total cost at 1 January 2020	1,279	2,374	199	99	3,951
Adjustment to opening	(13)	(116)	36	24	(69)
Foreign currency translation adjustments	(31)	(54)	(3)	(3)	(91)
Additions from acquired companies	20	14	0	0	34
Transfers	13	34	3	(50)	0
Additions, including right-of-use assets	23	54	32	30	139
Disposals during the year	(1)	(8)	(7)	0	(16)
Total cost at 31 December 2020	**1,290**	**2,298**	**260**	**100**	**3,948**
Total depreciation and amortisation at 1 January 2020	(565)	(1,703)	(125)	0	(2,393)
Adjustment to opening	8	93	(26)	0	75
Foreign currency translation adjustments	12	34	2	0	48
Additions from acquired companies	0	0	0	0	0
Depreciation for the year	(37)	(84)	(30)	0	(151)
Depreciation of disposals	1	4	6	0	11
Impairment losses for the year	0	0	0	0	0
Total depreciation and impairment losses at 31 December 2020	**(581)**	**(1,656)**	**(173)**	**0**	**(2,410)**
Carrying amount at 31 December 2020	**709**	**642**	**87**	**100**	**1,538**
Right-of-use assets included at 31 December					
Depreciation	3	0	16	0	**19**
Carrying amount at 31 December	49	0	38	0	**87**

Notes – Balance sheet

15 Property, plant and equipment – continued

(DKK million) Group 2019	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Property, plant and equipment under construction	Total
Total cost at 1 January 2019	1,034	2,223	137	44	3,438
Recognition of right-of-use assets	42	0	36	0	78
Restated cost at 1 January 2019	1,076	2,223	173	44	3,516
Foreign currency translation adjustments	21	47	1	1	70
Additions from acquired companies	254	144	2	0	400
Disposals of divested companies	(93)	(87)	(2)	0	(182)
Transfers	0	48	5	(53)	0
Additions, including right-of-use assets	22	0	26	107	155
Disposals during the year	(1)	(1)	(6)	0	(8)
Total cost at 31 December 2019	**1,279**	**2,374**	**199**	**99**	**3,951**
Total depreciation and amortisation at 1 January 2019	(374)	(1,535)	(105)	0	(2,014)
Foreign currency translation adjustments	(10)	(32)	0	0	(42)
Additions from acquired companies	(197)	(105)	0	0	(302)
Disposals of divested companies	44	52	1	0	97
Depreciation for the year	(30)	(84)	(26)	0	(140)
Depreciation of disposals	2	1	5	0	8
Impairment losses for the year	0	0	0	0	0
Total depreciation and impairment losses at 31 December 2019	**(565)**	**(1,703)**	**(125)**	**0**	**(2,393)**
Carrying amount at 31 December 2019	**714**	**671**	**74**	**99**	**1,558**
Right-of-use assets included at 31 December					
Depreciation	4	0	14	0	**18**
Carrying amount at 31 December	51	0	44	0	**95**

Right-of-use-assets

The Group leases land and buildings, offices, cars and forklift trucks. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In 2020, the Group has recognised additions of right-of-use assets of DKK 18 million (2019: DKK 34 million) and depreciations of DKK 19 million (2019: DKK 18 million) related hereto.

Accounting policies

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

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

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

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

- Production buildings 30-50 years
- Office buildings 30-50 years
- Production equipment, autoclaves, mills, cutting machines and moulds 10-30 years
- Plant, machinery and other equipment 5-20 years
- Vehicles, fixtures and IT equipment 3-10 years
- Land is not depreciated

The main part of the Group's non-current assets comprises of production equipment, autoclaves, mills, cutting machines and moulds which are depreciated over a period of 10-30 years.

The depreciation base is determined taking into account the asset's residual value and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount. The effect on depreciation of any changes in depreciation period or residual value is recognised prospectively as a change in accounting estimates.

Notes – Balance sheet

15 Property, plant and equipment – continued

Leases
At the commencement date, the Group recognises a lease liability and a corresponding right-of-use asset at the same amount, except for short-term leases of 12 months or less and leases of low-value assets. The interest rate implicit in the lease or the H+H Group's incremental borrowing rate is used as the discount rate for calculating the lease liability and a corresponding right-of-use asset.

A right-of-use asset is initially measured at cost, which equals the initial lease liability and initial direct costs less any lease incentives received. The Group has applied the practical expedient option allowed under IFRS by using a portfolio approach for the recognition of lease contracts related to assets of the same nature and with similar lease terms, i.e. cars and trucks.

Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses, and adjusted for remeasurement of the lease liability.

The right-of-use asset is depreciated over the earlier of the lease term or the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment. Right-of-use assets are recognised as property, plant and equipment.

The Group has elected not to recognise right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Lease payments related to such leases are recognised in the income statement as an expense on a straight-line basis over the lease term.

Critical accounting estimates and judgements
Lease and service contracts
At inception of a contract, Management assesses whether the contract is or contains a lease. Management considers the substance of any service being rendered to classify the arrangement as either a lease or a service contract. Importance is whether fulfilment of the contract depends on the use of specific assets. The assessment involves judgement of whether the Group obtains substantially all the economic benefits from the use of the specified asset and whether it has the right to direct how and for what purpose the asset is used. If these criteria are satisfied at the commencement date, a right-of-use asset and a lease liability are recognised in the statement of financial position.

In determining the lease term, Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension or termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The term is reassessed if a significant change in circumstances occurs. The assessment of purchase options follows the same principles as those applied for extension options.

16 Deferred tax

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Deferred tax at 1 January	(125)	(105)	10	10
Addition from acquisition	(20)	(23)	0	0
Foreign exchange adjustments	1	(2)	0	0
Effect of change in tax rate	(2)	6	0	0
Change in deferred tax	26	(5)	0	0
Valuation of tax asset	8	4	0	0
Usage in joint taxation	0	0	0	0
Deferred tax at 31 December	**(112)**	**(125)**	**10**	**10**

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Deferred tax relates to:				
Non-current assets	(188)	(191)	0	1
Current assets	(1)	(3)	0	0
Liabilities	45	28	0	0
Tax loss carry-forwards	32	41	10	9
Total	**(112)**	**(125)**	**10**	**10**
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	18	12	10	10
Deferred tax liabilities	(130)	(137)	0	0
Total	**(112)**	**(125)**	**10**	**10**

No deferred tax has been recognised on the difference between the cost of equity investments and the carrying amount. This is because the shareholdings in the equity investments are all considered to be "shares in a subsidiary", and any gain/loss is therefore not taxable.

The tax value of loss carry-forwards has been recognised as deferred tax assets in the companies where, based on budget and forecasts, it is considered very likely that this can be utilised in future earnings and a history of profit before tax within the last three to five years has been verified. A tax value of loss carry-forwards of DKK 27 million at 31 December 2020 (2019: DKK 40 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised. The carry-forward losses relate to Germany, Denmark and Sweden.

The parent company has special carried-forward losses related to sale of property and shares with limited possibilities of use with a taxable value of DKK 11 million (2019: DKK 11 million) which are not recognised.

Notes – Balance sheet

16 Deferred tax – continued

Accounting policies

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

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

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

Deferred tax assets and liabilities are offset if the H+H Group has a legally enforceable right to offset current tax liabilities and assets or intends to settle current tax liabilities and assets on a net basis or to realise tax assets and liabilities simultaneously. Adjustment of deferred tax is made in respect of elimination of unrealised intra-group profits and losses.

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

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

Critical accounting estimates and judgements

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

17 Investments in subsidiaries

	Parent company	
(DKK million)	**2020**	**2019**
Acquisition cost at 1 January	1,319	1,417
Additions	1	5
Disposals	(23)	(103)
Cost at 31 December	**1,297**	**1,319**
Impairment losses at 1 January	(67)	(170)
Reversal of previous write-down	0	0
Reversal in connection with disposals	0	103
Impairment losses at 31 December	**(67)**	**(67)**
Carrying amount at 31 December	**1,230**	**1,252**

Additions in above table comprise of a capital injection for H+H Sverige AB of DKK 1 million. Disposals relate to a capital decrease of for Hunziker Kalksandstein AG of DKK 23 million. For 2019, additions comprise of a capital injection for H+H Sverige AB of DKK 5 million and disposals of DKK 103 million related to the sale of OOO H+H.

The cost of investments in subsidiaries was tested for impairment at the end of 2020. The recoverable amount of the equity investments at 31 December 2020 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2021-2026 and a WACC after tax of 7.2%-8.8% (2019: 7.1-8.9%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2026 has been estimated at 1.0% - 2.0% (2019: 1.0% - 2.0%). It is estimated that the growth rate will not exceed the long-term average growth rate in the respective company's markets; see note 13 for further information on the impairment tests.

Notes – Balance sheet

17 Investments in subsidiaries – continued

		2020	2019
	Registered office	Equity interest, %	Equity interest, %
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH**	Germany	100	100
Hunziker Kalksandstein AG	Switzerland	100	100
H+H Danmark A/S	Denmark	100	100
HHI A/S af 3. maj 2004	Denmark	100	100
Stone Kivitalot Oy (liquidated in December 2020)	Finland	0	100
H+H Sverige AB	Sweden	100	100
H+H Polska Sp. z o.o.***	Poland	100	100
H+H EIQ s.r.o. (liquidated in January 2019)	Czech Rep.	0	0
OOO H+H (divested October 2019)	Russia	0	0
H+H Benelux B.V.	Netherlands	100	100
Diverse af 29.9.2011 ApS	Denmark	100	100

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

** This activity comprises ownership of H+H Kalksandstein GmbH (acquired February 2018), 51 % ownership of Baustoffwerke Dresden GmbH & Co. KG (acquired April 2019) and 51% ownership of Porenbetonwerk Laussnitz GmbH & Co. KG (acquired January 2020).

*** This activity comprises ownership of Grupa Prefabet S.A., H+H Invest Sp. Z o.o., H+H Finance Sp. Z o.o. and H+H Silikaty Sp. Z o.o. (acquired April 2018)

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

Impairment of financial assets
Loans to related and other parties, lifetime expected credit losses (ECL) has been provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

In determining the expected credit losses for these assets, we have taken into account the historical default experience, the financial position of the counterparties and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Accounting policies
Equity investments in subsidiaries in the parent company's financial statements: Equity investments in subsidiaries are measured at cost. If there is any indication of impairment or reversal of prior year's impairment, an impairment test is carried out as described in note 14. Cost is written down to the recoverable amount whenever the carrying amount is higher.

18 Inventories/cost of goods sold

	Group		Parent company	
(DKK million)	2020	2019	2020	2019
Raw materials and consumables	92	86	0	0
Finished goods and goods for resale	190	217	0	0
Total	**282**	**303**	**0**	**0**
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	21	18	0	0
Foreign exchange adjustments	(1)	0	0	0
Write-downs for the year	5	7	0	0
Realised during the year	(1)	(3)	0	0
Reversals	0	(1)	0	0
Total	**24**	**21**	**0**	**0**
Production costs comprised:				
Direct production costs	1,042	1,091	0	0
Wages and salaries	311	341	0	0
Production overheads	180	183	0	0
Distribution	280	342	0	0
Write-downs for the year	5	7	0	0
Reversals of inventory write-downs	0	(1)	0	0
Total	**1,818**	**1,963**	**0**	**0**

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

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

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

Notes – Balance sheet

19 Trade and other receivables

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Trade receivables, gross	140	136	0	0
Rebates, bonusses and write-downs	(60)	(35)	0	0
Group debtors	0	0	59	64
Other receivables	29	28	1	1
Total	**109**	**129**	**60**	**65**

In the parent company, group debtors comprise of receivable management fee.

Other receivables include a receivable from sale of land and property in Poland, rent deposits, VAT, other indirect taxes etc. and fall due within one year of the balance sheet date.

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Age analysis of trade receivables (gross):				
Not past due	107	94	0	0
0-30 days	29	34	0	0
31-90 days	1	5	0	0
91-180 days	0	0	0	0
Over 180 days	3	3	0	0
Total trade receivables	**140**	**136**	**0**	**0**
Write-downs relating to receivables, year-end	**3**	**3**	**0**	**0**

The average credit period on sales of goods is approximately 30 days.

The expected credit losses on trade receivables are estimated using a provision matrix and the Group has recognised a loss allowance of 100% against all receivables over 180 days because historical experience has indicated that these receivables are generally not recoverable.

Receivables that are not past due are predominantly deemed to have a high credit quality and security is normally not required. The Group's customers are typically large well-consolidated builders' merchants and housebuilders, and customers are credit rated on a regular basis. Only limited security had been provided at 31 December 2020.

(DKK million)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Maturity period of trade receivables:				
0-30 days	29	34	0	0
31-90 days	1	5	0	0
91-180 days	0	0	0	0
Over 180 days	0	0	0	0
Total	**30**	**39**	**0**	**0**

Accounting policies

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less a loss allowance equal expected credit loss. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Expected credit losses on receivables are recognised as other external expenses.

The expected credit losses on receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Notes – Balance sheet

20 Share capital and treasury shares

	Number		Nominal value, DKK million	
	2020	2019	2020	2019
Share capital at 1 January	17,983,365	17,983,365	180	180
Capital decrease	0	0	0	0
Issue of ordinary shares	0	0	0	0
Share capital at 31 December – fully paid	**17,983,365**	**17,983,365**	**180**	**180**

On 22 June 2018, H+H International A/S increased its share capital by a nominal amount of DKK 71,933,460 from DKK 107,900,190 to DKK 179,833,650. H+H International A/S's total nominal share capital is DKK 179,833,650 divided into 17,983,365 shares of nominal DKK 10 each, corresponding to 17,983,365 votes.

There have been no movements in the share capital in the last five years except for the above.

Treasury shares

	Number	Nominal value, DKK million	% of share capital, year-end
Holding at 1 January 2019	107,979	1.08	(0.6)
Purchased during the year	40,000	0.40	(0.2)
Granted due to matching share programme in 2015	(42,880)	(0.43)	0.2
Holding at 31 December 2019	105,099	1.05	(0.6)
Purchased during the year	30,000	0.30	(0.2)
Granted due to matching share programme in 2016	(37,153)	(0.37)	0.2
Holding at 31 December 2020	**97,946**	**0.98**	**(0.6)**

All the treasury shares are owned by H+H International A/S. Treasury shares are acquired in order to hedge liabilities related to the share programmes. Refer to note 3 for further information on the share programmes.

Accounting policies

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

Treasury shares: Acquisition costs, disposal costs and dividends relating to treasury shares are recognised directly in retained earnings under equity. Capital reductions as a result of 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.

21 Pension obligations

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

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

The Danish entities' pension obligations are insured. Some foreign entities' pension obligations are also insured. Foreign entities that are not insured or only insured in part (defined benefit plans) calculate the obligation actuarially at present value at the balance sheet date. These pension plans are fully or partly funded in pension funds for the employees. In the consolidated financial statements, an amount of DKK 147 million (2019: DKK 64 million) has been recognised under liabilities in respect of the Group's obligations to existing and former employees after deduction of the assets associated with the plans.

In the consolidated income statement, an amount of DKK 8 million (2019: DKK 10 million) has been recognised in respect of expenses relating to insured plans (defined contribution plans). For non-insured plans (defined benefit plans), an amount of DKK 3 million (2019: DKK 3 million) has been recognised in the consolidated income statement as financial expenses.

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

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

The defined benefit pension fund in the UK typically exposes the Company to actuarial risks, such as investment, interest rate, inflation and longevity. H+H Celcon Pension Fund is supervised by an independent corporate trustee, H+H Celcon Pension Fund Trustee Limited. In accordance with the legislation governing pension funds, the corporate trustee must ensure among other things that a limited actuarial calculation of the pension obligations is carried out each year.

Every 3 years a triennial valuation take place. This valuation is based on more prudent assumptions than used under IAS 19. As of April 2017 it showed a deficit of DKK 165 million (GBP 20 million) which has led to a slightly increased repayment schedule. The repayment schedule runs March to April where H+H UK Limited will pay DKK 24 million (GBP 2.85 million) in 2019/20, DKK 25 million (GBP 2.94 million) in 2020/21, DKK 26 million (GBP 3.02 million) in 2021/22, DKK 27 million (GBP 3.12 million) in 2022/23, and a final payment of DKK 27 million (GBP 3.21 million) in 2023/2024. Due to volatility in financial markets, the process for triennial valuation was suspended through second and third quarter of 2020. We expect to complete it in June 2021.

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

Notes – Balance sheet

21 Pension obligations – continued

The most recent actuarial valuations (based on IAS 19R) of plan assets and the present value of the defined benefit obligation in UK were carried out at 31 December 2020 by Mr Oscar Brown, Fellow of the UK Institute of Actuaries (Axis Actuarial Consulting Ltd.), in Germany by AON and in Switzerland by Swiss Life. The present value of the defined benefit obligation, and the related service and past service cost, were measured using the projected unit credit method.

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

	Group	
(DKK million)	**2020**	**2019**
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	867	731
Fair value of plan assets	730	678
Deficit	137	53
Present value of unfunded defined benefit plans recognised in the balance sheet	10	11
Net obligation recognised in the balance sheet	**147**	**64**
Development in present value of defined benefit obligation:		
Obligation at 1 January	742	685
Foreign exchange adjustments	(44)	40
Calculated interest on obligation	12	18
Past service costs	0	0
Service costs	2	2
Gains/losses as a result of changes in economic assumptions	(12)	35
Gains/losses as a result of changes in demographic assumptions	122	(1)
Empirical changes	82	(3)
Pension paid by employees	3	2
Pension paid	(30)	(36)
Obligation at 31 December	**877**	**742**
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	867	731
Present value of unfunded defined benefit obligations	10	11
Obligation at 31 December	**877**	**742**

	Group	
(DKK million)	**2020**	**2019**
Development in fair value of plan assets:		
Plan assets at 1 January	678	558
Foreign exchange adjustments	(40)	35
Calculated interest income	12	15
Return on plan assets over and above the calculated interest	81	78
The Group's contributions to plan assets	26	26
The employee's contributions to plan assets	3	2
Pensions paid	(30)	(36)
Plan assets at 31 December	**730**	**678**
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	8	10
Total pension costs	**8**	**10**
Financial costs relating to the defined benefit plans for the current year:		
Past service costs	0	0
Calculated interest on obligation	(12)	(18)
Calculated interest on plan assets	12	15
Net interest on defined benefit plans	**0**	**(3)**
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	13	(35)
Gains/losses as a result of change in demographic assumptions	(122)	1
Return on plan assets over and above the calculated interest	81	78
Changes due to empirical changes	(82)	3
Total	**(110)**	**47**

The cost has been recognised in the income statement under staff costs; see note 3. Costs recognised under production costs amount to DKK 4 million (2019: DKK 6 million), costs recognised under sales and distribution costs amount to DKK 1 million (2019: DKK 2 million) and costs recognised under administrative costs amount to DKK 3 million (2019: DKK 2 million).

Notes – Balance sheet

21 Pension obligations – continued

(DKK million)	Group **2020**	**2019**
Plan assets can be broken down as follows:		
Shares	0	0
Bonds	0	0
Diversified Growth Fund	506	343
Liability Driven Investment	196	139
Alternatives	28	195
Cash	0	1
Total	**730**	**678**

All plan assets in the UK, DKK 703 million (2019: DKK 654 million), are investments held in LGIM funds, which in turn invest directly in highly rated assets that are traded on a stock exchange. Asset of another DKK 27 million (2019: DKK 24 million) relates to the Swiss pension plan.

(DKK million)	Group **2020**	**2019**
Return on plan assets		
Actual return on plan assets	93	93
Calculated interest on plan assets	12	15
Actuarial gain (loss) on plan assets	**81**	**78**
The average assumptions used for the actuarial calculation related to the UK pension at the balance sheet date can be stated as follows:		
Discount rate (avg.)	1.2%	1.9%
Expected inflation rate	3.0%	2.7%
Members' life expectancy from retirement age (years)	23.0	23.0

Sensitivity analysis

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

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

(DKK million)	Group **2020**	**2019**
Sensitivity relative to discount rate:		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	17	13
Sensitivity relative to inflation:		
If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	9	10
Sensitivity relative to life expectancy from retirement age:		
If the life expectancy from retirement age increases by 1 year, the pension obligation will increase by	33	26

The Group expects to pay DKK 27 million into the defined benefit pension plan in 2021 (2020: DKK 26 million).

(DKK million)	Group **2020**	**2019**
The pension obligation is expected to fall due as follows:		
0-1 year	30	37
1-5 years	119	150
Over 5 years	728	555
Total	**877**	**742**

Notes – Balance sheet

21 Pension obligations – continued

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

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

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

Accounting policies
Pension obligations: The H+H Group has entered into pension agreements and similar agreements with some of its employees. Obligations relating to defined contribution plans are recognised in the income statement over the vesting period, and any contributions payable are recognised in the balance sheet as other payables.

In the case of defined benefit plans, the value in use of future benefits to be paid under the plan is determined actuarially on an annual basis. The value in use is determined on the basis of assumptions concerning future trends in factors such as salary levels, interest rates, inflation and mortality.

The value in use is determined only for the benefits attributable to service already rendered to the H+H Group. The actuarially determined value in use less the fair value of any plan assets is recognised in the balance sheet under pension obligations.

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

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

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

22 Provisions

	Group	
(DKK million)	**2020**	**2019**
Provisions at 1 January	44	33
Foreign exchange adjustments	(1)	1
Additions from acquired companies	0	19
Provisions for the year	8	13
Utilised during the year	(10)	(12)
Reversals during the year	(1)	(10)
Provisions at 31 December	**40**	**44**
Breakdown of the provisions at 31 December:		
Warranty obligations	3	3
Obligations relating to restoration of sites	25	25
Onerous contracts	4	7
Close down costs related to Finland	0	1
Other provisions	8	8
Total	**40**	**44**

H+H's subsidiaries provide normal warranties in respect of products supplied to customers. The provision for warranty obligations thus relates to warranties provided in respect of products supplied prior to the balance sheet date. The warranty period varies depending on normal practice in the markets in question. The warranty period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the market in question and historical warranty costs. At 31 December 2020, warranty obligations relate predominantly to Germany and Poland.

The obligation in respect of restoration of sites relates to H+H's sites in Germany and Poland. The obligation has been calculated on the basis of external assessments of the restoration costs.

Provision for onerous contracts comprise of an onerous lime contract in Poland.

Provisions are recognised based on expected maturities whereas for 2020 DKK 34 million (2019: DKK 33 million) is recognised as non-current liabilities and DKK 6 million (2019: DKK 11 million) as current liabilities.

Notes – Balance sheet

22 Provisions – continued

Accounting policies

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

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

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

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

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

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

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

23 Credit institutions

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Bank loans, non-current	611	560	574	547
Bank loans, current	0	0	0	0
Amortised borrowing costs	(2)	(2)	(2)	(2)
Total	**609**	**558**	**572**	**545**

23 Credit institutions – continued

Change in borrowings from financing activitites:

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Borrowings 1 January	558	653	545	610
Change in borrowings	51	(95)	27	(65)
Borrowings 31 December	**609**	**558**	**572**	**545**

Change in lease liabilities:

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Lease liabilities 1 January	111	5	7	0
Recognition of lease liabilities	0	91	0	0
Increase of lease liabilities	17	33	0	8
Repayment of lease liabilities	(20)	(19)	(1)	(1)
Foreign exchange adjustments	(6)	1	0	0
Lease borrowings 31 December	**102**	**111**	**6**	**7**

Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 28.

Accounting policies

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

The lease liability is measured at the present value of the remaining lease payments at the reporting date, discounted using the incremental borrowing rate for similar assets, taking into account the terms of the leases. A remeasurement of the lease liability, for example a change in the assessment of an option to purchase, results in a corresponding adjustment of the related right-of-use assets.

Extension or termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated. Consequently, all cash outflows that are reasonably certain to impact the future cash balances are recognised as lease liabilities at initial recognition of lease contracts. The Group reassesses the circumstances leading to it not recognising extension or termination options on an ongoing basis.

Notes – Supplementary information

24 Contingent liabilities

Material leases for the H+H Group are recognized in accordance with IFRS 16 "Leases". An amount of DKK 0 million (2019: DKK 0 million) has been recognised in the consolidated income statement for 2020 in respect of operating leases and rental obligations.

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

Financial guarantee
The parent company H+H International A/S acts as guarantor for the subsidiaries' drawdowns on the Group's Global Cash Pool facility. Subsidiaries drawdowns at 31 December 2020 amounts to DKK 66 million (2019: DKK 15 million).

Other
The H+H Group is not a party of any legal procedings.

Shares in some subsidiaries as well as some specific land and buildings have been pledged as security for a loan agreement with Nordea Danmark, branch of Nordea Abp, Finland.

25 Auditors' remuneration

	Group		Parent company	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Total fees for the parent company's auditors elected at the annual general meeting:				
Deloitte	3.4	6.8	1.0	3.4
Total	**3.4**	**6.8**	**1.0**	**3.4**
The total fee can be broken down as follows:				
Statutory audit	1.7	1.5	0.7	0.6
Other assurance engagements	1.1	1.4	0.0	0.0
Tax and VAT services	0.3	0.8	0.0	0.0
Other services	0.3	3.1	0.3	2.8
Total	**3.4**	**6.8**	**1.0**	**3.4**

A few Group enterprises are not audited by the Parent's appointed auditors (Deloitte) or the auditors' foreign affiliates.

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0.3 million (2019: DKK 3.1 million) and consist of other assurance engagements related to the tax assistance and advisory, advisory services related to transfer pricing and sundry accounting advisory.

Notes – Supplementary information

26 Disposed entities and assets held for sale

Disposed entities
No subsidiaries was divested in 2020.

On 24 October 2019, H+H divested its subsidiary H+H Russia LLC. This divestment was completed with "Limited Liability Company LSR. Wall Materials" from Russia as the buyer. The divestment was a solution to the strategic challenge for a market that had not been growing in recent years. H+H now focuses more on the continued development of core markets in Central and Western Europe.

	Group	
(DKK million)	**2020**	**2019**
Disposed entities have impacted the income statement as follows:		
Profit before tax for the period until transfer of control	0	12
Tax on profit for the period until transfer of control	0	(3)
Gain on sale of non-current assets related to disposed entities, included as special items	0	1
Recycling of cumulative translation differences of entities disposed of, included as financial expenses (non-cash)	0	(121)
Total	**0**	**(111)**
Operating loss for the period until transfer of control can be specified as follows:		
Revenue	0	84
Expenses	0	(72)
Profit for the year before tax	0	12
Tax on profit for the year	0	(3)
Profit for the year after tax	0	9
Profit for the year from disposed entities	**0**	**9**
Cash flow from operating activities	0	13
Cash flow from investing activities	0	0
Cash flow from financing activities	0	0
Total cash flow from disposed entities	**0**	**13**
Assets and liabilities relating to disposed entities:		
Property, plant and equipment	0	85
Inventories	0	8
Receivables	0	4
Cash	0	22
Assets relating to disposed entities	**0**	**119**
Trade payables	0	5
Other payables	0	2
Liabilities relating to disposed entities	**0**	**7**

The agreed enterprise value of H+H Russia LLC was DKK 96 million and net proceeds totaled DKK 117 million including cash and working capital. The total consideration was paid in cash. Net booked value of non-current assets, cash and working capital on disposal date amounted to DKK 112 million, resulting in a net gain of DKK 1 million after transaction related costs.

The net proceeds have reduced the net interest-bearing debt and will be used to develop the existing business and pursue value-added investments in the form of acquisitions, within the debt gearing indicated in the long-term financial targets.

H+H Russia LLC was part of the Eastern Europe segment.

Assets held for sale
H+H owns some land which is located close to residential areas or on areas that could be further developed. For 'Borough Green Gardens', no materially events have occurred in 2020.

The Company regularly review whether land or other assets is to be sold or maintained. No assets are classified as assets held for sale because it is unlikely they will be sold within the next 12 months.

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

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

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

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

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

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

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

Notes – Supplementary information

27 Business combinations

H+H International A/S' subsidiary H+H Deutschland GmbH have on the 14 January 2020 acquired 51% of Porenbetonwerk Laussnitz GmbH & Co. KG ("PBWL"), a German AAC unit business. The financial ownership was registered per 1 January 2020.

The acquisition is in line with the announced strategy of consolidating the German white stone market and will strengthen H+H's brand and enable to continue participating in modernizing the industry and improving building performance.

The purchase price amount to DKK 47 million which was paid in cash on the acquisition date.

No transaction cost has been expensed in 2020 related to the acquisition of PBWL.

The purchase price allocation shows acquired net assets at a fair value of DKK 59 million, including minorities' share of DKK 29 million, and related goodwill were consequently determined at DKK 17 million by applying the "Acquired goodwill method". Goodwill represents the value of the existing staff, access to new markets as well as the expected synergies from the acquisition.

Goodwill in the H+H Group was DKK 196 million at the beginning of the year. Due to the acquisition of PBWL, additional goodwill of DKK 17 million was recognised, resulting in goodwill as of 31 December 2020 amount to DKK 211 million after foreign exchange adjustment of negative DKK 2 million.

The fair value of the acquired land and buildings is recognised on the basis of an external property valuation.

The fair value of the acquired plant and machinery is estimated on the basis of the depreciated replacement value.

The fair value of the acquired finished goods is determined on the basis of expected selling prices to be obtained in the course of normal business operations less expected completion costs and costs incurred to execute the sale, and with deduction of a reasonable profit on the sales effort and a reasonable profit on the completion.

The fair value of the acquired raw materials and goods for sale is determined at replacement cost.

The fair value of customer relations is determined through use of the Multi-Period Excess Earnings method (MEEM). Customer relations are calculated as the present value of the net cash flow generated by sales to customers after deduction of a reasonable return on all other assets which contribute to generating the cash flows in question. The fair value of the identified intangible assets is based on the discounted cash flows that are expected to be generated by the continued use or sale of the assets. An after-tax discount rate of 11.50% has been applied.

Receivables are valued at the present value of the amounts that are expected to be received less expected costs for collection.

Liabilities are valued at the present value of the amounts that are required for settling the liabilities. The Group's loan interest rate before tax is used in the case of discounting of receivables and liabilities. However, discounting is not used when the effect is immaterial.

Revenue and profit after tax of the acquired business PBWL since 1 January 2020 included in the statement of comprehensive income for the reporting period amounts to DKK 81 million and DKK 10 million, respectively.

The table provides a summary of the purchase price for PBWL and the allocation of the fair value of acquired assets and liabilities on the acquisition date.

(DKK million)	**PBWL**	**Total**
	1 January 2020	
Customer relations	50	50
Land and buildings	20	20
Plant and machinery	14	14
Financial assets	1	1
Receivables	6	6
Inventories	7	7
Cash	8	8
Acquired assets	**106**	**106**
Financial debt	15	15
Trade payables	2	2
Tax payables	4	4
Other current liabilities	7	7
Deferred tax	19	19
Assumed liabilities	**47**	**47**
Total identifiable acquired net assets	59	59
Hereof minority interests' share	(29)	(29)
Goodwill in connection with the acquisition	17	17
Purchase price	**47**	**47**
Movements in cash flow in connection with the acquisition:		
Purchase price	47	47
Of which is cash acquired	(8)	(8)
Of which financial debt is acquired	15	15
Net cash flow in connection with the acquisitions	**54**	**54**

Notes – Supplementary information

28 Financial instruments and financial risks

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

H+H's financial risk management is thus aimed exclusively at managing the financial risks that are a direct consequence of H+H's operating, investing and financing activities. This note relates exclusively to financial risks directly associated with H+H's financial instruments.

H+H's overall risk exposure and financial risks are as a result of the outbreak of Covid-19 changed compared with last year. In the Management Review, Management's view and response to the outbreak of Covid-19, including specific information on contingency planning is outlined.

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

The individual consolidated entities do not enter into financial instruments denominated in foreign currencies unless commercially warranted, and expected transactions and financial instruments in foreign currencies that exceed a limited level and time horizon require hedging. Derivatives and other financial instruments are used only to a limited extent to hedge currency risks. H+H has for 2020 entered foreign contracts for purchase of EUR paid in PLN.

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

Interest rate risks
As a result of its investing and financing activities, H+H is exposed to interest rate fluctuations both in Denmark and abroad. The main interest rate exposure is related to fluctuations in CIBOR, LIBOR, EURIBOR and WIBOR. It is H+H's policy to hedge interest rate risks on H+H's loans if it is assessed that the interest payments can be hedged at a satisfactory level. Hedging is normally effected using interest rate swaps, where floating-rate loans are swapped to fixed-rate loans.

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

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

Loan agreements
H+H has a committed credit facility of DKK 1.1 billion and an additional accordion facility of DKK 0.6 billion not currently utilized, facilitated by Nordea Danmark, branch of Nordea Abp, Finland. The committed credit facility matures in April 2023, with an option of prolonging by one year. After the balance sheet date, the facilities were extended by one year, refer to note 30 for more information.

H+H Group's financing is subject to usual financial covenants, which have been fulfilled in 2020 and which are expected to be fulfilled for 2021.

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

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

The H+H Group's customers are primarily large well-consolidated builders' merchants. The H+H Group has modest credit exposure to housebuilders and developers in a few markets. H+H Group's credit policy is that all major customers are credit rated on a regular basis. Credit limits are determined on the basis of the individual customer's credit rating.

If the credit rating of a customer is considered not to be sufficient, the payment terms will be changed or security or credit insurance will be obtained. The H+H Group regularly monitors its credit exposure to customers as part of its risk management. The customer types in the individual segments are typically very similar, regardless of which segment they come from. The H+H Group has historically suffered relatively small losses as a result of non-payment on the part of customers. These losses have been evenly distributed among the H+H Group's geographical segments. The credit quality of receivables is consequently considered to be identical, regardless of which segment the receivables come from.

Parent company's monetary items and sensitivity

(DKK million)	2020				2019			
	Position		Sensitivity		Position		Sensitivity	
	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity	Cash and receivables	Potential volatility of exchange rate	Hypothetical impact on profit before tax for the year*	Hypothetical impact on equity
EUR/DKK	813	1%	8	6	789	1%	8	6
GBP/DKK	(94)	5%	(5)	(3)	(105)	5%	(5)	(4)
			3	**3**			**3**	**2**

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

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

Notes – Supplementary information

28 Financial instruments and financial risks – continued

Monetary items in foreign currency

(DKK million)	Group 2020						
	EUR	**GBP**	**PLN**	**Others**	**Total**	**DKK**	**Total**
Trade receivables	4	43	17	5	69	11	80
Other receivables	18	1	8	1	28	1	29
Cash and cash equivalents	198	81	150	30	459	22	481
Trade payables	(41)	(84)	(39)	(9)	(173)	(7)	(180)
Other payables	(57)	(15)	(46)	(20)	(138)	(24)	(162)
Deferred payment	0	0	0	0	0	0	0
Credit institutions	(88)	(3)	(2)	(13)	(106)	(503)	(609)
Gross exposure	34	23	88	(6)	139	(500)	(361)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	**34**	**23**	**88**	**(6)**	**139**	**(500)**	**(361)**

(DKK million)	2019						
	EUR	**GBP**	**PLN**	**Others**	**Total**	**DKK**	**Total**
Trade receivables	12	39	23	9	83	18	101
Other receivables	14	0	16	1	31	(3)	28
Cash and cash equivalents	54	47	144	16	261	0	261
Trade payables	(33)	(112)	(46)	(6)	(197)	(10)	(207)
Other payables	(46)	(34)	(57)	(19)	(156)	(27)	(183)
Deferred payment	0	0	(24)	0	(24)	0	(24)
Credit institutions	(14)	0	0	(11)	(25)	(533)	(558)
Gross exposure	(13)	(60)	56	(10)	(27)	(555)	(582)
Hedged via derivative financial instruments	0	0	0	0	0	0	0
Net exposure	**(13)**	**(60)**	**56**	**(10)**	**(27)**	**(555)**	**(582)**

Sensitivity of profit and equity to market fluctuations

(DKK million)	Group 2020		2019	
	Profit	**Equity**	**Profit**	**Equity**
5% increase in GBP/DKK	4	11	6	12
5% increase in PLN/DKK	6	24	7	24
	10	**35**	**13**	**36**

The table above shows the sensitivity of profit/loss and equity to market fluctuations. A decline in the GBP/DKK and PLN/DKK exchange rates would result in a corresponding increase in profit/loss after tax and equity. The sensitivity analysis has been calculated at the balance sheet date on the basis of the exposure to the stated currencies at the balance sheet date. The calculations are based solely on the stated change in the exchange rate and do not take into account any knock-on effects on interest rates, other exchange rates etc.

Interest rate exposure

DKK million)	Group 2020				2019			
	Net interest-bearing debt	**Interest hedged**	**Net position**	**Weighted time to maturity of hedging**	**Net interest-bearing debt**	**Interest hedged**	**Net position**	**Weighted time to maturity of hedging**
DKK	489	0	489	0	542	0	542	0
EUR	(93)	0	(93)	0	(20)	0	(20)	0
PLN	(92)	0	(92)	0	(90)	0	(90)	0
CHF	(25)	0	(25)	0	(16)	0	(16)	0
RUB	0	0	0	0	0	0	0	0
GBP	(59)	0	(59)	0	(20)	0	(20)	0
Other	10	0	10	0	11	0	11	0
Total	**230**	**0**	**230**	**0**	**407**	**0**	**407**	**0**

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2020, the Group was not involved in any interest rate swaps.

Notes – Supplementary information

28 Financial instruments and financial risks – continued

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level relative to the average interest rate level in 2020 would reduce profit/loss before tax by DKK 4 million (2019: DKK 5 million).

The interest rate is variable, changing in accordance with the performance relative to the covenants contained in the loan agreement.

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

(DKK million)	Group 2020			
Non-derivative financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Credit institutions and banks	609	0	636	0
Lease liability	102	18	41	43
Trade payables	180	180	0	0
Deferred payment	0	0	0	0
Other payables	162	162	0	0
Total	**1,053**	**360**	**677**	**43**

(DKK million)	2019			
Non-derivative financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Credit institutions and banks	558	0	583	0
Lease liability	111	14	58	38
Trade payables	207	207	0	0
Deferred payment	24	24	0	0
Other payables	182	182	0	0
Total	**1,082**	**427**	**641**	**38**

Hedge accounting under IFRS 9
The fair value of those financial instruments that qualify for designation as hedge accounting under IFRS 9 is recognised directly in other comprehensive income until the hedged items are recognised in the income statement. No such financial instruments were used in 2020 or 2019.

Other derivatives that do not qualify for hedge accounting under IFRS 9
The fair value of those financial instruments that do not qualify for hedge accounting under IFRS 9 is recognised directly in the income statement. No contracts are entered as at 31 December 2020 (31 December 2019: DKK 0 million).

The fair value of derivative financial instruments to hedge future cash flows is based on observable data (level 2).

Categories of financial instruments

(DKK million)	Group 2020		2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	80	80	101	101
Other receivables	29	29	28	28
Cash and cash equivalents	481	481	262	262
Total receivables	**590**	**590**	**391**	**391**
Credit institutions and banks	609	609	558	558
Trade payables and other payables	342	342	389	389
Total financial liabilities measured at amortised cost	**951**	**951**	**947**	**947**

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

Notes – Supplementary information

29 Related parties

The Group's related parties are the Executive Board and the Board of Directors.

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

H+H International A/S has no controlling shareholders. Besides the parties specified above, the parent company's related parties consist of its subsidiaries; see note 17.

A management fee totaling DKK 47 million (2019: DKK 56 million) was received by the parent Company from the remainder of the Group.

Transactions between the parent company and subsidiaries also include deposits, loans and interest; these are shown in the parent company balance sheet and notes 7 and 8.

Trading with related parties is at arm's length.

30 Events after the balance sheet date

After the balance sheet date H+H have extended the committed credit facility with Nordea Danmark, branch of Nordea Abp, Finland by one year, hence it consequently expires April 2024.

We are closely monitoring the development in the Covid-19 pandemic and the governments' responses which may have an impact on the H+H Group.

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

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of H+H International A/S for the financial year 2020.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2020 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 2020.

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

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

Copenhagen, 4 March 2021

Executive Board:

Michael Troensegaard Andersen
CEO

Peter Klovgaard-Jørgensen
CFO

Board of Directors:

Kent Arentoft

Stewart Antony Baseley

Volker Christmann

Pierre-Yves Jullien

Miguel Kohlmann

Helen MacPhee

Independent auditors' report

To the shareholders of H+H International A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of H+H International A/S for the financial year 1 January to 31 December 2020, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2020, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of H+H International A/S for the first time on 18 April 2012 for the financial year 2012. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 9 years up to and including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test of goodwill in the Continental Western Europe cash-generating units	How the matter was addressed in our audit
Refer to Note 1 "General accounting policies" and Note 14 "Intangible assets" where Management's annual impairment tests are described in detail. Goodwill in Continental Western Europe totals DKK 189 million as of 31 December 2020. The impairment test is sensitive to changes to the key assumptions applied and the uncertain market conditions in the German market, which to some extent makes it more difficult than normal to predict the future performance of the Continental Western Europe cash generating units – and thereby increases the risk that goodwill could become subject to impairment losses. The impairment tests prepared by Management involve significant estimates about future annual sales growth, and the discount rates (the weighted average cost of capital also referred to as "WACC") applied, which we consider to be key assumptions.	We have assessed whether the method and assumptions applied to calculate the value-in-use for the Continental Western Europe cash-generating units are appropriate. In this context, we have: • Evaluated relevant internal controls related to the impairment tests. • Evaluated the key assumptions, methods and model applied for the impairment tests, including consistency with prior years. • Obtained supporting documentation of key assumptions applied in the impairment tests, with focus on the discount rates and the expected development in future annual revenue growth. We have discussed and challenged Management on these to assess the appropriateness of the assumptions, including evaluated the applied assumptions for determining the discount rates against market data. • Compared earnings expectations with the latest budgets approved by the Board of Directors and earnings realised in the past. • Tested Management's sensitivity analyses. • Assessed the adequacy and appropriateness of disclosures in the notes and that they comply with the requirements of IAS 36. • Consulted with subject matter experts regarding the discount rates applied by Management.

Statement on the management review
Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 4 March 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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State-Authorised	State-Authorised
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More than 100 years of experience

H+H as a conglomerate

- **1909** – **Henriksen & W. Kähler** – established joint gravel pit enterprise
- **1937** – **Business expanded** – with Danish Aircrete and Rockwool Partnership
- **1958** – **H+H enter the UK** – joint venture with Celcon
- **1962** – **Henriksen & W. Kähler** divided rockwool activities from the other activities
- **1985** – **H+H's B shares listed** – on the Copenhagen Stock Exchange

European wall building provider as consolidator

- **1998**
- **2000** – **Focus on aircrete** – expansion to Finland and Germany
- **2003**
- **2005** – **Eastern Europe** – expansion to Poland
- **2008**
- **2009** – **The H+H share** – share capital increase DKK 436 million and merger of share classes
- **2009** – **Eastern Europe** – opening of factory near St. Petersburg, Russia

Turn around

- **2010**
- **2011**

Normalisation and expansion

- **2015** – **Eastern Europe** – restructuring of the Polish aircrete market
- **2017** – **CSU business** – acquisitions into the CSU business in Germany, Switzerland and Poland
- **2018** – **The H+H share** – share capital increase DKK 504 million
- **2019** – **Divestment of the Russian business**
- **2019** – Acquisition of one **CSU factory in Germany**
- **2020** – Acquisition of one **AAC factory in Germany**

Design and production: Noted

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