Annual Report 2022

H+H International A/S

PARTNERS IN WALL BUILDING

CVR no: 49 61 98 12 | Lautrupsgade 7, 5th floor, 2100 Copenhagen Ø

We enable better homes for our communities

Partners in Wall Building

Being a part of H+H means you are in the business of people and teamwork.

Our partners trust us to understand their building needs from design, specification and planning to delivery, assembly and problem solving.

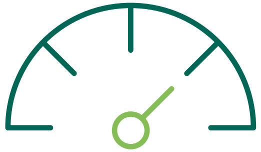
With our partners, we enable better homes for our communities.

Putting people first

The health and safety of our people, suppliers and customers, will never be compromised. We are committed and have the ambition of zero harm for our own and our partners' people.

We know that people are different. We trust our differences enable us to see new opportunities and be more effective.

People are the heart of H+H.

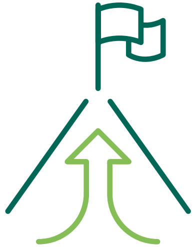


Performance driven

H+H strives to deliver results to all our partners and in the communities where we operate.

Even when times are difficult, we deliver quality products with the highest level of service to our customers. Our operations run timely and effectively. We follow through on our commitment to serve our communities.

You can trust us to deliver on our promises.



Pushing the boundaries

To build better homes, we must stay curious and eager to drive our industry forward.

We are continuously improving operations and products. Together with our partners we rethink supply chains, services and digital solutions.

We are pushing to meet the needs of tomorrow.

Part of a sustainable future

Today we work with our partners to reduce energy needs in homes and our commitment is more than the long lasting and insulating products we produce.

We are part of the solution in creating sustainable and carbon neutral buildings. We are partnering with our customers, suppliers, and other stakeholders; finding new production methods to lower the environmental impact of homes.

We act today to realise our vision of carbon neutrality in 2050.

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IN BRIEF

The Annual Report of H+H International A/S comprises consolidated financial statements and parent company prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in 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.

LETTER FROM THE CHAIR

Strong performance in a challenging business environment

It is my pleasure once again to present strong results for H+H. The results demonstrate the strengths of our business model and the resilience of our diversified footprint. Our commitment towards sustainability, environmental and climate protection remains a key focus for H+H looking ahead.

I am proud to present another successful year for H+H. Again this year we delivered double-digit growth and were able to pursue our strategy for profitable growth while delivering on our financial guidance with EBIT before special items of DKK 455 million.

Much has happened since we entered 2022, and the macro-economic and political situation is today quite different in many of our markets from a year ago. The Ukraine war has led to general uncertainty, and prices of raw materials and building materials kept rising during parts of the year. However, thanks to the execution of our strategy, resilient partnerships and our dedicated employees all over Europe, we have successfully navigated through these challenging situations.

Onboarding a new CEO

On 1 October we welcomed our new CEO; Jörg Brinkmann. H+H focuses on international expansion and we believe he is the right person to drive our agenda for profitable growth going forward as he brings solid international experience from the industry.

Our new CEO will head the continued expansion of our factory network, ensure innovation and keep a firm eye on securing a continous journey towards zero emissions.

Investing in factories and production

Our factory network plays an essential role in our future growth. This year we have invested in optimising our production platform in Germany and Poland, and we will continue to do so in the coming years. Through targeted investments we aim to harvest efficiency gains to drive further organic growth while at the same time lowering CO_2 emissions from our production and reducing our overall environmental footprint.

Together with investments, maintenance and consolidation of our other facilities in Europe this prepares us to meet demand in a flexible way in the coming years. With the economic uncertainty and instability in many parts of Europe, we have prioritised to be resilient and scalable in these dynamic and changing market conditions.

Towards zero emissions
Sustainability is an integral part of our strategy and business operations and annually we allocate DKK 20 million to fund CO_2 reducing projects. Our overall goal is to be carbon neutral in 2050, and we have set a ten-year science-based target to decarbonise our operations and reduce the carbon intensity of our AAC and CSU products. It is our ambition to reduce absolute scope 1 and 2 emissions by 46% and our scope 3 emissions per m^3 by 22% by 2030. We continue to be on the right path to achieving these targets, which is a recognition that our production and value chain aligns with the 1.5°C global warming reduction required.

Long-term benefits for H+H
Our growth was particularly strong in the first half of the year. However, the growing market uncertainty had an impact on the second half which has slowed down decision-making in the building sector. We are not immune to these challenges and our revenue growth rate is impacted by general economic uncertainty.

Though we do see macro-economic challenges in the short- and mid-term, I am confident in the long-term prospects for our business.

Our markets remain characterised by the longer-term effects of a structural undersupply of housing caused by growing populations and urbanisation. Especially in Germany and in the UK there is a strong need for housing, and it appears that this need will only grow in the coming years. Also, we see increased expectations of more sustainable, less energy-consuming and more climate-friendly buildings.

This speaks directly to our business model. H+H is strongly positioned to take advantage of these trends, and we will be investing in advancing that position over the coming years.

Our promise
At H+H we focus on delivering shareholder value. This includes defining ambitious and realistic financial targets, providing relevant guidance, communicating concisely to the market, and delivering open and transparent data about our business performance.

Although we are seeing a shift in market demand and tougher times ahead, our markets are characterised by a structural undersupply and a need for sustainable housing solutions, and we are therefore confident in the long-term prospects for our business. We maintain our long-term financial ambitions over a cycle of an EBIT margin of 12% and ROIC of 16%.

On behalf of the Board of Directors, I am grateful for the support that our customers, business partners and investors bring us. Also, I am proud that our people overcame the considerable challenges presented during the year due to the volatility and uncertainty on our markets. They made us able to deliver uninterrupted service to our customers across our footprint.

Kent Arentoft
Chair

Long-term financial targets

EBIT margin before special items

12%

13% in 2022

Return on invested capital (ROIC)

16%

19% in 2022

Financial gearing

Net interest-bearing debt to EBITDA before special items

1-2x

0.7x in 2022

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

LETTER FROM THE CEO

A strong and sustainable business model delivered record results

2022 was a record year for H+H

We delivered our best result ever with an organic growth of 14% and an EBIT before special items of DKK 455 million. Our business model and lean organisation proved resilient to the challenging business environment. We remain agile and adjust to the market changes in front of us.

A lot has changed in 2022 with the beginning of the war in Ukraine, high inflation, and higher prices for our raw materials and energy. Consequently, we increased our sales prices throughout the year with the clear ambition to offset rising input costs. The team delivered all-time high financial performance with revenue of DKK 3.604 million and an EBIT margin of 13%. Also, our CO_2 emissions and safety performance significantly improved and reached new levels.

Delivering such results in a challenging market environment is not easy and I would like to thank our employees for their dedication and ability to adapt to these challenges. Through 2022, our teams have worked tirelessly to deliver unparalleled quality and customer service, working closely together with our partners and continuously improving our business model. Also, I would like to extend my gratitude to our customers and suppliers for entrusting us in meeting their needs.

Continuously improving our operations
As a manufacturing company the performance of our plants is critical for our business success. Consequently we strive to improve our operations through continuous improvement initiatives, maintenance investments and strategic investments.

In 2022, our Wittenborn factory in Germany was upgraded, resulting in higher efficiency and more reliable output to serve our customers with high quality AAC products in Northern Germany and Nordics. Also in 2022, a new CSU plant in our existing AAC factory in Reda, Poland was opened. It is the first factory in Poland capable of producing both AAC and CSU, and the factory will be supplying the growing Tri-city area around Gdańsk.

In November 2022, we also announced an upgrade to our Borough Green factory to increase the UK capacity by approximately 10% to be completed in beginning of 2024.

In parallel to our ongoing investments, we believe to have further potential in our factory network through best practice sharing, standardisation and de-bottlenecking. This leads to higher efficiency and increased output, which is needed to meet the future demand for our products in our markets.

In all we do, nothing is more important than the safety of our people, and I am very pleased to report that we reduced our Lost Time Incident Frequency (LTIF) to 3.6 in 2022, the lowest level ever achieved. However, every accident is one to many and we restlessly strive for zero harm.

Driving forward our ESG agenda

We strongly support the sustainable transformation of Europe towards carbon neutral construction. We believe in leading by example and was one of only six companies within our sector in Europe to have science-based targets approved in 2021.

We are a year ahead of our target having reduced our emissions approximately 8 percent in 2022 year-on-year, and we have established a structured process for identification and implementation of CO_2 reducing projects, optimizing our energy mix and collaborating with our suppliers to reduce Scope 3 emissions.

Our ESG agenda is becoming an integral part of our business strategy and to support this our 2023 LTI and STI programmes will include ESG targets across our organisation. In addition, in the beginning of March, we entered our first sustainability-linked finance agreement with Nordea including targets for CO_2 emissions and safety.

Short-term challenging market environment, long-term growth opportunities

In the second half of 2022, we have seen decreases in building permits issued in all our markets. Higher building cost as well as rising mortgage rates have led to increased uncertainty, and we have seen construction activities declining from end 2022 into start 2023. Consequently, towards the end of 2022, we initiated a mitigation plan, which includes adjusting our capacity to lower demand, tight cost management and review of investment levels.

At the same time, inflation continues to impact our production costs, and we expect to see these costs maintained at a high level. As we remain committed to defend our earnings, we will continue to pass through cost inflation to the market.

Despite those challenges our long-term market view remains positive, as urbanization and structural undersupply of housing across Europe continues to hold attractive growth opportunities. Our products are well suited to support the demand for affordable and sustainable housing.

M&A remains a strategic growth driver

Strategic growth through acquisitions has been a strong part of our strategy in recent years. During 2022, we have successfully integrated two acquisitions made in 2021. Acquisitions will continue to be a growth driver for H+H, as we see further synergies from expansion of our factory network in existing markets and potentially entering new markets. Our strong financial position enables us to pursue profitable growth opportunities, and we will continue to explore potential targets.

Jörg Brinkmann
Chief Executive Officer

"In parallel to our ongoing investments, we believe to have further potential in our factory network through best practice sharing, standardisation and de-bottlenecking"

H+H at a glance

H+H is a leading provider of solutions and materials for wall building. Over the recent years, H+H has grown significantly through acquisitions and now has a strong and diversified market position across its geographies, serving as a solid foundation for continued growth.

Employees

1,739

We have more than 1,700 employees working across eight different countries in Northern and Central Europe. Approximately two-thirds work in our factories.

Revenue (DKKm)

3,604

In 2022, we generated total revenue of DKK 3,604 million and organic growth of 14%. AAC and CSU accounted for 71% and 29% of total revenue, respectively.

Sustainability

46%

By 2030, to reduce absolute Scope 1 and 2 GHG emissions by 46% from a 2019 base year, equivalent to a 4.2% reduction each year.

By 2050, achieve net-zero emissions.

Factories

32

We have 32 factories across Northern and Central Europe with a total annual output of close to 4.5 million cubic metres of wall-building materials.

Acquisitions

24

Since 2014, we have acquired 24 factories. These have contributed to a significant expansion of our factory network and have more than tripled our white-stone businesses in both Germany and Poland.

Revenue by product line (FY 2022)

71% 29%

Both products are key components for energy-efficient wall systems.

Aircrete (AAC) combines strength and durability with fire resistance, low weight and excellent thermal insulation making it the ideal material for the residential low-rise housing market.

Calcium silicate (CSU) is a heavy and dense wall-building material primarily used for residential high-rise buildings. The product is fire resistant and has a very high degree of sound insulation.

Equity story

We remain in a unique position for continued growth due to unique market conditions, a differentiated market approach, sustainable products and solid strategy execution

Unique market conditions for growth

- Structural undersupply of housing
- Government commitment and stimuli programmes for housebuilding
- Demographic growth and changing housing needs
- Fragmented markets with room for consolidation through acquisitions
- High entry barriers for new competitors

Differentiated market approach

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

Sustainable solutions — net-zero emissions by 2050

- Commitment to ambitious emission-reductions in line with the 1.5-degree scenario
- Long-lasting products
- Carbon-friendly products with CO_2 absorbing abilities
- Aspiration to deliver 'less-than-zero' emission products
- Insulating properties leading to energy savings and more sustainable buildings

Proven track record of strategy execution

- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets continues to provide attractive synergies
- Efficient integration process and agile organisation
- Return on Invested Capital (ROIC) consistently above WACC
- Strong cash-flow generation to fund continued growth

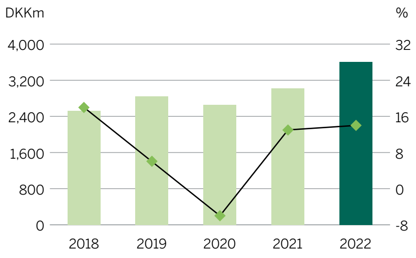
Performance highlights 2022

Selected financial figures and ratios

Revenue

Revenue
Organic growth

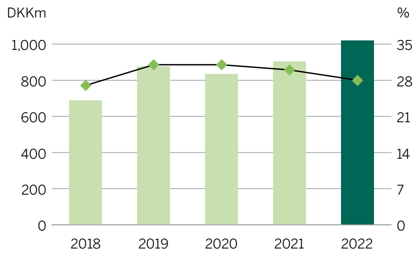
3,604



Gross profit and gross margin before special items

Gross profit before special items
Gross margin before special items

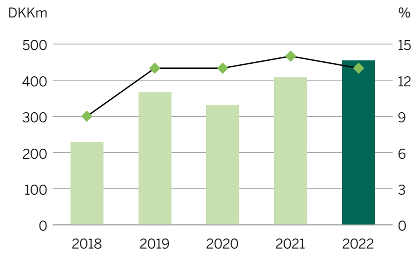
28%



EBIT and EBIT margin before special items

EBIT before special items
EBIT margin before special items

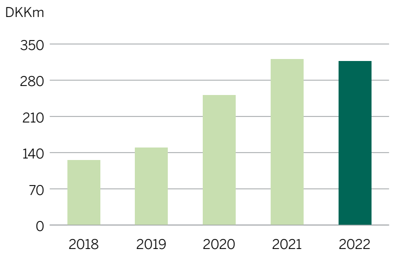
13%



Profit after tax

Profit after tax

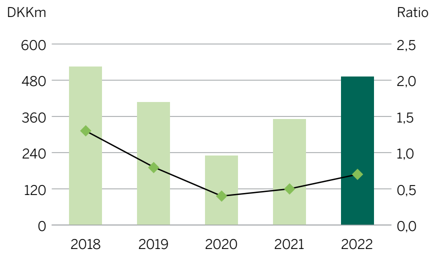
317



Net interest-bearing debt and financial gearing[1]

Net interest-bearing debt
Financial gearing

0.7x

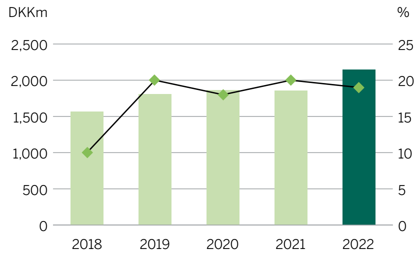


[1] Net interest-bearing debt to EBITDA before special items ratio
Note: Net interest-bearing debt for 2019 onwards include the impact from IFRS 16

Invested capital and ROIC excluding goodwill

Invested capital
Return on invested capital

19%



Note: In 2018, Return on invested capital (ROIC) was adversely impacted by a one-off related to the acquisition and integration of the German and Polish businesses as well as impairment of fixed assets in the now divested Russian business. Adjusted for these effects, ROIC would have been 17%.

Five-year summary

Income statement (DKK million)	**2022**	**2021**	**2020**	**2019**	**2018**
Revenue	3,604	3,020	2,654	2,840	2,523
Gross profit before special items	1,020	905	836	877	690
EBITDA before special items	657	591	521	539	410
EBITDA	615	567	521	531	345
EBIT before special items	455	408	332	366	228
EBIT	413	377	332	358	163
Profit before tax	398	356	307	205	125
Profit after tax for the period	317	321	251	150	125

Balance sheet (DKK million)	**2022**	**2021**	**2020**	**2019**	**2018**
Assets	3,750	3,400	2,909	2,716	2,421
Invested capital	2,142	1,852	1,865	1,809	1,568
Investments in property, plant, and equipment[1]	266	197	134	126	138
Aquisition and divestment of enterprises	-	238	72	(20)	839
Net working capital	242	65	55	48	8
Equity	1,938	1,814	1,509	1,371	1,000
Net interest-bearing debt (NIBD)	492	350	230	407	525

Cash flow (DKK million)	**2022**	**2021**	**2020**	**2019**	**2018**
Cash flow from operating activities	316	454	425	369	370
Cash flow from investing activities	(255)	(427)	(206)	(105)	(973)
Cash flow from financing activities	(19)	(25)	6	(131)	679
Free cash flow	61	27	219	264	(603)

Financial ratios (DKK million)	**2022**	**2021**	**2020**	**2019**	**2018**
Organic growth	14%	13%	(6%)	6%	18%
Gross margin before special items	28%	30%	31%	31%	27%
EBITDA margin before special items	18%	20%	20%	19%	16%
EBITDA margin	17%	19%	20%	19%	14%
EBIT margin before special items	13%	14%	13%	13%	9%
EBIT margin	11%	12%	13%	13%	6%
Return on invested capital, excluding goodwill[2]	19%	20%	18%	20%	10%
Solvency ratio	49%	50%	50%	49%	41%
Financial gearing	0.7x	0.6x	0.4x	0.8x	1.3x

ESG performance data (DKK million)	**2022**	**2021**	**2020**	**2019**	**2018**
Average number of FTEs	1,738	1,572	1,619	1,685	1,651
Full-time workforce	1,739	1,663	1,571	1,636	1,608
Lost-time incident frequency (LTIF)	3.6	5.5	5.7	5.6	9.0
Sickness absence (days per FTE)	13	12	13	13	10
Total energy per m^3 (MJ)	567	554	551	565	593
Fresh water consumption per m^3 (litres)	369	354	363	382	387

SBTi targets	**2022**	**2021**	**2020**	**2019**	**2018**
Scope 1+2 emissions (Tonnes)	176,250	191,806	178,363	199,209	N/A
Scope 3 intensity (kg/m^{3})[3]	157	157	157	162	N/A

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

2 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 the period 2018-2021 has been calculated as Operating profit (EBIT) relative to average invested capital (excluding goodwill) on a twelve-month basis.

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

OUR BUSINESS AND STRATEGY

Business model

Resources

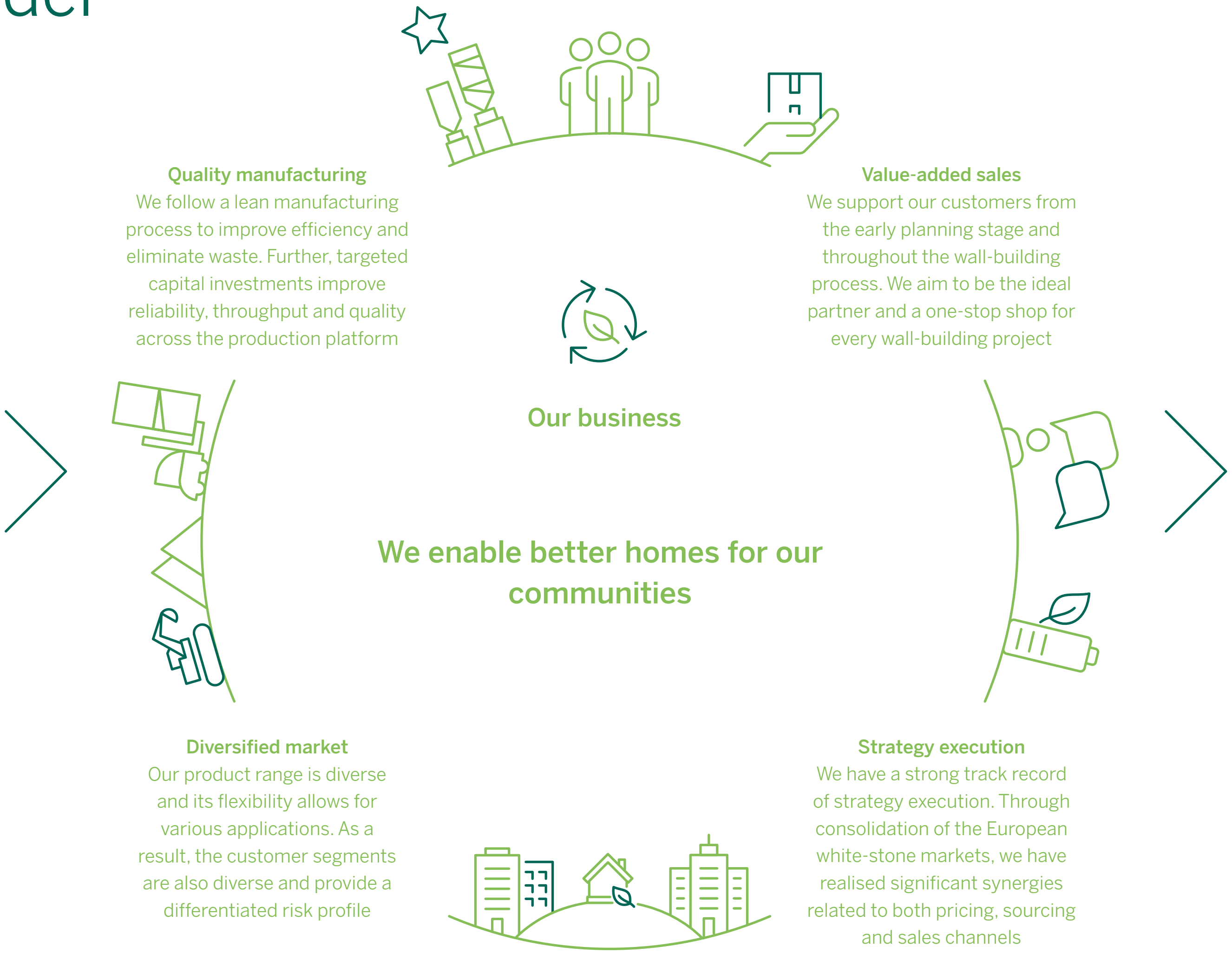
People
We value our workforce, recognise the advantages of diversity and believe in the equality of people

Raw materials
Our products are made of sand, water and lime, with cement and aluminium added for aircrete

Factory network
We have created a strong network of factories and sales offices with national reach within the countries in which we operate

Unique market conditions for growth
Structural undersupply of housing, demographic growth, urbanisation and changing housing needs provide a solid growth platform

Solid capital structure
Our strong and flexible capital structure supports our continued growth journey and sustainable shareholder value creation



Quality manufacturing
We follow a lean manufacturing process to improve efficiency and eliminate waste. Further, targeted capital investments improve reliability, throughput and quality across the production platform

Value-added sales
We support our customers from the early planning stage and throughout the wall-building process. We aim to be the ideal partner and a one-stop shop for every wall-building project

Diversified market
Our 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

Strategy execution
We have a strong track record of strategy execution. Through consolidation of the European white-stone markets, we have realised significant synergies related to both pricing, sourcing and sales channels

Added value

Customer value
By understanding our customers, their local needs and the industry trends, we help overcome challenges, eliminate waste and manage complexities throughout the wall-building process

Modern and carbon-friendly products
Our products offer improved indoor climate and energy savings as well as fire resistance and better acoustic insulation between rooms. In addition, the products are long-lasting and can be integrated into a circular economy

Safe and attractive work environment
Employment and working conditions must be safe, fair and non-discriminatory to attract top talents and support the development and career ambitions of our employees

Shareholder value
We will continue to pursue profitable growth through acquisitions and investments in the existing production platform to generate robust, long-term value for our shareholders. Further, we may return excess capital to shareholders by means of dividends and/or share buy-back programmes

Products and solutions

Our 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.

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 and pre-cast wall-panel solutions, 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.

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 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 a 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-rise 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.

Corporate strategy and growth platform

We will continue to pursue profitable organic growth, as well as opportunities to expand both our geographical footprint and offerings within adjacent products and wall systems. We will focus on opportunities offering synergies and providing us with a more diversified exposure in the growing market of affordable and sustainable housing in Europe.

Differentiated market approach

We firmly believe that collaboration creates lasting value – both for the customers, suppliers and other stakeholders. By understanding industry trends, our customers and their specific needs, we can help them solve challenges, eliminate waste and manage complexities throughout the building process with the aim of building affordable, long-lasting sustainable homes. We strive to be the ideal partner and a one-stop-shop for every wall-building project, while also assisting in optimising the building process and the carbon emissions from a life-time perspective.

Our value proposition is to be a trusted partner to all customers across our markets, aiming to add 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.

Optimisation of production network

The markets in which we operate hold attractive long-term growth opportunities due to the demographic profile and the political drive to secure adequate housing, and we have a strong track record as a market consolidator. Generally, and as previously communicated, the European housing markets are still expected to continue growing, supported by the longer-term effects of a structural undersupply of housing, demographic growth and urbanisation. We remain strongly positioned to take advantage of these longer-term trends and will be investing in further enhancing our position over the coming years.

Following the successful consolidation of the German and Polish white-stone markets, which has formed a solid platform for long-term growth and value creation, we will to a larger degree focus our strategic efforts on optimising and strengthening our production platform. This may be done via investments in optimising the existing factory network allowing for further efficiency gains, investments in additional capacity and a continued focus on innovation and sustainability.

Our Continuous Improvement programme has shown good results since its introduction in 2019. The programme is a long-term commitment to deliver sustainable margin improvements. We will continue our focus on improving energy efficiency, improving raw-materials consumption, reducing waste and increasing factory up-time across our footprint.

We also see great potential in the British 'Modern Methods of Construction' (MMC) initiative, including marketing of our pre-cast wall-panel solutions (i.e., storey-height aircrete panels) to the British market as well as a continued focus on the marketing of our thin-joint masonry solutions where mortar is replaced by glue, thereby creating a thinner joint between the individual blocks which results in faster laying and improved productivity. Both solutions provide improved efficiency at the construction sites, but are also expected to result in incremental sales volumes for H+H.

The addition of capacity through the construction of new factories or the expansion of existing production facilities will also be within our strategic scope. The expansion of the AAC factory in Reda in Poland with a new CSU production line was completed in Q3 2022, and in 2023 we will upgrade our capacity at Borough Green, UK.

Profitable growth through acquisitions

We want to continue our profitable growth through acquisitions and have the financial strength to further strengthen our position through acquisitions offering synergies and a more diversified exposure in a growing market. We see good opportunities to grow and expand both our geographical footprint as well as our offerings within adjacent products and wall systems.

We have a strong track record when it comes to buying solid companies and integrating them both fast and successfully from consolidating the European white-stone-market in recent years, with the acquisition of 24 factories. These factories have contributed to a significant expansion of our factory network and have more than tripled our white-stone businesses in both Germany and Poland. This has significantly increased our geographic footprint, revenue and earnings and positions us well for continued growth through acquisitions.

In 2021, we acquired an aircrete factory located in Feuchtwangen in Bavaria, Germany, and 52.5% of the shares in DOMAPOR Baustoffwerke GmbH & Co. KG (DOMAPOR), a German manufacturer of aircrete and calcium silicate blocks located in Mecklenburg-West Pomerania.

We maintain a pipeline of potential acquisition targets and may pursue any of these should they add value to our existing operations. We may therefore continue to engage in acquisitions of targets with attractive geographical locations and/or modern and well-run production facilities. We remain in a unique position to pursue further expansion of our German production footprint, as we have both the necessary financial strength and a proven track record of integration and restructuring from recent years' acquisitions.

Entrance into new markets.
We also see relevant growth opportunities through expansion of activities into geographies with high levels of market penetration for AAC and CSU products. The market structures and associated risk profiles differ from market to market – particularly for AAC as the product category has a larger geographical reach. We are continuously monitoring the market and have the financial means to benefit from opportunities arising and creating market-leading positions should targets be available. The expansion of our product offering with other wall-building materials may potentially also offer relevant growth opportunities and synergies.

Packaging line in
Reda, Poland

Completion of our new CSU factory in Gdańsk, Poland

In July 2022, H+H opened a new plant near Gdańsk, Poland. The new plant has been built next to the existing AAC plant and is the first factory in Poland capable of producing both AAC and CSU.

Our new plant affords us a number of key benefits; closer proximity to our CSU customers in a densely populated area of Poland, synergies across channels for sales and marketing and a factory with sustainability built in the start.

The factory was approved in January 2019, but building commencement was delayed to 2021 due to the COVID pandemic. The factory currently operates in its first phase with an automatic production line and with a production capacity of 50,000-60,000 m^3. Phase two, will increase capacity to 90,000-100,000 m^3 per year.

The new CSU plant is built with a focus on sustainability. The production line has been built from refurbished machinery and materials; it operates ecologically based on the principle of zero waste with a very efficient use of water in the production processes. Also, the plant operates on high standards as regards to health and safety.

The new CSU factory has a capacity of up to 60,000 m^3 annually in its phase one, corresponding to approximately 3% of the current CSU market.

Sustainability strategy

Environment

Sustainable buildings

By 2030, reduce Scope 3 GHG emissions **22%** per m^3 from a 2019 base year

By 2050, achieve **net-zero** emissions in H+H products

We want to enhance our product portfolio through more sustainable products and application methods, that improve energy efficiency and lower the life-cycle emissions of buildings.

We partner with cement and lime manufacturers to test low-carbon products to reduce our Scope 3 emissions and are committed to achieving net-zero emissions from our products by 2050.

Climate & environment

By 2030, reduce absolute Scope 1 and 2 GHG emissions by **46%** from a 2019 base year, equivalent to a 4.2% reduction each year

By 2024, reduce energy consumption per m^3 by **7%** vs. 2019 base line of 565 MJ per m^3

By 2024, reduce water usage by **5%** vs. 2019 base line of 382 litres per m^3

By 2024, achieve **zero waste** to landfill

By 2050, achieve **net-zero** emissions in H+H's operations

We aim to reduce our Scope 1 and 2 emissions, achieve net-zero emissions from operations, and continuously improve resource use through enhanced environmental management and strategic sourcing of raw materials.

In regards to circular economy, we have three sub-streams focusing on this matter - a 'no waste of virgin materials' principle, a 'brick-to-brick' approach, and a 'building-to-building' approach.

Social

Health, safety, and people

By 2024, reduce absenteeism to **9 days** per annum, including absentee-ism from long-term illness

By 2024, reduce lost time incidents frequency (LTIF) to **3.5**

We strive for zero harm to our people through improved behavioural and automation levers, to provide a healthy working environment as well as continuing to be an attractive employer to attract, retain, and develop our talent pool.

Governance

Business integrity

Have gender diversity within the Board of Directors of H+H International A/S to minimum **25-40%** of the under-repre-sented gender

We aim to always conduct our business in an honest, ethical, and socially responsible manner and to drive compliance with laws, anti-trust guidelines, and sustainable sourcing.

We have reported separately on corporate social responsibility in our sustainability report for 2022, in accordance with section 99a of the Danish Financial Statements Act.

Read more about H+H's Sustainability Strategy on **www.hplush.com/sustainability-reports**

Sustainability highlights

During 2022, we executed on our plans to meet our ESG commitments.
The results show a positive development towards our targets.

Results 2022

Steady safety performance

3.6

Lost-Time Incident Frequency (LTIF) versus a target of 5.

Reduced carbon emissions

5%

lower Scope 1 and 2 emissions compared to our Science Based target.

Lower water usage

3%

reduction in water intensity versus 2019 base year.

Long-term targets

H+H has carbon reduction targets verified and approved by the SBTi

1.5°C

We are on track in reducing our own emissions in line with the 1.5-degree scenario in the Paris Agreement.

Net-zero by

2050

We are committed to achieving net-zero emissions in our operations and products by 2050.

UN Global Compact

Sustainable Development Goals (SDGs)

Our products support SDG-11 (Sustainable cities and communities) and SDG-12 (Responsible consumption and production).

Investing in state-of-the-art energy equipment

Sustainability is an embedded part of our value proposition and operations, and we allocate capital specifically to CO_2, NOx and greenhouse gas reduction initiatives.

As part of this ongoing process, H+H UK was granted funds to install new gas burners at our Pollington site. Gas burners are an integral part of the boiler system used to generate the steam which is used to 'bake' the AAC block in our autoclaves.

Through thorough internal and external analysis, replacing the 21-year-old old gas burners was identified as a high impact investment for reducing our CO_2 emissions. This initiative was enabled by developments in gas burning technologies.

The burners were successfully installed in Q3 2022 with the subsequent data showing significant reduction in gas usage. To date, we have already seen gas savings of up to 4% in consumption levels, saving more than 600 tons in CO_2 emissions on an annual basis.

To ensure that we are prepared for future renewable energy sources, the new burners are compatible with hydrogen as a base fuel. Furthermore, we are in continuous dialogue with local governments about the possibility of changing to hydrogen supply, once capacity becomes available in the UK.

As a result of the successful implementation of the new burners, we are already preparing to replicate this initiative at our Borough Green site whilst also preparing separate analyses of potentially replacing burners in our other regions.

Newly installed burners in Pollington which save up to 600 tonnes CO_2 annually.

Summary of strategic targets

Financial targets

EBIT margin before special items

12%

13% in 2022

Return on invested capital

16%

19% in 2022

Financial gearing

Net interest-bearing debt to EBITDA before special items

1-2x

0.7x in 2022

Sustainability targets

H+H commits to reducing absolute Scope 1 and 2 greenhouse gas emissions by

46%

by 2030 compared to 2019

H+H commits to reducing Scope 3 greenhouse gas emissions by

22%

per kg CO_2e/m^3 by 2030 compared to 2019

Net-zero emissions

H+H commits to achieving net-zero emissions in our operations and products by

2050

Note: The Group's long-term financial targets reflect the ambition to maintain average levels through a full business cycle.

OUR PERFORMANCE

A WORD FROM THE CFO

Pricing execution key in challenging market

2022 was largely driven by high demand for our products, continuing the trend of recent years. During Q3 we saw a change in market dynamics, and permits started decreasing primarily due to higher interest rates and the continued strong inflationary pressures.

Navigating the high inflationary environment with declining demand is challenging, but our principle of passing on inflation remains clear, and we will keep monitoring the market closely. Additionally, we will focus on cost saving measures to mitigate the impact on our bottom line.

Despite these headwinds, I am proud to report that we have delivered strong financial results for the year. Revenue for 2022 reached DKK 3,604 million, a 19% increase over the previous year. This growth was driven mainly by price increases, as we successfully passed on the higher input costs.

Non-financial reporting is key to support our ESG journey

A key initiative we have undertaken during 2022 is to strengthen our non-financial reporting practices to accommodate new reporting requirements. In our journey towards net zero, strengthening our reporting platform is critical and we are committed to provide meaningful insights into our ESG performance. Hence, to support this, we have implemented new reporting tools which together with a common business intelligence system will support performance management.

In addition, in 2022, we successfully upgraded the Polish market to our ERP platform which now covers the majority of our markets. We expect the remaining markets to follow during 2023.

The upgrade ensures further scalability, efficiencies and standardised processes across our business as well as establishing the foundation for further use of technology to improve our competitiveness and our service to our customers.

New sustainability-linked financing

On 1 March 2023, H+H signed a new multi-currency sustainability-linked financing agreement with Nordea. The agreement includes a committed term loan of DKK 400 million and a committed Revolving Credit Facility of DKK 600 million. In addition, the agreement includes an uncommitted accordion facility of DKK 1,100 million. The agreement replaces our previous agreement and runs for three years until 2026 with an option to extend the agreement for two additional years. The terms of the agreement are favorable compared to the previous agreement and support the robustness of H+H.

The specific sustainability-related objectives linked to the financing agreement are closely related to our strategy and incorporate sustainability performance targets related to a reduction of absolute Scope 1 and 2 GHG emissions and the Lost Time Incident Frequency (LTIF), which are both key strategic KPIs. The inclusion of these targets underpins our strong commitment to our journey towards net zero and it demonstrates how ESG is integral to all aspects of our business. I am also pleased that the financing agreement together with our continuing strong cash generation supports our strategic growth.

Resilience measures to prepare for lower demand cycle

After many years of high activity in the building industry, building permits are currently declining across our markets. We expect this to impact market demand in combination with continuing high input cost pressure.

As a consequence we will continue to focus on tight cost control and risk management, and we will drive efficiencies at our factories to maintain our strong financial foundation. Over the years, we have maintained a disciplined approach to capital expenditures which has enabled us to maintain financial flexibility and to make strategic investments in our business, even when facing lower demand. I am confident in our ability to navigate and shift gears when needed. We have a robust plan in place, and we remain focused on delivering value to our shareholders.

Peter Kloygaard-Jørgensen
Chief Financial Officer

Full year 2022 financial review

Income statement

Revenue
Total revenue increased by 19% to DKK 3,604 million compared to DKK 3,020 million in 2021. Revenue growth before acquisitions and divestments (organic growth) was 14% compared to 13% in 2021.

Organic growth was driven by the continued implementation of sales price increases to counter the continued strong inflationary pressures, offset by lower sales volumes as a result of lower production output primarily due to the planned upgrade of the Wittenborn factory in Germany as well as a softening of sales volumes in Poland.

Revenue in Central Western Europe amounted to DKK 1,611 million compared to DKK 1,399 million in 2021. Organic growth was 2% mainly driven by price increases in both product categories.

Revenue in the UK amounted to DKK 1,052 million compared to DKK 884 million in 2021. At 18%, organic growth was driven by higher sales prices.

Revenue in Poland was DKK 941 million compared to DKK 737 million in 2021. Organic growth was positive by 31% mainly driven by higher sales prices for both product categories.

Of total revenue of DKK 3,604 million, AAC accounted for 71%, while CSU accounted for 29%, on a par with 2021 where total revenue amounted to DKK 3,020 million.

Production costs
Production costs were impacted by increasing prices of raw materials as well as higher transport prices in the UK resulting from high demand pressure.

Furthermore, the planned upgrade of the Wittenborn factory resulted in a relatively lower production output and higher production costs in the period.

Gross profit before special items
Gross profit before special items increased by 13% to DKK 1,020 million compared to DKK 905 million in 2021, corresponding to a gross margin before special items of 28% compared to 30% in 2021. The gross margin was adversely impacted by increasing production costs.

Gross profit in the AAC business was DKK 713 million, corresponding to a gross margin of 28%. Gross profit in the CSU business was DKK 307 million, corresponding to a gross margin of 29%.

EBITDA before special items
EBITDA before special items increased by 11% to DKK 657 million compared to DKK 591 million in 2021, corresponding to an EBITDA margin before special items of 18% compared to 20% in 2021.

The lower EBITDA margin before special items is a result of increasing prices of raw materials and higher production costs while sales and administrative costs remained relatively stable.

Depreciation and amortisation before special items
Depreciation and amortisation before special items amounted to DKK 202 million against DKK 183 million in 2021.

EBIT before special items
EBIT before special items increased by 12% to DKK 455 million in 2022 compared to DKK 408 million in 2021, corresponding to an EBIT margin before special items of 13% compared to 14% in 2021.

Special items
Special items for 2022 were negative by DKK 42 million compared to DKK 31 million in 2021.

Special items for 2022 comprise additional transport costs related to a factory upgrade in Germany, the acquired AAC factory located in Feuchtwangen in Bavaria, Germany as well as costs related to changes to Group and regional Management.

Recognition of special items has affected the following lines of the income statement: Cost of goods sold (DKK 25 million) and administrative costs (DKK 17 million).

Please refer to note 7 for more information.

EBIT
EBIT increased by 10% to DKK 413 million compared to DKK 377 million in 2021.

Net financials
Net financials totalled an expense of DKK 15 million compared to an expense of DKK 21 million in 2021.

Profit before tax
Profit before tax increased by 12% to DKK 398 million compared to DKK 356 million in 2021.

Tax
Tax expense increased to DKK 81 million compared to an expense of DKK 35 million in 2021. The relativly lower tax in 2021 was driven by deferred tax adjustments related to acquired companies in prior years.

Profit for the period
Profit for the period totalled DKK 317 million compared to DKK 321 million in 2021.

Profit for the period attributable to H+H International A/S's shareholders was DKK 303 million and DKK 14 million attributable to non-controlling interest. For 2021, the profit attributable to H+H International A/S's shareholders and to non-controlling interest was DKK 310 million and DKK 11 million, respectively.

Other comprehensive income

Other comprehensive income was net zero compared to a positive amount of DKK 45 million in 2021. The year-on-year movement was a result of movements in value adjustment of net pension obligations less deferred tax of a negative amount of DKK 19 million and foreign exchange less deferred tax of negative DKK 26 million.

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

Cash flow

Operating activities

Cash flow from operating activities decreased by 30% to DKK 316 million compared to DKK 454 million in 2021, primarily driven by higher EBITDA which was offset by a negative development in working capital development due to an increase in stock.

Investing activities

Cash flow from investing activities was negative by DKK 255 million compared to a negative amount of DKK 427 million in 2021. The year-on-year decrease was mainly driven by acquisitions of entities in 2021 of DKK 238 million.

Capital expenditures totalled DKK 266 million compared to DKK 197 million in 2021.

Free cash flow

Free cash flow amounted to DKK 61 million against DKK 27 million in 2021.

Financing activities

Cash flow from financing activities was negative by DKK 19 million compared to a negative amount of DKK 25 million in 2021. The year-on-year development was driven by an increase in purchases of treasury shares under the share buy-back programme which was offset by a change in borrowings.

Balance sheet

The balance sheet total at 31 December 2022 was DKK 3,750 million compared to DKK 3,400 million at 31 December 2021.

Financing

Net interest-bearing debt totalled DKK 492 million at 31 December 2022, an increase of DKK 142 million since 31 December 2021.

The increase in net interest-bearing debt since the beginning of the year was primarily driven by capital expenditures and the purchase of treasury shares and was partly offset by earnings for the period.

At 31 December 2022, financial gearing was 0.7x net interest-bearing debt to EBITDA before special items, which is comfortably below the Group's long-term financial target of 1-2x EBITDA before special items.

Net interest-bearing debt excluding leasing totalled DKK 384 million at 31 December 2022, corresponding to an unused committed bank facility of DKK 0.6 billion.

Equity

Equity increased by DKK 124 million to DKK 1,938 million.

Net gains recognised directly in equity comprise profit for the year of DKK 317 million, a value adjustment of pension obligations less deferred tax of DKK 17 million and foreign exchange adjustments of investments in foreign entities of a negative amount of DKK 17 million.

Other changes to equity comprise adjustment to recognition of non-controlling interests arising from the acquisition of the majority stake in DOMAPOR of a negative amount of DKK 22 million, recognised costs for share programmes of DKK 4 million, dividend to non-controlling interest of DKK 6 million and the purchase of treasury shares of DKK 169 million.

Please refer to note 4 "Staff costs", note 19 "Share capital and treasury shares", note 20 "Pension obligations" and note 25 "Business combinations" for further information.

Equity attributable to H+H International A/S's shareholders and to non-controlling shareholders was DKK 1,842 million and DKK 96 million, respectively.

Return on invested capital (ROIC)

Return on invested capital was 19% compared to 20% in 2021.

Management review for the parent company

Profit for the year was DKK 108 million compared to DKK 267 million in 2021. The decrease of DKK 159 million against last year was driven by dividend received in 2022 of DKK 102 million compared to DKK 280 million in 2021.

Events after the balance sheet date

On 1 March 2023, a new committed credit facility was agreed with Nordea Danmark, a branch of Nordea Abp, Finland, subject to H+H's fulfilment of certain formal requirements. The agreement has a duration of 3 years and has been secured on attractive market terms.

Other than above, 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.

Financial outlook

Changes to the guidance during 2022

The initial outlook for 2022 was introduced on 3 March 2022 in connection with the release of the 2021 Annual Report after record earnings and solid organic growth. The initial guidance for 2022 reflected the swift recovery of the European housing market following the Covid-19 pandemic The first half of the 2022 was fuelled by continued high activity and customer demand. We demonstrated our ability to negotiate sales price increases to offset the inflationary pressure and the financial guidance was therefore upgraded in May 2022. The changed geopolitical and macroeconomic landscape led to decreased visibility coupled with the continued high-inflation environment, and softening market demand led to a narrowing of our financial guidance in November 2022. The realised results for 2022 were within the recent guidance range, reflecting a softening of market demand in Q4.

	Original guidance 3 March 2022	Upgrade 6 May 2022	Narrowed 10 November 2022	Realised results 1 March 2023
Organic growth	10-15%	15-20%	~15%	14%
EBIT (DKKm)	420-500 [1]	440-520	440-470	455

[1] Before special Items

2023 financial outlook

Revenue growth measured in local currencies is expected to be around 0%.

EBIT before special items is expected to be in the range of DKK 330 - 400 million.

Assumptions for the financial guidance for 2023
The expectations for H+H's financial performance in 2023 are based on a number of specific and general assumptions. Management believes that the most significant of these assumptions relate to the following items:

Specific assumptions:
- Sales volumes expected to decrease around 10-15% in aggregate mainly driven by Poland.
- Further cost increases in 2023 expected, which are passed on through sales price increases.
- Exchange rates, primarily GBP, EUR and PLN remain at end-February 2023 levels.

General assumptions:
The expectations for H+H's financial performance are also 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
- Operational uptime at H+H's production plants including supply of energy and raw materials

Q4 2022 key figures

Comments relating to the fourth quarter of 2022

Revenue
Total revenue increased by 11% to DKK 810 million compared to DKK 731 million in 2021. Revenue growth before acquisitions measured in local currencies (organic growth) was positive 9% compared to positive 11% in 2021.

Organic growth for Q4 was mainly driven by price initiatives across our regions, partly adjusted by lower volumes.

Gross profit before special items
Gross profit before special items was DKK 202 million compared to DKK 216 million in 2021, corresponding to a gross margin before special items of 25% and 30%, respectively.

Gross margin was negatively impacted by increasing production cost and maintenence shut downs.

EBITDA before special items
EBITDA before special items was DKK 111 million compared to DKK 139 million in 2021.

Depreciation and amortisation before special items
Depreciation and amortisation before special items amounted to DKK 53 million compared to DKK 45 million in 2021.

EBIT before special items
EBIT before special iitems was DKK 58 million compared to 94 million in 2021 , corresponding to an EBIT margin before special items of 7% compared to 13% in 2021 mainly driven by higher production costs.

Special items
Special items amounted to DKK 14 million, against DKK 27 million in 2021.

Special items for Q4 2022 comprise additional transport costs related to a factory upgrade in Germany as well as costs related to changes to Group and regional Management.

EBIT
EBIT amounted to DKK 44 million compared to DKK 67 million in 2021.

Net financials
Net financials totalled an expense of DKK 3 million compared to an expense of DKK 5 million in 2021.

Profit before tax
Profit before tax was DKK 41 million compared to DKK 62 million in 2021.

Tax
Tax totalled an expense of DKK 7 million compared to an income of DKK 29 million in 2021. The tax income in 2021 was driven by deferred tax adjustments related to acquired companies in prior years.

Profit for the period
Profit for the period was DKK 34 million compared to DKK 91 million in 2021.

Profit for the period is attributable to H+H International A/S's shareholders by DKK 28 million and to non-controlling interest by DKK 6 million. For Q4 2021, profit was attributable to H+H International A/S's shareholders by DKK 83 million and to non-controlling interest by DKK 8 million.

Other comprehensive income
Other comprehensive income amounted to positive DKK 79 million compared to positive DKK 22 million in 2021, driven by actuarial gains net deferred tax of positive DKK 36 million in relation to pension obligations and foreign exchange adjustment related to foreign entities of positive DKK 21 million.

Please refer to the section "Statement of changes in equity" for more information.

Cash flow

Operating activities
Cash flow from operating activities amounted to DKK 29 million compared to DKK 77 million in 2021, mainly driven by negative working-capital developments from increase of stock.

Investing activities
Cash flow from investing activities was negative by DKK 106 million, compared to negative DKK 195 million in 2021, mainly as a result of cash flow related to the acquisition of the majority stake in DOMAPOR in 2021.

Capital expenditures for 2022 amounted to DKK 117 million compared to DKK 92 million in 2021.

Free cash flow
Free cash flow was negative DKK 77 million compared to DKK 118 million in 2021 mainly as a result of the aforementioned.

Financing activities
Cash flow from financing activities was positive DKK 73 million, compared to negative DKK 56 million in 2021, primarily driven by change in borrowings.

Q4 2022 results (unaudited)

			Group					Group		
(DKK million)	**2022**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**2021**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
Income statement										
Revenue	3,604	810	920	1,000	874	3,020	731	811	836	642
Gross profit before special items	1,020	202	254	320	244	905	216	250	251	188
EBITDA before special items	657	111	160	227	159	591	139	171	172	109
EBIT before special items	455	58	110	177	110	408	94	125	125	64
Profit after tax for the period	317	34	82	129	72	321	91	88	93	49
Balance sheet										
Investments in property, plant and equipment	266	117	65	42	42	197	92	44	34	27
Cash flow										
Cash flow from operating activities	316	29	101	207	(21)	454	77	176	206	(5)
Cash flow from investing activities	(255)	(106)	(65)	(42)	(42)	(427)	(195)	(171)	(34)	(27)
Cash flow from financing activities	(19)	73	(22)	(70)	0	(25)	(56)	1	(16)	46
Financial ratios										
Organic growth	14%	9%	7%	13%	29%	13%	11%	13%	39%	(9%)
Gross margin before special items	28%	25%	28%	32%	28%	30%	30%	31%	30%	29%
EBITDA margin before special items	18%	14%	17%	23%	18%	20%	19%	21%	21%	17%
EBIT margin before special items	13%	7%	12%	18%	13%	14%	13%	15%	15%	10%

Financial policy and capital allocation

Financial policy
The overall objective of H+H's financial policy is to ensure sufficient financial flexibility to meet the Group's strategic objectives and a robust capital structure to maximise the return for H+H's shareholders.

The long-term target (i.e., through a business cycle) for the financial gearing ratio is 1-2x EBITDA before special items. The ratio may exceed this level from time to time following certain significant acquisitions.

Capital allocation priorities
Our free cash flow allocation priorities are unchanged from previous years:

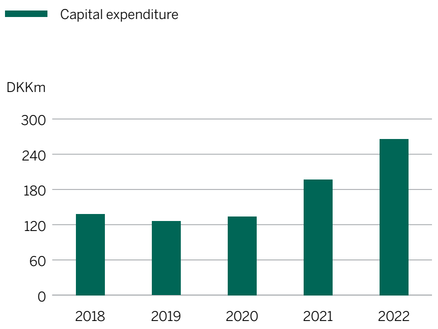
1. Repay of net interest-bearing debt in periods when the financial gearing ratio is above the long-term target range;
2. Pursue value-adding investments in the form of acquisitions or development of the existing business; and
3. Distribute of capital to the shareholders by means of share buy-backs and/or dividends.

Distribution of capital to shareholders
Supported by the continued strong earnings and free cash flow generation, which has resulted in a financial gearing comfortably below the Group's long-term target of 1-2x EBITDA, H+H initiated a share buy-back programme on 4 March 2022 of up to DKK 150 million. The share buy-back programme was completed on 3 January 2023. A total of 1,118,800 shares were bought back under the programme at an aggregate purchase price of DKK 150 million.

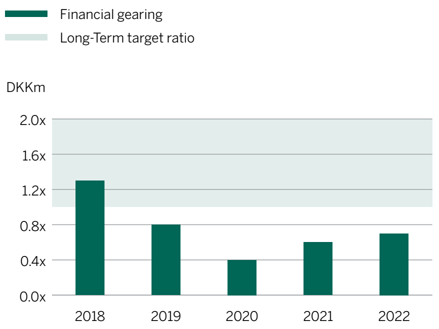
Please refer to Company Announcement no. 469 of 3 March 2022 for more information.

For the time being, H+H expects to use the free cash flow to develop the existing business and pursue value-adding investments within the debt gearing indicated.

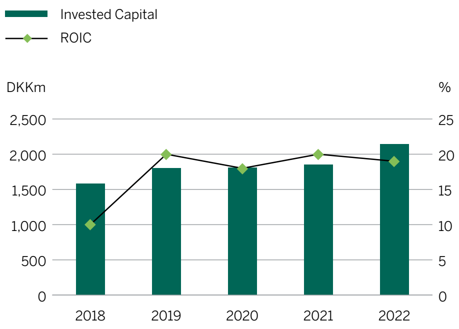
Capital expenditure[1]



Financial gearing[2]



Invested capital and Return on invested capital (ROIC)[3]



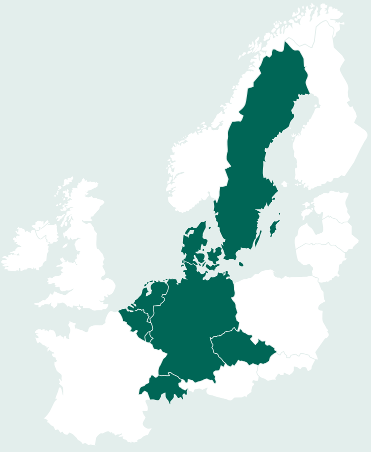
[1] Investments in property, plant and equipment excludes effects from IFRS 16
[2] Net interest-bearing debt to EBITDA before special items
[3] In 2018, ROIC was negatively impacted by a one-off related to the acquisition and integration of the German and Polish businesses and impairment of fixed assets in Russia. Adjusted for these items, ROIC in 2018 would have been 17%

OUR MARKETS

Our geographical footprint

We have a diversified geographical footprint with our activities spread across three core regions, namely the Central Western Europe region (comprising Germany, the Nordics, the Benelux countries, the Czech Republic and Switzerland), the United Kingdom and Poland.

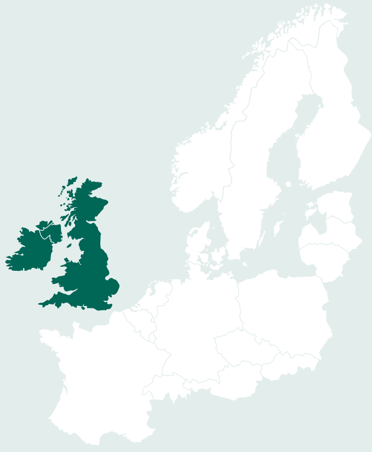
We have a leading position in most of our markets with solid market shares and strong customer relationships.



Central Western Europe

Share of Group revenue in 2022
(DKKm)

45%



The United Kingdom

Share of Group revenue in 2022
(DKKm)

29%

Poland

Share of Group revenue in 2022
(DKKm)

26%

Central Western Europe

In 2022, Central Western Europe was affected by general uncertainty in the market, increased production costs, our factory upgrades and lower demand towards the end of the year.

1,611
2022 revenue, DKKm

15
Factories

~14%
CSU market share[1]

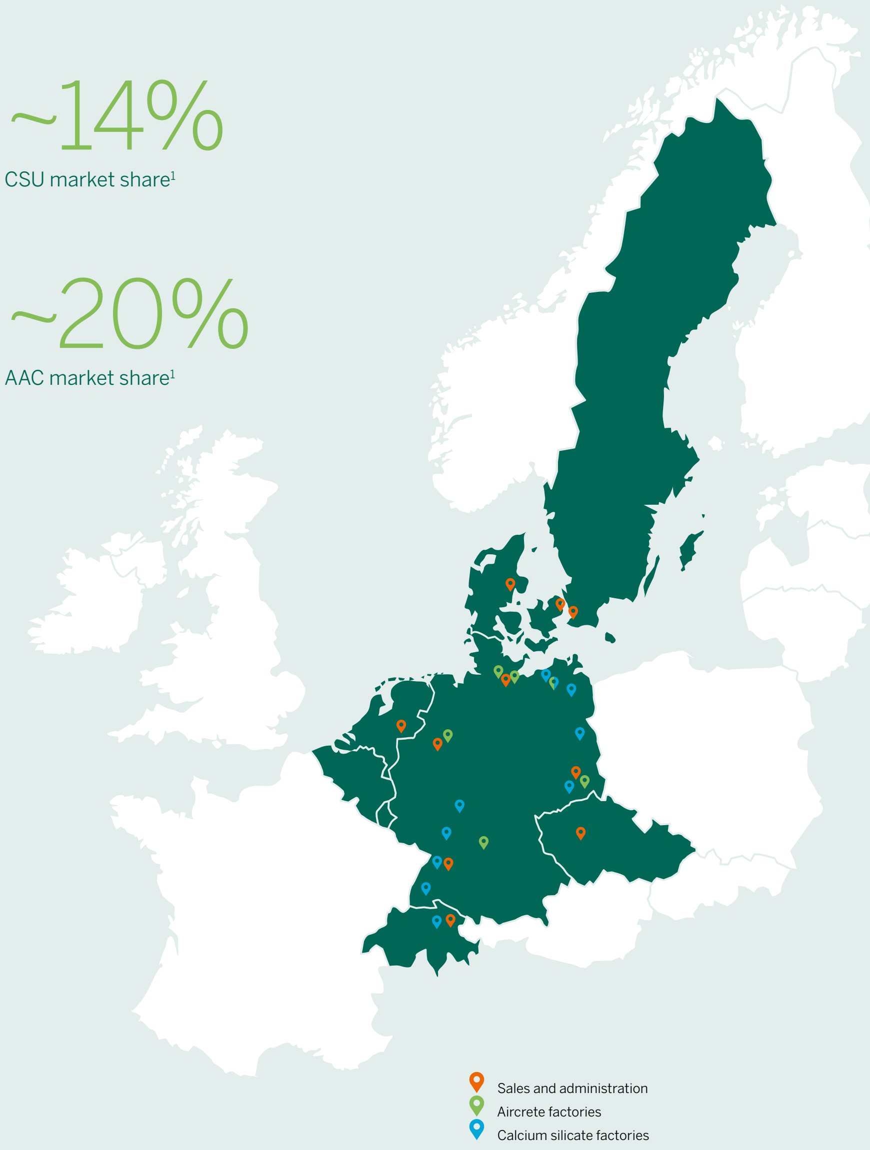
2%
2022 organic growth

644
Employees

~20%
AAC market share[1]

[1] Germany only

Revenue and organic growth



Germany

Market conditions and trends
2022 started with mild weather conditions, and an easing of supply chain bottlenecks gave rise to a rebound in the construction activity including demand for our products. However, high inflation, risk related to energy supply and increasing interest rates led to decreased consumer confidence, and as a result private consumption was affected for the remainder of the year. In 2022, the number of building permits issued decreased approximately 13% from January to November compared to the same period last year.

Overall capacity utilisation for the building materials industry is generally high, and only minor capacity expansions were undertaken in the AAC and CSU industry during 2022. Overall, pricing in both product segments continues to follow positive trajectories as increasing input costs are passed on.

In 2023, economic growth is projected to remain flat hampered by the effects of inflation and energy supply and to recover by 2024[1]. Currently, unemployment rates are stable, and investment levels are under pressure, underpinned by high interest rates, which all in all put pressure on the activity in the construction industry[2].

In general, residential building capacity in Germany has been an ongoing issue in recent years. The German government have set the objective to build 400.000 new dwellings p.a. in the next years. In 2022, 293.393 new dwellings were completed.

The growing demand for housing, have resulted in more permits being issued than housing being completed causing the order backlog among housebuilders to increase significantly over the past few years. Political attempts have been made to offset the structural undersupply through incentive schemes to homeowners and targeted funding programmes for land availability and development. However, we are yet to see the full effect of these initiatives, which suggests a solid foundation for continued high construction levels in the medium term.

Key developments in 2022
During 2022, our focus was to integrate the two acquisitions made in late 2021 and to upgrade our AAC factory in Wittenborn located in the northern part of Germany. The acquired AAC and CSU Domapor factories in Northeast Germany had a successful year with efficient production and high output. The other acquired AAC factory in Feuchtwangen in Bavaria ramped up production gradually during the year to support AAC across Germany and in particular southern Germany. The upgrade of Wittenborn finished in the last quarter of 2022, negatively impacted our production volumes during 2022. The upgrade leaves the factory well positioned to meet our ESG roadmap.

Our German activities continue to offer strong potential. Recent acquisitions have established a solid footprint across Germany, and we have taken considerable synergies from sales and administration. However, further synergies are being worked on by stronger utilisation of the plant network.

In 2022, we successfully negotiated sales price increases to offset higher input costs and we expect this to continue in 2023.

Other markets
Increasing prices of raw materials, long delivery times and challenging transport were key headlines in the Nordic market in 2022. However, building activity was strong for most of the year and especially the project market performed well. In the last part of the year, building activity started to decline, and we are seeing signs of a slowdown going into 2023 on the back of inflation and uncertainty.

The same trend was seen in our other markets in the region, which performed strongly in the first half of 2022 but slowed down towards the second half as inflation rates, input prices and general uncertainty affected the purchasing power.

Crane unloading new autoclave in Wittenborn, Germany

[1] OECD Economic Outlook, Volume 2022 Issue 2.
[2] Deutsche Bundesbank Monthly Report December 2022.

The United Kingdom

2022 demonstrated the robustness of the British construction industry with high demand. Short-term market drivers point to growth deterioration, but longer-term prospects remain favourable driven by a strong undersupply of housing and government ambitions.

1,052
2022 revenue, DKKm

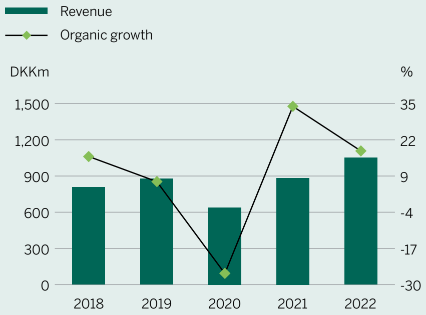
3
Factories

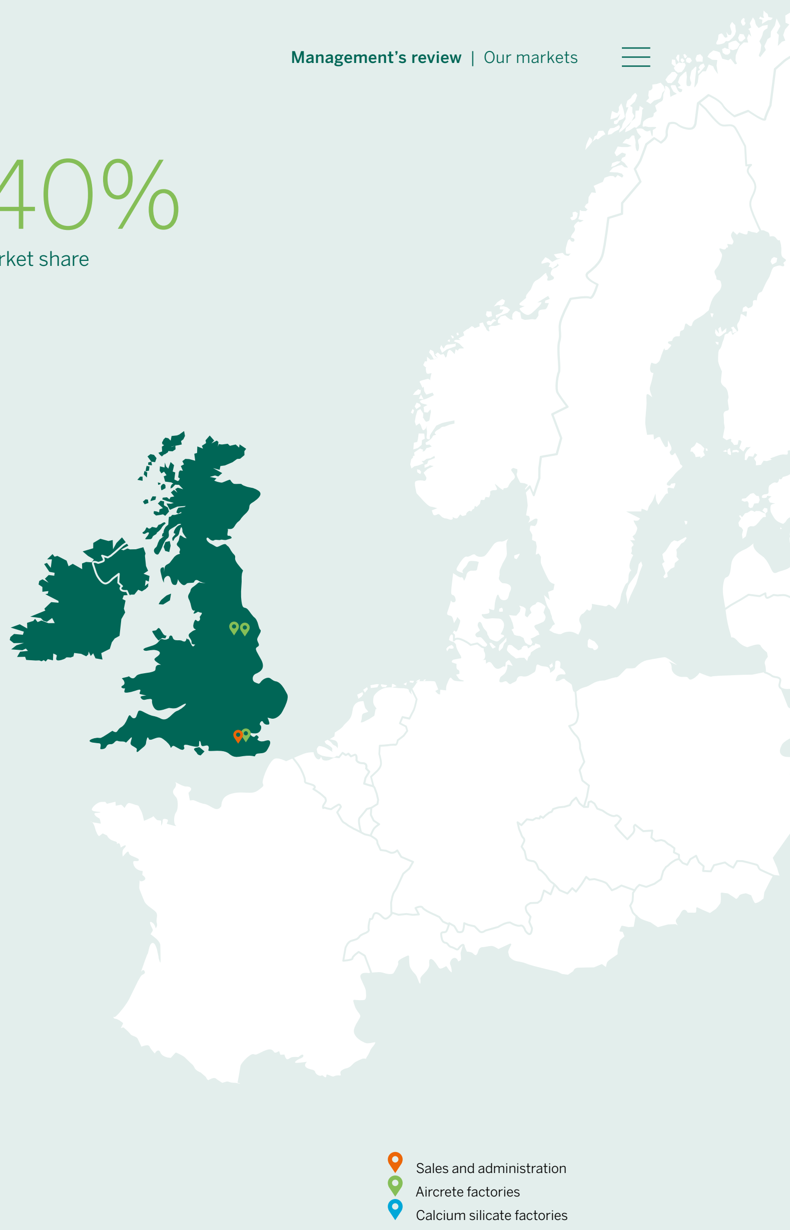
>40%
AAC market share

18%
2022 organic growth

243
Employees

Revenue and organic growth





Market conditions and trends
During 2022, the private housing market showed resilience to changing macroeconomic conditions and maintained high levels of activity, while the wider economy started to shrink. This was driven by the general shortage of housing and a strong order backlog from the beginning of the year. Towards the end of the year, market demand slowed down and housebuilders reported decreasing sales rates in Q4.

Uncertainty due to the economic and geopolitical situation weighs heavily on the UK economy which is expected to contract slightly in 2023 and remain flat in 2024[1]. Although the general construction order book in the UK is expected to serve as a cushion ahead of a potential slowdown, demand for new dwellings is expected to decrease by around 10% impacted by uncertainty, inflation and increasing interest rates.

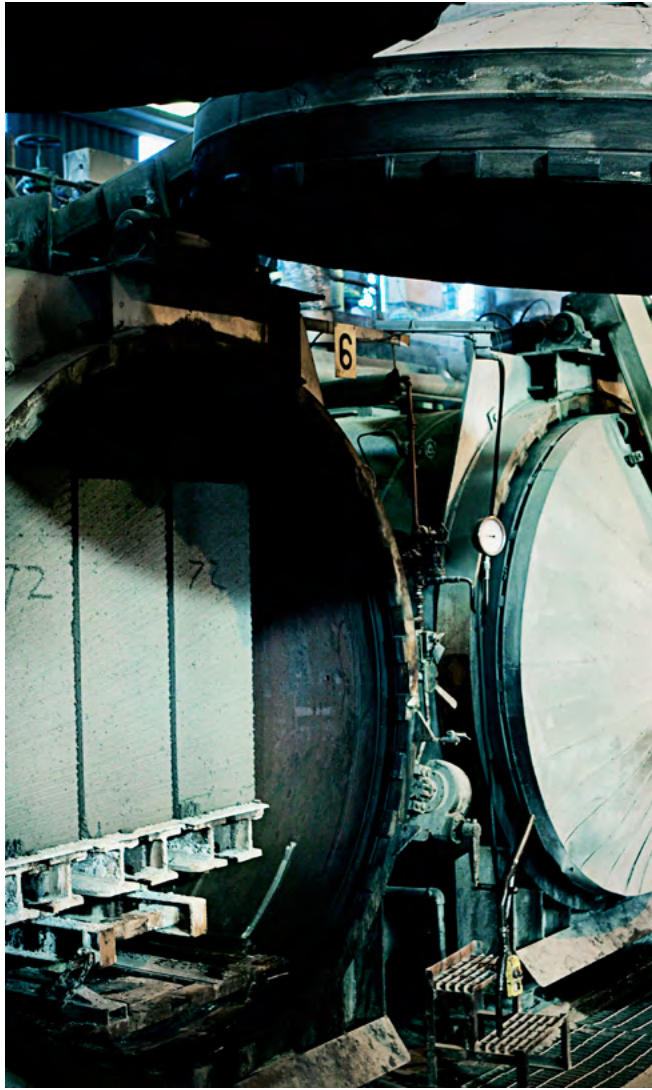
The British government continues to address the challenges of a structural undersupply of housing and maintain the ambition of delivering 300,000 new homes per year. However, new housing supply in the United Kingdom is currently lower than the British government's target. It is estimated that there will be a need for 3.7 million new households in the next 25 years which is the underlying reason for the need for increasing the British housing stock through the construction of new homes. In comparison, a total of 244,000 dwellings were added in 2022, representing the highest level in more than 30 years but still short of the Government's target.

Key developments in 2022
As inflation levels were on the rise during 2022, we continued to focus on offsetting the input cost increases through sales price increases in close dialogue with our customers which we expect to continue in 2023.

The high activity levels resulted in a continued high demand for our products. As a result, we focused on the delivery of core wall products leaving certain market share to alternative solutions. As the market softens, we will seek to regain this market share by restoring a widened product portfolio.

In addition, the British government is promoting Modern Methods of Construction (MMC). For H+H, this will include the continued marketing of our pre-cast wall-panel solutions (i.e., storey-height aircrete panels) and of our thin-joint masonry solutions to the British market – both of which will provide improved efficiency at the construction sites. We continue observing solid customer interest in these products, and we expect this trend to continue in the coming year.

We have a clear ambition to remain market leader in the UK market, which continues to have positive underlying growth drivers. We are therefore planning to increase the capacity at our Borough Green factory during 2023. The upgrade is expected to increase our UK capacity by approximately 10% and is phased to fit with the year-end maintenance shutdown. Completion is scheduled during the first quarter of 2024. Depending on continued growth drivers for the UK market, we see potential to increase our capacity even further.



H+H UK,
Borough Green

[1] OECD Economic Outlook, Volume 2022 Issue 2.

Poland

Activity in Poland was high during the first half of 2022 which translated into strong demand for our AAC and CSU products. In the wake of Russia's invasion of Ukraine, macroeconomic risk has risen sharply leading to high uncertainty and low visibility for 2023.

941
2022 revenue, DKKm

14
Factories

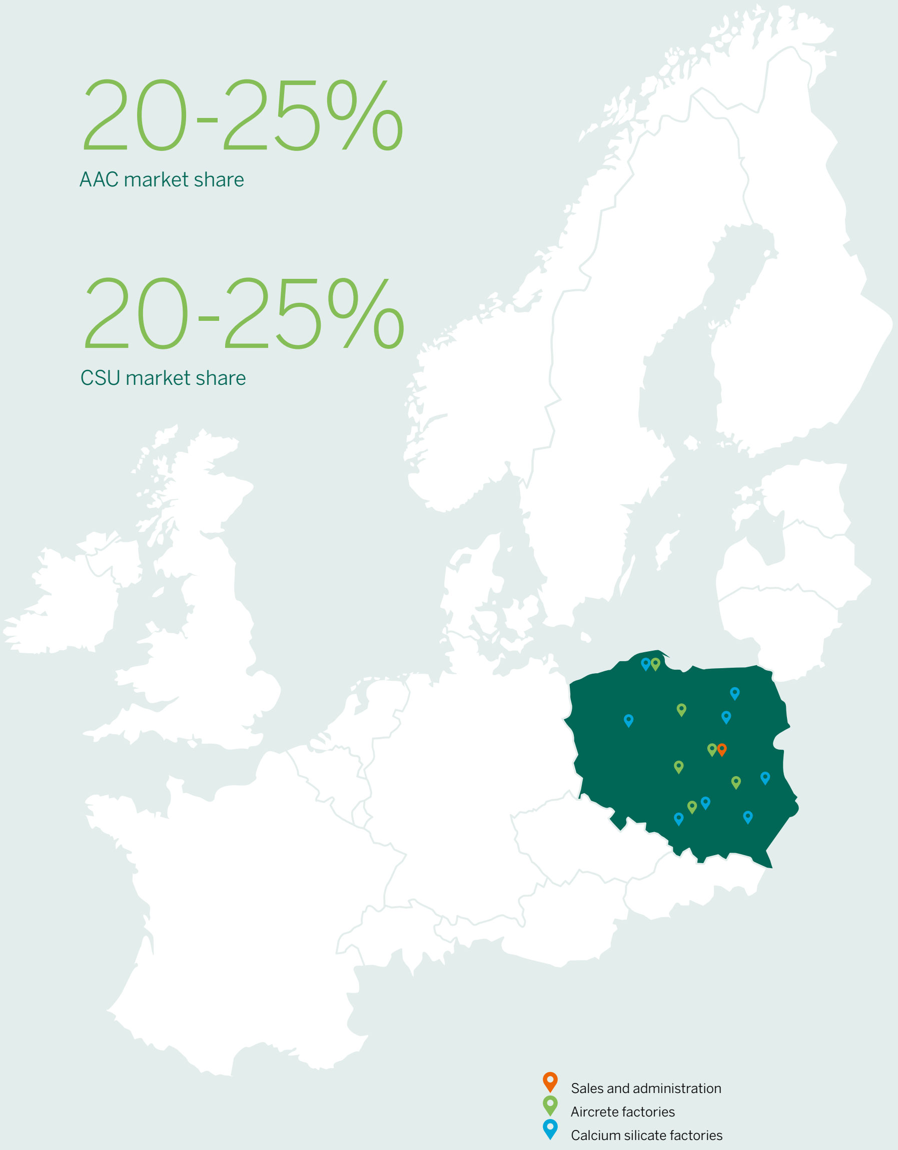
20-25%
AAC market share

31%
2022 organic growth

813
Employees

20-25%
CSU market share

Revenue and organic growth



Market conditions and trends

In the first part of the year, demand remained at a very high level supported by a strong order backlog and undersupply of rental housing. This allowed for strong sales price dynamics being ahead of inflationary input costs in the first half of 2022. However, the war in Ukraine caused uncertainty which together with a high inflationary environment caused market demand to soften. This has lead to a sharp decline dwelling starts which are down 28% in 2022 year-on-year as well as building permits issued which is down 13% in 2022 year-on-year.

The number of building permits issued continues to exceed the number of completions, adding further to the construction backlog that has been building since 2013 indicating a continued undersupply of housing.

There has been a significant number of refugees from Ukraine who have sought safety and temporary shelter in Poland due to the ongoing conflict in Ukraine. The majority of the Ukrainian refugees in Poland are staying in government-run reception centers, while others are staying with host families, in rented apartments, or in self-organized camps. At the beginning of May 2022, approximately 1.5 million refugees from Ukraine were staying in Poland. Two-thirds declared that their stay in Poland is temporary[1]. It remains unclear to which extent refugees from Ukraine will impact the Polish housing markets, but the situation will likely add to the need for additional new-build construction activity due to the already significant shortage of housing space in the country.

In 2023, the Polish economy is expected to slow before recovering in 2024[2].

Key developments in 2022

In 2022, the expansion of our Reda AAC factory in the Northern part of Poland with one additional CSU production line was completed and is now supplying the Polish Tri-City near Gdańsk with up to 60,000 m^3 annually, corresponding to around 3% of the Polish CSU market. The factory is the first H+H factory in Poland capable of producing both AAC and CSU in one location and allows us to supply existing AAC customers with CSU products.

The new CSU plant is built with a focus on sustainability. The production line has been built from refurbished machinery and materials; it operates ecologically based on the principle of zero waste with a very efficient use of water in the production processes. Also, the plant operates on high standards as regards health and safety.

During 2022, H+H demonstrated our strong agility operating in the Polish market, taking advantage of the upside in the first half of the year, while adjusting capacity in the second half of the year. As a result of the declining demand, H+H has reduced weekend work and overtime and is planning the next step of adjusting capacity. This includes further shift reductions and potentially temporary factory shutdowns.

In the AAC and CSU markets, pricing continued its positive trajectory in 2022 thanks to the strong demand in H1 2022 and pressure from dynamically increased raw material and energy prices. We expect the pricing trend to continue into 2023, although at a slower pace.

New CSU factory
Reda, Poland

[1] National Bank of Poland, *The living and economic situation of Ukrainian refugees in Poland.*
[2] OECD Economic Outlook, Volume 2022 Issue 2.

GOVERNANCE AND SHAREHOLDER INFORMATION

Corporate governance

Corporate governance is a key aspect of H+H. We continuously develop and align our governance structure and principles with our strategy, input from shareholders and other stakeholders and changes in legislation and best practice standards.

Corporate governance reporting
The Board of Directors and the Executive Board apply the latest recommendations on corporate governance issued by the Danish Committee on Corporate Governance. H+H International A/S abides by the recommendations in all material respects, and explanations to the few deviations are provided in a seperate statement. The statement includes reporting on our internal controls and risk management systems applied as basis for the financial reporting process, and is available at www.HplusH.com/corporate-governance-reports.

Governance structure
Shareholders of H+H International A/S exercise their rights at the general meeting, which is the supreme governing body of H+H. It is the shareholders who decide on the Articles of Association which currently state that the Board of Directors must consist of four to eight members elected at a general meeting. The term of all board members expires at each annual general meeting, but they may be re-elected for a new term.

H+H International A/S has a two-tier management system under which the Board of Directors and the Executive Board are responsible for the management of the Company's affairs. No persons hold dual membership of the Board of Directors and the Executive Board. The Executive Board is responsible for the day-to-day management of the Group, while the Board of Directors supervises the work of the Executive Board and is responsible for the overall management of and strategic direction for the Group and makes decisions concerning major investments, the capital base, key issues within policies, control and audit matters, risk management and significant operational issues.

To support the Board of Directors and to benefit from individual members' competences, the Board of Directors has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The board committees are not authorised to make independent decisions, but must instead prepare reports and recommendations for the Board of Directors. The members and the Chair of each board committee are appointed by the Board of Directors among its members.

Board of Directors
This section includes reporting on H+H management gender composition and diversity policies in accordance with section 99b and 107d of the Danish Financial Statements act. The Board of Directors annually evaluates its composition to ensure diversity and that all relevant business competences are represented among its members. Considering the H+H Group's current growth strategy, the main competences relevant for the Board of Directors are deemed to be strategy development as well as executive and in-depth experience in relation to integration processes for acquired businesses, with a particular focus on financial and non-financial reporting (ESG), IT, Strategic HR (recruitment, retention, diversity), risk management and ESG-driven business development, as well as innovation, commercial and operational experience in H+H's core markets.

The Board of Directors and the Executive Board recognise the importance of promoting diversity in gender, age, nationality, international experience and competences. Pursuant to section 139c of the Danish Companies Act, the Board of Directors has set a target for the gender distribution amongst its members, whereby the Board must seek to ensure that each gender is represented:

- by at least one shareholder-elected member when the Board of Directors consists of a total of four shareholder-elected members;
- by at least two shareholder-elected members when the Board of Directors consists of a total of five to seven shareholder-elected members; and
- by at least three shareholder-elected members when the Board of Directors consists of a total of 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 corresponds to equal gender distribution as defined by the Danish Business Authority, and the target was reached at the annual general meeting on 31 March 2022, when our shareholders elected two female and four male board members.

H+H has a group policy on diversity focusing on diversity in a broader sense encompassing not only gender, but also other aspects, including but not limited to age, education and skills, experience, and geographical and cultural background. The diversity policy can be found on the Company's website at www.HplusH.com/diversity.

The Diversity Policy applies to the Board of Directors, the Executive Board and all other 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. 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.

Diversity in a broad sense is one of the focal points for the Board of Directors in recruitment searches for new members for the Board as well as new members for the Executive Board, but new members must not be recruited solely based on their contribution to the diversity, but based on their overall qualifications.

The current Board of Directors and the Executive Board are considered to be diverse, as the members represent very different competences and experiences, board tenures which differ from a few months to more than 12 years, five different nationalities and ages ranging from the early 40s up to the mid-60s. The Board of Directors has an equal gender distribution as defined by the Danish Business Authority, whereas the the Executive Board consists of two males, who except for being the same gender differ with regard to nationality, educational background, competencies and international experience.

If in connection with a future recruitment process for the Executive Board, the two final candidates have the same level of overall competences and one candidate represents a different gender than the remaining members of the Executive Bord, that candidate will be preferred.

The broad diversity on the Board of Directors and the Executive Board is a deliberate achievement where the diversity gaps are considered right from initiation of recruitments processes, and the fact that the Board of Directors' latest two recruitments were women and that the international experience of both the Board of Directors and the Executive Board matches H+H's key markets is a testament to the Board of Directors' conscious work with diversity for several years.

The Board of Directors' annual evaluation procedure for 2023 was conducted as one-on-one meetings between the Chair and each board member, and the evaluation of the Chair was performed by the board member with the longest seniority. The evaluation included a review of the diversity and board competencies required. The Board's self-evaluation concluded that the gender-diversity target was met, but that more extensive competences were needed in respect of the implementation of the growth strategy as well as measures to meet and leverage the sustainability targets set. It was therefore decided that the Nomination Committee should initiate a search for a relevant additional board candidate with the said qualifications, and to strengthen not only the Board's competencies but also resources, the Board found that the number of board members should be increased to seven.

Accordingly, at the coming annual general meeting to be held on 30 March 2023, the Board of Directors will propose that all current board members are re-elected and that Jens-Peter Saul, German/British, born 1966 CEO of Ramboll Group A/S, Denmark, is elected as a new board member. Jens-Peter Saul comes with extensive international experience particular within strategy development and execution to accelerate organic and acquisitional growth and to maximise investments, general management, as well as broad insights into sustainability and the green energy transition. He has experience from diverse industries such as infrastructure, energy, construction, investment, manufacturing and trading. Jens-Peter Saul is also member of the Board of Directors of Cubico Sustainable Investments Limited (UK) and member of the Board of Directors of Danske Commodities A/S (Denmark). Jens-Peter Saul will be deemed an independent member as per the definition in the Danish corporate governance recommendations.

Board activities during 2022

During 2022, the Audit Committee held five meetings, the Nomination Committee one meeting and the Remuneration Committee four meetings. Attendance rates are shown in the table below. 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.

Remuneration

Remuneration of the Board of Directors and the Executive Board is paid in line with H+H's Remuneration Policy for the Board of Directors and Executive Board as adopted by the general meeting. H+H also reports on the remuneration in an annual remuneration report that is presented to the shareholders at the annual general meeting for an advisory vote. The Remuneration Policy and the Remuneration Report for 2022 are available at www.HplusH.com/remuneration.

Attendance rates at board meetings and board committee meetings in 2022

	Board	Meetings	Audit Committee	Meetings	Nomination Committee	Meetings	Remuneration Committee	Meetings
Kent Arentoft	Chair	●●●●●	-	-	Chair	●	Chair	●●●●
Stewart A Baseley	Member	●●●●●	-	-	Member	●	-	-
Volker Christmann	Member	●●●●●	Member	●●●●	-	-	Member	●●
Kajsa von Geijer	Member	●●●	-	-	-	-	Member	●●
Pierre-Yves Jullien	Member	●●	Member	●	-	-	-	-
Miguel Kohlmann	Member	●●●●●	-	-	Member	●	Member	●●●●
Helen MacPhee	Member	●●●●●	Chair	●●●●●	-	-	-	-
Attendance rate		**100%**		**100%**		**100%**		**100%**

Data Ethics Policy

During 2022, we implemented a Data Ethics Policy. As data becomes increasingly important in our society, it is key to define and establish rules and guidelines for the collection, storage and use of data. We strive to ensure a high and adequate level of data protection, as we recognise that privacy plays an important role in gaining and maintaining the trust of our employees, customers, suppliers, and other stakeholders. While we do not process large quantities of personal data, we acknowledge the importance of safeguarding such data. We further acknowledge that the use of artificial intelligence may present some ethical dilemmas which need to be managed appropriately.

We are committed to complying with all applicable personal data protection laws, including section 99d of the Danish Financial Statements Act. We run internal audit controls to secure compliance with both information security and data protection requirements, and all employees developing, purchasing or otherwise working with technology and data science-based uses of data must be informed about the data-ethics principles. We do not purchase, sell or broker data or otherwise profit from separate data transfers from or to third parties. We do not currently carry out data processing using artificial intelligence, such as machine learning, as a natural part of our business. Potential future uses relate to production and logistics optimisation as well as marketing automation.

When we process personal data or other types of data, we always apply our standards for data ethics to the way we work, making sure that our processing activities and security measures match the requirements for the data we are handling. Our Data Ethics Policy can be found on our corporate website via the following link: www.hplush.com/data-ethics.

Key matters transacted by the Board of Directors during 2022 (including but not limited to)

- Strategy and business plan review and target setting
- Follow up on M&A activities
- Monitor the Company's financial policy, debt levels and capital structure, including approval of a share buy-back programme of DKK 150 million
- CAPEX planning, including decision to upgrade the Borough Green factory, UK, to increase capacity by early 2024
- CAPEX execution review, including upgrades and maintenance of one of the AAC Wittenborn production lines, Germany, and the new CSU production line next to the AAC Reda factory, Poland
- Review of supply risks and inflated pricing for especially raw materials and energy
- Review of updated resilience plans
- Review of the Group's IT policy, IT security set-up and implementation of ERP system
- Review of the Group's ERM framework
- Board self-evaluation and recruitment of new board member with ESG and HR experience bringing the Board's gender diversity in compliance with Danish law
- CEO succession, including recruitment of new CEO
- Establishment of policy approval hierarchy for all group policies
- Review of the Group's new whistleblower policy and organisation

Key matters transacted by the Board Committees during 2022 (including but not limited to)

The Audit Committee

- Review of the auditors' assurance readiness review for ESG data reported in the Sustainability Reports and implementation of measures to ensure H+H can obtain assurance in accordance with ISAE 3000 for the ESG data in the Sustainability Report for 2023
- Oversight of ERM, principles and processes and review of key enterprise risks and related mitigation plans, including adjustment of the ERM framework in regard to risk appetite principles
- Monitoring of group insurance strategy, coverage and pricing
- Review of progress within IT security and monitoring of implementation of new Group ERP system
- Review of implementation of new large CAPEX project management framework
- Monitor the financial reporting process, including accounting estimates and accounting policies as well as the integrity of the reporting process
- Review of annual and interim financial reports
- Engagement and audit strategy plan with new auditors (PwC)

The Nomination Committee

- Search for, interviews with and signing of new CEO in cooperation with the Remuneration Committee in respect of remuneration terms
- Annual review and assessment of the composition, competencies and diversity of the Board of Directors and search for a new additional board member to be nominated at AGM 2023

The Remuneration Committee

- Review and propose executive remuneration, including co-operating with the Nomination Committee on the contractual remuneration terms for the new CEO
- Ensuring that actual executive remuneration is in compliance with the established remuneration policy and the review of the individual member's performance
- Annual review and adjustment proposal for remuneration of the Board of Directors, the Executive Board, regional managing directors and other key personnel
- Propose KPIs and targets for short-term and share-based long-term incentive programmes being initiated every year
- Preparation of the annual remuneration report
- Annual review of the Remuneration Policy

Board of Directors

Kent Arentoft, Chair

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 (Chair) and the Remuneration Committee (Chair).

Indirectly holds 60,000 shares in H+H via a company he controls with no changes to his holdings during 2022.

Independent as defined in the Danish Recommendations on Corporate Governance.

Broad organisation 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

Member of the Board of Directors of Solix Group AB (Sweden) and board member of one subsidiary.

Stewart Antony Baseley

Male. Born 1958. British.

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

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

Holds 22,500 shares in H+H with no changes to his holdings in 2022.

Non-independent as defined in the Danish Recommendations on Corporate Governance (i.e. board tenure for more than 12 years).

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

Group-related companies: Chairman of Fuerst Day Lawson Holdings Limited (UK) and Director of one subsidiary (UK), Chairman of Highlander-Partners (Poland) and Director of Sferra Fine Linens Uk Limited (UK)

Chairman of Troy Homes Limited (UK).

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 of ROCKWOOL 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 Audit Committee.

Does not hold any shares in H+H and no changes were made to his holding during 2022.

Independent as defined in the Danish Recommendations on Corporate Governance.

Extensive experience within the building materials production sector of Central Europe, particularly in Germany, as well as within financial auditing and controlling.

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).

Kajsa von Geijer

Female. Born 1964. Swedish.

Senior Vice President HR & Sustainability and member of Group Management, Thule Group AB (Sweden).

Joined the Board of Directors in 2022. Member of the Remuneration Committee.

Does not hold any shares in H+H and no changes were made to her holdings during 2022.

Independent as defined in the Danish Recommendations on Corporate Governance.

International experience within strategic and operational HR, sustainability, ESG and general compliance.

Other management positions and directorships

Member of the Board of Directors of Solix Group AB (Sweden) and of one subsidiary.

Board of Directors

Miguel Kohlmann

Male. Born 1962. German & Brazilian.

Professional board member and advisor.

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

Does not hold any shares in H+H and no changes were made to his holding during 2022.

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 Pfleiderer GmbH (Germany), Archroma Holdings SARL (Luxemborg) and NMC International S.A. (Luxembourg).

Member of the Advisory Board of Paul Bauder GmBH (Germany).

Helen MacPhee

Female. Born 1962. British.

Senior Vice President of Finance, AstraZeneca plc (UK).

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

Does not hold any shares in H+H and no changes were made to her holding during 2022.

Independent as defined in the Danish Recommendations on Corporate Governance.

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

Other management positions and directorships

N/A

Executive Board

Jörg Brinkmann

Male. Born 1979. German.

CEO since 2022

Does not hold any shares in H+H and no changes were made to his holding during 2022.

Background

2018-2022: Managing Director Europe James Hardie Europe

2014-2018: CEO of Fermacell

2011-2014: Sales Director of Fermacell

2005-2011: Marketing at Xella Group

Education

MSc (Business Administration)

PhD Economics

Peter Klovgaard-Jørgensen

Male. Born 1978. Danish.

CFO since 2019

Holds 7,962 shares in H+H with an addition of 4,283 shares in 2022.

Background

2016-2019: CFO of ISS Denmark A/S (Denmark)

2014-2016: Head of Finance of ISS Denmark A/S (Denmark)

2010-2014: Treasury Vice President of ISS Group

Prior: Auditor of EY

Education

MSc (Business Economics and Auditing)

Risk management

The Board of Directors evaluates the risk management processes on a continuous basis to ensure that the risk profile, risk processes and risk awareness are appropriate. Below are the most material risk conclusions from the 2022 risk assessment.

A full description of the risk management structure can be found in the Corporate Governance statement for 2022.

Risk position in 2022
Key changes in the risk position in 2022 were driven by increased inflation, geopolitical instabilities and interest rate increases which have negatively impacted customer demand. These macroeconomic changes have impacted H+H's market and production risks through rising input costs, increasing sales prices and lower visibility of customer demand.

Most material risks in 2022

Market

Risk description and mitigating actions
The increased inflation has mainly impacted input costs and energy and have to a large extent been countered by sales price increases. The general change in market conditions during 2022 combined with general inflation has led to a reduction in demand for H+H's products towards the end of the year, predominantly in Poland and Germany. Demand is being monitored closely and capacity adjustments prepared accordingly.

Furthermore, risks also relate to competition and potential excess production capacity, which may lead to changes in competitors' pricing strategies. H+H has successfully been able to address this through our market understanding and a structured process for continuously updating key leading indicators to anticipate potential impact and execution of mitigation plans.

H+H closely monitors economic, political and competition developments in and outside our footprint and remain committed to passing on cost increases in order to counter the high inflationary pressure as this trend is expected to continue into 2023.

In the long term, the European housing market continues to offer strong underlying growth opportunities driven by a structural undersupply of housing, demographic growth and a need for efficient building materials.

Net risk assessment
Operating in the construction sector, H+H is exposed to economic developments but believes to have reduced the risk to an acceptable level through our agile business model and mitigating actions. During 2022, H+H has been able to defend margins, earnings and cash flow in line with long-term financial targets.

Production

Risk description and mitigation actions
Recent years have been characterised by high demand for our products which puts pressure on utilisation of our plant network. As the market dynamics are now changing, H+H anticipates a lower demand in the short term which will result in lower production output and overhead recovery being impacted negatively. Our diversified geographical footprint and strong factory networks provide a resilient market position to counter the impact. In addition, H+H has initiated specific resilience actions to adjust capacity and has prepared plans for further adjustments if needed.

Also, there are risks related to inflationary pressures, especially related to raw materials and transport, and our ability to absorb the pressures through continuous improvement projects and/or pass them on to customers. Mitigating actions have been taken to reduce and manage the cost base where relevant but are continuously being evaluated and reassessed due to the dynamic market conditions. Supply and pricing agreements have been made, where possible.

During 2022, the supply of gas was a key underlying risk to our production. As a response, H+H prepared our production sites for usage of oil as an alternative. Where coal was used, tight stock management was applied to ensure sufficient supply during the year. During 2022, high fluctuations in energy prices were seen across Europe. Our policy to forward hedge gas and electricity prices mitigated the impact in 2022 and provides some cost visibility for 2023.

The expectations above are based on the assumptions of continuous availability of the relevant energy sources and raw materials but not on escalations of the war in Ukraine nor further recessionary developments in any of the Company's current markets.

Net risk assessment
Considering the mitigation plans, we believe the risk is medium but acceptable. However, H+H is continuously focusing on improving mitigating actions as regards to production and supply risks.

Less material risks in 2022

Financial
With the new committed financing agreement, H+H has low finance risk as credit facilities provide sufficient funding, including strategic growth, long-term maturities and excess covenant headroom.

Compliance
The risk of lack of compliance with laws and regulations is considered low.

People
The risk of incidents and fatalities does exist but considering the mitigating actions taken and and management's attention, it is our assessment that the risk is reduced to an acceptable level. Improved HR processes also contribute to a reduced people risk.

IT
The IT-related risk impact is considered low given our relatively low dependency on IT overall. The likelihood of occurrence is further reduced as the mitigating actions are continuously updated and implemented.

Sustainability
Our strategy on sustainability, as described in the sustainability report, has reduced the risk to an acceptable level, but an execution risk for the long-term strategy remains. The strategy relies on the use of hydrogen which is not yet available on the market and that suppliers of cement, lime and transport services reduce their direct emissions in line with their targets.

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 shares started the year at a price of DKK 230.00 and closed the year at a price of DKK 102.60, representing a decrease of 55%. At the end of the year, the total market value of H+H amounted to DKK 1,845 million. By comparison, the OMX Copenhagen Mid-Cap index decreased by 13% in 2022 and the Danish KAXCAP index, an index comprising all stocks trading on the Nasdaq Copenhagen stock exchange, decreased by 15%.

The highest traded price during 2022 was DKK 236.50 on 3 January and the lowest traded price was DKK 95.10 on 26 September. The average daily volume was 25,638 shares, representing a decrease of 25% relative to 2022.

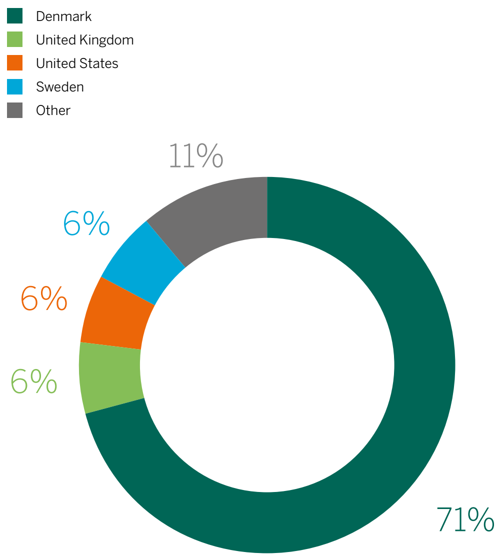
Share buy-back programme
On 3 March 2022, H+H initiated a share buy-back programme of up to DKK 150 million to be executed over a period of twelve months. The share buy-back programme was completed on 3 January 2023. A total of 1,118,800 shares were bought back under the programme at an aggregate purchase price of DKK 150 million. The programme was carried out in accordance with the Safe Harbour Regulation.

The share buy-back programme was carried out with the objective of adjusting the capital structure of H+H, and it is expected to be proposed at the Annual General Meeting in 2023 that any shares bought back under the programme, which are not used to meet obligations relating to the Company's share-based incentive programme, will be proposed cancelled.

Please refer to Company Announcement no. 469 of 3 March 2022 for more information.

Share capital
H+H's share capital is currently divided into 17,500,000 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 2022, H+H held a total of 1,218,731 shares as treasury shares. As previously communicated, it is expected to be proposed at the Annual General Meeting in 2023 that any shares bought back under the share buy-back programme carried out during 2022, which are not used to meet obligations relating to the Company's share-based incentive programme, will be cancelled.

Geographical distribution of shareholders



Share information

Exchange	Nasdaq Copenhagen
ISIN code	DK0015202451
Ticker symbol	HH
No. of shares	17,500,000
Denomination	DKK 10 per share
Share capital	DKK 175,000,000
Voting rights	One vote per share

Composition of shareholders
On 31 December 2022, H+H had more than 5,300 registered shareholders. Major shareholders owning more than 5% of the share capital and votes were Arbejdsmarkedets Tillægspension (more than 10.0%), Nordea Funds Ltd. (more than 5.0%) and Handelsbanken Fonder AB (more than 5.0%). When excluding major shareholders and certain other related shareholdings, the free float of H+H's outstanding shares is estimated to be around 70%.

The majority of the share capital (71%) is held by Danish investors. Other key markets are the United Kingdom, the United States and Sweden, accounting for 6%, 6% and 6% of the share capital, respectively.

Major shareholders

Arbejdsmarkets Tillægspension, Denmark	>10%
Nordea Funds Ltd., Finland	>5%
Handelsbanken Fonder AB	>5%

Annual general meeting
The next annual general meeting will be held on 30 March 2023. The time and place will be announced in the notice convening 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 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 15 February 2023).

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.

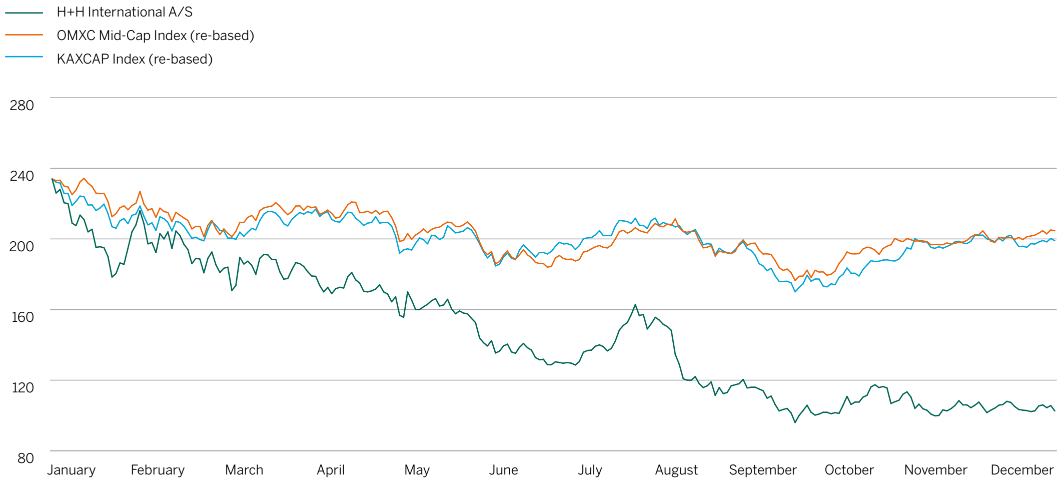
Investor Relations
The purpose of H+H's financial communications and other investor relations activities is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of H+H shares. Relevant investor information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

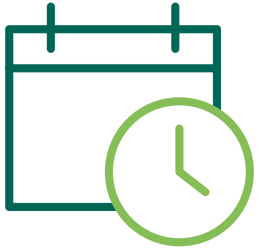
To ensure that capital market participants, including current and prospective investors, are able to make well-informed investment decisions, H+H seeks a transparent and active dialogue with all financial market participants, including investors, sell-side analysts, journalists and the general public via conference calls, participation in investor meetings and equity conferences and social media.

H+H is currently covered by four sell-side analysts who regularly publish equity research reports about the company. One other financial institution has coverage of the H+H share but is currently in a transition process. 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 Head of Investor Relations and Treasury via email to Shareholder@HplusH.com.

2022 relative share-price performance





Financial calendar 2023

1 March 2023	2023 Annual Report
30 March 2023	2023 Annual General Meeting
10 May 2023	Q1 2023 Interim Financial Report
17 August 2023	H1 2023 Interim Financial Report
17 November 2023	Q3 2023 Interim Financial Report

FINANCIAL STATEMENTS

Income statement

		Group		Parent company	
Note	**(DKK million)**	**2022**	**2021**	**2022**	**2021**
3, 11	Revenue	3,604	3,020	-	-
4, 11, 17	Cost of goods sold	(2,584)	(2,115)	-	-
	Gross profit before special items	**1,020**	**905**	**-**	**-**
4, 11	Sales costs	(170)	(143)	-	-
4, 11	Administrative costs	(222)	(186)	(72)	(64)
5,	Other operating income and costs, net	29	15	66	52
	EBITDA before special items	**657**	**591**	**(6)**	**(12)**
6, 11	Depreciation and amortisation	(202)	(183)	(3)	(2)
	EBIT before special items	**455**	**408**	**(9)**	**(14)**
7	Special items, net	(42)	(31)	(14)	-
	EBIT	**413**	**377**	**(23)**	**(14)**
8	Financial income	6	4	143	299
9	Financial expenses	(21)	(25)	(17)	(24)
	Profit before tax	**398**	**356**	**103**	**261**
10	Tax on profit	(81)	(35)	5	6
	Profit for the year	**317**	**321**	**108**	**267**
	Profit for the year attributable to:				
	H+H International A/S' shareholders	303	310	108	267
	Non-controlling interest	14	11	-	-
	Profit for the year	**317**	**321**	**108**	**267**
12	Earnings per share (EPS-Basic) (DKK)	17.1	17.5		
12	Diluted earnings per share (EPS-D) (DKK)	17.0	17.3		

Statement of comprehensive income

		Group		Parent company	
Note	**(DKK million)**	**2022**	**2021**	**2022**	**2021**
	Profit for the year	**317**	**321**	**108**	**267**
	Other comprehensive income:				
	Items that will not be reclassified subsequently to the income statement:				
20	Actuarial losses and gains	18	47	-	-
	Tax on actuarial losses and gains	(1)	(11)	-	-
		17	**36**	**-**	**-**
	Items that may be reclassified subsequently to the income statement:				
	Foreign exchange adjustments, foreign entities	(17)	9	-	-
		(17)	**9**	-	-
	Other comprehensive income after tax	**0**	**45**	**-**	**-**
	Total comprehensive income for the year	**317**	**366**	**108**	**267**

Balance sheet at 31 December

Assets

Note	(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
	Goodwill	419	364	-	-
	Customer relations	213	261	-	-
	Other intangible assets	40	35	22	10
13	**Intangible assets**	**672**	**660**	**22**	**10**
	Land and buildings	767	755	-	-
	Plant and machinery	652	633	-	-
	Other equipment, fixtures and fittings	87	92	5	6
	Assets under construction	316	227	-	-
14	**Property, plant and equipment**	**1,822**	**1,707**	**5**	**6**
15	Deferred tax assets	17	17	10	10
16	Equity investments in subsidiaries	-	-	1,232	1,230
16	Investments in associated companies	1	1	-	-
	Other receivables	5	5	-	-
	Receivables from subsidiaries	-	-	1,236	1,009
	Other non-current assets	**23**	**23**	**2,478**	**2,249**
	Total non-current assets	**2,517**	**2,390**	**2,505**	**2,265**
17	Inventories	523	321	-	-
18	Trade receivables	122	146	-	-
	Group debtors	-	-	71	72
18	Other receivables	40	37	1	1
	Prepayments	12	7	1	1
	Cash	536	499	222	338
	Current assets	**1,233**	**1,010**	**295**	**412**
	Total assets	**3,750**	**3,400**	**2,800**	**2,677**

Equity and liabilities

Note	(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
19	Share capital	175	180	175	180
	Translation reserve	(155)	(138)	-	-
	Retained earnings	1,822	1,662	1,435	1,487
	Equity attributable to H+H International A/S's shareholders	1,842	1,704	1,610	1,667
	Equity attributable to non-controlling interests	96	110	-	-
	Equity	**1,938**	**1,814**	**1,610**	**1,667**
20	Pension obligations	23	85	-	-
21	Provisions	38	41	-	-
15	Deferred tax liabilities	110	137	-	-
26	Lease liabilities	81	85	4	1
25	Deferred payments, acquisition of subsidiary	105	-	-	-
22	Credit institutions	920	743	873	646
	Non-current liabilities	**1,277**	**1,091**	**877**	**647**
22	Credit institutions	-	-	-	-
	Trade payables	278	251	8	4
26	Lease liabilities	27	21	2	5
	Income tax	37	23	1	-
	Payables to subsidiaries	-	-	278	337
25	Deferred payments, acquisition of subsidiary	7	-	-	-
21	Provisions	9	5	-	-
	Other payables	177	195	24	17
	Current liabilities	**535**	**495**	**313**	**363**
	Total liabilities	**1,812**	**1,586**	**1,190**	**1,010**
	Total equity and liabilities	**3,750**	**3,400**	**2,800**	**2,677**

Cash flow statement

Note	(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
	Operating profit (EBIT)	413	377	(23)	(14)
8	Financial income, received	6	4	32	19
9	Financial items, paid	(20)	(25)	(17)	(17)
6	Depreciation and amortisation	202	183	3	2
	Write downs	-	7	-	-
	Gain on disposal of property, plant and equipment	(9)	(7)	-	-
	Other adjustments with non-cash effects	1	7	4	6
	Change in inventories	(205)	(18)	-	-
	Change in receivables	12	(54)	1	(16)
	Change in trade payables and other payables	16	83	11	1
	Change in provisions and pension contribution	(42)	(29)	-	-
	Income tax paid	(58)	(74)	5	5
	Operating activities	**316**	**454**	**16**	**(14)**
	Sale of property, plant and equipment	11	8	-	-
	Change in borrowings to subsidiares	-	-	(276)	(245)
	Capital increase in subsidiaries	-	-	(2)	-
8	Dividend from subsidiaries	-	-	102	280
25	Acquisition of enterprises and related deferred payments	-	(238)	-	-
13, 14	Acquisition of property, plant and equipment and intangible assets	(266)	(197)	(13)	(16)
	Investing activities	**(255)**	**(427)**	**(189)**	**19**
	Free cash flow	**61**	**27**	**(173)**	**5**

Note	(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
22	Change in borrowings	177	134	227	74
25	Debt from acquired enterprises	-	(28)	-	-
	Payment of lease liabilities	(27)	(26)	(2)	-
	Dividend to non-controlling interests	-	(10)	-	-
	Purchase of treasury shares	(169)	(95)	(169)	(95)
	Financing activities	**(19)**	**(25)**	**56**	**(21)**
	Cash flow for the year	**42**	**2**	**(117)**	**(16)**
	Cash at 1 January	499	481	338	353
25	Cash related to the acquired enterprises	-	7	-	-
	Foreign exchange adjustments of cash	(5)	9	1	1
	Cash at 31 December	**536**	**499**	**222**	**338**

Statement of changes in equity

Group

(DKK million)	Share capital	Translation reserve	Retained earnings	H+H share-holders share	Non-controlling interest' share	Total
Equity at 1 January 2021	**180**	**(147)**	**1,405**	**1,438**	**71**	**1,509**
Profit for the year	-	-	310	310	11	321
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	-	9	-	9	-	9
Actuarial gains/losses on pension plans	-	-	47	47	-	47
Tax on other comprehensive income	-	-	(11)	(11)	-	(11)
Net gains recognised directly in equity	**-**	**9**	**36**	**45**	**-**	**45**
Total comprehensive income	**-**	**9**	**346**	**355**	**11**	**366**
Acquisition of treasury shares	-	-	(95)	(95)	-	(95)
Share-based payment	-	-	6	6	-	6
Non-controlling interests arising from acquisition	-	-	-	-	38	38
Dividend to non-controlling interests	-	-	-	-	(10)	(10)
Total changes in equity	**-**	**9**	**257**	**266**	**39**	**305**
Equity at 31 December 2021	**180**	**(138)**	**1,662**	**1,704**	**110**	**1,814**
Profit for the year	-	-	303	303	14	317
Other comprehensive income:						
Foreign exchange adjustments, foreign entities	-	(17)	-	(17)	-	(17)
Actuarial gains/losses on pension plans	-	-	18	18	-	18
Tax on other comprehensive income	-	-	(1)	(1)	-	(1)
Net gains recognised directly in equity	**-**	**(17)**	**17**	**0**	**-**	**0**
Total comprehensive income	**-**	**(17)**	**320**	**303**	**14**	**317**
Acquisition of treasury shares	-	-	(169)	(169)	-	(169)
Share-based payment	-	-	4	4	-	4
Share capital decrease, note 19	(5)	-	5	-	-	-
Adjustment to non-controlling interests arising from acquisition	-	-	-	-	(22)	(22)
Dividend to non-controlling interests	-	-	-	-	(6)	(6)
Total changes in equity	**(5)**	**(17)**	**160**	**138**	**(14)**	**124**
Equity at 31 December 2022	**175**	**(155)**	**1,822**	**1,842**	**96**	**1,938**

Parent company

(DKK million)	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021	**180**	**1,310**	**-**	**1,490**
Profit for the year	-	267	-	267
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**267**	**-**	**267**
Acquisition of treasury shares	-	(96)	-	(96)
Share-based payment	-	6	-	6
Total changes in equity	**-**	**177**	**-**	**177**
Equity at 31 December 2021	**180**	**1,487**	**-**	**1,667**
Profit for the year	-	108	-	108
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**108**	**-**	**108**
Acquisition of treasury shares	-	(169)	-	(169)
Share-based payment	-	4	-	4
Share capital decrease, note 19	(5)	5	-	-
Total changes in equity	**(5)**	**(52)**	**-**	**(57)**
Equity at 31 December 2022	**175**	**1,435**	**-**	**1,610**

Notes to the consolidated financial statements

Notes - Financial statements

Notes - Income statement

Notes - Balance sheet

Notes - Supplementary information

Notes – Financial statements

1 General accounting policies

The annual report for the period 1 January - 31 December 2022 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 2022 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 2022 on 1 March 2023. The annual report for 2022 will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 30 March 2023.

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.

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.

The annual report covers the period 1 January – 31 December 2022.

Adoption of new, revised and amended IFRSs effective 1 January 2022
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 2022. It is assessed that they have not had a material impact on the consolidated financial statement.

Other new interpretations effective 1 January 2022
It is assessed that application of other new interpretations effective on 1 January 2022 has not had a material impact on the consolidated financial statements.

New, revised and amended IFRS Standards
It is assessed that new, revised or amended IFRSs and Interpretations 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 2022 will not have a material impact on the consolidated financial statements.

Application of materiality
In the preparation of the annual report, H+H Group aims to focus on information which is considered to be material and relevant to the users of the annual report. The consolidated financial statements are a result of aggregating large numbers of transactions into classes of similar tems, according to their nature or function, in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required by IFRS are provided in the annual report unless the information is considered immaterial to the users of the annual report.

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.

Notes – Financial statements

1 General accounting policies – continued

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

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

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

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

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

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. Payment of lease liabilities is included under financing activities and the related interest is included as a financial item under operating activities.

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 in the Managemen't review have been calculated as follows:

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

* 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 before depreciation, amortisation and financial items
EBIT	Operating profit before financial items
Special items	Refer to note 7 for accounting policy for special items
Margins before special items	Consists of defined margins adjusted for special items re above and note 7
Organic growth	Revenue growth excluding effects from changes in foreign exchange rates and revenue from acquisitions and divestments

2 Significant 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 judgements made in connection with the financial reporting are set out in the notes listed below. Reference is made to the specific notes for further information on the key accounting estimates and judgements as well as the assumptions applied.

Note	Significant accounting estimate and judgement	Nature of accounting impact	Impact of estimates and judgements
3 Segment information	Aggregation of similar segments	Judgement	**
13 Impairment testing of intangible assets	Key assumptions in impairment test	Estimate	***
15 Deferred tax	Recovery of deferred tax assets	Judgement	**
20 Defined benefit pension plans	Key actuarial assumptions	Estimate	**
25 Business combinations	Purchase price allocation	Estimate	**

* Low
** Medium
*** High

3 Segment information

Key customers
Two customer represented more than 10% of the H+H Group's total revenue in 2022. One customer in the UK approx. 17% and one customer in Germany approx. 11% (2021: one customer in the United Kingdom represented approx. 20%). The following geographical areas in the Group represent more than 10% of revenue or non-current assets.

	Group			
(DKK million)	**2022**		**2021**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Central Western Europe	1,611	1,784	1,399	1,704
UK	1,052	258	884	239
Poland	941	437	737	420
Other countries and eliminations	-	38	-	27
	3,604	**2,517**	**3,020**	**2,390**

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. For Germany, revenue in 2022 for amounts to DKK 1,124 million (2021: DKK 946 million) and non-current assets amount to DKK 1,501 million (2021: DKK 1,417 million). All revenue relates to sales of goods and transport services.

Revenue in Denmark was DKK 244 million in 2021 (2021: DKK 222 million). Non-current assets in Denmark at year-end 2022 amounted to DKK 40 million (2021: DKK 29 million).

Notes – Income statement

3 Segment information – continued

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 three operating segments Central Western Europe, UK and Poland which has been aggregated into one reporting segment. The operating segments share similar economic characteristics in regard to long-term gross profit margin, 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.

Critical accounting Judgement

Aggregation of segments with exhibit similar economic characteristics

When assessing segment information, Management has provided significant judgements, especially related to the five aggregation criteria's re. IFRS 8.12, i.e. nature of the products and services, nature of the production processes, type or class of customer, method used to distribute products and nature of the regulatory environment. Based on a thorough analysis, it is concluded that aggregation of the identified three operating segments Central Western Europe, UK and Poland into one reporting segment can be made as each of the operating segments share similar economic characteristics measured on a long-term gross profit margin basis, as well as they share similar fundamental characteristics re. the five aforementioned specific aggregation criteria's.

4 Staff costs

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Total Remuneration to Key Management Personnel - Executive Board and non-registred members of Executive Management*				
Salary	12.4	11.6	12.4	11.6
Bonus	5.8	4.1	5.8	4.1
Share-based payment**	2.7	3.6	2.7	3.6
Pension	0.3	0.3	0.3	0.3
Severance payment	5.8	-	5.8	-
Total	**27.0**	**19.6**	**27.0**	**19.6**

* Non-registred members of executive management are the Group Chief Operating Officer, Group Strategy Officer and the Group Human Ressource Officer.

** Share based payment comprise costs related to share programs for the years 2019 - 2022 recognised in accordance with IFRS 2.

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Wages and salaries	593	503	35	37
Defined contribution plans, see note 20	5	7	-	-
Share-based payment	5	6	5	6
Remuneration to the Board of Directors	3	3	3	3
Other staff costs	58	51	-	-
	664	**570**	**43**	**46**
Staff costs are recognised as follows:				
Production costs	420	342	-	-
Sales and distribution costs	120	111	-	-
Administrative costs	124	117	43	46
	664	**570**	**43**	**46**
Average full-time equivalent staff	**1,738**	**1,572**	**22**	**21**

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Total Remuneration to Executive Board and Board of Directors				
Executive Board	19.6	11.8	19.6	11.8
Board of Directors	2.7	2.7	2.7	2.7
Total	**22.3**	**14.5**	**22.3**	**14.5**

Notes – Income statement

4 Staff costs – continued

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 and subsequently adjusted on 12 May 2021 by the Board of Directors to ensure alignment with the new corporate governance recommendations. 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).

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 2022
In March 2022, the Board of Directors of H+H International A/S implemented a new long-term incentive programme ("LTIP") being a performance share unit ("PSU") programme similar to the LTIP PSU programme launched in 2020 and 2021. At initiation, a total of 43.989 PSUs were granted to the participants, including 8.789 PSUs to CFO, Peter Klovgaard-Jørgensen. Subsequently, the PSUs granted has been increased to 60.289 PSUs, including 17,000 PSUs to CEO Jörg Brinkmann. Based on the average share price for H+H shares trading on the Nasdaq Copenhagen stock exchange during the first ten days after the release of the 2021 Annual Report on 3 March 2022, the theoretical value was DKK 182.81 per PSU, corresponding to a total theoretical value of DKK 11 million for the 2022 LTIP based on the current participants and their receipt of PSU grants. The vesting period for the PSUs is approximately three years, with vesting for the 2022 LTIP being in 2025 when the audited annual report for 2024 is publicly announced.

Long-term incentive programs (LTIP) related to prior years
In 2021 and 2020, PSU programs, similar to above, was launched, and in 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 2022 a total of 54,957 shares vested relating to the 2019 matching share program, hereof 6,900 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, with the external KPI fulfillment being fixed at initiation of the programmes in accordance with IFRS 2. 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 2022, the Company had the following pending share programs with associated fair values:

	Max. Shares/ PSUs to be granted	Expected shares/PSUs to be granted	Max. value* (DKK million)	Exp. value* (DKK million)
2020-programme, vesting in March 2023	86,400	80,525	8.9	8.3
2021-programme, vesting in March 2024	63,617	45,457	6.5	4.7
2022-programme, vesting in March 2025	57,289	9,777	5.9	1.0

* Share price of DKK 102,60 as of 31 December 2022 has been applied.

The programmes pending are hedged in whole or in part by purchase of treasury shares. In 2022, the Company bought 1,191,400 treasury shares (2021: 478,553 shares), mostly related to the share buy-back program. Refer to note 19 for more information.

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.

Notes – Income statement

5 Other operating income and costs before special items

(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Other operating income:				
Management fee	-	-	66	52
Reversal of a loss provision related to sale of land in previous years	10	-	-	-
Gain on disposal of property, plant and equipment	9	7	-	-
Rental income	6	6	-	-
Other income	10	5	-	-
	35	**18**	**66**	**52**
Other operating costs:				
Loss on disposal of property, plant and equipment	(1)	-	-	-
Other costs	(5)	(3)	-	-
	(6)	**(3)**	**-**	**-**
Total	**29**	**15**	**66**	**52**

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

6 Depreciation and amortisation before special items

(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Intangible assets	44	37	1	-
Land and buildings	36	31	2	2
Plant and machinery	88	82	-	-
Fixtures and fittings, tools and equipment	34	33	-	-
Total	**202**	**183**	**3**	**2**

No impairment is recognised in 2022 or 2021.

7 Special items, net

(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Integration costs	-	(11)	-	-
Write down	-	(7)	-	-
Transaction and restructuring costs	(42)	(13)	(14)	-
Total	**(42)**	**(31)**	**(14)**	**-**
Impact of special items on EBIT				
Cost of goods sold	(25)	(11)	-	-
Sales costs	-	(4)	-	-
Administrative costs	(17)	-	(14)	-
Other operating income and costs, net	-	(9)	-	-
Depreciation and amortisation	-	(7)	-	-
Total	**(42)**	**(31)**	**(14)**	**-**

Special items for 2022 comprise restructuring costs of DKK 42 million corresponding to an increase of DKK 11 million compared to DKK 31 million in 2021. Special items for 2022 comprise additional transport costs related to a factory upgrade in Germany, the acquired AAC factory located in Feuchtwangen in Bavaria, Germany as well as costs related to changes to Group and regional Managements.

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.

Notes – Income statement

8 Financial income

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Interest income	5	3	-	2
Interest income from subsidiaries	-	-	32	17
Dividend from subsidiaries	-	-	102	280
Past service cost relating to pension plans; see note 20	1	-	-	-
Foreign exchange rate adjustments	0	1	9	-
Total	**6**	**4**	**143**	**299**

Accounting policies

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

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

9 Financial expenses

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Interest expenses	11	15	11	10
Interests expense, leases	4	3	-	-
Interest expenses to subsidiaries	-	-	5	6
Interest on financial instruments	15	18	16	16
Financial expenses relating to pension plans; see note 20	2	2	-	-
Foreign exchange rate adjustments	1	-	-	7
Other financial expenses	3	5	1	1
Total	**21**	**25**	**17**	**24**

Accounting policies

Financial expenses comprise interest expenses on debt measured at amortised cost, 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.

10 Tax

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Tax on profit	81	35	(5)	(6)
Tax on other comprehensive income	1	11	-	-
Total	**82**	**46**	**(5)**	**(6)**
Total tax can be broken down as follows:				
Current tax for the year	75	70	(5)	(6)
Adjustment relating to changes in tax rate	1	(1)	-	-
Adjustment of deferred tax	1	7	4	3
Change in valuation of tax assets	(4)	(5)	(4)	(3)
Prior year adjustments	9	(25)	-	-
Total	**82**	**46**	**(5)**	**(6)**
Current joint taxation contribution for the year	**-**	**-**	**(5)**	**(6)**
Tax on profit can be broken down as follows:				
Calculated 22.0% (2021: 22.0%) tax on income from ordinary activities	87	78	23	57
Less tax in foreign Group entities compared with 22.0% rate (2021: 22.0%)	(13)	(15)	-	-
Tax effect of:				
Change in valuation of tax assets	(4)	(4)	(4)	(3)
Change in tax rate	1	-	-	-
Non-deductible expenses/non taxable income	1	1	(24)	(60)
Prior year adjustment	9	(25)	-	-
Total	**81**	**35**	**(5)**	**(6)**

Notes – Income statement

10 Tax – continued

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 sharebased 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.

Approach to taxes

As recommended by the Danish Committee on Corporate Governance, H+H has adopted a tax policy. For more details on our approach to taxes, we refer to our tax policy which can be found here: https://www.hplush.com/tax

In addition to the Committee's best practice guidelines, the Global Sustainability Standard Board (GSSB) has issued GRI 207 TAX 2019. The H+H tax policy addresses the essence of the Committee's recommendations and the disclosures of GRI 207, and thereby forms the foundation for a common tax approach for the H+H Group. In order to increase transparency, we present key figures on tax jurisdiction levels below. Corporate income tax is based on IFRS reporting standards instead of GRI methodology to ensure internal coherence throughout the annual report.

Country-by-country key figures - IFRS

(DKK million)	Group 2022						
	Number of employees	Total employee remuneration	Revenues from third-party sales	Revenues from intragroup transactions with other tax juridictions	Property, plant and equipment and inventory	Balance of intra-company debt	Corporate income tax paid on a cash basis
Denmark	54	65	244	-	51	976	1
UK	248	124	1,052	-	330	148	24
Germany	588	289	1,071	279	1,739	(1,165)	4
Poland	808	153	941	21	600	5	22
Switzerland	18	18	128	-	290	23	6
Holland	11	11	82	-	2	14	-
Sweden	5	3	34	-	5	(1)	1
Czech Republic	6	1	52	-	-	-	-
Total	**1,738**	**664**	**3,604**	**300**	**3,017**	**-**	**58**

Current tax explanation on country level

	Calculated local corporate tax on profit (loss) before tax	Non-taxable income and non-deductable costs, net	Current tax	Deferred tax	Prior years and other adjust-ments
Denmark	9	(15)	-	6	-
UK	(37)	-	(22)	10	5
Germany	(4)	18	(5)	(12)	-
Poland	(51)	(2)	(44)	-	9
Switzerland	(6)	-	(5)	2	(1)
Holland	2	-	1	(1)	-
Sweden	1	-	1	-	-
Czech Republic	(1)	-	(1)	-	-
Total	**(87)**	**1**	**(75)**	**4**	**13**

Notes – Income statement

11 Income statement classified by function

It is Group policy to prepare the income statement based on an adapted classification of costs by function in order to show EBIT before special items. 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)	**2022**	**2021**	**2022**	**2021**
Revenue	3,604	3,020	-	-
Cost of goods sold	(2,724)	(2,238)	-	-
Gross profit including depreciation and amortisation	**880**	**782**	**-**	**-**
Sales costs	(217)	(188)	-	-
Administrative costs	(237)	(201)	(75)	(66)
Other operating income	35	18	66	52
Other operating costs	(6)	(3)	-	-
EBIT before special items	**455**	**408**	**(9)**	**(14)**
Special items	(42)	(31)	(14)	-
EBIT	**413**	**377**	**(23)**	**(14)**
Depreciation and amortisation comprise:				
Amortisation of intangible assets	44	37	1	-
Depreciation of property, plant and equipment	158	146	2	2
Total	**202**	**183**	**3**	**2**
Depreciation and amortisation are allocated to:				
Production costs	140	123	-	-
Sales costs	47	45	-	-
Administrative costs	15	15	3	2
Total	**202**	**183**	**3**	**2**

AAC and CSU revenue, respectively, amounted to DKK 2,548 million and DKK 1,056 million in 2022, compared to DKK 2,131 million and DKK 890 million in 2021.

The 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 21 "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

12 Earnings per share (EPS)

(DKK million)	Group 2022	Group 2021
Average number of shares	17,983,365	17,983,365
Average number of treasury shares	(317,829)	(279,822)
Average number of shares in circulation	17,665,536	17,703,543
Average number of restricted shares	135,759	189,439
Average number of diluted shares in circulation	**17,801,295**	**17,892,982**
Profit/loss for the year (DKK million)	317	321
Attributable to non-controlling interest	(14)	(11)
Shareholders in H+H International A/S (DKK million)	**303**	**310**
Earnings per share (EPS) (DKK)	17.1	17.5
Diluted earnings per share (EPS-D) (DKK)	17.0	17.3

See calculation principle in note 1 under financial ratios.

13 Intangible assets

(DKK million)	Parent company 2022	Parent company 2021
	Other intangible assets	Other intangible assets
Total cost at 1 January	10	3
Additions during the year	13	7
Total cost at 31 December	**23**	**10**
Total amortisation at 1 January	-	-
Amortisation for the year	(1)	-
Total amortisation at 31 December	**(1)**	**-**
Carrying amount at 31 December	**22**	**10**

(DKK million) Group 2022	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January	392	373	98	863
Foreign currency translation adjustments	(1)	(1)	(1)	(3)
Additions from acquired companies, see note 25	56	(11)	(2)	43
Additions during the year	-	-	15	15
Disposals during the year	-	-	(2)	(2)
Total cost at 31 December	**447**	**361**	**108**	**916**
Total depreciation and amortisation at 1 January	(28)	(112)	(63)	(203)
Foreign currency translation adjustments	-	-	1	1
Amortisation for the year	-	(36)	(8)	(44)
Amortisation of disposals	-	-	2	2
Total amortisation and impairment losses at 31 December	**(28)**	**(148)**	**(68)**	**(244)**
Carrying amount at 31 December	**419**	**213**	**40**	**672**

(DKK million) 2021	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January	239	324	75	638
Foreign currency translation adjustments	-	-	1	1
Additions from acquired companies	153	49	3	205
Additions during the year	-	-	22	22
Disposals during the year	-	-	(3)	(3)
Total cost at 31 December	**392**	**373**	**98**	**863**
Total depreciation and amortisation at 1 January	(28)	(80)	(61)	(169)
Foreign currency translation adjustments	-	-	-	-
Amortisation for the year	-	(32)	(5)	(37)
Amortisation of disposals	-	-	3	3
Total amortisation and impairment losses at 31 December	**(28)**	**(112)**	**(63)**	**(203)**
Carrying amount at 31 December	**364**	**261**	**35**	**660**

Notes – Balance sheet

13 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 (CGU's);

Cash-generating units and related goodwill	Product	2022 Year of origin	DKK million
Poland	AAC & CSU	2003	21
Continental Western Europe	AAC	2006/20/21	254
Continental Western Europe	CSU	2018/19	144
UK	AAC	N/A	-
Total			**419**

In total, goodwill of DKK 243 million was acquired in connection to the acquisitions of "Feuchtwangen" and "DOMAPOR", both adding into the Central Western Europe AAC cash-generating unit. Refer to note 25 "Business combinations" for further information on the purchase price allocations which has been finalised in 2022.

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 2022 and 2021, 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 2023 approved by the Management and financial forecasts for the years 2024-2028 for all CGUs. A significant marked decline is expected in 2023, this driven by high inflation and increased interest rate for mortgages for all markets. In the financial forecast periods, growth from 2024 and onwards are expected whereas earnings are expected to rebound into normalized levels. Assumptions are based historic trends as well as external benchmarked data. Most material key assumptions for the impairment test are growth in terminal period and WACC, but also annual growth in revenue (CAGR) and gross margins. Annual growth in revenue is to a large extend volume driven. Annual growth in revenue excluding the volume effect is between 1.6% - 2.3% for the three CGU's, a result of the current inflationary environment, which is estimated to counter direct cost increases coming from raw materials and energy, effectively defending 2022 gross margin levels, at least.

	2022		
Cash-generating units	**Poland AAC & CSU**	**Central Western Europe AAC**	**Central Western Europe CSU**
Carrying amount of intangible assets, property, plant and equipment at 31 December 2022 (DKK million)	431	1,001	781
Goodwill (DKK millon)	21	254	144
Estimated average annual growth in revenue 2023-2028 (CAGR)	6.9%	7.7%	3.8%
Estimated average annual growth/decrease in gross margin in percentage points 2023-2028	0.7%	(0.3)%	(0.3)%
WACC before tax (budget and terminal period, respectively)	16.0%	10.6%	10.6%
WACC after tax (budget and terminal period, respectively)	13.0%	8.2%	8.2%

	2021		
Cash-generating units	**Poland AAC & CSU**	**Central Western Europe AAC**	**Central Western Europe CSU**
Carrying amount of intangible assets, property, plant and equipment at 31 December 2021 (DKK million)	415	873	828
Goodwill (DKK millon)	22	198	144
Estimated average annual growth in revenue 2022-2027 (CAGR)	5.5%	6.4%	1.8%
Estimated average annual growth in gross margin in percentage points 2022-2027	0.3%	0.3%	0.2%
WACC before tax (budget and terminal period, respectively)	13.0%/13.0%	8.7%/9.9%	9.8%/11.7%
WACC after tax (budget and terminal period, respectively)	10.5%/10.5%	6.9%/7.8%	7.2%/8.6%

Notes – Balance sheet

13 Intangible assets – continued

The weighted average growth rate used for the terminal period for the years after 2028 has for all CGUs been estimated at 2.0% (2021: 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.

For the CGU "Poland AAC & CSU", the gross margin has been estimated to increase for the period 2023-2028, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity driven by increased volumes sold. For the GCU's "Continental Western Europe AAC" and "Continental Western Europe CSU", gross margins are estimates to remain on 2022 level.

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 external information. 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 is normalised. The cost of debt is estimated based on the actual margin in the bank agreements and the risk-free rate. WACC components applied are similar for all CGUs apart from the risk-free rates which differentiate.

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 non-current assets to exceed the recoverable amounts. Sensitivity analysis of impairment tests focuses on changes in discount rate (WACC) and long-term growth rate. 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 2022.

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
Impairment of goodwill and non-current assets
Critical accounting estimates relates to determining goodwill and the impairment test in its whole. In determining goodwill and preparing the impairment test, a range of critical accounting estimates are made, i.e. determining future cash flows, identifying CGU's, determining growth rates in terminal period and WACC.

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.

For the purpose of impairment testing the recoverable amount was defined as the value in use. The impairment tests were based on budget for 2023 approved by the Management and financial forecasts for the years 2024-2028 for all CGUs. A significant marked decline is expected in 2023, this driven by high inflation and increased interest rate for mortgages for all CGUs. In the financial forecast periods, growth from 2024 and onwards are expected rebounding earnings to a of normalized level. Assumptions are based historic trends as well as external benchmarked data. Most material key assumptions for the impairment test are growth in terminal period and WACC.

Notes – Balance sheet

14 Property, plant and equipment

(DKK million)	Parent company 2022	Parent company 2021
	Land and buildings	**Land and buildings**
Total cost at 1 January	10	9
Additions	1	1
Total cost at 31 December	**11**	**10**
Total depreciation at 1 January	(4)	(2)
Depreciations for the year	(2)	(2)
Total amortisation at 31 December	**(6)**	**(4)**
Carrying amount at 31 December	**5**	**6**
Right-of-use assets included as		
Additions	1	1
Depreciation	2	2
Carrying amount at 31 December	5	6

(DKK million)	Group 2022				
	Land and buildings	**Plant and machinery**	**Other equipment, fixtures and fittings**	**Property, plant and equipment under con-struction**	**Total**
Total cost at 1 January	1,373	2,380	287	227	4,267
Foreign currency translation adjustments	(10)	(30)	(2)	(5)	(47)
Adjustment to additions from acquired companies, in prior years	(8)	23	-	-	15
Transfers	44	51	-	(95)	-
Additions, including right-of-use assets	17	45	32	189	283
Disposals during the year	(3)	(2)	(14)	-	(19)
Total cost at 31 December	**1,413**	**2,467**	**303**	**316**	**4,499**
Total depreciation and amortisation at 1 January	(618)	(1,747)	(195)	-	(2,560)
Foreign currency translation adjustments	5	18	1	-	24
Depreciation for the year	(36)	(88)	(34)	-	(158)
Depreciation of disposals	3	2	12	-	17
Total depreciation and impairment losses at 31 December	**(646)**	**(1,815)**	**(216)**	**-**	**(2,677)**
Carrying amount at 31 December	**767**	**652**	**87**	**316**	**1,822**
Right-of-use assets included as					
Additions	8	-	24	-	32
Depreciation	(5)	-	(21)	-	(26)
Carrying amount at 31 December	85	-	48	-	133

Notes – Balance sheet

14 Property, plant and equipment – continued

(DKK million)	Group 2021				
	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Property, plant and equipment under con-struction	Total
Total cost at 1 January	1,290	2,298	260	100	3,948
Foreign currency translation adjustments	9	45	2	1	57
Additions from acquired companies, see note 25	71	38	-	-	109
Transfers	2	17	-	(19)	-
Additions, including right-of-use assets	4	17	37	146	204
Disposals during the year	(3)	(35)	(12)	(1)	(51)
Total cost at 31 December	**1,373**	**2,380**	**287**	**227**	**4,267**
Total depreciation and amortisation at 1 January	(581)	(1,656)	(173)	-	(2,410)
Foreign currency translation adjustments	(7)	(35)	(1)	-	(43)
Additions from acquired companies	-	-	-	-	-
Depreciation for the year	(31)	(82)	(33)	-	(146)
Depreciation of disposals	1	26	12	-	39
Total depreciation and impairment losses at 31 December	**(618)**	**(1,747)**	**(195)**	**-**	**(2,560)**
Carrying amount at 31 December	**755**	**633**	**92**	**227**	**1,707**
Right-of-use assets included as					
Additions	1	-	28	-	29
Depreciation	(3)	-	(19)	-	(22)
Carrying amount at 31 December	84	-	46	-	130

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. Total cash outflows for leases amounts to DKK 27 million (2021: DKK 27 million).

Lease liabilities and interest relating to recognised lease contracts are included in Note 26. Future minimum lease payments relating to leases not recognised in the balance sheet amount to DKK 3 million (2021: DKK 0 million). At 31 December 2022 the Group was committed to short-term and low value leases for an amount of DKK 3 million (2021: DKK 0 million).

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, presses 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.

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.

Notes – Balance sheet

14 Property, plant and equipment – continued

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. 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. Judgement is applied in determining the depreciation period and future residual value of the assets recognised and is generally based on historical experience. Reassessment is done annually to ascertain that the depreciation basis applied is still representative and reflects the expected life and future residual value of the assets.

15 Deferred tax

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Deferred tax at 1 January	(120)	(112)	10	10
Addition from acquisitions in prior years	32	(28)	-	-
Prior years adjustments	(9)	25	-	-
Foreign exchange adjustments	2	(3)	-	-
Effect of change in tax rate	(1)	1	-	-
Change in deferred tax	(1)	(7)	-	-
Valuation of tax asset	4	4	-	-
Deferred tax at 31 December	**(93)**	**(120)**	**10**	**10**

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Deferred tax relates to:				
Non-current assets	(136)	(173)	-	-
Current assets	(2)	(1)	-	-
Liabilities	12	26	-	-
Tax loss carry-forwards	33	28	10	10
Total	**(93)**	**(120)**	**10**	**10**
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	17	17	10	10
Deferred tax liabilities	(110)	(137)	-	-
Total	**(93)**	**(120)**	**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 24 million at 31 December 2021 (2021: DKK 22 million) has not been recognised as deferred tax assets, as these are not considered likely to be utilised, especially given the current macro-economic environment. The carry-forward losses, which does not have an expirery date, 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 (2021: DKK 11 million) which are not recognised. The losses in question have no expiry date.

Notes – Balance sheet

15 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 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 judgement of the likely date and size of future tax loss carry-forwards.

16 Investments in subsidiaries

	Parent company	
(DKK million)	**2022**	**2021**
Acquisition cost at 1 January	1,297	1,297
Additions	2	-
Disposals	-	-
Cost at 31 December	**1,299**	**1,297**
Impairment losses at 1 January	(67)	(67)
Reversal of previous write-down	-	-
Reversal in connection with disposals	-	-
Impairment losses at 31 December	**(67)**	**(67)**
Carrying amount at 31 December	**1,232**	**1,230**

The cost of investments in subsidiaries was tested for impairment at the end of 2022. The recoverable amount of the equity investments at 31 December 2022 is based on the value in use, which has been determined using expected net cash flows based on estimates for the years 2023-2028 and a WACC after tax of 8.2%-13.0% (2021: 6.9-10.5%). The weighted average growth rate used for extrapolating expected future net cash flows for the years after 2028 has been estimated at 2.0% (2021: 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 14 for further information on the impairment tests.

Non-controlling interest

Set out below is summarised financial information for each subsidiary that has a non-controlling interest that are material to the group. The amounts disclosed for each subsidary are before intercompay eliminations.

	Baustoffwerke Dresden GmbH & Co. KG		Porenbetonwerk Laussnitz GmbH & Co. KG		DOMAPOR Baustoffwerke GmbH	
Principal activities	CSU		AAC		AAC/CSU	
Principal place of business	Dresden, Germany		Laussnitz, Germany		Hohen Wangelin, Germany	
Financial information (DKK million)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net assets	88	96	87	86	120	150
Accummulated non-controlling interest	38	38	42	35	16	16
Revenue	124	117	86	78	164	-
Profit for the period	12	16	15	8	35	-
Dividend paid to non-controlling interest	6	7	-	3	-	-

Notes – Balance sheet

16 Investments in subsidiaries – continued

	Registered office	2022 Equity interest, %	2021 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
H+H Sverige AB	Sweden	100	100
H+H Polska Sp. z o.o.***	Poland	100	100
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, 51 % ownership of Baustoffwerke Dresden GmbH & Co. KG, 51% ownership of Porenbetonwerk Laussnitz GmbH & Co. KG. and 52.5% ownership of DOMAPOR Baustoffwerke GmbH.

*** This activity comprises ownership of Grupa Prefabet S.A.

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. Loans to subsidiaries are denominated in EUR and therefor not exposed to foreign exchange risks.

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 13. Cost is written down to the recoverable amount whenever the carrying amount is higher.

17 Inventories/cost of goods sold

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Raw materials and consumables	159	114	-	-
Finished goods and goods for resale	364	207	-	-
Total	**523**	**321**	**-**	**-**
Write-downs recognised in the inventories above have developed as follows:				
Write-downs at 1 January	31	24	-	-
Foreign exchange adjustments	-	-	-	-
Write-downs for the year	8	10	-	-
Realised during the year	(1)	(2)	-	-
Reversals	(7)	(1)	-	-
Total	**31**	**31**	**-**	**-**
Cost of goods sold comprised (before special items):				
Direct production costs	1,499	1,199	-	-
Wages and salaries	420	342	-	-
Production overheads	273	216	-	-
Distribution	384	348	-	-
Write-downs for the year	8	10	-	-
Total	**2,584**	**2,115**	**-**	**-**

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

18 Trade and other receivables

(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Trade receivables, gross	189	199	-	-
Rebates, bonusses and write-downs	(67)	(53)	-	-
Group debtors	-	-	71	72
Other receivables	40	37	1	1
Total	**162**	**183**	**72**	**73**

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 2022	Group 2021	Parent company 2022	Parent company 2021
Age analysis of trade receivables (gross):				
Not past due	149	138	-	-
0-30 days	39	59	-	-
31-90 days	1	-	-	-
91-180 days	1	-	-	-
Over 180 days	2	2	-	-
Total trade receivables	**192**	**199**	**-**	**-**
Write-downs relating to receivables, year-end	**2**	**3**	**-**	**-**

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 2022.

Write-downs of receivables

(DKK million)	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Write-downs at 1 January	3	3	-	-
Write-downs for the year	-	-	-	-
Realised during the year	-	-	-	-
Reversals	(1)	-	-	-
Write-downs relating to receivables at 31 December	**2**	**3**	**-**	**-**

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

19 Share capital and treasury shares

	Number 2022	Number 2021	Nominal value, DKK million 2022	Nominal value, DKK million 2021
Share capital at 1 January	17,983,365	17,983,365	180	180
Movements	(483,365)	-	(5)	-
Share capital at 31 December	**17,500,000**	**17,983,365**	**175**	**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.

On 5 May 2022, and with reference to Company Announcement no. 479 of 31 March 2022 and Company Announcement no. 485 of 5 May 2022, the approved reduction of the share capital by a nominal amount of DKK 4,833,650 from 179,833,650 to DKK 175,000,000 through the cancellation of 483,365 shares of nominally DKK 10.00 each was registered at the Danish Business Authority.

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

Treasury shares

	Number	**Nominal value, DKK million**	**% of share capital, year-end**
Holding at 1 January 2021	97,946	0.98	(0.5)
Purchased during the year	478,553	4.79	(2.7)
Granted due to matching share programme in 2018	(27,746)	(0.28)	0.2
Holding at 31 December 2021	**548,353**	**5.49**	**(3.1)**
Purchased during the year	1,191,400	11.91	(6.8)
Share capital decrease	(483,365)	(4.83)	2.8
Granted due to matching share programme in 2019	(48,057)	(0.48)	0.3
Holding at 31 December 2022	**1,208,731**	**12.09**	**(6.9)**

On 16 February 2022, the share buy-back programme initiated in 2021 was concluded with 569,853 shares acquired at total purchase price of DKK 115 million.

On 3 March 2022, H+H International A/S initiated a share buy-back programme in compliance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and Commission Delegated Regulation (EU) 1052/2016 of 8 March 2016 (the "Safe Harbour Regulation"). The share buy-back programme is in full described in Company Announcement no. 469 of 3 March 2022.

The share buy-back programme is expected to be realised over a 12-month period, starting from 4 March 2022. Under the share buy-back programme, H+H may repurchase shares up to a maximum amount of DKK 150 million. In 2022, a total of 1,110,100 shares were acquired at a total purchase price of DKK 149 million in connection with the 2022 share buy-back programme.

All the treasury shares are owned by H+H International A/S. Treasury shares not related to the share buy-back program are acquired in order to hedge liabilities related to the share programmes. Refer to note 4 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.

20 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 23 million (2021: DKK 85 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.

At 31 December 2022, the actuarial valuation of the defined benefit plan in the UK showed a net deficit of DKK 13 million (GBP 1.6 million). In comparison, at 31 December 2021, the actuarial valuation of the defined benefit plan in the UK showed a net asset of DKK 17 million (GBP 2.0 million), consequently triggering IFRIC 14 for H+H UK to recognise future committed pension contributions of the scheme as they do not have unconditional right to a refund. Value recognised in the balance sheet amounts to DKK 79 million (GBP 8.9 million), including a derecognition of the aforementioned IFRIC 14 effect.

In the consolidated income statement, an amount of DKK 5 million (2021: DKK 7 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 0 million (2021: DKK 0 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.

Notes – Balance sheet

20 Pension obligations – continued

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.

The updated triennial valuation, postponed from April 2020, was finally agreed on 27 January 2022, with the Actuarial certificate signed on 31 January 2021, replacing the triennial valuation from April 2017 (current). The updated triennial valuation showed a deficit of DKK 143 million (GBP 16.5 million), a decreased deficit compared to the triennial valuation from April 2017 of DKK 173 million (GBP 20.0 million). The updated repayment schedule runs from April to April and H+H UK Limited is obliged to pay core contributions of DKK 35 million (GBP 4.00 million) in 2021/22, DKK 35 million (GBP 4.00 million) in 2022/23, DKK 28 million (GBP 3.21 million) in 2023/24 and DKK 26 million (GBP 3.03 million) in 2024/25.

The UK pension fund was closed to new entrants in June 2007 and to the accrual of future service benefits in December 2011.

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 2022 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)	**2022**	**2021**
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	504	812
Fair value of plan assets	489	816
(Surplus)/Deficit	15	(4)
Present value of unfunded defined benefit plans recognised in the balance sheet	8	10
Future committed pension contribution (UK) (Asset ceiling)	-	79
Net obligation recognised in the balance sheet	**23**	**85**
Development in present value of defined benefit obligation:		
Obligation at 1 January	822	877
Foreign exchange adjustments	(31)	65
Calculated interest on obligation	14	11
Past service costs	(1)	(1)
Service costs	2	2
Gains/losses as a result of changes in economic assumptions	(260)	(102)
Gains/losses as a result of changes in demographic assumptions	-	(2)
Empirical changes	(8)	(4)
Pension paid by employees	5	3
Pension paid	(31)	(27)
Obligation at 31 December	**512**	**822**
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	504	812
Present value of unfunded defined benefit obligations	8	10
Obligation at 31 December	**512**	**822**

Notes – Balance sheet

20 Pension obligations – continued

(DKK million)	Group 2022	Group 2021
Development in fair value of plan assets:		
Plan assets at 1 January	816	730
Foreign exchange adjustments	(29)	54
Calculated interest income	15	10
Return on plan assets over and above the calculated interest	(329)	17
The Group's contributions to plan assets	42	29
The employee's contributions to plan assets	5	3
Pensions paid	(31)	(27)
Plan assets at 31 December	**489**	**816**
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	5	7
Total pension costs	**5**	**7**
Financial costs relating to the defined benefit plans for the current year:		
Past service costs	(1)	(1)
Calculated interest on obligation	(14)	(11)
Calculated interest on plan assets	15	10
Net interest on defined benefit plans	**-**	**(2)**
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	260	102
Gains/losses as a result of change in demographic assumptions	-	3
Return on plan assets over and above the calculated interest	(329)	17
Future committed pension contribution	79	(79)
Changes due to empirical changes	8	4
Total	**18**	**47**

The cost has been recognised in the income statement under staff costs; see note 4. Costs recognised under production costs amount to DKK 3 million (2021: DKK 3 million), costs recognised under sales and distribution costs amount to DKK 1 million (2021: DKK 0 million) and costs recognised under administrative costs amount to DKK 1 million (2021: DKK 4 million).

(DKK million)	Group 2022	Group 2021
Plan assets can be broken down as follows:		
Diversified Growth Fund	218	499
Liability Driven Investment	146	284
Bonds	79	-
Alternatives	34	30
Cash	12	3
Total	**489**	**816**

All plan assets in the UK, DKK 456 million (2021: DKK 786 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 33 million (2021: DKK 30 million) relates to the Swiss pension plan.

(DKK million)	Group 2022	Group 2021
Return on plan assets		
Actual return on plan assets	(314)	27
Calculated interest on plan assets	15	10
Actuarial gain (loss) on plan assets	**(329)**	**17**
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.)	4.7%	1.9%
Expected inflation rate	3.3%	3.1%
Members' life expectancy from retirement age (years)	23.1	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.

Notes – Balance sheet

20 Pension obligations – continued

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

	Group	
(DKK million)	**2022**	**2021**
Sensitivity relative to discount rate:		
If the discount rate falls by 0.1 percentage point, the pension obligation will increase by	8	15
Sensitivity relative to inflation:		
If the inflation rate increases by 0.1 percentage point, the pension obligation will increase by	4	8
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	19	35

The Group expects to pay DKK 31 million into the defined benefit pension plan in 2023 (2021: DKK 28 million).

	Group	
(DKK million)	**2022**	**2021**
The pension obligation is expected to fall due as follows:		
0-1 year	31	28
1-5 years	125	112
Over 5 years	356	682
Total	**512**	**822**

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

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

Notes – Balance sheet

21 Provisions

(DKK million)	Group 2022	Group 2021
Provisions at 1 January	46	40
Additions from acquired companies	-	11
Provisions for the year	13	6
Utilised during the year	(7)	(11)
Reversals during the year	(5)	-
Provisions at 31 December	**47**	**46**
Breakdown of the provisions at 31 December:		
Warranty obligations	3	3
Obligations relating to restoration of sites	37	35
Onerous contracts	1	2
Restructuring	-	2
Other provisions	6	4
Total	**47**	**46**
Expected maturity of provisions:		
Non-current liabilities	38	41
Current liabilities	9	5
Total	**47**	**46**

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 2022, 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. Additions from acquired companies also comprises restoration obligations.

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.

Notes – Balance sheet

22 Credit institutions

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Bank loans, non-current	920	744	873	647
Bank loans, current	-	-	-	-
Amortised borrowing costs	0	(1)	0	(1)
Total	**920**	**743**	**873**	**646**

Change in borrowings from financing activitites:

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Borrowings 1 January	743	609	646	572
Change in borrowings*	177	134	227	74
Borrowings 31 December	**920**	**743**	**873**	**646**

* Change in borrowings is driven by movement of positions within the Global Cash Pool arrangement.

Change in lease liabilities:

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Lease liabilities 1 January	106	102	6	6
Cash flows	(27)	(26)	(2)	(1)
New/disposed/remeasured lease	31	29	2	1
Foreign exchange adjustments	(2)	1	-	-
Lease liabilities 31 December	**108**	**106**	**6**	**6**

Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants; see note 26.

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

23 Contingent liabilities

Operating leases
Material leases for the H+H Group are recognised in accordance with IFRS 16 "Leases". An amount of DKK 1 million (2021: DKK 0 million) has been recognised in the consolidated income statement for 2022 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 2022 amounts to DKK 315 million (2021: DKK 108 million).

In addition hereto, third party guarantees provided by H+H International A/S and its subsidiaries amounts to DKK 66 million at 31 December 2022 (2021: DKK 65 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.

24 Auditors' remuneration

	Group		Parent company	
(DKK million)	**2022**	**2021**	**2022**	**2021**
Total fees for the parent company's auditors elected at the annual general meeting:				
Fee	3.1	3.5	1.4	1.1
Total	**3.1**	**3.5**	**1.4**	**1.1**
The total fee can be broken down as follows:				
Statutory audit	2.7	1.8	0.8	0.7
Other assurance engagements	0.1	1.2	0.1	0.0
Tax and VAT services	0.1	0.3	0.1	0.0
Other services	0.4	0.2	0.4	0.4
Total	**3.3**	**3.5**	**1.4**	**1.1**

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

The fee for non-audit services delivered by PwC to the Group amounts to DKK 0.6 million (2021: Deloitte Statsautoriseret Revisionspartner-selskab, DKK 0.2 million) and consist of advisory services in relation to ESG, various tax advisory services and other advisory services.

Notes – Supplementary information

25 Business combinations

No business combination was made in 2022. In 2021, H+H International A/S' subsidiary H+H Deutschland GmbH has on the 14 September 2021 made an agreement with Greisel Vertrieb GmbH and affiliated companies to acquire its aircrete factory located in Feuchtwangen in Bavaria, Germany. Furthermore, on 31 December 2021 H+H Deutschland GmbH acquired 52.5% of the shares in DOMAPOR GmbH & Co. KG ("DOMAPOR"), a manufacturer of aircrete and calcium silicate blocks located in Mecklenburg-West Pomerania, Germany.

The acquisitions are in line with H+H's strategy to expand its activities within the German wall-building materials market and further consolidate and restructure the industry.

Feuchtwangen
Cashflow related to the acquisition of Feuchtwangen amount to DKK 126 million which was paid in cash on the acquisition date. Transaction costs of DKK 3 million related to the acquisition have been expensed in 2021, recognised as other operating costs, and presented as special items in the income statement. The purchase price allocation shows acquired net assets at a fair value of DKK 42 million and related goodwill of DKK 84 million.

Compared to what was disclosed in the 2021 Annual Report, an adjustment has been made related to value of plant and machinery, consequently increasing goodwill by DKK 1 million.

DOMAPOR
Cashflow related to the acquisition DOMAPOR amount to DKK 112 million which was paid in cash on the acquisition date. Transaction costs of DKK 6 million related to the acquisition have been expensed in 2021, recognised as other operating costs, and presented as special items in the income statement.

In addition to the cash payment of DKK 112 million made on the acquisition date, H+H Deutschland GmbH entered into a Domination and profit/loss transfer agreement ("DPLTA") with the sellers of DOMAPOR whereby H+H Deutschland GmbH for a 20-year period is obliged to pay an annual consideration of EUR 0.89 million for the first ten years and EUR 0.82 million for the following ten years, allowing H+H Deutschland GmbH to obtain the rights related to a minority shareholding of 47.5% in DOMAPOR, including the right to dividend paid out during this period. In the consolidated financial statements for 2021, this obligation was disclosed as contingent liabilities. In connection with determining the final purchase price, the obligation has been recognised as a liability as deferred payments related to the acquisition.

In addition, the minority interest has been recognised at fair value, measured as the fair value of 47.5% minority shareholding deducted by the discounted value of payments related to the DPLTA, a net amount of DKK 16 million, hence goodwill consequently amounts to DKK 127 million. Goodwill has been measured by applying the "full goodwill method" as the obligation related to the DPLTA represents a significant part of the fair value of the minority shareholding of 47.5% in DOMAPOR.

Compared to what was disclosed in the 2021 Annual Report, the use of above method has resulted in the recognition of additional goodwill of DKK 57 million, the recognition of deferred payments related to the acquisition of DKK 112 million and an adjustment of the minority interest on the acquisition date of DKK 22 million, and reductions following re-evaluation of plant and machinery, customer relations and deferred tax liabilities of net DKK 32 million.

The purchase price allocation of the fair value of identified assets and liabilities was completed in 2022, resulting recognition of goodwill of DKK 127 million. The comparative figures have not been restated.

Accounting effect of acquisitions
Goodwill in the H+H Group was DKK 364 million at the beginning of the year. Due to finalising off the purchase price allocation relating to acquisitions in 2021, additional goodwill of DKK 57 million was recognised, resulting in goodwill as of 31 December 2022 amount to DKK 419 million, after adjusting for foreign exchange rates. Goodwill represents the value of the existing staff, access to new markets and expected synergies.

The table provides a summary of the purchase price for the two acquisitions and the allocation of the fair value of acquired assets and assumed liabilities on the acquisition dates.

	DOMAPOR	Feuchtwangen	Total	
(DKK million)	**31 December 2021**	**14 September 2021**	**2022**	**2021**
Customer relations and other intangible assets	39	-	39	52
Land and buildings	27	36	63	71
Plant and machinery	41	18	59	38
Financial assets	-	-	-	-
Receivables	17	-	17	17
Inventories	18	-	18	18
Cash	7	-	7	7
Acquired assets	**149**	**54**	**203**	**203**
Financial debt	28	-	28	28
Non-current provision	-	11	11	11
Trade payables	1	-	1	0
Tax payables	3	-	3	3
Other current liabilities	8	1	9	10
Deferred tax	(4)	-	(4)	28
Assumed liabilities	**36**	**12**	**48**	**80**
Total identifiable acquired net assets	113	42	155	123
Hereof minority interests' share	(16)	-	(16)	(38)
Goodwill in connection with the acquisition	127	84	211	153
Purchase price	**224**	**126**	**350**	**238**
Movements in cash flow in connection with the acquisition:				
Purchase price	224	126	224	238
Of which is deferred payments	(112)	-	(112)	-
Of which is cash acquired	7	-	7	7
Of which financial debt is acquired	(28)	-	(28)	(28)
Net cash flow in connection with the acquisitions	**91**	**126**	**91**	**217**

Notes – Supplementary information

25 Business combinations – continued

Valuation method applied for acquisitions
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.

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

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

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

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.

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.

Accounting policies
Acquisitions are recognised using the acquisition method. Under this method, assets and liabilities as well as contingent liabilities of the acquired enterprise are measured at fair value on the date of acquisition. The fair values of assets and liabilities are valued using the approach most relevant for the individual item, which can be either a market approach, an income approach, or a cost approach. An acquired enterprise is included in the consolidated financial statements from the date of acquisition, which is the date when H+H Group obtain control.

Critical accounting estimates
Business combinations by nature involves judgement in assessing the fair value of identifiable assets and liabilities. The assessment of fair value is based on a number of estimates regarding WACC and expected cash flows, which both have a large impact on the fair value.

The table provides a summary of the purchase price for the two acquisitions in 2021 and the allocation of the fair value of acquired assets and assumed liabilities on the acquisition dates.

26 Financial instruments and financial risks

H+H's financial risk management policy
As a result of its activities, H+H is exposed to various financial risks i.e. foreign exchange risks, as well as capital structure and cash flow risks, bad debt exposure and financial covenants. It is H+H's policy not to speculate actively in financial risks.

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

Foreign exchange risks
H+H presents its consolidated financial statements in DKK. Most of H+H's products are produced and sold outside Denmark. Sales in markets outside Denmark account for approximately 90% of revenue, with the UK, Germany and Poland being the largest markets.

H+H's in- and outflows are denominated mainly in GBP, EUR and PLN, and its principal exposure is currently related to these currencies. Predominantly the group subsidiaries trade in their functional currency or in EUR. Currency exposure on transaction positions on ordinary activities is therefore contained within the Group.

H+H's foreign exchange hedging policy and procedures states that an individual group subsidiary must not take foreign exchange positions. Instead, Group Finance needs to be consulted, and if relevant, financial instruments in foreign currencies are entered into if the foreign exchange exposure exceeds certain thresholds, also depending on the character of exposure.

Due to the nature of H+H activities, financial instruments in foreign currencies are only limitedly used. H+H has for 2022 entered foreign contracts for purchase of EUR paid in other currencies, these all related to flow of funds from group subsidiaries to Group.

Capital structure and cash flow risks
The H+H Group has significant net interest-bearing debt. An increase in the interest rate level will depress the Group's pre-tax profit. 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. Historically, the interest rate has only to a very limited extent been hedged and H+H has therefore benefited from lower short-term rates compared with long-term rates.

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 that all surplus funds flow upwards to be managed centrally by the parent company.

H+H's capital structure contains a Global Cash Pool arrangement supported by individual loans. Most group subsidiaries participate in the Global Cash Pool arrangement and the parent company sets limits for all overdraft facilities included herein. H+H aims that financing of group subsidiaries are management within the Global Cash Pool arrangement, or via intercompany loans from the parent company to the relevant group subsidiary. If necessary, the parent company may decide to approve that financing of a group subsidiary is obtained externally.

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.

Notes – Supplementary information

26 Financial instruments and financial risks – continued

Bad debt exposure
As consequence of it's ordinary activities, H+H is exposed to the risk of bad debt. This risk is primarily related to receivables in respect of sales of H+H's products, which for the majority is invoiced through a number of builders' merchants across several countries. This reduces the H+H's risk of bad debt exposure towards contractors and house builders, but consequently increases it to builders' merchants.

In line with H+H's credit risk hedging procedures, all customers are subject to mitigating actions, i.e. credit rating, assessment of payment terms or credit limits etc., which all constitutes that H+H's risk of bad debt are at a very low level - which also is supported by the very modest bad debt losses realised in previous years. The maximum related credit risk 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.

Loan agreements and financial covenants
H+H Group's financing is a committed credit facility with Nordea Danmark, a branch of Nordea Abp, Finland which is subject to usual financial covenants. These are monitored on a quarterly basis, calculated on basis of budget and updated financial forecasts data. They furthermore undergo sensitivity testing to ensure that management, if needed, can initiate mitigating actions to ensure compliance. The financial covenants have been fulfilled in 2022 and are also expected to be fulfilled for 2023.

Parent company's monetary items and sensitivity

(DKK million)	2022				2021			
	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	1,002	1%	10	8	1,028	1%	10	8
GBP/DKK	(140)	5%	(7)	(5)	(147)	5%	(7)	(6)
			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.

Monetary items in foreign currency

(DKK million)	Group 2022						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	6	57	32	5	100	22	122
Other receivables	20	1	17	2	39	1	40
Cash	213	75	179	44	511	25	536
Trade payables	(72)	(131)	(60)	(7)	(270)	(8)	(278)
Other payables	(75)	(20)	(40)	(23)	(158)	(18)	(177)
Deferred payment	(112)	-	-	-	(112)	-	(112)
Credit institutions	(348)	-	-	(13)	(361)	(559)	(920)
Gross exposure	(368)	(18)	128	8	(250)	(537)	(789)
Hedged via derivative financial instruments	-	-	-	-	-	-	-
Net exposure	**(368)**	**(18)**	**128**	**8**	**(250)**	**(537)**	**(789)**

(DKK million)	2021						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	55	34	23	7	119	27	146
Other receivables	29	-	5	2	36	1	37
Cash	193	118	120	38	469	30	499
Trade payables	(64)	(113)	(56)	(10)	(243)	(8)	(251)
Other payables	(90)	(15)	(45)	(25)	(175)	(20)	(195)
Credit institutions	(195)	(12)	(2)	(12)	(221)	(522)	(743)
Gross exposure	(72)	12	45	0	(15)	(492)	(507)
Hedged via derivative financial instruments	-	-	-	-	-	-	-
Net exposure	**(72)**	**12**	**45**	**0**	**(15)**	**(492)**	**(507)**

Notes – Supplementary information

26 Financial instruments and financial risks – continued

Sensitivity of profit and equity to market fluctuations

(DKK million)	Group 2022 Profit	Group 2022 Equity	Group 2021 Profit	Group 2021 Equity
5% increase in GBP/DKK	10	19	6	16
5% increase in PLN/DKK	9	32	8	23
	19	**51**	**14**	**39**

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)	2022 Net interest-bearing debt	2022 Interest hedged	2022 Net position	2022 Weighted time to maturity of hedging	2021 Net interest-bearing debt	2021 Interest hedged	2021 Net position	2021 Weighted time to maturity of hedging
DKK	541	-	541	-	499	-	499	-
EUR	171	-	171	-	30	-	30	-
PLN	(126)	-	(126)	-	(66)	-	(66)	-
CHF	(30)	-	(30)	-	(31)	-	(31)	-
GBP	(62)	-	(62)	-	(88)	-	(88)	-
Other	(2)	-	(2)	-	6	-	6	-
Total	**492**	**-**	**492**	**-**	**350**	**-**	**350**	**-**

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2022, the Group was not involved in any interest rate swaps.

All other things being equal, based on H+H's average net interest-bearing debt (expressed by quarter), an increase of 1 percentage point per year in the interest rate level relative to the average interest rate level in 2022 would reduce profit/loss before tax and equity by DKK 4 million (2021: DKK 2 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 2022	Carrying amount	0-1 year	1-5 years	Over 5 years
Non-derivative financial instruments:				
Credit institutions and banks	920	8	948	-
Lease liability	108	26	45	40
Deferred payment	112	7	33	87
Trade payables	278	278	-	-
Other payables	177	177	-	-
Total	**1,595**	**496**	**1,026**	**127**

(DKK million) 2021	Carrying amount	0-1 year	1-5 years	Over 5 years
Non-derivative financial instruments:				
Credit institutions and banks	743	15	766	-
Lease liability	106	21	45	40
Trade payables	251	251	-	-
Other payables	195	195	-	-
Total	**1,295**	**467**	**810**	**40**

Notes – Supplementary information

26 Financial instruments and financial risks – continued

Other derivatives that do not qualify for hedge accounting
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 2022 (31 December 2021: 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

	Group			
(DKK million)	**2022**			
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	122	122	146	146
Other receivables	40	40	37	37
Cash	536	536	499	499
Total financial assets measured at amortised costs	**698**	**698**	**682**	**682**
Credit institutions and banks	920	920	743	743
Trade payables and other payables	455	455	446	446
Total financial liabilities measured at amortised cost	**1,375**	**1,375**	**1,189**	**1,189**

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.

27 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 4.

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 16.

Parent Company
A management fee totaling DKK 66 million (2021: DKK 52 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 8 and 9.

There were no material unsettled balances with related parties at the end of the year.

Trading with related parties is at arm's length.

28 Events after the balance sheet date

On 1 March 2023, a new committed credit facility was agreed with Nordea Danmark, branch of Nordea Abp, Finland, subject to H+H's fulfilment of certain formal requirements. The agreement has a duration of 3 years.

Other than above, 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 2022.

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 2022 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 2022.

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, 1 March 2023

Executive Board

Jörg Brinkmann
CEO

Peter Klovgaard-Jørgensen
CFO

Board of Directors

Kent Arentoft
Chair

Stewart Antony Baseley

Volker Christmann

Kajsa von Geijer

Miguel Kohlmann

Helen MacPhee

Independent Auditor's Reports

To the shareholders of H+H International A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of H+H International A/S for the financial year 1 January to 31 December 2022 comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

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 Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Appointment

We were first appointed auditors of H+H International A/S on 31 March 2022 for the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition including cut-off and provisions for quantum rebates and customer bonuses Recognition of revenue is complex due to the volume of transactions and variable considerations. We focused on this area due to the significance of amounts involved and because recognition of revenue includes management judgement regarding timing and provisions for quantum rebates and customer bonuses, which is complex by nature. Consequently, there is a risk that the estimates including methods, applied data or assumptions made by Management are inaccurate. Further, the volume of transactions involves various it-systems, business processes and controls and Management's monitoring hereof, to ensure correct revenue recognition, which are complex and introduce an inherent risk to the revenue recognition process. Reference is made to note 11 in the Consolidated Financial Statements.	Our audit procedures included considering the appropriateness of the revenue recognition accounting policies and assessing compliance with applicable financial reporting standards. We performed risk assessment procedures with the purpose of achieving an understanding of it-systems, business procedures and relevant controls regarding revenue recognition. In respect of controls, we assessed whether they were designed and implemented effectively to address the risk of material misstatement. For selected controls, on which we planned to rely on, we tested whether these controls had been performed on a consistent basis. We tested revenue recognition on a sampling basis, including quantum rebates and customer bonuses for consistency with terms and conditions of the underlying customer contracts. Further we tested revenue recognised around year-end and the provisions for quantum rebates and customer bonuses for appropriate cut-off.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

As part of an audit 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 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 Company'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 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 Company'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 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 or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of H+H International A/S for the financial year 1 January to 31 December 2022 with the filename HH-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of H+H International A/S for the financial year 1 January to 31 December 2022 with the file name HH-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 1 March 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

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More than 100 years of experience

H+H as a conglomerate 1909–1998

1909
Henriksen & W. Kähler established joint gravel pit enterprise

1937
Business expanded with Danish Aircrete and Rockwool Partnership

1958
H+H enters 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

H+H as a consolidator 1998–2021

2000
Focus on aircrete—expansion to Finland and Germany

2009
Opening of factory near St. Petersburg, Russia

2005
Expansion into Poland

2017
H+H enters the CSU markets through acquisitions in Germany, Switzerland and Poland

Turnaround 2011–2015

2011
Michael T. Andersen is appointed CEO of H+H

2013
Kent Arentoft is appointed Chairperson of the Board of Directors

Restructuring of the European white-stone markets 2015–2021

2015
Restructuring of the Polish aircrete market

2019
Divestment of the Russian business and acquisition of one CSU factory in Germany

2019
Peter Klovgaard-Jørgensen is appointed CFO

2020
Acquisition of one AAC factory in Germany

H+H as a Partner in Wall Building 2022

2021
Acquisitions of one AAC factory and one combined AAC and CSU factory in Germany

2022
Jörg Brinkmann is appointed CEO

Design and production: Noted

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PARTNERS IN WALL BUILDING