H+H International A/S
Interim financial report
H1 2011

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Key figures for the period 1 January to 30 June 2011

- Second-quarter revenue was DKK 376 million (2010: DKK 365 million)
- Second-quarter EBITDA was DKK 40 million (2010: DKK 19 million)
- Second-quarter profit before tax was DKK 3 million (2010: loss of DKK 143 million)
- Equity at 30 June 2011 was DKK 679 million
- Net interest-bearing debt at 30 June 2011 was DKK 685 million
- H+H has narrowed its outlook for EBITDA before special items for the 2011 financial year to around DKK 100-110 million, against the previously announced DKK 100-140 million.
- H+H has narrowed its outlook for free cash flow for 2011 to around DKK 20 million, against the previously announced DKK 20-60 million, excluding proceeds from potential sales of assets.
- Total investments expected to be less than DKK 50 million
- Non-core assets have been identified which H+H aims to sell by the end of the second quarter of 2012 for around DKK 80-90 million.

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This is a translation of the company's announcement in Danish. In case of inconsistency between the Danish text and this English translation, the Danish text will take precedence.

Key figures – H+H Group

Amounts in DKK million	Q2 2011	Q2 2010	H1 2011	H1 2010	Year 2010
Income statement					
Revenue	375.9	365.1	663.3	601.5	1,254.5
EBITDA	40.0	18.9	26.3	(11.9)	(15.3)
EBIT before impairment	14.7	(11.2)	(24.9)	(75.2)	(135.1)
Operating profit (loss) (EBIT)	14.7	(131.2)	(24.9)	(195.2)	(256.8)
Profit (loss) before tax	2.8	(142.5)	(47.4)	(217.6)	(286.2)
Profit (loss)	0.9	(121.1)	(41.9)	(180.1)	(270.5)
Balance sheet					
Non-current assets	1,257.5	1,381.6	1,257.5	1,381.6	1,359.2
Current assets	457.8	389.1	457.8	389.1	294.9
Total assets	1,715.3	1,770.7	1,715.3	1,770.7	1,654.1
Equity	679.0	837.4	679.0	837.4	725.6
Non-current liabilities	794.8	730.3	794.8	730.3	759.0
Current liabilities	241.5	203.0	241.5	203.0	169.5
Total equity and liabilities	1,715.3	1,770.7	1,715.3	1,770.7	1,654.1
Investments and debt					
Investments in non-current assets	7.9	5.1	16.1	13.5	36.4
Interest-bearing debt (net)	684.7	617.4	684.7	617.4	613.6
Cash flow					
Operating activities	5.6	(5.0)	(55.2)	(79.6)	31.9
Investing activities	(7.9)	(5.1)	(16.1)	(13.0)	(33.0)
Free cash flow	(2.3)	(10.1)	(71.3)	(92.6)	(1.1)
Financial ratios					
Gross margin	24.3%	23.1%	20.6%	19.5%	20.1%
Earnings per share	0.1	(12.4)	(4.3)	(18.4)	(27.6)
Diluted earnings per share	0.1	(12.4)	(4.3)	(18.4)	(27.6)
Return on equity, p.a.	0.6%	(54.2%)	(6.0%)	(40.1%)	(32.1%)
Share price, end of period, DKK	59.7	48.3	59.7	48.3	53.0
Book value per share, end of period, DKK	69.2	85.4	69.2	85.4	74.0
Solvency ratio	39.6%	47.3%	39.6%	47.3%	43.9%

MANAGEMENT'S REVIEW

The second quarter of 2011 saw a small decrease in sales volumes, while prices rose, leading to revenue growth of 3%.

Earnings were better than last year in almost all markets, resulting in a substantial improvement in earnings in the second quarter of 2011 relative to the same period in 2010. The improvement was most pronounced in Germany, Sweden and Denmark, while earnings in the Czech Republic and the UK were down on the second quarter of 2010.

As expected, the very high revenue growth in the first quarter of 2011 did not continue at the same rate in the second quarter. In 2010 where the second quarter brought substantial additional sales due to the harsh winter weather at the beginning of the year. Sales developments in most markets were satisfactory over the first half of 2011 as a whole. Residential newbuild activity in the majority of H+H's markets is generally believed to be recovering, although there was a downturn in the Polish, UK and Czech markets in the second quarter of 2011.

H+H retained or increased its market share in all of its markets, with the exception of Poland where the focus was more on raising prices than on maintaining volumes. Prices for H+H's products nevertheless remain under considerable pressure, especially in Poland. Markedly higher prices were obtained in Germany at the end of the second quarter, and prices in Russia also rose towards the end of the period.

Prices for raw materials, especially energy, and transport were much higher than anticipated, which had an adverse effect on earnings. A procurement efficiency programme has been initiated to offset raw material and distribution cost increases, but its impact in 2011 is expected to be less than these increases.

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the coming year. If all of these assets are sold at their expected value, the sales proceeds will be around DKK 80-90 million and result in an expected accounting gain before tax of around DKK 25-35 million. The transactions are expected to be completed by the end of the second quarter of 2012 and are not included in the outlook for 2011.

Revenue

Second-quarter revenue was DKK 375.9 million in 2011, against DKK 365.1 million in 2010, an increase of DKK 10.8 million or 3%. Expressed in local currency, revenue was up 2% on the second quarter of 2010. GBP and RUB exchange rates had a slight negative effect on revenue, while SEK, PLN and CZK exchange rates had a positive effect. The closedown of the activities in Ukraine and the Baltic States etc. has adversely affected revenue by DKK 3 million.

In the Western European segment, second-quarter revenue was significantly higher than in 2010 in Germany and Denmark and slightly higher in the other countries, with the exception of the UK where there was a small drop in revenue. Overall, revenue in Western Europe came to DKK 273.0 million, against DKK 257.3 million in 2010, an increase of DKK 15.7 million or 6%. Expressed in local currency, revenue was up 5 % on the second quarter of 2010. This moderate rate of growth needs to be seen in the light of the severe winter weather in Western Europe in the first quarter of 2010, which meant that growth in the second quarter of 2010 was higher.

Revenue

	Q2		H1	
Amounts in DKK million	2011	2010	2011	2010
Western Europe	273.0	257.3	487.7	424.5
Eastern Europe	102.9	107.8	175.6	177.0
Total	375.9	365.1	663.3	601.5

In the Eastern European segment, second-quarter revenue was lower than in 2010. Revenue grew healthily in Russia but fell in the Czech Republic and Poland. The decrease in the Czech Republic was due to a general slowdown in the market, while in Poland there was both a drop in the market and a loss of market share in order to achieve slightly higher price levels. Overall, revenue in Eastern Europe came to DKK 102.9 million, against DKK 107.8 million in 2010, a decrease of DKK 4.9 million or 5%. Expressed in local currency, revenue was down 6 % on the second quarter of 2010.

Gross profit

The overall gross margin in the second quarter was 24.3% in 2011, against 23.1% in the same period in 2010. The increase was due mainly to slightly higher selling prices on average. A reduction in production costs due to the introduction of the Lean project led to lower production costs, but higher raw material costs had a significant negative effect.

Market prices in Germany rose healthily in the second quarter of 2011, and there were also signs of recovery in Russia after two years of low price levels.

Prices for raw materials, especially energy, and transport were much higher than anticipated, which had an adverse effect on earnings.

Operating profit (EBIT)
H+H made a second-quarter operating profit of DKK 14.7 million in 2011, against a loss of DKK 131.2 million in 2010.

The second-quarter result includes a special item of DKK 0.8 million mainly in respect of legal fees for contacts with European competition authorities. The result in 2010 was also negatively affected by a DKK 120 million write-down of the Group's assets in Russia.

Excluding special items, second-quarter operating earnings increased by DKK 26.7 million from 2010 to 2011. This was due to an improved gross margin and slightly lower selling and administration costs than in 2010.

Profit before tax
H+H recorded a second-quarter profit before tax of DKK 2.8 million in 2011, against a loss of DKK 142.5 million in 2010, an improvement of DKK 145.3 million.

Profit (loss) before tax				
	Q2		H1	
Amounts in DKK million	2011	2010	2011	2010
Western Europe	21.2	1.3	4.3	(36.2)
Eastern Europe	(16.1)	(139.1)	(44.4)	(170.0)
Eliminations and unallocated items	(2.3)	(4.7)	(7.3)	(11.4)
Total	2.8	(142.5)	(47.4)	(217.6)

Special items
The second-quarter result includes a special item of DKK 0.8 million mainly in respect of legal fees for contacts with European competition authorities.

In the second quarter of 2010, there was a special item of DKK 120 million related to a write-down of fixed assets in Russia.

Investments
Investments of DKK 7.9 million were made during the second quarter of 2011, against DKK 5.1 million in 2010. Total investments for the year are still expected to be less than DKK 50 million. The temporary freeze on new investments other than essential maintenance has been retained.

Investments				
	Q2		H1	
Amounts in DKK million	2011	2010	2011	2010
Western Europe	5.7	1.8	9.3	3.3
Eastern Europe	2.0	2.2	5.8	6.9
Unallocated items	0.2	1.1	1.0	3.3
Total	7.9	5.1	16.1	13.5

Financing
Net interest-bearing debt totalled DKK 684.7 million on 30 June 2011, an increase of DKK 71.1 million since the beginning of the year. The growth in Western Europe and downturn in Eastern Europe have together resulted in a higher level of working capital.

Second-quarter financing costs totalled DKK 11.9 million in 2011, against DKK 11.3 million in 2010. Besides interest expenses and foreign exchange adjustments, the 2010 figure included amortisation of borrowing costs and payment for undrawn committed credit facilities.

To better hedge H+H's currency exposure and exploit the significantly lower interest rates in the UK than in Poland, bank loans in the region of DKK 250 million were converted primarily from PLN to GBP at the beginning of August 2011. At the current interest rate levels, this change will cut annual interest costs by around DKK 7 million. There were no other changes to the loan agreement with Danske Bank A/S.

Taxation
The tax figure recognised for the first half of 2011 is an income of DKK 5.5 million, corresponding to an effective tax rate of 12%. The tax figure recognised for the second quarter of 2010 was an income of DKK 21.4 million, corresponding to an effective tax rate of 15%.

Equity
H+H's equity decreased by DKK 8 million in the second quarter of 2011. The profit for the period increased equity by DKK 1 million, while foreign exchange adjustments of investments in subsidiaries etc. reduced equity by DKK 9 million.

Equity		
	H1	H1
Amounts in DKK million	2011	2010
1 January	725.6	958.2
Profit (loss) for the period	(41.9)	(180.1)
Foreign exchange adjustments	(4.9)	63.8
Other adjustments	0.2	(4.5)
30 June	679.0	837.4

SEGMENTS

Western Europe

Second-quarter revenue in Western Europe was DKK 273.0 million, an increase of DKK 15.7 million or 6% on 2010. Expressed in local currency, revenue was up 5% on the second quarter of 2010.

Activity in the Western European markets was largely in line with expectations during the quarter, with the exception of the UK where the market contracted somewhat. Price increases have been obtained in all markets except for Denmark and the UK where prices fell slightly. The decrease in the UK is due mainly to changes in customer and product mix.

There was a second-quarter profit before tax of DKK 21.2 million in 2011, against DKK 1.3 million in 2010, an improvement of DKK 19.9 million.

Activity in the residential newbuild market is believed to have bottomed out, and there are indications of moderate recovery, particularly in Germany and Scandinavia. The higher level of sales volume relative to 2010 in the first and second quarters is therefore expected to continue into the third quarter.

Eastern Europe

Second-quarter revenue in Eastern Europe was DKK 102.9 million, a decrease of DKK 4.9 million or 5% on 2010. Expressed in local currency, revenue was down 6% on the second quarter of 2010.

The closedown of the activities in Ukraine and the Baltic States etc. has adversely affected revenue by DKK 3 million.

Activity levels in the second quarter did not live up to expectations in the Czech Republic and Poland, but there was healthy growth in the Russian market.

Prices in Poland remain under pressure, which is adversely affecting earnings in Eastern Europe, but have recovered somewhat in the Czech Republic and Russia.

There was a second-quarter loss before tax of DKK 16.1 million in 2011, against a loss of DKK 139.1 million in 2010. The result in 2010 was negatively affected by a DKK 120 million write-down of fixed assets in Russia. Excluding this write-down, there was an improvement of DKK 3.0 million in the second quarter of 2011. Earnings in Eastern Europe remain weak due to contracting markets and very low selling prices.

Slightly higher prices in all markets and higher sales volumes are expected in the third quarter of 2011 relative to last year.

Eliminations and unallocated items

Unallocated net expenses amounted to DKK 2.3 million in the second quarter of 2011, down DKK 2.4 million on the same period in 2010.

Interest in taking over H+H International A/S

On 16 November 2010 the Board of Directors of H+H International A/S discontinued the dialogue with Xella International Holdings S.à.r.l. (Xella) – owned by Goldman Sachs Capital Partners and PAI Partners – concerning Xella's interest in enlisting the Board's support for a possible conditional public offer from Xella for the shares in H+H International A/S. The reason given by the Board for discontinuing the dialogue was that the terms of the proposed offer represented too high a risk to shareholders and that the price offered did not reflect the value of the company based on its revised strategic direction and the extended efficiency programme initiated. On 14 January 2011 Xella announced on its website an intention to make an offer for the shares in H+H International A/S, and Xella also stated that it had, on its own initiative and without the involvement of H+H International A/S, commenced a pre-notification of merger with H+H International A/S to the relevant competition authorities. Since March 2011 H+H International A/S has therefore answered various questions from the competition authorities in the EU, Germany (due to the European Commission's referral of the German part of the matter to the German competition authority, the Bundeskartellamt) and Russia.

In a letter dated 24 June 2011 the Bundeskartellamt informed H+H International A/S that, on the basis of a preliminary assessment of the case, it intended to prohibit the transaction of which it had been notified by Xella (i.e. Xella's intention to merge with H+H by acquiring H+H International's shares). The assessment is preliminary and may change as the investigation is still ongoing. On 28 June 2011 the Bundeskartellamt wrote that the review period had been extended to 26

September 2011. The review period has later been further extended until 31 October 2011.

On 29 June 2011 Xella withdrew its notification to the European Commission. According to Xella's press release of 1 July 2011, the withdrawal of this notification was due to a desire to coordinate the process with the European Commission and the process with the Bundeskartellamt. According to Xella, the withdrawal is not to be taken as an indication that Xella has given up on taking over and merging with H+H.

Incentive programmes
In June 2011 a matching share programme was introduced for the company's management, comprising 10,930 H+H shares as management's own investment and a possible allocation of 32,790 H+H shares in June 2014, see Company Announcement No. 242 of 23 May 2011 and note 8. The scheme complies with the company's *Remuneration guidelines for the Board of Directors and the Executive Board, including general guidelines for incentive pay to the Executive Board*, adopted by the annual general meeting on 14 April 2011. The full guidelines can be found on the company's website, www.HplusH.com.

OUTLOOK FOR 2011

H+H has narrowed its outlook for EBITDA before special items for the 2011 financial year to around DKK 100-110 million, against the previously announced DKK 100-140 million.

H+H has narrowed its outlook for free cash flow for 2011 to around DKK 20 million, against the previously announced DKK 20-60 million, excluding proceeds from potential sales of assets.

Total investments in 2011 are expected to be less than DKK 50 million.

These expectations for H+H's financial performance in 2011 are based partly on the following assumptions:

- Prices are expected to remain unchanged at their mid-August levels.
- Rising sales volumes are anticipated in second half of 2011.
- No currency hedging by H+H for 2011 and unchanged exchange rates, primarily for GBP, EUR, PLN, RUB and CZK, relative to 24 August 2011.
- Despite the uncertainty in today's market, H+H does not expect any major downturn in investment levels in the second half of 2011.

CONCERNING THE OUTLOOK FOR 2011

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

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

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

Management's expectations are associated with considerable uncertainty. No assurance can therefore be given that the assumptions on which the financial expectations are based will hold, and unforeseen events, including those outside H+H's control, may have a negative impact on future realised results even if the assumptions for future periods or the 2011 financial year otherwise turn out to be correct.

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today discussed and approved the interim financial report for H+H International A/S for the first half of 2011.

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

It is our opinion that the interim financial report gives a true and fair view of H+H's assets, liabilities and financial position at 30 June 2011 and of the results of H+H's operations and its cash flows for the period 1 January to 30 June 2011.

Further, it is our opinion that management's review provides a fair account of developments in H+H's operations and financial conditions, the results for the period and H+H's overall financial position, as well as a description of the most significant risks and uncertainties that H+H faces.

Copenhagen, 24 August 2011

Executive Board

Michael T Andersen CEO	Niels Eldrup Meidahl CFO

Board of Directors

Anders C Karlsson Chairman	Asbjørn Berge Deputy Chairman	Stewart A Baseley
Pierre-Yves Jullien	Henrik Lind	

Forward-looking statements

The forward-looking statements in this interim financial report reflect management's current expectations of certain future events and financial results. Statements regarding the future are by their very nature associated with uncertainty, and actual results may therefore depart materially from expectations. Factors that may cause actual results to depart materially from expectations include, but are not limited to, developments in business conditions and financial markets, changes in the pricing of aircrete products, market acceptance of new products, the launch of competing products and the integration of acquisitions.

H+H International A/S is only obliged to update and adjust the expectations presented where so required by Danish legislation, including the Danish Securities Trading Act.

INCOME STATEMENT

	Group				
	Q2	Q2	H1	H1	Year
Amounts in DKK million	2011	2010	2011	2010	2010
Revenue	375.9	365.1	663.3	601.5	1,254.5
Production costs	(284.5)	(280.6)	(526.6)	(484.0)	(1,002.8)
Gross profit	**91.4**	**84.5**	**136.7**	**117.5**	**251.7**
Other external expenses	(51.4)	(65.6)	(110.4)	(129.4)	(259.6)
Other operating income and expenses	0.0	0.0	0.0	0.0	(7.4)
EBITDA	**40.0**	**18.9**	**26.3**	**(11.9)**	**(15.3)**
Depreciation and amortisation	(25.3)	(30.1)	(51.2)	(63.3)	(119.8)
EBIT before impairment	**14.7**	**(11.2)**	**(24.9)**	**(75.2)**	**(135.1)**
Impairment losses	0.0	(120.0)	0.0	(120.0)	(121.7)
EBIT	**14.7**	**(131.2)**	**(24.9)**	**(195.2)**	**(256.8)**
Net financing costs	(11.9)	(11.3)	(22.5)	(22.4)	(29.4)
Profit (loss) before tax	**2.8**	**(142.5)**	**(47.4)**	**(217.6)**	**(286.2)**
Income tax expense	(1.9)	21.4	5.5	37.5	15.7
Profit (loss) for the period	**0.9**	**(121.1)**	**(41.9)**	**(180.1)**	**(270.5)**
Earnings per share	0.1	(12.4)	(4.3)	(18.4)	(27.6)
Diluted earnings per share	0.1	(12.4)	(4.3)	(18.4)	(27.6)

STATEMENT OF COMPREHENSIVE INCOME

	Group				
	Q2	Q2	H1	H1	Year
Amounts in DKK million	2011	2010	2011	2010	2010
Profit (loss) for the period	0.9	(121.1)	(41.9)	(180.1)	(270.5)
Other comprehensive income					
Foreign exchange adjustments, foreign enterprises	(9.2)	13.8	(4.9)	63.8	41.1
Tax on changes in equity	0.0	(4.9)	0.0	(4.9)	(3.4)
Value adjustments of hedging instruments	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	(9.2)	8.9	(4.9)	58.9	37.7
Total comprehensive income	**(8.3)**	**(112.2)**	**(46.8)**	**(121.2)**	**(232.8)**

BALANCE SHEET

	Group			
	30 June	31 Dec	30 June	31 Dec
Amounts in DKK million	2011	2010	2010	2009
ASSETS				
Non-current assets				
Intangible assets	101.7	116.6	112.7	109.7
Property, plant and equipment	1,104.1	1,187.4	1,233.2	1,341.3
Other non-current assets	51.7	55.2	35.7	44.4
Total non-current assets	**1,257.5**	**1,359.2**	**1,381.6**	**1,495.4**
Current assets				
Inventories	195.1	181.8	189.9	209.9
Receivables	198.8	100.0	189.6	132.1
Cash and cash equivalents	7.5	13.1	9.6	17.6
	401.4	**294.9**	**389.1**	**359.6**
Assets classified as held for sale	56.4	0.0	0.0	0.0
Total current assets	**457.8**	**294.9**	**389.1**	**359.6**
TOTAL ASSETS	**1,715.3**	**1,654.1**	**1,770.7**	**1,855.0**
EQUITY AND LIABILITIES				
Equity				
Share capital	490.5	490.5	490.5	490.5
Retained earnings	263.3	305.0	395.6	575.3
Other reserves	(74.8)	(69.9)	(48.7)	(107.6)
Total equity	**679.0**	**725.6**	**837.4**	**958.2**
Liabilities				
Total non-current liabilities	**794.8**	**759.0**	**730.3**	**749.6**
Trade payables	98.5	72.2	82.7	56.2
Other current liabilities	134.9	97.3	120.3	91.0
Liabilities associated with assets classified as held for sale	8.1	0.0	0.0	0.0
Total current liabilities	**241.5**	**169.5**	**203.0**	**147.2**
Total liabilities	**1,036.3**	**928.5**	**933.3**	**896.8**
TOTAL EQUITY AND LIABILITIES	**1,715.3**	**1,654.1**	**1,770.7**	**1,855.0**
Net interest-bearing debt	684.7	613.6	617.4	595.8

CASH FLOW STATEMENT

Amounts in DKK million	Q2 2011	Q2 2010	H1 2011	H1 2010
Operating activities	5.6	(5.0)	(55.2)	(79.6)
Investing activities	(7.9)	(5.1)	(16.1)	(13.0)
Financing activities	2.6	11.7	65.7	83.8
Net increase (decrease) in cash and cash equivalents	0.3	1.6	(5.6)	(8.8)
Cash and cash equivalents, opening	7.2	7.3	13.1	17.6
Foreign exchange adjustments of cash and cash equivalents	0.0	0.7	0.0	0.8
Cash and cash equivalents at 30 June	7.5	9.6	7.5	9.6

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million	Share capital	Translation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2011	**490.5**	**(69.9)**	**0.0**	**305.0**	**0.0**	**725.6**
Total changes in equity in 2011						
Result for the period	0.0	0.0	0.0	(41.9)	0.0	(41.9)
Other comprehensive income	0.0	(4.9)	0.0	0.0	0.0	(4.9)
Total comprehensive income	**0.0**	**(4.9)**	**0.0**	**(41.9)**	**0.0**	**(46.8)**
Share-based payment	0.0	0.0	0.0	0.2	0.0	0.2
Total changes in equity in 2011	**0.0**	**(4.9)**	**0.0**	**(41.7)**	**0.0**	**(46.6)**
Equity at 30 June 2011	**490.5**	**(74.8)**	**0.0**	**263.3**	**0.0**	**679.0**
Equity at 1 January 2010	**490.5**	**(107.6)**	**0.0**	**575.3**	**0.0**	**958.2**
Total changes in equity 2010						
Result for the period	0.0	0.0	0.0	(180.1)	0.0	(180.1)
Other comprehensive income	0.0	58.9	0.0	0.0	0.0	58.9
Total comprehensive income	**0.0**	**58.9**	**0.0**	**(180.1)**	**0.0**	**(121.2)**
Share-based payment	0.0	0.0	0.0	0.4	0.0	0.4
Total changes in equity in 2010	**0.0**	**58.9**	**0.0**	**(179.7)**	**0.0**	**(120.8)**
Equity at 30 June 2010	**490.5**	**(48.7)**	**0.0**	**395.6**	**0.0**	**837.4**

NOTES

1. Accounting policies

The interim financial report for the period 1 January to 30 June 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of listed companies. The application of IAS 34 means that the disclosures are more limited than in a complete annual report, and that the recognition and measurement principles in International Financial Reporting Standards (IFRS) have been complied with. This interim financial report has not been audited or reviewed by the company's auditors.

The accounting policies are consistent with those applied in the 2010 annual report. The 2010 annual report includes a full description of the accounting policies applied.

2. Segment information

Amounts in DKK million	H1 2011						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments total
Revenue, external	343.5	144.2	487.7	173.0	2.6	175.6	663.3
Revenue, internal	62.9	0.0	62.9	2.9	0.0	2.9	65.8
EBITDA	44.4	(2.0)	42.4	(0.4)	(0.3)	(0.7)	41.7
Depreciation and amortisation	(28.9)	(1.7)	(30.6)	(21.0)	0.0	(21.0)	(51.6)
EBIT before impairment	15.5	(3.7)	11.8	(21.4)	(0.3)	(21.7)	(9.9)
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	15.5	(3.7)	11.8	(21.4)	(0.3)	(21.7)	(9.9)
Net financing costs	(6.5)	(1.0)	(7.5)	(21.7)	(1.0)	(22.7)	(30.2)
Profit (loss) before tax	9.0	(4.7)	4.3	(43.1)	(1.3)	(44.4)	(40.1)
Non-current assets	500.2	5.4	505.6	685.0	1.1	686.1	1,191.7
Investments in non-current assets	9.0	0.3	9.3	5.8	0.0	5.8	15.1
Assets	792.1	92.9	885.0	782.8	1.6	784.4	1,669.4
Equity	278.1	16.9	295.0	59.2	(32.3)	26.9	321.9
Liabilities	514.0	76.0	590.0	723.6	33.9	757.5	1,347.5

Amounts in DKK million	H1 2010						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments total
Revenue, external	320.0	104.5	424.5	169.9	7.1	177.0	601.5
Revenue, internal	48.3	0.0	48.3	6.0	0.0	6.0	54.3
EBITDA	22.8	(11.1)	11.7	(4.6)	(3.2)	(7.8)	3.9
Depreciation and amortisation	(38.9)	(1.1)	(40.0)	(22.7)	0.0	(22.7)	(62.7)
EBIT before impairment	(16.1)	(12.2)	(28.3)	(27.3)	(3.2)	(30.5)	(58.8)
Impairment losses	0.0	0.0	0.0	(120.0)	0.0	(120.0)	(120.0)
Operating profit (loss) (EBIT)	(16.1)	(12.2)	(28.3)	(147.3)	(3.2)	(150.5)	(178.8)
Net financing costs	(7.0)	(0.9)	(7.9)	(18.9)	(0.6)	(19.5)	(27.4)
Profit (loss) before tax	(23.1)	(13.1)	(36.2)	(166.2)	(3.8)	(170.0)	(206.2)
Non-current assets	604.8	12.3	617.1	731.2	8.4	739.6	1,356.7
Investments in non-current assets	2.0	1.3	3.3	5.8	1.1	6.9	10.2
Assets	845.2	64.5	909.7	812.2	11.8	824.0	1,733.7
Equity	299.6	6.9	306.5	121.4	(17.1)	104.3	410.8
Liabilities	545.6	57.6	603.2	690.8	28.9	719.7	1,322.9

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	H1 2011	H1 2010
Segment profit (loss) before tax for reportable segments	(40.1)	(206.2)
Unallocated group costs, corporate functions	(7.3)	(11.4)
Impairments losses, non-reportable segment	0.0	0.0
	(47.4)	(217.6)

Amounts in DKK million	Q2 2011						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments total
Revenue, external	189.4	83.6	273.0	101.4	1.5	102.9	375.9
Revenue, internal	37.3	0.0	37.3	2.0	0.0	2.0	39.3
EBITDA	39.1	1.3	40.4	6.6	(0.1)	6.5	46.9
Depreciation and amortisation	(14.2)	(1.1)	(15.3)	(10.4)	0.0	(10.4)	(25.7)
EBIT before impairment	24.9	0.2	25.1	(3.8)	(0.1)	(3.9)	21.2
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (loss) (EBIT)	24.9	0.2	25.1	(3.8)	(0.1)	(3.9)	21.2
Net financing costs	(3.4)	(0.5)	(3.9)	(11.5)	(0.7)	(12.2)	(16.1)
Profit (loss) before tax	21.5	(0.3)	21.2	(15.3)	(0.8)	(16.1)	5.1
Non-current assets	500.2	5.4	505.6	685.0	1.1	686.1	1,191.7
Investments in non-current assets	5.5	0.2	5.7	2.0	0.0	2.0	7.7
Assets	792.1	92.9	885.0	782.8	1.6	784.4	1,669.4
Equity	278.1	16.9	295.0	59.2	(32.3)	26.9	321.9
Liabilities	514.0	76.0	590.0	723.6	33.9	757.5	1,347.5

Amounts in DKK million	Q2 2010						
	Western Europe			Eastern Europe			
	Production companies	Sales companies	Western Europe total	Production companies	Sales companies	Eastern Europe total	Reportable segments total
Revenue, external	190.6	66.7	257.3	102.6	5.2	107.8	365.1
Revenue, internal	30.0	0.0	30.0	4.2	0.0	4.2	34.2
EBITDA	26.0	(1.6)	24.4	3.9	(1.4)	2.5	26.9
Depreciation and amortisation	(18.6)	(0.5)	(19.1)	(11.2)	0.0	(11.2)	(30.3)
EBIT before impairment	7.4	(2.1)	5.3	(7.3)	(1.4)	(8.7)	(3.4)
Impairment losses	0.0	0.0	0.0	(120.0)	0.0	(120.0)	(120.0)
Operating profit (loss) (EBIT)	7.4	(2.1)	5.3	(127.3)	(1.4)	(128.7)	(123.4)
Net financing costs	(3.5)	(0.5)	(4.0)	(10.1)	(0.3)	(10.4)	(14.4)
Profit (loss) before tax	3.9	(2.6)	1.3	(137.4)	(1.7)	(139.1)	(137.8)
Non-current assets	604.8	12.3	617.1	731.2	8.4	739.6	1,356.7
Investments in non-current assets	0.8	1.0	1.8	2.2	0.0	2.2	4.0
Assets	845.2	64.5	909.7	812.2	11.8	824.0	1,733.7
Equity	299.6	6.9	306.5	121.4	(17.1)	104.3	410.8
Liabilities	545.6	57.6	603.2	690.8	28.9	719.7	1,322.9

Reconciliation of reportable segments' earnings before tax

Amounts in DKK million	Q2 2011	Q2 2010
Segment profit (loss) before tax for reportable segments	5.1	(137.8)
Unallocated group costs, corporate functions	(2.3)	(4.7)
Impairments losses, non-reportable segment	0.0	0.0
	2.8	(142.5)

3. Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make a number of estimates and judgements concerning future events that have a material effect on the carrying amounts of assets and liabilities.

In the case of the H+H Group, significant changes in the estimates and assumptions on which values are based may have a material effect on the measurement of assets, including impairment testing of goodwill and non-current assets.

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

Further details of H+H's principal risks and the external factors that may affect H+H are provided in the 2010 annual report.

4. Seasonal and cyclical fluctuations

Seasonal fluctuations
The sales pattern for H+H's products is seasonal. Sales in the second and third quarters are traditionally significantly higher than during the rest of the year. As a large part of H+H's cost base is not directly variable with revenue, deviations from projected sales may result in considerable fluctuations in H+H's earnings.

Furthermore, because H+H's sales are predominantly based on short-term orders, the Group is unable, or only to a very limited extent able, to align its cost base to actual customer demand. Historically, revenue and earnings generated by H+H's operations have fluctuated significantly during the financial year, and management expects this to remain the case.

Cyclical fluctuations
Activity levels in the countries and markets in which H+H's products are sold have a major impact on demand for these products. H+H's sales go predominantly to new dense low-rise housing, making H+H particularly vulnerable to fluctuations in the level of activity in this building segment. H+H's products are mainly sold in geographical markets that are situated relatively close to its factories – the specific geographical market for each factory depends on local transport prices, the state of the infrastructure and the competitive situation, including price levels.

5. Pension obligations

H+H has defined benefit pension plans in the UK and Germany. The UK pension plans are managed by a pension fund to which payments are made, whereas the German pension plans are unfunded. H+H's pension obligations relate predominantly to the plans in the UK, for which an updated actuarial calculation as at 31 December 2010 shows a shortfall of DKK 108 million net (the present value of the obligations exceeds the fair value of the plan assets).

As a result of H+H's application of the corridor approach, DKK 81 million of this shortfall was not recognised in the balance sheet and equity at 30 June 2011. New actuarial calculations are carried out only once a year in connection with the preparation of the annual consolidated financial statements.

6. Financial resources and cash flow

Net interest-bearing debt totalled DKK 685 million on 30 June 2011, an increase of DKK 71 million since the beginning of the year. The increase reflects the financial results for the quarter and seasonal variations in working capital.

H+H has a loan agreement with Danske Bank A/S with a total credit line corresponding to around DKK 900 million, of which DKK 850 million is committed until 31 December 2014 and DKK 50 million is a short-term uncommitted credit line.

H+H will continue to be dependent on debt financing in the coming years. Maintenance of the committed credit facilities is conditional upon compliance with a number of financial covenants. The loan agreements can also be terminated by Danske Bank A/S without notice if investors other than Scandinavian institutional investors (defined in the agreements as Danish, Swedish, Norwegian and Finnish financial institutions operating in financial markets and subject to public supervision) individually or through coordinated collaboration gain control of more than one-third of the shares or more than one-third of the total number of voting rights carried by the shares in H+H International A/S.

7. Assets held for sale

As part of its continued focus on core business and a desire to reduce interest-bearing debt, H+H aims to sell some of its non-strategic assets in the coming year. Various plots of land in Poland, a sand pit in Germany, a plot of land in the UK and unused production equipment were therefore readied for sale during the second quarter of 2011 and classified as assets held for sale. If all of these assets are sold at their expected value, the sales proceeds will be around DKK 80-90 million and result in an expected accounting gain before tax of around DKK 25-35 million. The transactions are expected to be completed by the end of the second quarter of 2012 and are not included in the expectations for 2011.

8. Share-based payments

The H+H Group introduced a share option plan for the Executive Board and other senior executives in 2007. The plan is presented in the annual report for 2010.

In June 2011 a matching share programme for the Executive Board and other key employees was also launched. These officers purchased a total of 10,930 investment shares in June 2011 and will be allocated a further 32,790 H+H shares in June 2014 if all of the vesting criteria are fulfilled. The vesting criteria relate to both the Group's operating profit and other financial targets. The value of the programme at inception in June 2011 is estimated at DKK 1.9 million and will be recognised over the next three years.

9. Events after the balance sheet date

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