Annual Report 2023

H+H International A/S

PARTNERS IN WALL BUILDING

CVR-no: 49 61 98 12 | LEI: 3800GJODT6FV8QM841 | Lautrupsgade 7, 5th Floor. 2100 Copenhagen Ø

Purpose and promises

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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Financial statements

Our annual reporting

The Annual Report of H+H International A/S comprises consolidated financial statements and parent company prepared in accordance with the IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The sustainability statement is prepared with reference to the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). It has also been prepared in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act. Unless otherwise stated, all figures in parenthesis refer to the corresponding figures in the prior year.

Other 2023 reports

Remuneration report
Corporate governance statement

In brief

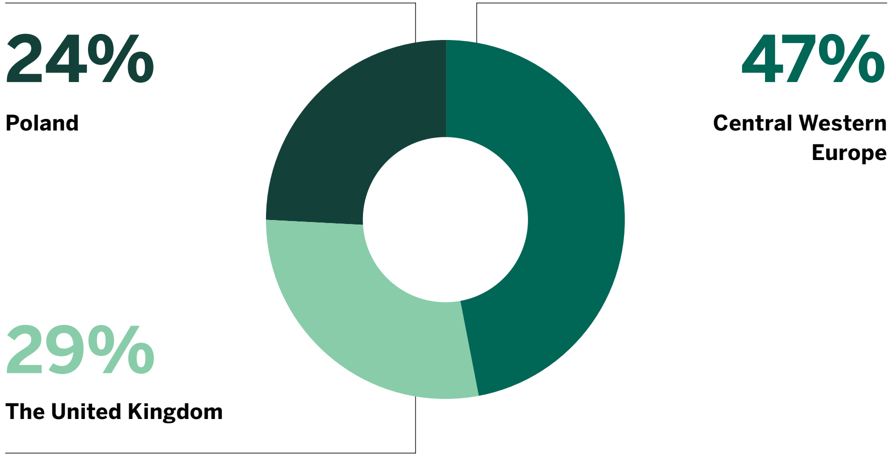
Quality control of products in Pollington, UK.

H+H at a glance

The market downturn in 2023 led H+H to undertake significant restructuring to align production with current demand. Despite this, H+H remains a leading provider of solutions and materials for wall building, maintaining a strong and diversified market position across our geographies.

Our markets

Share of revenue



Revenue (DKKm)

2,672

In 2023, we generated total revenue of DKK 2,672 million and negative organic growth of 25%.

People

1,261

Following the restructuring in 2023, we reduced our FTE count by approximately 500 to 1,261 employees in 2023.

Sustainability

46%

By 2030, we want to reduce absolute scope 1 and 2 GHG emissions by 46% from a 2019 base year. As of 2023, we have achieved a 21% improvement on CO_2 kg/m^3.

We want to achieve net-zero emissions from own operations and supply chain by 2050.

Plants

27

In 2023, we closed nine plants. Five plants were permanently closed and four are temporarily closed. With that setup, a total of 2.9 million cubic meters of wall-building materials were produced in 2023.

Performance highlights

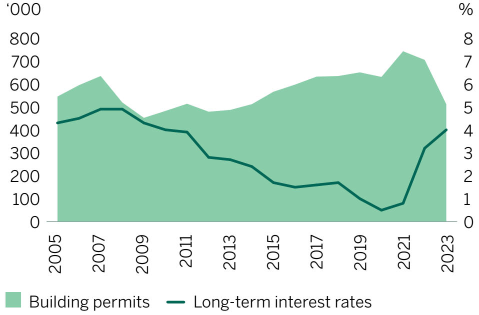
Markets

Sales volume y/y
Percent

-34%

Inflation and interest rates have triggered a market downturn more severe than the 2008 financial crisis, leading to a 34% decrease in sales volumes, in line with the building activity in our markets.

Building activity



Source: OECD, Destatis, NHBC, Statistics Poland

Financial

Organic growth
Percent

-25%

The sales volumes dropped by 34%, partly offset by price increases to counter inflation.

EBITDA before special items
DKKm

244

In 2023, EBITDA before special items was DKK 244 million corresponding to a margin of 9% against a margin of 18% last year.

In year cost savings
DKKm

150

Production was scaled back 30% after closing nine plants. A total of DKK 250 million in run rate savings from indirect cost and SG&A expenses.

Financial gearing before special items
DKKm

3.6x

EBITDA decline has increased the net interest bearing debt/EBITDA ratio.

Sustainability

Environment – Reduction in scope 1 and 2 CO_2
Kg/m^3

11%

We achieved 11% lower scope 1 and 2 intensity (kg/m^3) compared to last year, making us well-aligned and on track with our Science Based target.

Social - Lost time incidents frequency (LTIF)

3.4

In 2023, our LTIF rate improved from 3.6 to 3.4 - a record-low result.

Five-year summary

Income statement (DKK million)	2023	2022	2021	2020	2019
Revenue	2,672	3,604	3,020	2,654	2,840
Gross profit before special items	564	1,020	905	836	877
EBITDA before special items	244	657	591	521	539
EBITDA	58	615	567	521	531
EBIT before special items	57	455	408	332	366
EBIT	(230)	413	377	332	358
Profit before tax	(283)	398	356	307	205
Profit after tax for the period	(246)	317	321	251	150

Balance sheet (DKK million)	2023	2022	2021	2020	2019
Assets[1]	3,454	3,572	3,400	2,909	2,716
Invested capital	2,435	2,142	1,852	1,865	1,809
Investments in property, plant, and equipment[2]	165	266	197	134	126
Aquisition and divestment of enterprises	-	-	238	72	(20)
Net working capital	359	242	65	55	48
Equity	1,678	1,938	1,814	1,509	1,371
Net interest-bearing debt (NIBD)	887	492	350	230	407

Cash flow (DKK million)	2023	2022	2021	2020	2019
Cash flow from operating activities	(209)	316	454	425	369
Cash flow from investing activities	(137)	(255)	(427)	(206)	(105)
Cash flow from financing activities[1]	131	(80)	(25)	6	(131)
Free cash flow	(346)	61	27	219	264

Financial ratios and others	2023	2022	2021	2020	2019
Sales volume (thousand m^3)	2,745	4,187	4,326	4,022	4,494
Organic growth	(25%)	14%	13%	(6%)	6%
Gross margin before special items	21%	28%	30%	31%	31%
EBITDA margin before special items	9%	18%	20%	20%	19%
EBITDA margin	2%	17%	19%	20%	19%
EBIT margin before special items	2%	13%	14%	13%	13%
EBIT margin	(9%)	11%	12%	13%	13%
Return on invested capital (ROIC) (excl. goodwill)[3]	(9%)	19%	20%	18%	20%
Solvency ratio	46%	52%	50%	50%	49%
Financial gearing before special items	3.6x	0.7x	0.6x	0.4x	0.8x

ESG data	2023	2022	2021	2020	2019
Social					
Average number of FTEs	1,500	1,738	1,572	1,619	1,685
FTE's, end of reporting period	1,261	1,739	1,663	1,571	1,636
Lost-time incident frequency (LTIF)[4]	3.4	3.6	5.5	5.7	5.6
Sickness absence, short-term (days per FTE)	10	11	10	11	11
Environmental					
Total energy per m^3 (MJ)	575	567	554	551	565
Scope 1+2 intensity (kg/m^3)	36	40	45	46	46
Scope 1+2 emissions (tonnes)[4]	108,800	176,250	191,806	178,363	199,209
Scope 3 intensity (kg/m^3)	146	157	157	157	162
Total GHG emissions per net revenue (tonnes/DKKm)	206	240	287	302	315

1 2019 - 2021 numbers have not been adjusted to the change in accounting policy for presenting cash pool. For more details see general accounting policies page 87.
2 Investment in property, plant, and equipment excludes effects from IFRS 16.
3 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 2019-2021 has been calculated as Operating profit (EBIT) relative to average invested capital (excluding goodwill) on a twelve-month basis.
4 ESG figures for 2023 subject to limited assurance.

Note: Financial ratios and ESG measures have been calculated in accordance with recommendations from the Danish Society of Financial Analysts. See page 77 and 119.

Chair letter

Financial stability in challenging market conditions

After many years of high activity in the building industry, our markets experienced increased pressure due to rising interest rates, leading to more projects being cancelled or postponed. In response, we implemented substantial cost-cutting measures to adapt to the lower market demand.

Kent Arentoft
Chair

A key focus was placed on enhancing the efficiency of our plant network. This involved consolidating plants and redirecting production to larger sites. By unlocking the potential of our remaining assets, we can deliver the same capacity at a lower cost. These changes are a key driver for our long-term growth and profitability.

We have implemented significant cost-cutting measures, and I am pleased with the progress we have achieved in aligning our operations with current demand. During this period, it has been necessary to part ways with some of our good colleagues and on behalf of the Board I extend the deepest gratitude for their dedication and hard work.

Financial management

In these challenging times, our commitment to prudent financial management stands as a fundamental aspect in our strategy. We are dedicated to preserving cash and rigorously evaluating our capital projects to ensure they contribute to our focus on enhancing the efficiency of our existing assets.

During the year we have sold land plots, spare kits and sandpits in Germany from some of the sites that were closed during the year. These divestitures aligns with our broader strategy to focus on core business operations and reduce net debt.

In 2023, H+H signed a new multi-currency sustainability-linked financing agreement, and I am pleased that this agreement supports our business and helps us through in these challenging times.

Building a sustainable business
Sustainability continues to be a core aspect of both our strategy and daily operations, and we believe that our strategy and business model are compatible with the transition towards a sustainable economy. We are committed to decreasing our carbon emissions in accordance with our Science Based Targets and achieving net-zero emissions by 2050, aligning with the objectives of the Paris Agreement and the EU's climate goals.

In 2023, we made progress against our carbon reduction targets as we were able to reduce our carbon intensity emissions to a record low, reflecting the actions and investments we have made to improve the CO_2 footprint of our plants. Our plants are now consuming an average of 75% renewable electricity, and we have continued our energy mix improvement by converting an additional coal boiler to natural gas in Poland. Both are in line with our initial goal for 2023.

Looking ahead
Significant macro-economic headwinds continue to impact us, and it is difficult to predict the shape of the economy in 2024 and the route to recovery from the current low point. Within the Board, our commitment remains strong as we navigate through this challenging period. We actively address and manage associated risks, ensuring that our strategy remains fit for purpose in this market environment and that H+H is strategically positioned to create long-term value for our stakeholders.

We know that across our key markets there is still an undersupply of housing. With this underlying housing demand, we are confident that markets will rebound – the uncertainty is when. However, with the adjusted business setup, H+H can sustain a market with the current building activity. This ensures that we will generate positive cash flow and over time return the debt position to the long-term target of 1-2x net interest bearing debt to EBITDA. We remain committed to the long-term fundamentals of our business and uphold our financial targets, aiming for an EBIT margin of 12% and a Return on Invested Capital (ROIC) of 16%.

Finally, on behalf of the Board of Directors, I would like to express my gratitude to our employees, for their resilience to overcome challenges during a year that was marked by high volatility and uncertainty. And, to our customers, business partners and investors, thank you for entrusting us to help meet your needs and for helping us meet ours.

Kent Arentoft
Chair

Long-term financial targets

EBIT margin

12%

Return on invested capital (ROIC)

16%

Financial gearing
(Net interest-bearing debt to EBITDA)

1-2x

Please see page 22 for long-term target assumptions

Jörg Brinkmann
CEO

CEO letter

Transforming through the market downturn

In 2023, we witnessed changes at an unprecedented speed, which posed significant challenges differing significantly from the economic downturn of 2008. Despite building permits reaching comparable lows, the swift rise in interest rates has been the main driver of change. This has significantly impacted mortgage affordability, making building difficult for many.

Responding to changes in market dynamics

In response to the market decline, we implemented a business improvement programme early in the year. Our priority was to adjust the fixed cost base of our operations. We have permanently closed five plants and temporarily closed four others. Our strategy from the outset was to redirect volumes to larger, high-performing plants. In total, we have reduced our workforce by close to 30% and have significant reduced fixed costs allowing us to produce at previous comparable efficiency levels.

Our decisions were not only driven by short-term capacity adjustments but also follow a strategic network optimisation plan for our plants. This means we have identified enough capacity opportunities to service our customers not only this year but also when the markets start to pick up again. Despite the current low demand, we are implementing a lean manufacturing programme which will allow us to run our network even more efficiently. Our current investment in our plant in South East England, which will lead to a 20% increase in capacity, is a perfect example of this. Additionally, we have adjusted our SG&A expenditures in all regions and are now operating at lower levels.

Next to the fixed cost improvements, we strengthened our group procurement function early in the year. Several initiatives helped to mitigate the effects resulting from high inflation. On top of those savings, I am pleased that we managed to implement double-digit price increases, which, in combination with procurement, helped to protect our margins.

Implementing these improvement measures required a huge effort by the entire organisation, and I am pleased to witness our teams' agility and execution power. I believe we have demonstrated how quickly we can change and adjust to challenging market conditions.

Zero Harm and CO_2 emissions
In 2023, we adjusted production on a scale that can have a notable impact on safety. Consequently, I am pleased to report that over the course of the year, we achieved a record low LTIF rate.

Providing a safe and healthy workplace for our employees and contractors remains our number one priority regardless of market conditions. To reach our goal of zero incidents, we have launched a new strategy across the group called Zero Harm. This initiative marks the next phase in our journey towards operational excellence and safety enhancement.

2023 was also a milestone for our CO_2 emissions, lowering our intensity by 11%. Regardless of market conditions we continue to execute on our energy optimisation strategy. Beyond that, the closure of less efficient plants supported our CO_2 reductions. A prime example of how financial and environmental targets go hand in hand.

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

> **A primary objective for 2024** is to uphold price discipline, protecting our market leading position while keeping a strong focus on cash management. In addition, we continue working on improving the efficiency of our plant network, optimising the performance of our existing plants.

Looking ahead
We anticipate that the challenging macroeconomic environment will persist into 2024. A stabilisation of interest rates or the initiation of government support schemes, are both essential for the markets to change. However, the demand for housing remains strong across all our markets and it is a matter of time before we see an increase in house purchases again.

As we move into 2024, we do so with confidence. Operating on a significantly lower fixed cost base will help us to protect our earnings. Beyond this, it is our permanent focus to uphold price discipline, while maintaining our market leading position. This, combined with inventory reductions, tight cost management and low investment levels, will help us deliver a positive cash flow and support our target of lowering debt.

Finally, I would like to thank our employees for their dedicated and engaged way of undertaking new ways of working and servicing our customers, and I want to thank our partners and customers for their loyalty and support. We look forward to continuing our collaboration in 2024.

Jörg Brinkmann
Chief Executive Officer

Equity story

We remain in a unique position due to our underlying growth drivers and our strong operating platform and because we have the material of choice for builders that offers a sustainable solution

Underlying growth drivers

- Demographic growth and changing housing needs
- Structural undersupply of housing in all of our markets
- Fragmented markets with room for consolidation and further M&A
- High entry barriers for new entrants

Strong operating platform

- European market-leading position in aircrete (AAC) and calcium silicate (CSU)
- Value-added customer relationships and assistance through entire building process
- Strong plant network and a leading operating model allow for capacity increase within existing plants

Material of choice

- Multifunctional, easy-to-install products with minimal maintenance and cost-effective materials for affordable solutions
- A fire-resistant, rot- and mould-proof product ensuring a safe and healthy indoor environment
- Long life-time expectancy, which will benefit the climate and the environment

Sustainable solutions

- CO_2-absorbing abilities
- SBTi commitment in line with the 1.5-degree scenario
- Recyclable and long-lasting products
- Net-zero emissions by 2050
- High insulating and energy efficient properties

Outlook

Given the assumptions outlined below, the oulook for 2024 is as follows:

Revenue growth measured in local currencies is expected to be between

-5% to +5%

EBIT before special items is expected to be (DKKm)

50 to 150

Specific assumptions
H+H's financial outlook is based on several specific and general assumptions, with management identifying the most important assumptions as follows:

- Building activity in line with 2023 level
- Price discipline maintained in our key markets
- Exchange rates, primarily GBP, EUR and PLN remain at end-February 2024 levels

And following general assumptions

- 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

Unwinding unfavourable gas contracts
In the summer of 2022, H+H entered gas contracts with fixed price and volumes in certain markets covering the period Q2 2023 to Q1 2026. Due to the extraordinary fluctuation in gas prices at the outset, these hedges are unfavorable compared to current market prices.

We have considered alternatives and decided to unwind the hedges as of 31 March 2024. The unwinding will have following impact for 2024:

- The difference between the fixed price and the market price for the remaining contract period will be recognised as a one-off loss of around DKK 95 million, classified as special items in Q1 2024
- The unfavorable hedges will impact the costs of goods sold in H1 2024 by approximately DKK 45 million until they are unwound from the inventory
- Lower volumes will lead to the sale of unused hedged gas in the market in the first quarter, resulting in financial losses classified as special items of around DKK 15 million
- The unwinding will not affect the original cash flow timing of the hedges, as the instalments will continue to follow the original payment terms
- A new hedging agreement has been entered to cover a proportion of the expected gas volumes in the relevant markets for the remainder of 2024

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 will 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.

Business and strategy

Picture of the Pollington lagoons, which take all condensate water from the autoclaving process, all surface water from the yard, and all reject water from any on-site water filtration systems, we have. With these, we recycle an estimated 60% of our total water use on site.

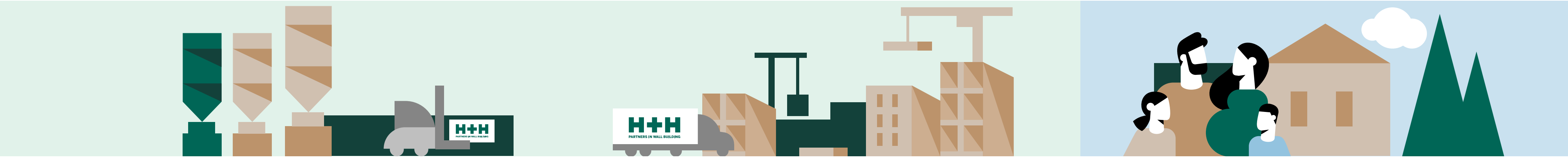
Business model

We focus on providing **safe, sustainable and affordable** solutions and materials for wall building

Efficient manufacturing
Attractive geographical setup

Partners in wall building
One-stop shop for every wall-building project

Enabling better homes
Diverse and flexible solutions for various applications



Key raw materials

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

Manufacturing

- Strong plant network with national coverage
- Lean manufacturing process to improve efficiency and eliminate waste
- Targeted capital investments improve reliability and quality across the production platform
- Continuous improvements to deliver sustainable margins

Partnerships

- Full wall solution selling
- Support of customers in early planning stage
- Optimisation of building process
- Cooperation with planners, installers, architects, distributors and house builders

Delivery

- One-point of contact
- One-stop shop for wall building
- Reliable and timely delivery

Key features

- Multifunctional, easy-to-install products with minimal maintenance and cost-effective materials
- Fire-resistant, rot- and mould-proof product
- Long life-time expectancy for the benefit of the climate and environment

The business model is prepared in accordance with SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Products and solutions

AAC

is a strong wall construction material with high thermal insulation properties and easy to adapt on site

Products

Blocks in various densities, wall panels and wall systems

Installation

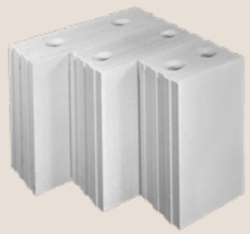
Lightweight construction material; fast and easy to install

End result

Especially suitable for 1-family houses, terraced houses and low-rise residential buildings

CSU

is a wall construction material with high strength properties and excellent sound insulation properties



Blocks have high compressive strength increasing the load-bearing capacity

Versatile, fast and easy to install

Especially suitable for walls with high sound insulation and for high-rise buildings

Strategic focus areas

The construction industry saw an unprecedented downturn in 2023. Despite this, the foundation for future growth remains. There is a structural undersupply of homes across our markets, and we have the builders' material of choice for wall building projects.

We are in a cyclical business and as a consequence of the downturn, we have shifted our focus from growth to stabilising the business. We have analysed and adapted our production platform to the current market environment, and the emphasis on cash has increased.

Adaptation to the current business environment is driven by a strong focus on operational excellence and cash generation, but also in a way where H+H is well positioned for a market recovery with the aim of restoring and improving profitability.

Unlocking the potential of our production network
Over the recent years, our company has expanded through multiple acquisitions. In 2023, a strategic review led us to identify inherited plants within our network that were no longer essential for our footprint. This decision was influenced by analysis that showed capability of meeting previous high production volumes with fewer plants by optimising the efficiency of our remaining plants. As an example, some plants consistently operated at lower energy efficiency rates than our other plants. This gap in performance not only highlighted their obsolescence but also underscored the need for modernisation of our approach to manufacturing efficiency. Shifting production volumes from closed plants to larger, more efficient facilities leads to cost reductions via economies of scale.

As a result, we permanently closed five plants and temporarily closed four others during 2023. In total, restructuring costs amounted DKK 133 million, classified as special items, and we achieved DKK 150 million in cost savings for the year from SG&A and indirect production costs. For 2024, we expect further DKK 100 million in savings from these initiatives.

We are partners in wall building

Collaboration creates lasting value – both for customers, suppliers, and other stakeholders.

PARTNERS IN WALL BUILDING®

We strive to be the ideal partner and a one-stop-shop for every wall-building project, adding value at every stage of the building process. By understanding industry trends, our customers, and their specific needs, we can help solve challenges and manage complexities with the aim of building safe, sustainable, and affordable homes.

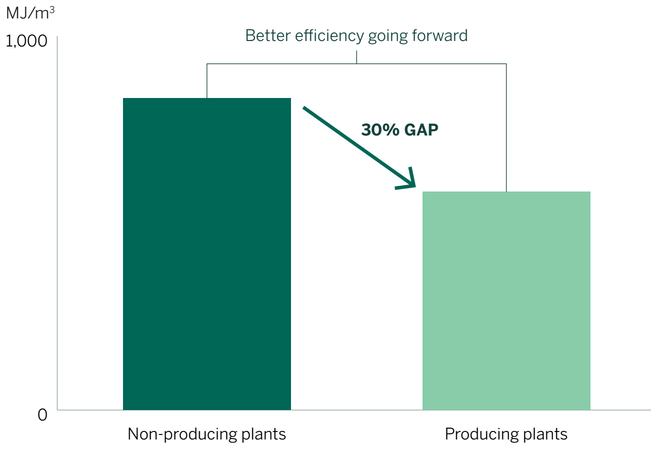
We constantly strive to find new ways to improve our products and building concepts to make building better, easier, and more efficient for everyone involved – from sourcing and production to distribution and building sites.

Sustainability is a key strategic priority and an integral part of all our activities. We have an environmental focus on production and we take the environmental impact of the use of H+H's products over their lifetime into account.

Additionally. the plants identified for closure did not have the required development opportunities and there were some geographical overlap to other plants. With these closures, investments can be targeted at the continuing plants whilst ensuring that our presence and market reach in the regions remain intact.

We maintain our capability to service our customers when the markets recover, as our network of plants can be scaled. This can be achieved as we target future investments improving uptime and debottlenecking projects. Together with a lean manufacturing approach and continuous improvements we will improve efficiency and effectiveness. Examples of this could be improved energy efficiency leading to more carbon-friendly products,

Energy performance – HY1 2023



Graph showing the significant gap in efficiency between our continued and closed plants during the first half of the year, prior to the restructuring

Investing in plant efficiency

At H+H we are always looking to improve our processes to better meet the needs of our customers.

In 2023, works started in Borough Green on a new autoclave holding area, an additional packing line and a new pallet feeding system. In order to maintain and enhance aircrete as the building material of choice, it is essential that we optimise our production process. The project will be completed in Q2 2024 and the upgrade will increase plant capacity by up to 20%.

The improvements being made will enable us to support our long-term customer partners and help safeguard the future of H+H in the UK.

The upgrade, set for completion in Q2 2024, will **increase the plant capacity by up to 20%**. It's a step forward in supporting our UK customers over the long term.

Tom Malcolm
Plant manager, Borough Green, H+H UK

Picture of the expansion works at the Borough Green plant in the UK which began end of 2023.

improved raw-materials consumption and reduced waste. A market recovery will unlock the full potential of our plants and making the right investments in the right sequence are key to securing a proper return on invested capital.

SG&A cost savings in CWE

For the business unit in Central Western Europe (CWE, consisting of Germany, Switzerland, Benelux and Scandinavia) key focus area in 2023 was to adjust the production footprint to the new market situation which has been successfully completed. For 2024, a suite of projects related to internal business processes and finalisation of the Group ERP solution will be carried out.

The projects will lead to a significant turnaround. To support the changes, the administrative staff were relocated to a new office in Düsseldorf in 2023. This will improve the internal business processes and allow us to optimise the cost structure. The target is to bring the financial performance of the CWE region on a par with our financial performance in the UK and Poland.

Cash management

As we have closed plants, we have been working on divesting the non-core assets during 2023. During the year, we have sold land plots, spare kits, and a sandpit in Germany. Going forward, capital expenditures (CAPEX) will remain low until the debt gearing is in line with the long-term strategic target. In total we reduced CAPEX by DKK 100 million compared to last year. The key focus for CAPEX is to support our aspiration to unlock the potential of our production network, enabling us to deliver the volume needed from fewer sites.

To address input costs, a group procurement function was established in 2023. The group procurement function is designed to coordinate tenders and utilise market opportunities for key categories. This is both in the form of lower purchase prices, but also via product substitution and harmonisation of processes.

With the current financial performance, the cash focus remains on the existing business. However, acquisitions could become relevant in the mid-term, when initial market recovery prevails and the financial conditions support this. In the meanwhile an acquisition pipeline is maintained with the focus on further strengthening the geographical footprint. This may also include diversifying our product offering with other wall-building materials, potentially unlocking new growth potential and synergies.

During the past years, we have made a number of acquisitions in Germany. Having the majority of our administrative staff centralised in one location, gives us **an excellent starting point for expanding collaboration, improving our processes and optimising our cost structure.**

Andreas Böttger,
Managing Director, H+H CWE

Key priorities for 2024

- Focus on cost-saving measures, further improving uptime and continuous improvement within our plants
- Focus on price quality and procurement to leverage market opportunities for lower input costs
- Implementing SG&A cost savings, supported by standardised business processes and digital tools, with a primary focus on integrating CWE into a single organisation following acquisitions in the last five years
- Focus on cash management and generating positive cash flow for 2024

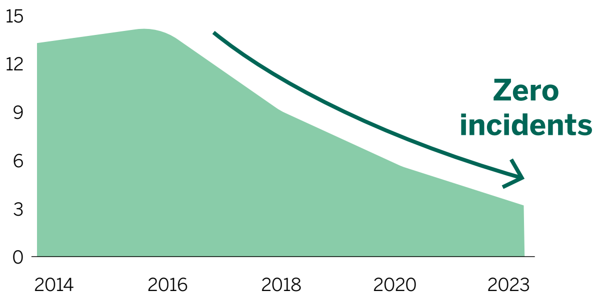
Next step towards zero incidents

Managing the health and safety risks from the heavy equipment and harmful substances used in the production process is essential for us as an employer. Maintaining a strong safety performance underpins our operations and enables us to provide healthy, safe, and secure working conditions for employees and contractors. To reach our goal of zero incidents, we have launched a new simplified strategy across the group called Zero Harm. The strategy is designed to create awareness of the importance of behavioural safety and was kicked off with visits to three flagship sites in Hamm, Zelislawice, and Pollington.

The strategy is further supported by additional initiatives including:

- A tailored programme of workshops for all operational supervisors and managers
- Investment in plants where needed to keep them safe
- Implementation of preventative actions based on previous incidents
- Executing site safety improvement plans each year

LTIF rate



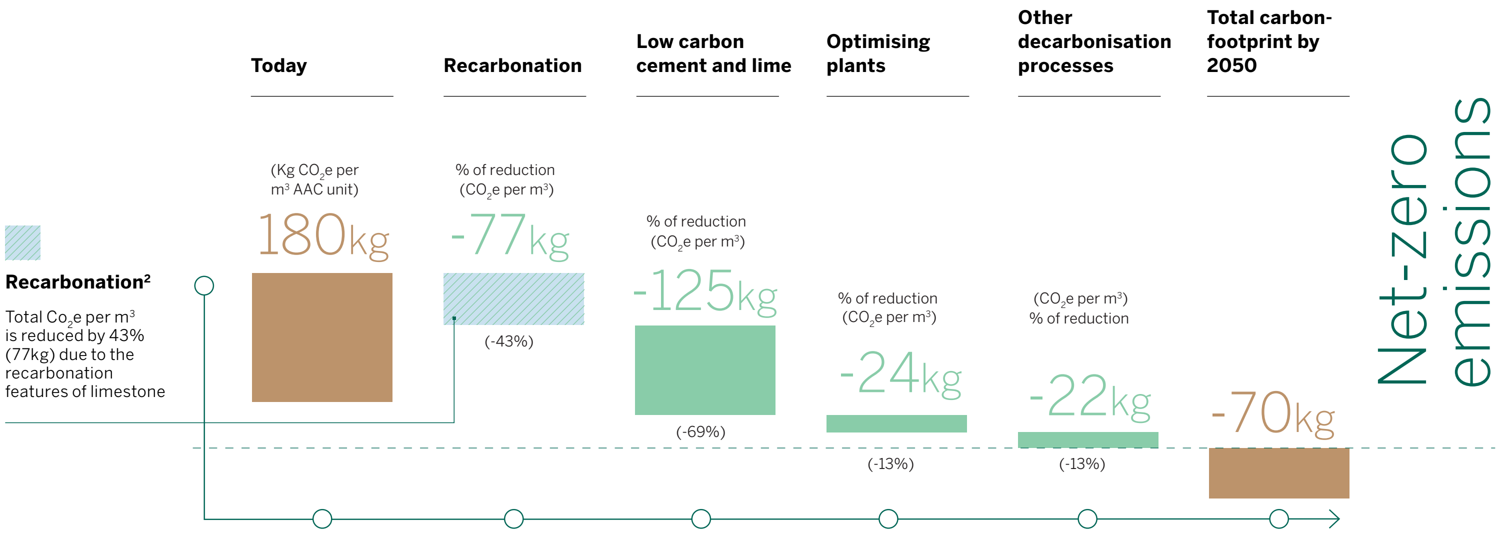
As part of the Zero Harm launch, new PPE was handed out to all employees.

Decarbonising our products[1]
Our business model and strategy are compatible with the transition to a sustainable economy by reducing our carbon emissions in line with our validated Science Based Targets and our target of net-zero emissions by 2050. Our a roadmap includes the following levers:

1. Increasing the share of renewable energy
2. Optimising plants including investments in energy efficient equipment
3. Improved energy mix, including a transition away from coal
4. Supply-chain decarbonisation, in particular, to reduce emissions from the production of lime and cement which represent most of H+H's scope 3 emissions

The full roadmap from the European Autoclaved Aerated Concrete Association (EAACA) shows that with the combination of our decarbonisation strategy as well as the recarbonation features of limestone, we will be able to produce blocks that have a negative carbon footprint. This underlines that our products are and continue to be a part of the solution in producing sustainable housing.

Condensed generic product roadmap for AAC: From 180 kg to -70 kg of CO_2e per m³ by 2050*



* Numbers have been rounded and may not add up | EAACA – Net-zero roadmap for autoclaved aerated concrete | 1 E1-1 – Transition plan for climate change mitigation |
2 Derived from a representative AAC plant (normalised to an average dry density of 388 kg/m3, year under review 2020)

Long-term targets

Despite the ongoing economic challenges and the current building activity, we maintain our long-term financial targets.

The targets are based on the assumption of a market recovery and increased housing activity levels over the coming three to five years. Furthermore, the key drivers for achieving the targets include:

- A continued favorable market share comparison of AAC/CSU relative to other building materials
- Ability to pass through cost increases
- Continued efficiency gains in operations and SG&A

Financial targets

EBIT margin

12%

Return on invested capital
Excl. goodwil

16%

Financial gearing
Net interest-bearing debt to EBITDA

1-2x

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

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

2050

Results

Blocks being loaded onto a truck in Hamm, before being sent out to customers.

Full year financial review

Income statement

Revenue

Total revenue decreased by 26% to DKK 2,672 million compared to DKK 3,604 million in 2022. Organic growth was negative 25% in 2023 compared to positive 14% in 2022.

Organic growth was driven by lower sales volumes and partly offset by sales price increases across all markets to counter the continued inflationary pressures.

Revenue in Central Western Europe amounted to DKK 1,256 million compared to DKK 1,611 million in 2022. In a challenging environment, we were able to outperform the market with an organic growth that was negative 20%.

Revenue in the UK amounted to DKK 763 million compared to DKK 1,052 million in 2022. Organic growth was negative 25% but we increased our market share by onboarding new customers and re-entering the market for foundation blocks.

Revenue in Poland was DKK 653 million compared to DKK 941 million in 2022. Organic growth was negative by 31% in a competitive market.

Gross profit before special items

Gross profit was DKK 564 million compared to DKK 1,020 million in 2022, corresponding to gross margins of 21% and 28%, respectively. The decrease in gross profit margin is driven by overhead costs spread over lower volumes and increased energy costs, which includes a negative impact of DKK 55 million from unfavourable gas hedges.

EBITDA before special items

EBITDA before special items in 2023 decreased by 63% to DKK 244 million compared to DKK 657 million in 2022, corresponding to EBITDA margins of 9% and 18%, respectively. Adjusted for the unfavourable gas hedges EBITDA before special items would be DKK 299 million corresponding to a margin of 11%.

Depreciation and amortisation

Depreciation and amortisation amounted to DKK 187 million compared to DKK 202 million in 2022. The decrease is driven by the impact from the closed down plants.

EBIT before special items

EBIT before special items amounted to DKK 57 million compared to DKK 455 million in 2022, corresponding to EBIT margins of 2% and 13%, respectively. Adjusted for the gas hedges EBIT before special items would be DKK 112 million corresponding to a margin of 4%.

Special items

Special items of DKK 287 million in 2023 mainly comprise of impairment of non-current assets, restructuring costs associated to the strategic adjustment of our production capacity, including close down of certain plants, and the ineffective part of gas hedges.

Please refer to Note 7 for more information.

EBIT

EBIT was negative DKK 230 million in 2023 compared to DKK 413 million in 2022.

Net financials

Net financials amounted to an expense of DKK 53 million in 2023, compared to an expense of DKK 15 million in 2022. The development is mainly driven by an increase in interest expenses from higher interest rates and debt position.

Result before tax

Result before tax amounted to a loss of DKK 283 million compared to positive DKK 398 million in 2022.

Tax

Tax for the year amounted to a net income of DKK 37 million compared to a net expense of DKK 81 million in 2022 driven by the lower result in 2023 compared to 2022.

Result for the year
Result for the year was negative DKK 246 million, compared to positive DKK 317 million in 2022.

Loss for the period is attributable to H+H International A/S' shareholders by DKK 248 million and a profit to non-controlling interest by DKK 2 million compared to a profit of DKK 303 million and DKK 14 million, respectively, for 2022.

Comprehensive income
Other comprehensive income for 2023 was positive DKK 3 million compared to DKK 0 million in 2022. The year-on-year movement was a result of actuarial loss net of tax of DKK 53 million and movements in fair value adjustment of derivative financial instruments of DKK 7 million offset by a positive development in foreign exchange rates of DKK 63 million.

Cash flow

Operating activities
Cash flow from operating activities before financial items and tax amounted to negative DKK 110 million in 2023 compared to positive DKK 388 million in 2022. Development in operating cash flow is led by lower earnings in 2023 compared to 2022 and a negative development in working capital due to an increase in inventories in beginning of the year.

Total cash flow from operating activities in 2023 was negative DKK 209 million against positive DKK 316 million in 2022.

Investing activities
Cash flow from investing activities in 2023 amounted to negative DKK 137 million compared to negative DKK 255 million in 2022 mainly due to lower investment.

Financing activities
Cash flow from financing activities amounted to positive DKK 131 million in 2023 compared to negative DKK 80 million in 2022.

The year-on-year increase was mainly driven by draw on credit facilities due to the development in earnings and working capital, and the purchase of treasury shares in 2022.

Balance sheet

On 31 December 2023, the balance sheet total amounted to DKK 3,454 million compared to DKK 3,572 million on 31 December 2022 mainly driven by shifts in the net debt position partly offset by an increase in inventories of DKK 134 million.

Net interest-bearing debt
Net interest-bearing debt amounted to DKK 887 million as of 31 December 2023 corresponding to an increase of DKK 395 million since 31 December 2022.

On 31 December 2023, financial gearing was 3.6 times net interest-bearing debt to EBITDA before special items.

The net interest-bearing debt to credit institutions totalled DKK 768 million on 31 December 2023 .

The increase in net interest-bearing debt since the beginning of the year was primarily driven by negative net working capital development in Q1 due to inventory build up and other cash flows from operations.

Equity
The consolidated equity decreased by DKK 260 million compared to 31 December 2022. Equity attributable to H+H International A/S's shareholders and non-controlling shareholders was DKK 1,592 million and DKK 86 million, respectively.

Management review for the parent company
Result for the year was DKK 125 million compared to DKK 108 million in 2022. The increase of DKK 17 million against last year was driven by higher dividend received in 2023 partly offset by higher interest expenses.

Events after the balance sheet date
On 5 March 2024, H+H decided to utilise an unwinding option in the hedging agreement for contracts initiated in the summer of 2022. This action unwinds the unfavourable hedges as of 31 March 2024, and the difference between the fixed price and the market price for the remaining contract period will be recognised as a one-off loss of around DKK 95 million, classified as special items in Q1 2024.

H+H PARTNERS IN WALL BUILDING

Q4 2023 results

(DKK million)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Income statement								
Revenue	601	699	731	641	810	920	1,000	874
Gross profit before special items	94	138	178	154	202	254	320	244
EBITDA before special items	32	53	87	72	111	160	227	159
EBIT before special items	(15)	13	38	21	58	110	177	110
Result after tax for the year	(109)	(29)	(101)	(7)	34	82	129	72
Balance sheet								
Invested capital	2,435	2,405	2,341	2,223	2,142	1,743	1,693	1,809
Investments in property, plant and equipment	57	33	38	37	117	65	42	42
Net working capital	359	437	534	540	242	45	68	101
Equity	1,678	1,760	1,787	1,901	1,938	1,258	1,180	1,046
Net interest-bearing debt (NIBD)	887	844	875	804	492	471	602	659
Cash flow								
Cash flow from operating activities	(1)	87	(23)	(272)	29	101	207	(21)
Cash flow from investing activities	(35)	(33)	(45)	(37)	(106)	(65)	(42)	(42)
Cash flow from financing activities	(256)	16	168	207	73	(22)	(70)	-
Free cash flow	(36)	54	(68)	(309)	(77)	36	165	(63)
Financial ratios								
Organic growth	(26%)	(24%)	(26%)	(25%)	9%	7%	13%	29%
Gross margin before special items	16%	20%	24%	24%	25%	28%	32%	28%
EBITDA margin before special items	5%	8%	12%	11%	14%	17%	23%	18%
EBIT margin before special items	(2%)	2%	5%	3%	7%	12%	18%	13%

Note: Q4 2023 results are unaudited.

Comments relating to the fourth quarter of 2023

Revenue

Total revenue decreased by 25% to DKK 601 million compared to DKK 810 in 2022. Organic growth was negative 26% compared to positive 9% in 2022. Forth quarter organic growth was mainly driven by lower volumes partly offset by sales price increases.

Gross profit before special items

Gross profit was DKK 94 million compared to DKK 202 million in 2022, corresponding to gross margins of 16% and 25%, respectively. The decrease in gross profit margin was driven by overhead costs spread over lower volumes and increased energy costs including a negative impact of DKK 23 million from unfavourable gas hedges.

EBIT before special items

EBIT before special items was negative DKK 15 million in 2023 compared to positive DKK 58 million in 2022, corresponding to EBIT margins of negative 2% and positive 7%, respectively. Adjusted for the gas hedges EBIT before special items would be positive DKK 2 million.

Special items

Special items of DKK 81 million for Q4 2023 mainly relates to production capacity adjustments and network optimisation costs. The unfavorable part of the gas hedges amounted to DKK 14 million. For details, see Note 7.

Result after tax

Result after tax for 2023 was a loss of DKK 109 million, compared to positive DKK 34 million in 2022.

Operating activities

Cash flow from operating activities amounted to negative DKK 1 million in Q4 2023 compared to DKK 29 million in Q4 2022. Development in operating cash flow is led by lower earnings for the period partly offset by a positive development in working capital.

Sustainability performance

On track with our science-based targets – not losing focus despite market downturn

H+H was the first AAC and CSU manufacturer to commit to SBTi and this year's climate results show how far we have come in elevating and integrating ESG into our business.

During 2023 we have seen a significant market decline and thereby also had to adjust our plant network and operational procedures. Despite these challenges, we have maintained our focus on executing our sustainability strategy by using less coal, closing inefficient plants and sourcing more carbon-friendly raw materials.

This has resulted in record-low intensity emissions for both scope 1+2 (35.8 kg/m³) and scope 3 (145.5 kg/m³). We are therefore well on track with our targets and will continue our efforts into a challenging 2024.

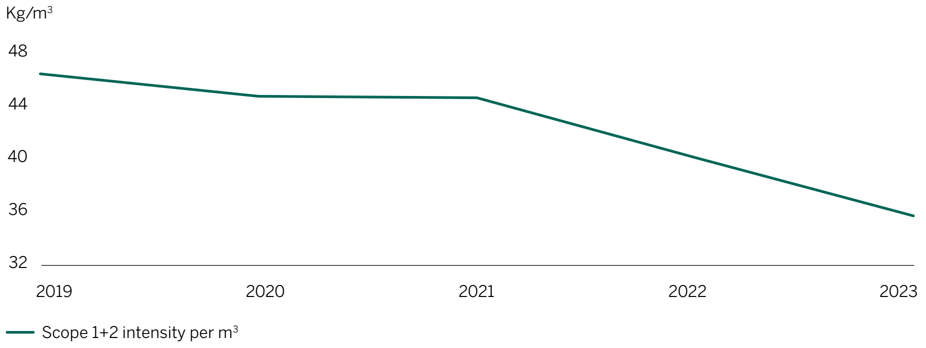
Intensity per m³	2019	2020	2021	2022	2023
Scope 1+2 Co_2 kg	46	45	45	40	36

Emissions	Unit	SBTi 2019	SBTi 2023	Actual 2023
Scope 1+2	Tonnes	212,997	177,368	*108,800
Scope 1+2	kg/m³	45.3		35.8
Scope 3 intensity	kg/m³	161.3	148.4	145.5

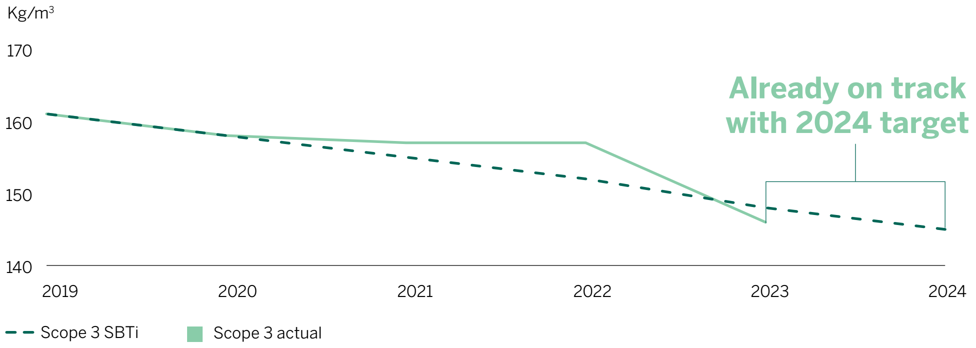
SBTi 2019 figures are rebased due to acquisitions, in accordance with SBTi guidelines

* ESG figure subject to limited assurance

Scope 1+2 kg per m³ results



Scope 3 intensity - SBTi performance



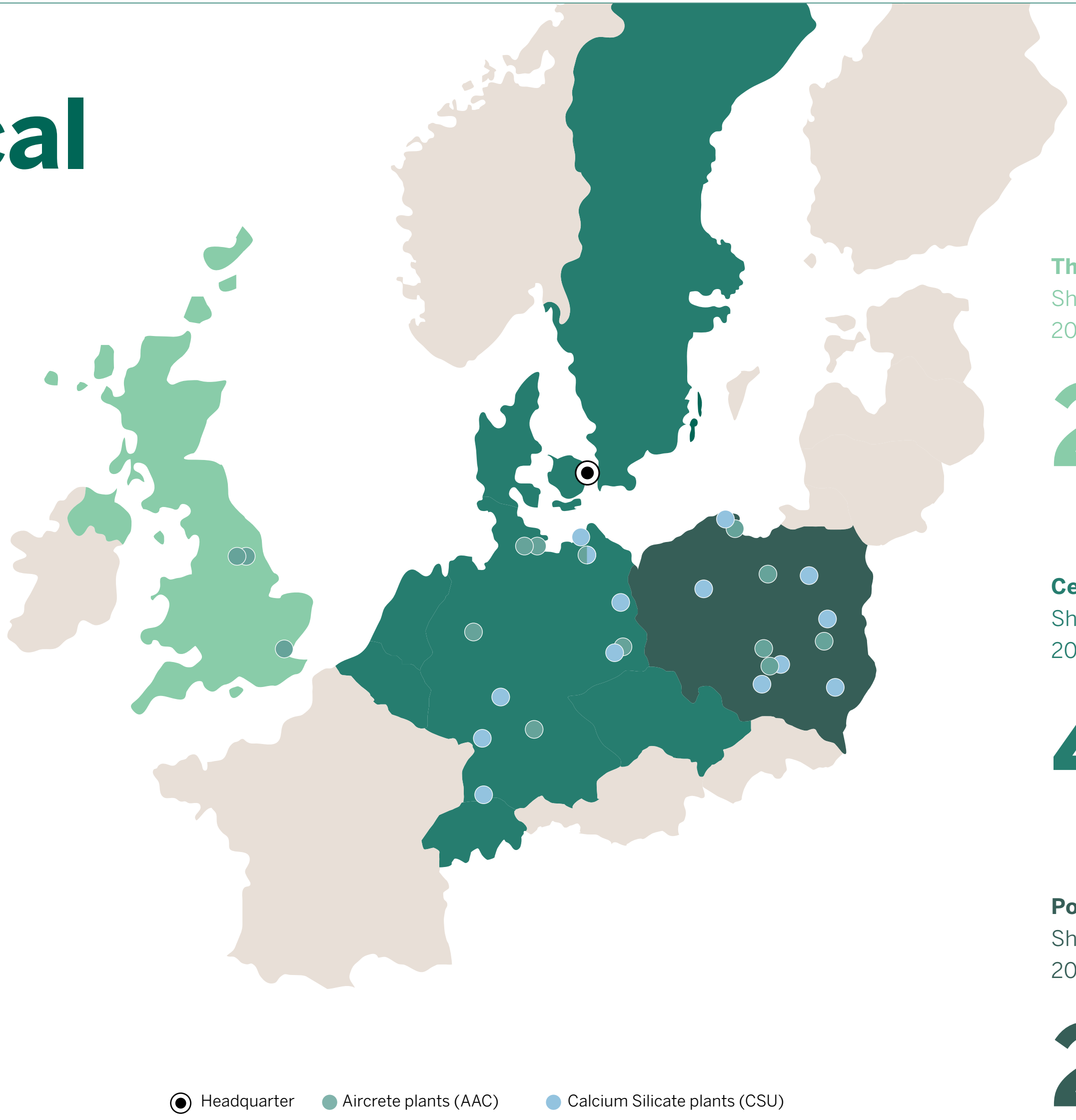
Our geographical footprint

We have a diversified geographical footprint with our activities spread across three core regions, namely Central Western Europe (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.

Total plants
27

AAC
14

CSU
13



The United Kingdom
Share of Group revenue in 2023
29%

Central Western Europe
Share of Group revenue in 2023
47%

Poland
Share of Group revenue in 2023
24%

The United Kingdom

Rising interest rates impacted affordability, causing many prospective homebuyers to put their buying decision on hold over the past year. As a result, the market saw mortgage approvals decline, and overall new home registrations fell compared to last year.

Market trends and conditions
The UK housing sector faced considerable challenges in 2023. Mortgage rates continued to rise for the first three quarters of 2023. This, combined with high inflation, impacted negatively on customer confidence and in turn had a significant impact on the demand for new private houses and the need for construction. This led to a significant drop in new home registrations, which decreased by 44% compared to the previous year.

The British government needs to address the challenges of a structural undersupply of housing and maintain the ambition of delivering 300,000 new homes per year. It is estimated that there will be a need for 3.7 million new homes in the next 25 years which is the underlying reason for the need to increase the British housing stock through the construction of new homes. As a general election is due in 2024, we would welcome the introduc-

~45%
H+H market share in AAC

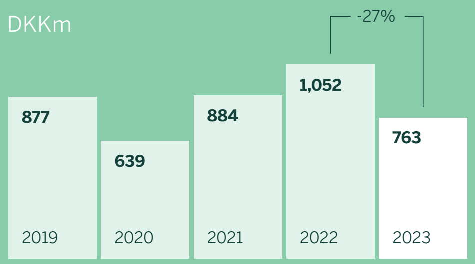
-25%
2023 negative organic growth

763
2023 revenue, DKKm

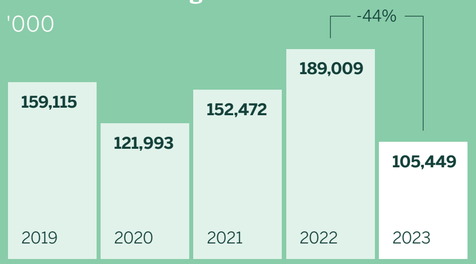
188
FTEs

3
Plants

Revenue
DKKm



Total newbuild registrations
'000



Source: NHBC

tion of new government schemes aimed at assisting first-time buyers and current homeowners in purchasing a home.

Looking ahead, the uncertainty remains high given the current economic environment. However, since September 2023, mortgage rates and consumer confidence have stabilised which implies that rates could begin to fall in 2024.

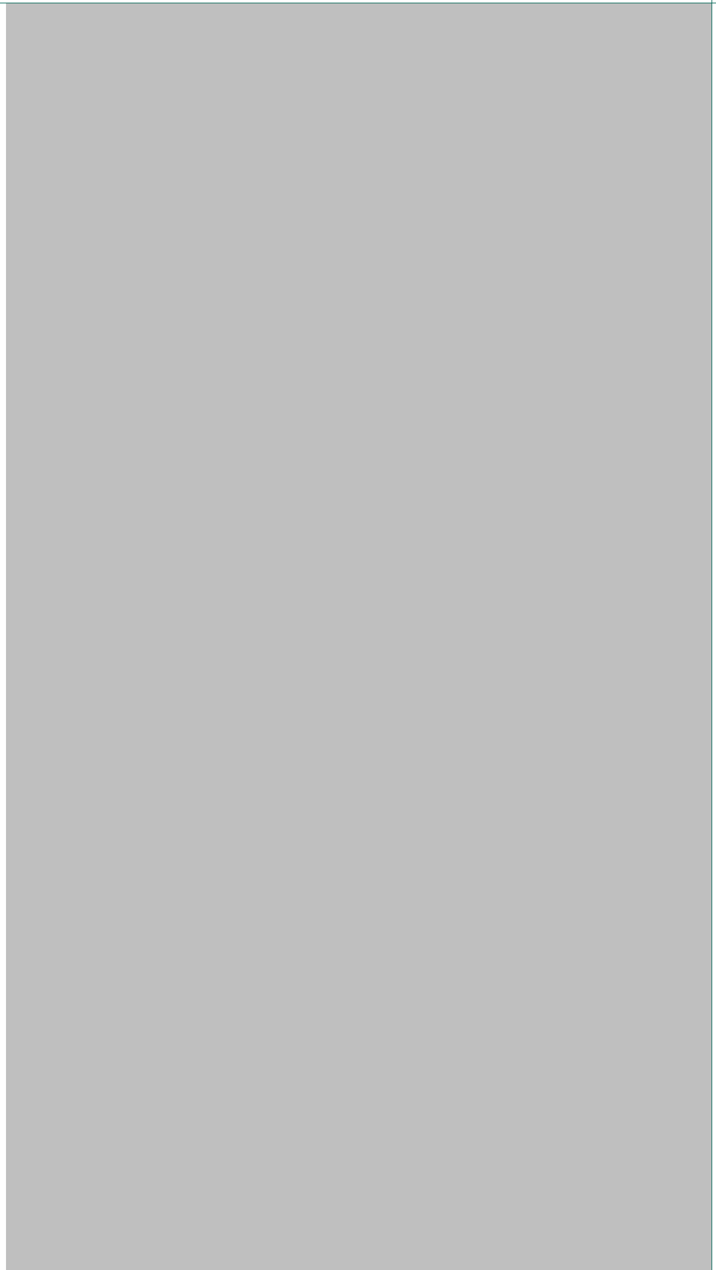
2023 results and key developments

As fewer houses were built, H+H UK has, through our long-term trusted partner status, encouraged greater penetration into the existing house design, below and above ground.

In 2023, many products experienced price reductions as a strategy to boost sales and volume, enabled by lower costs for raw materials and energy. Being a market leader, it was crucial for H+H UK to uphold the value of AAC, underscoring the importance of quality, service and customer relationships. Thanks to strong supplier relationships, we managed to mitigate the effects on our key expenses. Ensuring a steady supply of high-quality raw materials remained a top priority, with price negotiations continuing throughout the year.

Capacity adjustments

Whilst we are investing in additional capacity for the medium to long-term, current market demand has led to a need to manage capacity in the short term. This includes adapting production to reflect the desired inventory position by adjusting shifts and by running fewer plants more intensely. The Pollington I plant has been temporarily closed as production capacity at our other plants combined with our inventories is sufficient in the current market environment. Our plant in Borough Green will take over some of the volume, especially after completion of the upgrade project, which adds 10% more capacity to the total network.



Operator monitoring production performance through our fully integrated OEE-software.

Central Western Europe

In 2023, Central Western Europe was affected by a severe slowdown in the housing market and inflationary pressure on production costs. This led to significant restructuring and reshaping of the supply chain.

Germany

Market trends and conditions
In 2023, there was a notable decline of 25% in the number of building permits issued compared to last year. Similarly, the property market experienced a substantial reduction in new mortgage loans for private investors, with a decrease of approximately 35% in 2023 compared to 2022[1]. This decline in mortgage loans can be attributed to the prevailing high-interest rates, which have discouraged potential borrowers.

The creation of affordable housing is one of the most pressing social issues in Germany. The federal government have previously communicated the goal of building 400,000 new homes annually. including 100,000 publicly funded ones. This

1 Source: Deutsche Bundesbank

~20%
H+H market share in AAC

~15%
H+H market share in CSU

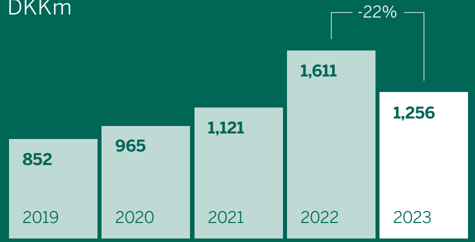
1,256
2023 revenue, DKKm

-20%
2023 negative organic growth

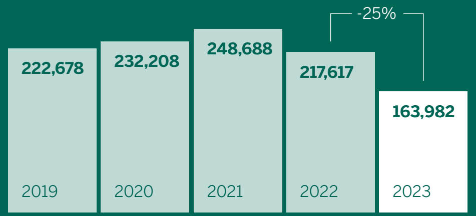
12
Plants

501
FTEs

Revenue
DKKm



Building permits, Germany
'000



Source: Destatis

is currently under pressure from the challenging economic climate, rising building material costs, higher interest rates and a shortage of skilled workers.

The German government have tried different initiatives to tackle the challenges in the housing sector. Although well-intentioned, the real effect of these measures on new build residential construction is yet to be seen.

2023 results and key developments

2023 was off to a slow start and adverse weather conditions also contributed to the decline in activity at the start of the year. In comparison, the start of 2022 was characterised by extraordinary demand and sales price developments. Furthermore, inventories were built up during Q1 to maximise plant utilisation before scaling back production. As the year progressed, the second half continued to experience a slowdown, maintaining the trend set in the earlier months. This highlighted the continued challenges faced by the industry and the stark difference from the previous year's robust start.

Despite the challenges of a more difficult market in Germany, we were able to expand our market position, driven by our national coverage including the AAC position in southern Germany while effectively passing on inflation costs. Towards the end of the year, there were announcements of increases in list prices for 2024.

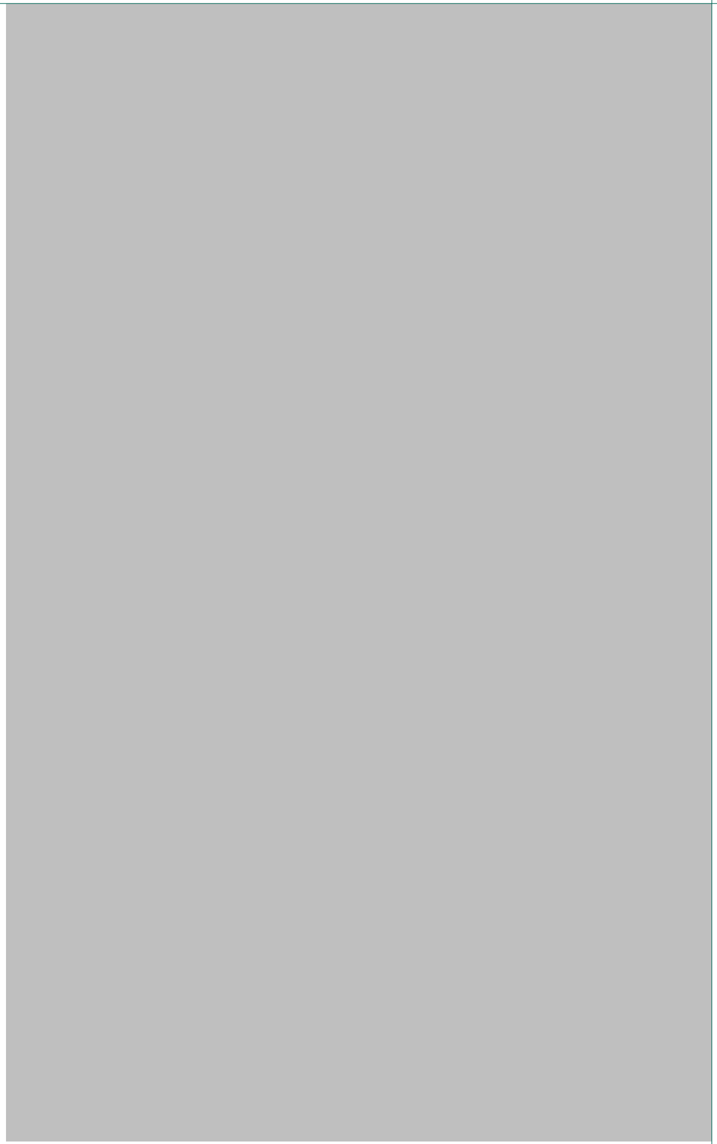
In 2023, a key focus was placed on optimising the cost structure for CWE. We aim to elevate our CWE business to an SG&A level comparable to our Poland and UK business by 2025 reflecting a significant turnaround in this region. This is a key focus area in 2024.

Capacity adjustments

Our recent acquisitions have successfully expanded our presence throughout Germany, leading to synergy potential in sales and administration. Throughout the year, we have focused on enhancing the efficiency of our plant network to leverage additional synergies. Consequently, in 2023, we made the strategic decision to close three CSU plants located in Demmin, Kronau and Niederrimsingen, further streamlining our operations.

In addition, we have temporarily paused production at two strategically chosen sites, one situated in the southern region and the other in the northern region. Specifically, at our Wittenborn facility, which houses two production lines for aerated concrete, we have taken the decision to pause one of these lines. This move is based on the assessment that our current supply needs can be adequately met by a single production line, thus enhancing efficiency without compromising supply reliability.

At the Feuchtwangen site in the southern region, supply through our plant in Hamm is sufficient for the current market environment.



Pressure testing of blocks.

H+H Nordics

Construction activity in the Nordics has experienced a significant decline in 2023 compared to 2022. The high inflation at the beginning of the year, coupled with rising interest rates, has resulted in a notable absence of first-time buyers in the housing market.

Homebuilders experiencing lower sales are prompting us to pursue more projects. We have particularly focused on supplying townhouse projects aimed at the rental market.

In line with the rest of the organisation, we had to adjust our organisation to align with the market situation. 2023 required a different market approach, as H+H Nordics faced price pressure from customers and competitors. Fortunately, we have strong partnerships with our customers who are willing to invest in our solutions and services.

Introducing EPDs on the Danish market

In 2023, H+H Nordics introduced product-specific Environmental Product Declarations (EPD) on the Danish market.

An EPD is a standardised method for information regarding energy and resource consumption as well as the environmental impacts arising from the manufacture, use and disposal of a construction product. Product-specific EPDs are calculated based on the recipes, resources, production methods, waste and transport from the specific plant in which they are produced. They increase transparency and help customers understand the full environmental impact of our products enabling them to make informed decisions when choosing materials.

For H+H Nordics the development of EPDs has been of great importance, and the feedback from customers has been overwhelmingly positive. For volume housebuilders, they can be a competetive advantage even though it will not become a legal requirement until 2025.

"We are experiencing an increasing demand for documentation from our customers, and it has been a key element in our dialogue and at the top of the agenda during negotiations. **Being one of the companies in the Danish market to supply these EPDs allows us to remain a trusted partner to our customers.**

Dorthe Storm
Managing Director, H+H Nordics

Poland

In Poland, double-digit inflation rates affected the financing of construction projects throughout 2023. However, the introduction of the government's 2% safe mortage loan programme marked a significant turning point for the industry, boosting the issuance of building permits since its launch.

Market trends and conditions
Since 2022, the Polish central bank has significantly raised interest rates in response to double-digit inflation rates, impacting the financing of both existing and new building projects throughout 2023. This situation led to a substantial decrease in the number of building permits issued, down by 19% in 2023 compared to the previous year, mainly driven by developers. However, throughout the year we have seen a positive trend in building permits.

In 2023, the mortgage market experienced significant fluctuations. In the first half of the year, high interest rates created a challenging environment for those seeking housing loans.

However, in July, the landscape changed with the launch of the government's safe 2% mortgage loan programme. This initiative was designed to provide more favourable loan conditions, by offering a low, fixed interest rate of 2%, to stimulate the housing market

~20%
H+H market share in AAC

~20%
H+H market share in CSU

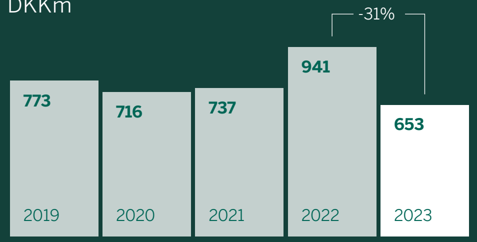
653
2023 revenue, DKKm

-31%
2023 negative organic growth

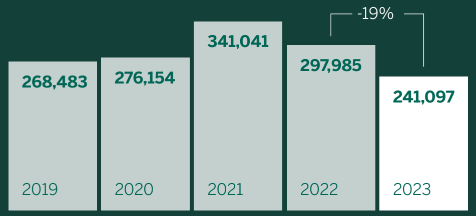
12
Plants

551
FTEs

Revenue
DKKm



Building Permits



Source: Statistics Poland

and encourage borrowing. It sparked a surge in demand for housing loans, with the third quarter witnessing a nearly 200% increase in loan applications compared to the same period in 2022. The total number of building permits has increased since the launch of safe credit loan programme which has now been fully utilised. The terminated programme is to be replaced by a new subsidy programme in 2024.

Comparing 2023 to the previous year, there was a PLN 18.4 billion increase in the value of loans granted, marking a 40.5% rise[1]. The outcome was significantly shaped by the low baseline of 2022, with the growth in the second half of 2023 primarily driven by the implementation of the 2% safe credit program.

2023 results and key developments
The market conditions in Poland lead to a highly competitive environment. However, we have implemented price increases as planned during the year to pass on input costs and to protect our margins. Going forward, we remain committed to passing on inflation while closely monitoring the market.

Capacity adjustments
Consistent with the broader organisational strategy, we made capacity adjustments throughout 2023 to align with the prevailing market conditions. This involved moving production from less effective sites to more efficient plants. As part of this realignment, we closed down our AAC plant in Warsaw and a CSU plant in Pisz. Additionally, the CSU plant in Ludynia was temporarily shut down to optimise our production network.

1 Source: Polish Credit Information Bureau

Converting to gas in Gorzkowice

To reach our target of a 46% absolute carbon reduction by 2030, we are continuously updating our equipment and processes. In early 2023, we converted one of two coal-fired boilers in Gorzkowice, Poland, into now being gas-fired.

The benefit of the upgrade is two-fold: as natural gas emits less than half the emissions of coal and is also 10%+ more energy efficient in generating steam, we are able to achieve lower emissions and a more efficient use of energy.

Przemyslaw Sztaboroski and Marian Misztela inspect the steam boiler converted from using coal to now using natural gas through the yellow pipes.

> We estimate that the conversion will provide **material savings in energy efficiency and indirect costs** as well as lowering our emissions by up to 50%.
>
> **Wojciech Zdziechowski**
> Operations Director, H+H Poland

Governance

Before being sent to the packing line, our products are inspected and all damaged ones are discarded. The discarded ones are then recycled back into production.

Corporate governance

Governance structure

The general meeting is the supreme governing body of H+H International A/S where shareholders can exercise their rights. At the annual general meeting shareholders consider the annual report, the remuneration report, the election of board of director members and the election of auditor, changes to the Articles of Association as well as any other agenda items proposed by the Board of Directors or shareholders. The authority of general meetings and the formalities relating to general meetings are set out in the company's Articles of Association available on the group website.

Election of a member to the Board of Directors requires simple majority of votes, and decisions to make amendments to the Articles of Association requires at least two-thirds of the votes cast as well as of the share capital represented at the general meeting.

H+H International A/S has a two-tier management system consisting of the Board of Directors and the Executive Board. The Board of Directors supervises the work of the Executive Board and is responsible for the Group's strategy and overall organisation, management, and capitalisation. The Executive Board is responsible for the execution of the strategy and the day-to-day management. The organisation and operation of the Board of Directors are set out in the Rules of Procedure for the Board of Directors, and similarly the organisation of the Executive Board and its co-operation with the Board of Directors are set out in Rules of Procedure for the Executive Board.

The current Articles of Association state that the Board of Directors must consist of 4-8 members elected at a general meeting. Currently, the Board of Directors consists of 7 members. The term of all board members expires at each annual general meeting, but each member may be re-elected for a new term. It is stipulated in the Articles of Association that a board member may not also be a member of the Executive Board.

To support the work of the Board of Directors, 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 shall report and provide recommendations to the Board of Directors. The members of each board committee, including the committee chair, are each appointed by the Board of Directors on the basis of their specific competences.

Key activities 2023 - Board of Directors

- Review of strategy and business plan, including new operational model to increase production capacity and reduce emissions
- Acceleration of the execution of parts of production network efficiency plan due to the market downturn, enabling closure of 5 plants and temporary closure of 4 plants, leaving 23 plants in operation.
- Review of resilience plans and their execution, incl. reductions of capex, costs and working capital, review of financing etc.
- Review of supply risks, inflated pricing and related hedging arrangements, especially for energy
- Review of IT and cyber security and the continued implementation of the group ERP system

Key activities 2023 - Audit Committee

- Oversight of enterprise risk management, including the ERM framework, risk appetite principles, key risks and related mitigation plans. Specific focus this year was put on operational hedging principles
- Monitoring of group insurance strategy, coverage, and pricing
- Review of sustainability reporting, including the double materiality assessment, organisation of ESG responsibilities etc.
- Monitoring financial reporting process, including treatment and estimates, accounting policies and the integrity of the reporting process, as well as review of the audit strategy
- Review of the annual and interim financial reporting and the annual sustainability reporting

Key activities 2023 - Nomination Committee

- Recruitment of new board member elected at the annual general meeting in March 2023
- Recruitment of new CFO (ongoing into 2024)
- Arrangement of the annual evaluation of the Board and of the Executive Board and their co-operation as well as the Board's collective and the board members' individual competences

Key activities 2023 - Remuneration Committee

- Annual review of the Remuneration Policy for the Board of Directors and the Executive Board and of the annual Remuneration Report
- Review of and proposal for the fees to the Board of Directors and for remuneration to the Executive Board
- Review of outcome under the incentive programs vesting and proposal to the Board of KPIs and targets for the short-term and long-term incentive programmes starting in 2023

Attendance rates for board and committee meetings in 2023

	Board	Meeting Attendance		Audit Committee	Meeting attendance		Nomination Committee	Meeting attendance		Remuneration Committee	Meeting attendance	
Kent Arentoft	Chair	6/6	100%				Chair	1/1	100%	Member	1/1	100%
Jens-Peter Saul	Vice Chair	3/5	60%				Member	1/1	100%	Member	1/1	100%
Stewart A Baseley	Member	6/6	100%				Member	1/1	100%			
Volker Christmann	Member	6/6	100%	Member	4/4	100%						
Kajsa von Geijer	Member	6/6	100%	Member	3/3	100%				Member	2/2	100%
Miguel Kohlmann	Member	6/6	100%				Member	1/1	100%	Chair	2/2	100%
Helen MacPhee	Member	6/6	100%	Chair	4/4	100%						

Attended Not attended Not a member at the time

* Jens-Peter Saul was unable to attend the first two board meetings due to other commitments made prior to his appointment to the Board. However, he pre-read all board material and provided input to the Chair as well as the Executive Board prior to these two board meetings.

Corporate governance

Board diversity[1]
The Board seeks to be diverse in the broadest sense relevant. When deciding whether to propose re-election or not of board members as well as when searching for candidates to propose as new board members, the decision is based on filling out any competence gaps or strenghtening specific competences in the Board. This is based on the collective competences that the Board finds relevant at the time. The Board also recognises the benefits of diversity in terms of cultural background, gender, age etc.

Board diversity by the end of 2023

Nationality & residence[2]

Brazil (1) / Denmark (1) / Germany (3) / Sweden (1) / Switzerland (1) / United Kingdom (3)

Board tenure (years)

1-5 (3) / 6-10 (2) / 11-15 (2)

Board independence rate

86% (2022: 83%)

Age distribution (years)

55-59 (2) / 60-64 (3) / 65-69 (2)

Gender

Female (2) / Male (5)

Educational backgrounds

Business Administration, Controlling and Auditing / Mechanical Engineering / Economics / Strategy and Management / Financial and Management Accounting / Human Resource Management

The current Board competence profile is:

Individual competences:
- International and business-minded
- Analytical and strategic
- High integrity and accountability
- Team-oriented

Collective board competences:
- International top management
- Production & sales in building industry within H+H's markets
- Strategy development
- M&A, divestments etc.
- Change management
- Production and H&S
- Supply chain management
- Sustainability / ESG
- HR management and compliance
- Finance and accounting
- ERM
- IT, AI and cyber security management
- IR and capital markets
- Corporate governance

H+H has since the annual general meeting on 31 March 2022 had equal gender distribution in our Board of Directors, as defined by the Danish Business Authority. For this reason, no formal gender target under the law is set. However, when the Board as part of its annual board evaluation decides to want to change its composition, the possibility to improve especially the Board's gender diversity and age profile will naturally be pursued. Hence, If two candidates for a board position are equally competent, the person improving the gender and/or age diversity will be preferred.

Board evaluation
The Board of Directors' annual evaluation procedure for 2023 was conducted following the usual procedure of one-on-one meetings based on a current questionnaire were held between the Chair and each board member as well as each executive board member.

The Board then held a board meeting without the presence of the Executive Board to discuss the findings and agree on conclusions and action points. The issues evaluated included e.g.:

- the board composition (diversity gaps in regard to competences, gender, age, board continuity etc. and the size of the Board)
- the board structure (review of the establishment in 2023 of a chairship with a Chair and Vice Chair and the board committee structure)
- the board performance (collective and individual performance)
- co-operation between the Board and the Executive Board (collective and individual performance, co-operation inside and outside of board and board committee meetings).

The Board found their work to be based on a high level of trust and collaboration. Board members were all well prepared and had a high participation rate. Together this indicates that there was no issue of overboarding for any member. The Board found the newly established Chairship in 2023 to be an effective way to manage the Board, especially during a challenging year with many and often complex issues for the Board. The Board also found there to be good and relevant diversity in respect of competences and the spread in board tenure, ensuring both continuity and renewal. The co-operation between the Board and the Executive Board functioned well and the Executive Board said it benefitted from having board members that collectively represented very diverse and relevant competences with regard to special subject matters, industries, country market experience, and cultural insights.

1 See page 70 for more information on diversity in the Board and the two management levels below the Board | 2 Two board members have dual citizenship

Based on this and also taking the need for continuity during the current time of change management and supervision of the resilience plan developed in response to the sudden significant decline in market demand in 2023 and continuing into 2024, the Board decided not to make any changes to the board composition. Therefore, the Board will propose re-election of all board members at the annual general meeting on 9 April 2024. As for the board committee structure the Board did not want a dedicated sustainability/ESG committee, since the Board sees sustainability to be a general issue influencing all parts of the business and management. Sustainability should therefore be integrated in all board committees and the Board.

The Board usually uses an external board facilitator for its annual board evaluation meeting every three years. The findings from the one-on-one meetings were quite clear in respect of not wanting to change the composition of the Board for the time being to ensure full continuity among all board competences during the sudden and very significant market downturn and the need for effective resiliance and change management actions in response thereto. The value of using an external facilitator would therefore be limited. The Board thus decided to postpone the use of a facilitator until the board evaluation for 2024.

Remuneration

Remuneration of the Board of Directors and the Executive Board is paid in line with the H+H Remuneration Policy for the Board of Directors and Executive Board adopted by the general meeting. The Remuneration Policy will be reviewed and presented for approval at the annual general meeting for 2024. H+H reports on remuneration in an annual Remuneration Report presented to the shareholders at the annual general meeting for an advisory vote. The Remuneration Report for 2023 and the present Remuneration Policy are available on the group website.

Annual corporate governance statement

As a listed company on NASDAQ Copenhagen, H+H International A/S reports annually on the recommendations on corporate governance. These are issued by the Committee on Corporate Governance together with a description of the internal control and risk management system relating to the financial reporting as required under Section 107(b) of the Danish Financial Statements Act. The reporting is done in an annual Corporate Governance Statement available on our group website, at **www.hplush.com/en/investor-relations/corporate-governance**. We comply with all recommendations, except for recommendation 3.5.1 on using external assistance at least every 3 years in the Board of Director's annual board evaluation. The explanation for this deviation is provided in the Corporate Governance Statement for 2023 as well as in this chapter on Governance.

Report on data ethics

The following makes up the data ethics report required under Section 99(d) of the Danish Financial Statements Act.

H+H's Data Ethics Policy has as its overall objective to encourage and motivate all our employees to handle data with the utmost care and respect and to follow our guiding principles on data use and ethics. We are committed to complying with all applicable personal data protection laws. 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.

Our Data Ethics Policy can be found on the group website, at **www.hplush.com/en/compliance/data-ethics**.

Board of Directors

Kent Arentoft, Chair

Male. Born 1962. Danish.

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

Independent
Member and Chair since 2013
Chair of the Nomination Committee

H+H shareholding
Holds 60,000 H+H shares via a company he controls.
No changes made in 2023.

Areas of expertise
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 Investment Committee of Solix Group AB (Sweden) and Chair of one subsidiary (Denmark).

Jens-Peter Saul, Vice Chair

Male. Born 1966. German/British.

CEO of Ramboll Group A/S, Denmark

Independent
Member and Vice Chair since 2023 .
Member of the Nomination Committee
Member of the Remuneration Committee.

H+H shareholding
Holds 6,259 H+H shares
All shares purchased in 2023.

Areas of expertise
Extensive international experience in particular within strategy development and execution to accelerate organic and acquisitional growth and to maximise investments, as well as broad insights into sustainability and the green energy transition. Experience from diverse industries such as infrastructure, energy, construction, investment, manufacturing and trading.

Other management positions and directorships
Member of the Board of Directors of Cubico Sustainable Investments Limited (UK).

Stewart Antony Baseley

Male. Born 1958. British.

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

Not independent (more than 12 years board tenure)
Member since 2010
Member of the Nomination Committee

H+H shareholding
Holds 22,500 H+H shares
No changes made in 2023.

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

Other management positions and directorships
Chairman of Fuerst Day Lawson Holdings Limited (UK) and 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 Special Needs Foundation (UK)

GOV-1 – The role of the administrative, management and supervisory bodies

Board of Directors – continued

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.

Independent
Member since 2017
Member of the Audit Committee

H+H shareholding
Does not hold any H+H shares
No changes made in 2023.

Areas of expertise
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.

Professional board member and advisor.

Independent
Member since 2022
Member of the Audit Committee
Member of the Remuneration Committee

H+H shareholding
Does not hold any H+H shares
No changes made in 2023

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

Other management positions and directorships
Member of the Advisory Committee of Solix Group AB (Sweden) and of one its subsid-iaries.

Miguel Kohlmann

Male. Born 1962. German/Brazilian.

Professional board member and advisor.

Independent
Member since 2018
Chair of the Remuneration Committee
Member of the Nomination Committee

H+H shareholding
Does not hold any H+H shares
No changes made in 2023

Areas of expertise
Extensive management experience in global building materials production and other global industries. Worked in controlling, sales, production, and general management.

Other management positions and directorships
Chairman of the Board of Directors of Archroma Holdings SARL (Luxembourg) and NMC International S.A. (Luxembourg).
Member of the Advisory Board of Pfleiderer GmbH (Germany) and Paul Bauder GmBH (Germany).

GOV-1 – The role of the administrative, management and supervisory bodies

Board of Directors – continued

[redacted]

Helen MacPhee

Female. Born 1962. British.

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

Independent
Member since 2019
Chair of the Audit Committee

H+H shareholding
Does not hold any H+H shares
No changes made in 2023

Areas of expertise
Extensive experience within strategic and operational finance. International experience in change management, financial oversight and control, management of large-scale ERP implementation projects, governance, and risk frameworks.

Other management positions and directorships
N/A

GOV-1 – The role of the administrative, management and supervisory bodies

Executive Board

[redacted]

Jörg Brinkmann

Male. Born 1979. German.

CEO since 2022

H+H shareholding
Holds 14,000 shares
All shares were purchased in 2023

Background
2018-2022: Managing Director, Europe of James Hardie Europe, GmbH (Germany)
2014-2018: CEO of Fermacell, GmbH (Germany)
2011-2014: Sales Director of Fermacell, GmbH (Germany)
2005-2011: Head of Marketing at Xella Group, GmbH (Germany)

Education
MSc (Business Administration)
PhD Economics

Other management positions and directorships
N/A

[redacted]

Peter Klovgaard-Jørgensen

Male. Born 1978. Danish.

CFO since 2019

H+H shareholding
Holds 15,043 shares
7,081 of the shares were earned under an incentive programme that vested in 2023.

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 (Denmark)
Prior: Various positions in ISS Group and auditor of EY (Denmark)

Education
MSc (Business Economics and Auditing)

Other management positions and directorships
N/A

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 103.20 and closed the year at a price of DKK 88.80, representing a decrease of 14%. At the end of the year, the total market value of H+H amounted to DKK 1,465 million. By comparison, the OMX Copenhagen Mid-Cap index increased by 3% in 2023 and the Danish KAXCAP index, an index comprising all stocks trading on the Nasdaq Copenhagen stock exchange, increased by 2%. The highest traded price during 2023 was DKK 118 on 12 January and the lowest traded price was DKK 65 on 12 September. On average, 27,222 shares were traded daily throughout the year.

Share capital and treasury shares

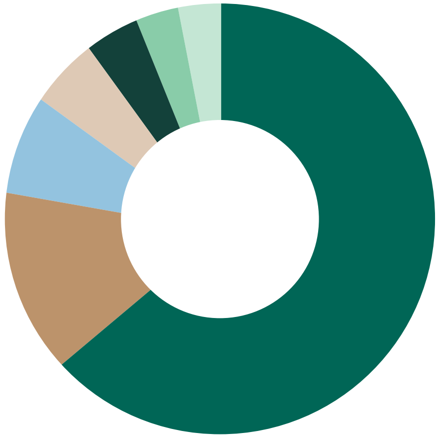
On 3 March 2022, H+H launched a DKK 150 million share buy-back program, which was completed by 3 January 2023 with 1,118,800 shares repurchased. This programme was aimed to adjust the company's capital structure. Following the annual general meeting on 30 March 2023, the decision to cancel 1,000,000 treasury shares, reducing the share capital by 10,000,000 shares was passed (as detailed in announcement no. 532). After this reduction, H+H's share capital consists of 16,500,000 shares each valued at DKK 10, with uniform voting and dividend rights.

By the fiscal year's end, H+H held 162,049 treasury shares, representing 1% of its share capital.

Composition of shareholders

On 31 December 2023, H+H had more than 5,500 registered shareholders. Major shareholders owning more than 10% of the share capital and votes were Solbet Sp. z o.o. Major shareholders owning more than 5% of the share capital and votes were Arbejdsmarkedets Tillægspension and Nordea Investment Management AB. The majority of the share capital (64%) is held by Danish investors. Other key markets are Poland, the United Kingdom, and the United States, accounting for 14%, 7% and 5% of the share capital, respectively. Other shareholders account for 4% of the total share capital.

Geographical distribution of shareholders



- Denmark - 64%
- Poland - 14%
- United Kingdom - 7%
- United States - 5%
- Other - 4%
- France - 3%
- Sweden - 3%

Major shareholders

Solbet Sp. z o.o., Poland	> 10%
Arbejdsmarkets Tillægspension, Denmark	>5%
Nordea Funds Ltd., Finland	>5%

Share information

Exchange	Nasdaq Copenhagen
ISIN code	DK0015202451
Ticker symbol	HH
No. of shares	16,500,000
Denomination	DKK 10 per share
Share capital	DKK 165,000,000
Voting rights	One vote per share

Annual general meeting

The next annual general meeting (AGM) is scheduled for 9 April 2024. Details on time and location will be announced in the notice convening the AGM as published through a company announcement and on our group website no earlier than five to three weeks before the AGM. AGM documents will be accessible on our group website once the notice is published. Amendments to the Articles of Association require the resolution is passed by at least two-thirds of the votes cast as well as of the share capital represented at the AGM.

Investor Relations

The purpose of our 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.

To ensure that capital market participants, including current and prospective investors, are able to make well-informed investment decisions, we seek 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 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. More relevant investor information is available on our group website.

Capital allocation policy

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. Pursuit of value-adding investments in the form of acquisitions or development of the existing business; and
3. Distribution of capital to the shareholders by means of share buy-backs and/or dividends.

For the time being, we expect to use the free cash flow to repay debt to lower the gearing to within the long-term target ratio of 1-2x net interest-bearing debt to EBITDA before special items.

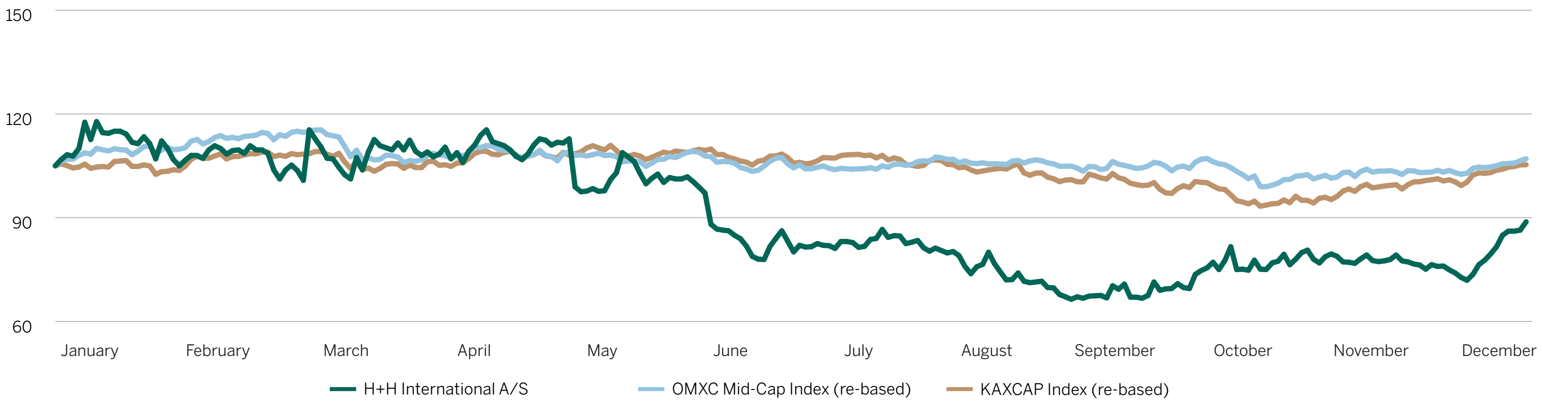
Financial calendar 2024

5 March	2023 Annual Report
9 April	Annual General Meeting
15 May	Q1 Interim Report
14 August	H1 Interim Report
20 November	Q3 Interim Report

More information

Other relevant shareholder information, including a list of the analysts covering H+H can be found on the group's investor relations **website**

2023 relative share-price performance



Risk management

H+H International A/S' Board of Directors and Executive Board are responsible for the H+H Group's risk management. The risk management processes are evaluated on a continuous basis to ensure appropriate focus and balance in the efforts of risk management, including risk profile and awareness. A full description of the risk management structure can be found in the Corporate Governance statement for 2023.

1 **Market**

2 **Production**

3 **Financial**

4 **IT**

5 **People**

6 **Climate**

Risk position 2023

The risks outlined below are recurring risks from previous year, though the balance and severity, and hence the efforts to mitigate these risks, have changed. The changes are mainly driven by the severe decrease in the building activity combined with geopolitical instability. These developments have impacted the customer behaviour to be more hesitant and has decreased the demand in the housing market and increased production risks through rising input costs.

1 Market

Risk description and mitigating actions

Continuous geopolitical instability and the stagnating economy within Europe have a significant effect on the housing market, lowering customer demands. Though inflation has been stabilised it is still considered relatively high, and high interest rates and lower demand are expected to persist through 2024. 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.

Competition continues to be a risk and potential excess production capacity could lead to changes in competitors' pricing strategies, affecting the Group margins. We have shown ability

Risk management

1 Market, continued

to address this by adapting to the rapidly declining market with reduction of production capacity and restructuring of cost base. In low demand markets, pricing is a key risk, which we are closely monitoring and taking some comfort in firm pricing discipline across our markets. Further to this, the risk of competitors producing more climate-friendly substituting products exists, leading to potential loss of market share. This risk is offset by the H+H climate strategy as described in the Sustainability statement.

H+H closely monitors economic, political and competition developments in the market and continue to adapt our pricing strategy to the current market situation.

Net risk assessment
Operating in the building sector, we are exposed to economic fluctuations, which was also seen in 2023. However, risks have been mitigated by a firm pricing discipline, reduction of production capacity, cost saving programs and cash management focus. In addition, the agile regional business model allows for timely responses to the specific market dynamics.

2 Production

Risk description and mitigation actions
Building activities dropped significantly in 2023, resulting in excess production capacity and inventory building in beginning of 2023. This required lower production and negative impact on overhead recovery. H+H executed the prepared resilience plans to adjust capacity by closing down a number of plants, permanently or temporarily, redirecting production to larger plants resulting in stabilisation of stocks and cost savings.

Other key elements of production risk include inflationary pressures, scarcity of raw materials and conversion of production equipment to new environmentally friendly products. We continue to absorb the price 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. The Group procurement function has been strengthened in 2023, and supply agreements have been made, where possible, to lower the risk of scarcity and inflation.

During 2023, we have changed our hedging policies for energy to adapt to current sales price dynamics and pass through energy price fluctuations to our customers compared to prior year's. Previously, energy hedges were made locking in volume and price for up to 3 years depending on the region. Going forward our hedging strategy has a shorter timeframe to reflect the sales price dynamics in our markets.

The expectations above are based on the assumptions of continuous availability of the relevant energy sources and raw materials but not including potential effects of the geopolitical disturbances or recessionary developments in any of our current markets.

Net risk assessment
Considering the mitigation plans, we believe the risk is moderate but acceptable. However, we are continuously focusing on taking mitigating actions towards production and supply risks as part of the daily business.

Risk management

3 Financial

A new committed credit facility provides sufficient funding, including strategic growth and long-term maturities. The agreement has a duration of 3 years. Our financing is subject to financial covenants, which have been fulfilled in 2023, with reasonable headroom, hence mitigating the financial risk of the Group. Remaining financial or treasury risks are considered low with the current market situation.

4 IT

Our production processes have a low dependency on IT, however business administration relies on IT. Short-term contingency plans and recovery strategies are therefore in place to address potential disruptions in the key systems.

Rising global cybercrime threats require continuous attention. Mitigating actions are consistently updated and implemented, reducing the likelihood of occurrence and potential impact, though the threat remains.

5 People

The core risk of health and safety is imperative to H+H, and we strive for zero harm to our people, contractors, suppliers, and customers. The importance is embedded in our Health and Safety Policy, which embraces a culture of safety and provides guidance for applying our safety management system across all our operations. Near-miss reporting, and root cause analysis are carried out, and though mitigating the risk, H+H works to continuously improve our performance together with external and internal reviews.

In a declining market where restructuring and closing of plants have been necessary, H+H has not only a social responsibility, but a risk of knowledge loss. Restructuring has happened under respect for the of International Labour Organization's eight fundamental conventions and in cooperation with local stakeholders, continuous training of our employees, thus mitigating our risk to an acceptable level.

6 Climate

The direct impact from expected climate changes, such as floodings etc., in the near future, is considered limited for H+H. Government and construction companies are increasingly demanding sustainable products and a sustainable supply chain. H+H has an environmental strategy that continues to focus on enhancing the product portfolio through more sustainable products and application methods, to improve energy efficiency and lower the life-cycle emissions of buildings.

We continue to focus on reduction of scope 1 and 2 emissions, in order to achieve net-zero emissions from operations, zero harm to our people and ethical business practices as part of our plans on corporate social responsibility.

The overall strategy on climate, as described In the Sustainability statement in this report, mitigates the risk to an acceptable level from a risk management perspective. An execution risk for the long-term strategy remains, as it relies on the use of hydrogen which is not yet available on the market. Further, risk in the supply chain exists as we rely on suppliers of cement, lime and transport services to reach their direct emissions targets for H+H to reach the desired impact.

Sustainability statement

In our labs, we work on optimising the recipes for our products to save raw materials and increase energy efficiency.

General information

Sustainability is a strategic focus area for H+H and it is embedded in all aspects of our business. To reflect this, we have decided to use the ESRS framework and merge our Sustainability Report with our Management review to provide a more holistic view of our business.

ESRS 2 General disclosures

Basis for preparation[1]

Our sustainability statement has been structured in preparation for compliance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). Our ambition has been to implement as much as possible of the standards in our 2023 reporting and have an integrated annual report.

The sustainability statement has been prepared on a consolidated basis with our 2023 financial statements. The sustainability statement covers our own operations and upstream and downstream value chains.

We welcome the new standards and we believe that they will strengthen the work around sustainability and ensure more transparent, balanced, and consistent reporting of data with increased accountability. Even though the directive does not apply for us as a company until next year, we have decided to implement most of it already now for this year's report.

Sustainability is fully integrated into our business, including strategy development, commercial, reporting, risk management and in our Group policies. We therefore believe that we are at a maturity level where an almost full pre-implementation of the directive and ESRS is possible and where we can help set an example for other medium-sized businesses.

1 BP-1 – General basis for preparation of sustainability statements

Sustainability governance[2, 3]

Sustainability is anchored with our Board of Directors and then cascaded through the organisation. Non-financial controlling is maturing towards the same level as our financial controlling, with ESG-related topics being monitored monthly by Group Management. This includes regular risk assessments, establishment of internal controls and documentation of data. H+H also has a sustainability-linked financing agreement, which incentivises the achievement of specific ESG KPIs.

You can read more about our Board composition and governance structure in the Corporate Governance section. Here you can also find information on the experience and background of the Board of Directors and Executive Board.

2 GOV-1 – The role of the administrative, management and supervisory bodies

3 GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Sustainability is anchored across our corporate governance structures

Board of Directors
Oversees compliance of the ESG Policy and is updated monthly on ESG performance.

Audit Committee
Amongst other things, responsible for overseeing financial and non-financial reporting as well as external audits, internal controls and risk management relating to ESG. It also receives notice of results of whistleblower investigations.

H+H Group Management
Defines initiatives to achieve the ESG strategy and oversees progress. Driven in close liaison with regional management, work and reporting is supported by a newly appointed Group Sustainability Lead and various Group and local functions.

The **COO** organisation is responsible for matters related to the environment, as well as safety, including energy consumption, work incidents, and emissions.

The **HR** organisation is overall responsible for social matters, including absenteeism, diversity, and employee retention.

ESG Committee
Monitors new legal requirements and trends around the ESG landscape, makes recommendations on key ESG initiatives to ensure compliance with stakeholder expectations, and executes on strategic targets. Reports to Group Management and is comprised by the COO, CSO and Group Sustainability Lead.

The **CFO** organisation is responsible for matters related to governance, including reporting, ESRS and taxonomy as well as general compliance work.

Core elements of Due Diligence[4]	Paragraphs or pages in the Sustainability Statement	Does the disclosure relate to people and/or the environment?
a) Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2, page 51	People and environment
	ESRS 2 GOV-3, page 53	People and environment
	ESRS 2 SBM-3: pages 58-59 (E1) page 67 (Health & Safety, S1) page 69 (Equal treatment & opportunities for all, S1) page 72 (Training & skills development and working conditions, S1)	 Environment People People People
b) Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2 GOV-2, page 51	People and environment
	ESRS 2 SBM-2, page 53	People and environment
	ESRS 2 IRO-1, pages 54-55	People and environment
	ESRS 2 MDR-P: page 59 (E1-2) page 68 (S1-1)	 Environment People
	Social: page 72 (S1-2)	People
	ESRS 2 IRO-1, pages 54-55	People and environment
c) Identifying and assessing adverse impacts	**ESRS 2 SBM-3:** pages 58-59 (E1) page 67 (Health & Safety, S1) page 69 (Equal treatment & opportunities for all, S1) page 72 (Training & skills development and working conditions, S1)	 Environment People People People
d) Taking actions to address those adverse impacts	**ESRS 2 MDR-A:** page 57 (E1-1) pages 59-60 (E1-3) pages 68, 70, 72 (S1-4)	 Environment Environment People
e) Tracking effectiveness of these efforts and communicating	**ESRS 2 MDR-M:** page 60 (E1-4) page 68 (S1-14) pages 70-71 (S1-9) page 71 (S1-16) pages 72-73 (S1-13)	 Environment People People People People
	ESRS 2 MDR-T: pages 60 (E1-4) page 71-72 (S1-5)	 Environment People

4 GOV-4 - Statement on due diligence

Integration of ESG in remuneration[5]
H+H's Remuneration Policy for the Board of Directors and Executive Board seeks to create a remuneration framework that supports achievement of our strategy, with a focus on ensuring the continuous long-term sustainable development of our business, while creating long-term value for shareholders. KPIs related to ESG are part of our short-term incentive plans for Group Management and across the Group. In 2023 the short-term incentive plan included one target relating to lost-time incidents and one target relating to the reduction of our scope 1 and 2 emissions. Both targets have a 15% weighing.

In addition to our short-term incentive plan, we also have a long-term incentive share programme. The success of the programme is measured against long-term KPIs related to our performance, and the programme runs for three years at the time. This year we introduced an ESG-related KPI, related to our scope 1 and 2 emissions. The target is weighted 15%. Both long- and short-term targets relating to emissions are assessed and determined in relation to the GHG emission reduction targets described in the Environmental Information section.

Strategy[6]
A description of our strategy, business model and value chain is provided in the Business and strategy section.

Impacts, risks and opportunities[7, 8]
The material impacts, risks and opportunities identified during the materiality assessment are presented alongside the topical standards ESRS E1 Climate change, S1 Own workforce and G1 Business conduct in this sustainability statement.

5 GOV-3 - Integration of sustainability-related performance in incentive schemes
6 SBM-1 Strategy, business model and value chain
7 General information - ESRS 2 General disclosures
8 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model
9 SBM-2 – Interests and views of stakeholders

Our stakeholders[9]

As a responsible business, employer and Partner in wall building, we always seek to engage with internal and external stakeholders.

Customers
We are a customer centric organisation underpinned by our promise to be Partners in wall building. Engaging with our customers to consistently understand their perspectives and needs is an embedded part of our business model.

Employees
People are the heart of our business. We are committed to providing a safe, engaging and meaningful workplace for our employees, where collaboration can thrive.

We engage with our employees in a number of different ways, including intranet updates, workers' councils, engagement surveys in selected areas, manager check-ins and global town halls. Employees also have the opportunity to raise concerns through our online whistleblower system, described in the Governance Information section.

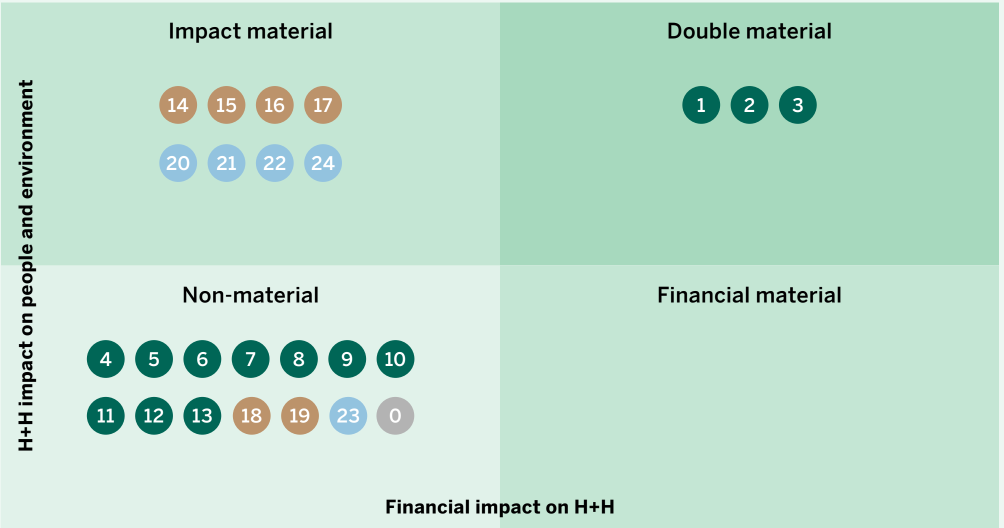
Suppliers
H+H relies on suppliers to meet our emissions reduction targets. We engage in dialogue with our suppliers, focusing on development of low-carbon cement and lime and finding more efficient production methods.

Society
Compliance with existing regulations on responsible business practices is a fundamental and basic requirement in H+H's Code of Conduct. Through our memberships in various trade organisations, we engage in dialogue with different regulators and interest groups.

Shareholders
H+H is listed on the Danish Stock exchange and naturally we engage with our shareholders on a regular basis to ensure efficient financial allocation and to understand shareholders' interests. This is done via a dedicated Investor Relations department, management participation in investor roadshows and conference calls, briefings with analysts and the Annual General Meeting. Dialogue with shareholders is described in more detail in the Corporate Governance section.

Double Materiality Assessment

During 2023, we undertook our first Double Materiality Assessment in prepration for compliance with the ESRS[10, 11]. We have engaged with various internal and external stakeholders, including employees, suppliers, customers, society, investors, analysts and banks to identify H+H's material sustainability matters. This engagement has been through interviews and desktop research. Parallel to this, we have also assessed the financial risks and opportunities for sustainability-related matters as part of our ERM process. To ensure proper compliance, external consultants have performed a review of our Double Materiality Assessment process. The outcome gave no material remarks.



Reporting topics in scope

Topics marked '0' in the list to the right were deemed immaterial from the start and thereby not included in the engagement process.

10 IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities

11 IRO-2 - Disclosure Requirements in ESRS covered by the undertaking's sustainability statement

Environmental

E1 Climate

- 1 **Climate change adaptation (CCA)**
- 2 **Climate change mitigation (CCM)**
- 3 **Energy**

E2 Pollution

- 4 Air
- 5 Water
- 6 Soil
- 0 *Living organisms*
- 0 *Substance of (high) concern*

E3 Water & marine resources

- 7 Water withdrawals
- 0 *Marine resources*
- 0 *Water habitat degradation*

E4 Biodiversity & ecosystems

- 8 Direct impact drivers on biodiversity loss
- 0 *Impact on the state of species*
- 9 Impacts on the extent and condition of ecosystems
- 10 Impacts and dependencies on ecosystem services

E5 Resource use and circular economy

- 11 Resource inflows and usage
- 12 Resource outflows related to products and services
- 13 Waste

Social

S1 Own workforce

- 14 **Working conditions**
- 15 **H&S**
- 16 **Equal treatment and opportunities**
- 17 **Talent development**
- 0 *Other work related rights*

S2 Workers in the value chain

- 18 Working conditions
- 19 Equal treatment and opportunities
- 0 *Other work related rights*

S3 Affected communities

- 0 *Economic, social and cultural rights*
- 0 *Civil and political rights*
- 0 *Particular rights of indigenous rights*

S4 Consumer & end-user

- 0 *Information related impacts*
- 0 *Personal safety of consumers*
- 0 *Social inclusion of consumers*

Governance

G1 Business conduct

- 20 **Corporate culture**
- 21 **Whistleblower protection**
- 0 *Animal welfare*
- 22 **Political & lobbying activities**
- 23 Payment practices with suppliers (late payment)
- 24 **Corruption and bribery**

Materiality scoring approach[10]

The materiality assessment's scoring method and criteria were established following ESRS 1 requirements, focusing on:

- Impact materiality: Considering the scale, scope, irremediability, and likelihood of impacts being positive/negative and actual/potential.

Severity takes precedence over likelihood for human rights related impacts as per ESRS 1 (45).

- Financial materiality: Assessing the financial significance of risks/opportunities, their likelihood, and the nature of financial impacts.

Outcome

The materiality assessment determined that "Climate", "Own workforce" and "Business Conduct" are material topics for H+H. This outcome is consistent with our previous Sustainability Strategy. The materiality assessment also determined that "Water withdrawals" and "Waste" are not material under the ESRS definitions. We have therefore updated our Sustainability Strategy, now focusing on CO_2, Energy, Safety, Absenteeism and Board Diversity – in line with the materiality assessment.

Rationale for selected scoped-out matters

Water withdrawals

Using water is a key process in our manufacturing process. However, our plants are generally not located in areas of high water stress, so the risk of water scarcity is low.

Circularity & waste

We believe that circular economy practices will become increasingly important not just within our own production, but across our industry as well, and we want to become part of the solution in the long term. However, there are several challenges in recovering and sorting AAC and CSU waste from construction and demolition sites that must be resolved in order to be able to provide aggregate of a consistent quality and to make the practice of recycling economic for manufacturers or third-party recyclers.

We are engaging with our value chain, industry associations, and other relevant parties to identify solutions. From an internal perspective, we run our plants according to a "no waste of virgin materials" principle. All off-cuts and waste in the production process are re-circulated into new batches, meaning no waste occurs during this process. At this stage we have therefore concluded that there are no material impacts, risks or opportunities.

Biodiversity

We have assessed our impact on biodiversity from a direct and indirect perspective. Our direct impact is through the operation of our sandpits in Poland. Here we are obligated to adhere to national and local regulations and procedures for the protection of biodiversity and ecosystems, which is supervised by authorities. Our commitment is therefore to comply with these requirements.

Indirectly we procure sand and lime through external suppliers, who manage and operate quarries and sandpits that can have a potential impact on biodiversity. We have engaged with our suppliers to understand their policies, practices, and initiatives on this subject to ensure we are aware of the contribution from our resource inflow. We believe there are no material impacts or risks, as we only cooperate with suppliers from European countries with strong institutions and high legislative requirements

Sustainability reporting risk management[12]

H+H's sustainability reporting is exposed to risks of material misstatement due to human error, incomplete data or fraud. We have therefore implemented a number of mitigating processes to manage this risk:

- Clear and well structured sustainability governance as described on page 51.
- Accounting policies have been established in line with ESRS requirements for sustainability information.
- All sustainability information is collected through a dedicated sustainability reporting software system that provides transparency and traceability of data.
- Monthly review meetings on key KPIs.
- The external auditor provides limited assurance on H+H's scope 1+2 GHG emissions data and LTIF rate. See the limited assurance statement for more information.

12 ESRS 2 GOV-5 – Risk management and internal controls over sustainability reporting

Climate-related scenario analysis
In 2022, we conducted a climate-related scenario analysis using the TCFD guidelines to assess transition and physical risks and opportunities and how they might impact the resilience of our business strategy. The analysis was refreshed in 2023.

The analysis was based on the Net Zero 2050, Delayed Transition and Current Policies scenarios released by the Network for Greening the Financial System (NGFS) in 2021. These describe warming of 1.5°C, 1.8°C and +3°C respectively*.

The scenarios considered H+H's full value chain, including our own operations, upstream cement and lime producers and downstream customers.

The timeframe used in the scenarios defined short, medium and long-term as 2025, 2030 and 2050 respectively. The 2030 timeframe aligns with our science-based target and the 2050 timeframe aligns with our commitment to net-zero emissions by 2050, in accordance with the Paris Agreement targets.

The process included a workshop with the top 50 leaders from across the company to consider the three scenarios and identify climate-related risks and opportunities.

The findings from the scenario analysis were presented to H+H's Group Management and Board of Directors and were incorporated into our strategy. The climate-related risks are also incorporated into our annual Enterprise Risk Management (ERM) system.

Climate scenarios
The key assumptions in the scenarios are as follows:

Net Zero 2050 scenario
The Net Zero 2050 scenario is a scenario that limits global warming to 1.5 °C. It is an orderly scenario that includes stringent climate policies and fast technology change to reach net-zero emissions in 2050. Carbon prices rise to $185 t/CO_2$ in 2030, $350 in 2040 and $675 in 2050. This scenario tests for immediate transition risk and low physical risk.

The accelerated rollout of renewable energy and hydrogen infrastructure supports our goal to reduce emissions in our own operations.

The main variable for our ability to reduce the emissions intensity of our products is the speed at which CCUS technologies are introduced by cement and lime producers, and therefore for H+H to reduce our scope 3 emissions.

Delayed Transition scenario
In the Delayed Transition scenario, a delay means global emissions increase until 2030 and then strong policies are needed to limit warming to 2°C. Carbon prices rise rapidly from $70 t/CO_2$ in 2030 to $325 in 2040 and $625 in 2050. This disorderly scenario tests for delayed and high transition risk.

A delayed rollout of renewables and hydrogen infrastructure would slow our ability to reduce our operational emissions. However, this scenario aligns with the expected timing of the cement industry's decarbonisation roadmap for the introduction of CCUS technologies and therefore would not undermine our own decarbonisation plans.

Hot House World (Current Policies) scenario
This scenario assumes that only currently implemented policies are preserved, leading to climate-related hazards and high physical risks. Emissions continue to grow until 2080 leading to 3-4°C of warming and severe physical risks. We paired this scenario with data from the IPCC RCP 6.0. In Europe, where we have operations, the frequency and intensity of heat extremes, including marine heatwaves, are projected to keep increasing.

As a next step, we will consider the potential impact of physical risk on our assets.

* For physical climate risk, we used data from the RCP 6.0 scenario in the IPCC Sixth Assessment Report published in September 2021.

Environmental information

H+H is committed to an ambitious 1.5°C climate target and is part of the solution in construction of sustainable housing and at the same time lowering global energy related carbon emissions without harming biodiversity.

List of material disclosure requirements		Page reference
E1 - Climate change		
E1-1	Transition plan for climate change mitigation	Page 57
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Pages 58-59
E1-2	Policies related to climate change mitigation and adaptation	Page 59
E1-3	Actions and resources in relation to climate change policies	Pages 59-60
E1-4	Targets related to climate change mitigation or adaptation	Page 60
E1-5	Energy consumption and mix	Page 61
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Pages 61-62
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	Page 62
E1-8	Internal carbon pricing	Page 62
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Page 62

Buildings are responsible for around 40% of global energy related carbon emissions[1]. Creating more sustainable and carbon-neutral buildings is key to addressing this issue. Building materials, such as H+H's AAC and CSU products, are well positioned for long-term growth as they ensure energy-efficient building structures and help to reduce buildings' life-cycle emissions.

H+H's transition plan[2]

We believe our strategy and business model are compatible with the transition to a sustainable economy by reducing our carbon emissions in line with our Science Based Targets and target of net-zero emissions in 2050. This is in line with the Paris Agreement and the EU's climate goals.

Science-based GHG emission reduction targets

Our commitment is backed up by the validated reductions we will make in our scope 1, 2 and 3 GHG emissions by 2030 .

The ten-year science-based target builds on the product life-cycle analysis ("LCA") that was undertaken in 2020 which determined that our AAC and CSU products are on a path to achieve net-zero — and possibly negative — emissions by 2050. Our emissions reduction targets are explained in disclosure requirement E1-4.

H+H is the first manufacturer of aircrete (AAC) and calcium silicate (CSU) products to have science-based targets approved in line with a 1.5-degree scenario.

Climate change mitigation actions

To achieve the 2030 science-based target, we have developed a roadmap that includes the following levers which are outlined in disclosure requirement E1-3.

1. Increasing the share of renewable energy
2. Optimising plants including investments in energy efficient equipment
3. Improved energy mix
4. Supply-chain decarbonisation, in particular, reducing emissions from the production of lime and cement which represent most of our scope 3 emissions

The transition plan is embedded in our strategy together with related initiatives. The transition plan, along with the initiatives to achieve it and the science-based target have been approved

1 https://www.unep.org/news-and-stories/press-release/co2-emissions-buildings-and-construction-hit-new-high-leaving-sector
2 E1-1 – Transition plan for climate change mitigation

by the Group Management and the Board of Directors. The COO and Group Sustainability Lead is responsible for the transition plan.

A dedicated amount of the CAPEX budget is annually allocated to support emissions reduction projects. We also integrate performance measures related to GHG emissions reductions into our management incentive schemes (see disclosure requirement GOV-3 in the General Information section).

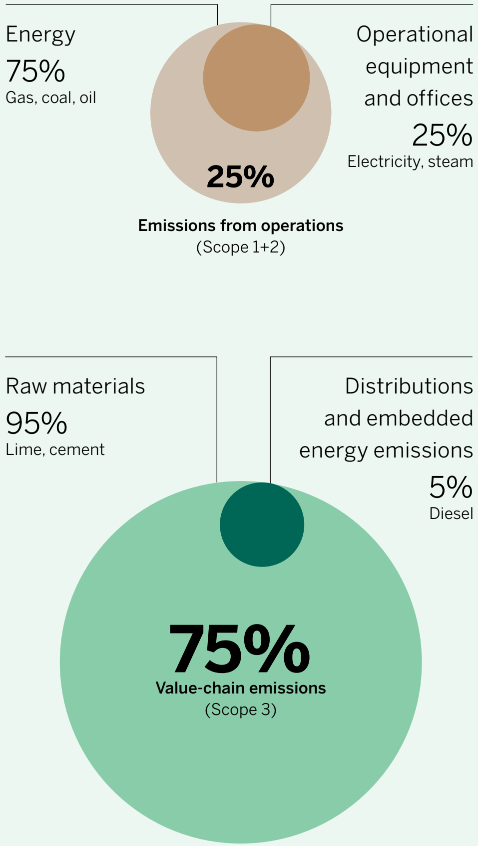
H+H is not excluded from Paris-aligned benchmarks.

Sources of H+H's GHG emissions – baseline year

Scope 1 and 2 emissions from operations account for about 25% of our carbon footprint, with about 75% of these emissions generated by the use of coal, oil, and gas in our plants.

About 75% of the emissions in H+H's carbon footprint are scope 3 emissions generated elsewhere along the value chain. The majority of these emissions (approximately 95%) are generated upstream by cement and lime manufacturers. This is a result of the chemical reaction that occurs when carbon is removed from limestone when it is heated to produce clinker for cement or lime. The CO_2 released is an unavoidable consequence of this reaction, as the limestone has absorbed CO_2 during its formation – just like a tree does.

H+H's total CO_2e 2019 emissions used as a baseline for science-based targets



H+H's climate-related impacts, risks and opportunities[3]

Climate change impacts

The materiality assessment described in disclosure requirement IRO-2 identified the following material climate change mitigation impacts:

Recarbonation during product lifetime (positive)

Limestone-based products such as AAC and CSU absorb CO_2 during their lifespan, acting as permanent carbon sinks during the use phase of a building and when it is pulled down and recycled. AAC products can absorb 77 kg of CO_2 per m^3, with 80% of recarbonation achieved after 50 years and 95% within 80 years. This positive impact occurs in our downstream value chain (the end-users of AAC and CSU products) over the short, medium, and long term.

Emissions from own operations (negative)

The emissions from our own operations have a material impact on climate, with 108t CO_2 of scope 1 and 2 emissions during 2023. This negative impact occurs over the short, medium, and long term.

3 Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Value chain emissions from extraction and processing of raw materials for production (negative)

As previously mentioned, a significant amount of our emissions derives from our upstream value chain (cement and lime producers), causing a negative impact over the short, medium and long term.

Climate change risks and opportunities

In 2022, we undertook a climate scenario analysis using the TCFD guidelines, which was refreshed in 2023. The analysis considered H+H's full value chain, including our own operations, upstream cement and lime producers and downstream customers. No part of the value chain was excluded from the scenario analysis. Nor were any material physical risks or transition risks excluded. The climate scenario analysis is described in disclosure requirement IRO-1.

The scenario analysis identified the following four transition risks and one opportunity. No material physical risks were identified.

The climate-related risks and opportunities identified in the scenario analysis are described in more detail, including financial effects, in H+H's standalone 2023 TCFD disclosure available on our website.

The findings from the scenario analysis are incorporated in our strategy. Actions to mitigate the transition risks and capture the opportunity are described in disclosure requirement E1-3. The scenario analysis determined that after these mitigations are applied, H+H has no net-material financial impact in the short, medium, and long term.

Climate-related policy[4]

H+H's Environmental, Social & Governance Policy addresses climate change mitigation by including our commitment to reduce scope 1, 2 & 3 emissions in line with net-zero emissions by 2050, and the short-term targets we have set to achieve this. By covering all emission scopes, the policy applies to emissions from our own operations, as well as our upstream and downstream value chain.

The policy is distributed via H+H's policy management system in the Group intranet. Stakeholders can access the policy via our group website.

Group Management has overall responsibility for the policy, while the regional managing directors are responsible for implementing it within their countries as heads of their respective legal entities. The policy is reviewed annually by Group Management and the Group Sustainability Lead.

Transition risks	Type of transition risk
1. Increased cost of cement and lime raw materials	• Policy & Legal: Carbon pricing mechanisms
2. Extension of the EU ETS to include H+H	• Policy & Legal: Carbon pricing mechanisms
3. Delay in the decarbonisation roadmaps for cement and lime	• Technology: Transitioning to lower emissions technology • Market: Changing customer behaviour • Reputation: Increased stakeholder concern or negative stakeholder feedback
4. Substitution by new low carbon building materials products	• Policy & legal: Mandates on and regulation of existing products and services • Technology: Substitution of existing products and services with lower emissions options • Market: Changing customer behaviour • Reputation: Shifts in consumer preferences

Climate-related opportunity	Type of opportunity
1. Decarbonisation of products	• Products and services

Mitigating actions towards climate risks[5]

H+H has developed a roadmap until 2030 that reduces our carbon emissions. A dedicated amount of the CAPEX budget is annually allocated to fund emissions reduction projects.

We address our scope 1 & 2 emissions through the following levers and actions:

1. Increasing the share of renewable energy

H+H's use of renewable electricity will increase by purchasing either RECs or PPAs. By 2026, we expect the share of renewable electricity to reach 100% of our consumption, up from 75% currently.

2. Investments in energy efficiency

We are continuously implementing energy-saving projects and embed these in other upgrade projects. These upgrades and modernisations are essential in optimising our manufacturing footprint and equipment, and the investments do not solely rely on sustainability decision criteria.

4 E1-2 – Policies related to climate change mitigation and adaptation | 5 E1-3 – Actions and resources in relation to climate change policies

3. Improved energy mix

We are improving our energy sources by converting from coal to natural gas and plan to convert from natural gas to fossil-free energy sources, such as green hydrogen when reasonably possible. We have already begun our energy mix improvement by converting one plant in Poland from coal to natural gas.

H+H address our scope 3 emissions through the following levers and actions:

4. Supply-chain decarbonisation

Low-carbon cement and lime

We focus on having a continuous dialogue with our lime and cement producers. We will collaborate on carbon reduction projects with those who have committed to a science-based target or have a credible emissions reduction pathway to net-zero emissions by 2050. According to these, net-zero will be achieved mainly through the use of carbon capture storage and utilisation (CCSU) and lower carbon ingredients, switching from fossil fuels to renewable energy to heat kilns, and through recarbonation.

A reduction of clinker content in cement used for AAC products has already resulted in a reduction in scope 3 emissions - see disclosure requirement E1-9 for further details.

Low emissions transport

The emissions-reduction pathway for the transport industry requires transport companies to reduce emissions by approximately 30% by 2030. We expect our transport suppliers to provide such low-emissions transport services in the future.

Metrics and targets

Climate change targets[6]

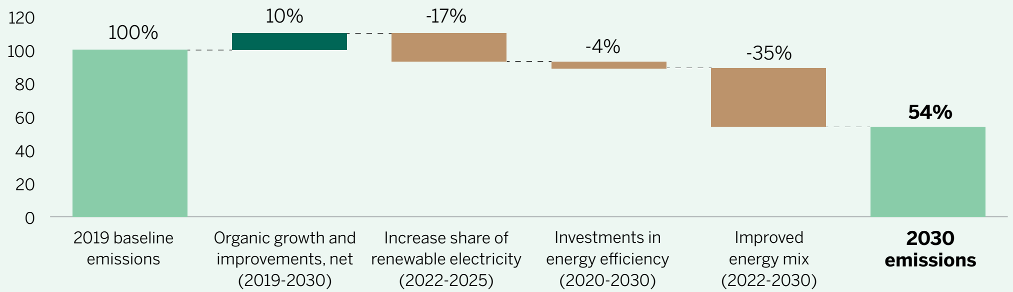
H+H has three climate-related targets covering emissions from our own operations as well as our supply-chain emissions, and energy consumption. The emissions reduction targets have been verified by the Science Based Targets initiative as being in line with the 1.5°C scenario. The energy consumption target will be reassessed during 2024.

Specific climate targets

- 100% share of renewable electricity (incl. PPAs / RECs) by 2026
- Convert all coal plants to natural gas, or other more sustainable source, by 2030
- Have at least one scope 1+2 neutral plant by 2030

		Baseline	Target	
SBTI targets	**Unit**	**2019**	**2030**	**2050**
Scope 1+2 CO_2 emissions	Tonnes	212,997	115,018	0
Scope 3 CO_2 intensity	kg/m³	161.9	125.8	0
ESG 5 year targets	**Unit**	**2019**	**2024**	**2030**
Energy consumption per m³	MJ	565	525	TBD

H+H's roadmap to reduce emissions for scope 1+2 in line with its science-based target



6 E1-4 – Targets related to climate change mitigation and adaptation

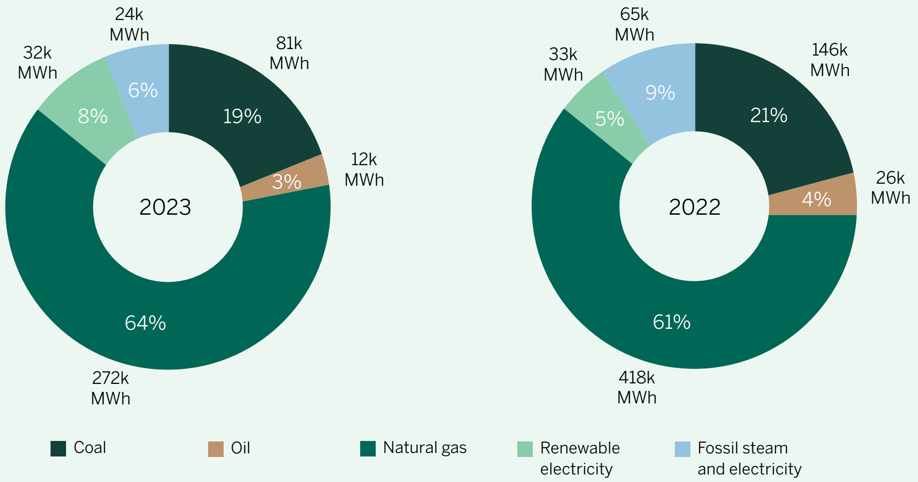
Energy consumption[7]

Our energy consumption mainly consists of natural gas and coal for generating steam into the autoclaves as well as electricity used to operate the plant equipment. As part of our science-based target we are working towards lowering the mix from coal and introducing renewable energy into the mix – such as biogas, hydrogen, or biomass – to generate steam.

In 2023, our energy consumption was significantly impacted by a slowdown in the construction and home building industry, resulting in reduced work shifts and plant shutdowns.

The energy efficiency of our plants was not optimal during this period as we had to continuously adjust capacity and thereby not fully utilise our production. However, we saw material energy improvement in the second half of the year as the market and production stabilised. Additionally, we are also seeing strong overall improvements coming from closing down less efficient plants as these were operating with around 30% higher energy intensity than average. This meant that our full-year energy efficiency was on par with 2022 despite the challenges we have had. For 2024, we still expect to be able to meet our target of 525 MJ per m^3.

Breakdown of energy comsumption (MWh)



Energy intensity per net revenue	2022	2023	%
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/Monetary unit)	192	182	-5%
Total energy consumption (MJ/m^3)	567	575	1%

Energy intensity based on net revenue

The decrease in energy per net revenue is related to price increases, partially offset by the production volume being higher than the sales volume.

GHG emissions[8]

The methodologies, significant assumptions and emission factors used to calculate H+H's GHG emissions are provided in the ESG accounting policy section.

Scope 1+2

As market activity declined by more than 35% in 2023, our emissions have also declined largely in line with our production volume.

However, we have still been able to reduce our carbon intensity emissions to a record low 35.8kg per m^3 which is 21% lower than our baseline of 45.3kg per m^3. This reflects the actions and investments to improve the CO_2 footprint of our plants. This year, our plants are now consuming an average of 75% renewable electricity and we have continued our energy mix improvement by converting an additional coal boiler to natural gas in Poland, in line with our initial goal for 2023.

For 2024, we will continue to implement further CO_2-reducing projects.

Scope 3

Scope 3 intensity was 145.5kg per m^3 which is an improvement of 7% compared to last year and ahead of our science-based target for 2023. The positive development was driven by our increased use of lower-carbon cement as well as suppliers across our regions investing in CO_2 reducing projects and thereby lowering the emission factors for lime and cement. We welcome this development from our suppliers, and we are certain it will continue.

For 2024, we continue collaborating with cement and lime producers that have committed to a science-based target or have a credible emissions reduction pathway.

7 E1-5 – Energy consumption and mix | 8 E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions

	Retrospective				Milestones and target years	
	Base year (2019)	2022	2023	% vs. LY	2030	Annual % target / Base year
Scope 1 GHG emissions						
Gross scope 1 GHG emissions (tCO_2eq)	153.887	141.985	*93,602	-34%	115.018^	4,2%
Percentage of scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	0%	0%		
Scope 2 GHG emissions						
Gross location-based scope 2 GHG emissions (tCO_2eq)	59.109	45.702	29,369	-36%		
Gross market-based scope 2 GHG emissions (tCO_2eq)	59.109	33.454	*15,198	-55%		
Significant scope 3 GHG emissions						
Total Gross indirect (scope 3) GHG emissions (tCO_2eq)	758.327	688.192	442,582	-36%	Reduce by 22% per m^3	2,0%
1 Purchased goods and services	700.604	629.612	400,600	-36%		
3 Fuel and energy-related activities (not included in scope 1 or scope 2)	34.964	34.355	23,071	-33%		
4 Upstream transportation and distribution	13.656	14.118	10,932	-23%		
9 Downstream transportation	9.104	10.107	7,978	-21%		
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2eq)	971.324	875.879	565,553	-35%		
Total GHG emissions (market-based) (tCO_2eq)	971.324	863.631	551,381	-36%		

^Scope 1+2 is a combined target
* ESG figure subject to limited assurance

GHG Intensity based on net revenue

GHG intensity per net revenue	2022	2023	%
Total GHG emissions (location-based) per net revenue (tCO_2eq/Monetary unit)	243	212	-13%
Total GHG emissions (market-based) per net revenue (tCO_2eq/Monetary unit)	240	206	-14%

Total emissions

As shown in the GHG table, all our nominal emissions have declined due to the market downturn and general improvements.

Carbon credits[9]

H+H does not have any GHG removals or GHG mitigation projects financed through carbon credits.

Internal carbon pricing[10]

H+H does not apply internal carbon pricing schemes in its business.

Financial effects from climate-related risks and opportunities[11]

H+H has no net-material financial impact in the short, medium, and long term as described in the General Information section.

The financial effects are described in more detail in our standalone 2023 TCFD available on our group website. As these financial effects do not include all the requirements of E1-9, We have opted to exercise the phase-in allowance to omit the financial effects.

9 E1-7 – GHG removals and GHG mitigation projects financed through carbon credits | 10 E1-8 – Internal carbon pricing |
11 E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

EU Taxonomy

The manufacture of concrete products for construction purposes (NACE C23.6.1), which is where H+H's AAC and CSU products are classified, is not yet included in the Taxonomy as a separate economic activity.

Hence, our activities are not eligible, and revenue derived from products or services eligible is 0.

The EU Taxonomy is still under development and due to the evolving aspect of the Regulation, we expect that reporting will change and develop over the coming years. Therefore, we will reassess the reporting requirement on an annual basis.

Taxonomy activities

We have assessed the activities by screening the activities listed in the Climate Delegated Act 2021/2139, the Complementary Climate Delegated Act 2022/1214, the Environmental Delegated Act 2023/2486, and the amendments to the Climate Delegated Act 2023/2485.

Revenue

During our screening, we identified no eligible revenues. Revenue is defined as revenue included in the consolidated financial statements for the year 2023.

CAPEX

During our screening, we identified 9% eligible capital expenditures. The Taxonomy-eligible CAPEX primarily includes activities related to transport (6.5+6.6). CAPEX is defined as additions of tangible assets and intangible assets (excluding goodwill) as included in the consolidated financial statements for the year 2023, note 13 & 14.

OPEX

During our screening, we identified no eligible operational expenditures, mainly due to our non-eligible revenue activities. Operating expenditures as per the EU Taxonomy are defined as directly incurred, non-capitalizable cost relating to research and development, building renovations, short-term leases, and the repair and maintenance of property, plant, and equipment in 2023.

Other disclosures

There is no CAPEX double counting in the numerator across economic activities, as we have assessed each material CAPEX individually.

No KPIs have been disaggregated in the reporting.

EU Taxonomy Disclosure

2023	Revenue	Capex	OPEX
Taxonomy-eligible activities	0%	9%	0%
Taxonomy-non-eligible activities	100%	91%	100%
Taxonomy-aligned acitvities	N/A	0%	N/A
Taxonomy-non-aligned acitvities	N/A	100%	N/A

* The Taxonomy Technical Report (June 2019, p191- 192) states that concrete products are not included because the cement content and total GHG emissions can vary significantly based on the specifications of the application that the concrete will be used for. For this reason, the manufacture of concrete (NACE C.23.6) and concrete products are not covered by the Taxonomy.

EU Taxonomy – Turnover

Financial year 2023	2023			Sustainable contribution criteria						DNSH criteria ("Does Not Significant Harm")									
Economic activities - Turnover (1)	**Code (2)**	**Absolute turnover (m DKK) (3)**	**Proportion of turnover 2023 (%) (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxonomy aligned (A.1.) or eligible (A.2.) turn-over, 2022 (%) (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
A. Taxonomy – Eligible Activities																			
A1. Environmentally sustainable acitivities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned)		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		
Of which Enabling		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	E	
Of which Transitional		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		T
A2. Taxonomy-eligible but not aligned activities																			
Turnover of not-aligned activities		**0**	**0%**														**0%**		
Turnover of taxonomy-eligible activities (A1+A2)		**0**	**0%**														**0%**		
A. Taxonomy – Non-Eligible Activities																			
B. Turnover of non-eligible activities		2,672	100%																
Total		**2,672**	**100%**																

H+H does not have any eligible acitivities, hence no turnover is allocated to the numerator.

EU Taxonomy – CAPEX

Financial year 2023	**2023**			**Sustainable contribution criteria**						**DNSH criteria ("Does Not Significant Harm")**									
Economic activities - CAPEX (1)	**Code (2)**	**Absolute CAPEX (m DKK) (3)**	**Proportion of CAPEX 2023 (%) (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxonomy aligned (A.1.) or eligible (A.2.) CAPEX, 2022 (%) (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
A. Taxonomy – Eligible Activities																			
A1. Environmentally sustainable acitivities (Taxonomy-aligned)																			
CAPEX of aligned activities		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		
Of which Enabling		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	E	
Of which Transitional		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		T
A2. Taxonomy-eligible but not aligned activities																			
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	-	0%														1%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	4	2%														2%		
Freight transport services by road	CCM 6.6	15	7%														7%		
Construction of new buildings	CCM 7.1	-	0%														1%		
CAPEX of non-aligned activities		**19**	**9%**														**10%**		
Total (A1+A2)		**19**	**9%**														**10%**		
A. Taxonomy – Non-Eligible Activities																			
CAPEX of non-eligible activities (B)		182	91%																
Total (A+B)		**201**	**100%**																

Primary source of CAPEX contributing to the numerator is lease of forklift trucks and passenger cars (DKK 15 and 4 mil respectively) . Please refer to the annual report 2023 (note 13 & 14) for more information about additions.

No formal CAPEX-plan in relation to EU-taxonomy has been developed in 2023, but will be reassessed in 2024.

EU Taxonomy – OPEX

Financial year 2023	2023			Sustainable contribution criteria						DNSH criteria ("Does Not Significant Harm")									
Economic activities - OPEX (1)	**Code (2)**	**Absolute OPEX (m DKK) (3)**	**Proportion of OPEX 2023 (%) (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxonomy aligned (A.1.) or eligible (A.2.) OPEX, 2022 (%) (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
A. Taxonomy – ligible Activities																			
A1. Environmentally sustainable acitivities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned)		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		
Of which Enabling		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	E	
Of which Transitional		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		T
A2. Taxonomy-eligible but not aligned activities																			
OpEx of non-aligned activities		**0**	**0%**														**0%**		
Total (A1+A2)		**0**	**0%**														**0%**		
A. Taxonomy – Non-Eligible Activities																			
OpEx of non-eligible activities (B)		138	100%																
Total (A+B)		**138**	**100%**																

H+H does not have any eligible OPEX, hence no OPEX is allocated to the numerator.

Environmental information

Social information

People are the heart of H+H. Managing our social impacts is integral to our ambition to create a safe, appealing, and meaningful workplace for our employees. In this section, we take a thematic approach to the sustainability topics identified in our materiality assessment.

Health and Safety

Impacts, risks & opportunities[1]

The building materials industry has inherent health and safety risks from the heavy equipment and harmful substances used in the production process. Managing these risks effectively and maintaining a strong safety performance underpins our operations and enables us to provide healthy, safe, and secure working conditions for employees and contractors.

Material health & safety impacts

In the materiality assessment, we identified the following material health & safety impacts:

Industrial accidents

The majority of our employees work in our plants where they operate heavy machinery with a risk of accidents which can result in the direct impact of major and life-altering injuries or death.

Harmful substances

Employees working in our plants may also be exposed to the following harmful substances used in production that pose health risks:

- Silicate, which is a carcinogen
- Mineral oils that can cause dermatitis.
- Aluminium dust which is an irritant but does not cause chronic effects.

Both impacts affect employees working in our plants in our own operations and occur over the short, medium and long-term. No material risks or opportunities related to health & safety were identified in the materiality assessment.

Impacts, risks and opportunities management

To effectively manage our risks and impacts and to maintain a strong safety performance, we have a Group Health & Safety Policy, a strategy for 2023-2026 and a health and safety management system. In practice, we prevent safety incidents through continuous and regular assessment of plants, offices, processes, and equipment; incident management as well as target setting, progress measurement and regular training in Health & Safety across the Group.

Our ambition is to reduce short-term absenteeism to 8 days per year by 2024 (excluding absenteeism from long-term illness) and to reduce our lost-time incidents frequency (LTIF) to 3.5 by 2024. To highlight its importance, the

1 ESRS 2 SBM-3

short-term incentive plan for 2023 included one target relating to lost-time incidents.

Health & Safety Policy[2]

Providing a safe and healthy work environment is our key priority and safety is non-negotiable. This is the core objective of our Group H&S Policy, and it is the foundation on which we prevent, mitigate, and remediate all of H+H's impacts and risks related to H&S.

The COO has overall responsibility for the policy, while the regional managing directors are responsible for implementing it within their countries as heads of their respective legal entities. They are supported by the regional Operations Directors, local safety officers and the Group Health & Safety leadership team.

The policy is distributed via our policy management system and is available on notice boards at all sites and on the group website. All employees are required to confirm, either physically or digitally, that they have read and understood the policy. The policy covers H+H employees across the entire workforce but does not include workers in the value chain.

The H&S Policy is reviewed annually by Group Management and the Group H&S Manager. This review is based on a self-assessment audit process, and on input provided by the functional management teams and their employees.

Actions in 2023[3]

With the conclusion of the 2020-2023 Strategy and Vision for H&S, a new strategy and vision for 2024-2026 was developed and approved. The new strategy focuses on behavioural safety and on embedding a culture of safety across our operations, moving towards our ambition of Zero Harm.

In support of the strategy and vision for 2024-2026 and to mitigate our risks and impacts, we have launched three global H&A awareness campaigns, updated and developed various training programmes and work standards, and simplified and improved our internal reporting.

Performance, metrics and targets[4]

For the ninth consecutive year, there were no fatalities at H+H. We recorded a lost-time incidents frequency of 3.4, which is an improvement from last year's record result of 3.6. This is an incredible result given the difficult year in the construction industry with layoffs and consequently changes in work procedures and shift systems – all of which can increase the risk of workplace incidents. We therefore remain confident in our ability to reach our 5-year target of an LTIF 3.5 in 2024.

While the number of incidents declined, the number of lost days increased due to some of the incidents being more severe and requiring more time off. In addition, one incident from end of 2022 had a material impact on the increase as lost days from this continued into most of 2023.

Sickness absence remained stable but at a high level. We expect to improve this in 2024.

		2023	2022	2021
Sickness absence	Days per FTE	14	13	12
Sickness Absence, short-term	Days per FTE	10	11	10
Fatalities	Headcount	0	0	0
Lost-time incident frequency (LTIF)	Incidents per mil. hours	*3.4	3.6	5.5
Lost days to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health		787	313	263
Total recordable incidents		18	77	103
Total recordable incident rate (TRIR)	Incidents per mil. hours	7	25	35
Number of cases of recordable work-related ill health		0	-	-
People in own workforce covered by H+H's H&S Management system	%	100%	-	-

* ESG figure subject to limited assurance

2 S1-1 – Policies related to own workforce | 3 S1-4 – Taking action on material impacts on own workforce |
4 S1-14 – Health and safety metrics

Equal treatment & opportunities for all

Impacts, risks & opportunities[1]
We want all employees and stakeholders to feel that their contribution is valid, and we do not tolerate any form of discrimination. We know people are different and we believe that differences are what enable us to be innovative, see new opportunities and create better solutions.

Material impacts
In the materiality assessment, we identified the following material impacts related to equal treatment and opportunities:

Gender equality & equal pay for work of equal value
We are committed to equal pay for equal work, promoting gender equality and ensuring equal access to resources and opportunities regardless of gender. This has a positive impact on our workforce by improving employee cohesion and well-being

Diversity
The building materials industry is not traditionally known for being gender diverse and we therefore risk fostering workplaces with low diversity and a lack of inclusivity for employees.

We report on our efforts towards diversity in the parent company, H+H international A/S, in accordance with section 107d of the Danish Financial Statements Act on pages 69-71.

Both impacts affect our entire workforce in our own operations, and occur over the short and medium-term. No material risks or opportunities were identified in the materiality assessment.

Impacts, risks, and opportunities management
We approach the impacts related to equal treatment through a mixture of global and local initiatives. We believe a safe and inclusive work culture is best achieved by encouraging our employees to speak up and take ownership of creating a work environment they feel they belong to, with clear support from senior management.

Policies related to equal treatment and opportunities for all[2, 3]
Diversity Policy
The core objective of H+H's Group Diversity Policy is to foster an inclusive and open working climate where diversity is embraced and promoted.

While gender is one dimension of diversity, we fully recognise that diversity is any aspect that differentiates our employees and enables diversity of thought. This includes ethnicity, age, national origin or citizenship, religion or belief, political conviction, sexual orientation, marital status, pregnancy and maternity, disability or genetic information or any other legally protected categories. We do not tolerate any form of discrimination towards employees or stakeholders. All reports of discrimination and harassment are fully investigated and may result in disciplinary actions or employment-related consequences for the perpetrator.

The policy applies to members of the Board of Directors, executive and non-executive directors, and all other H+H employees, and it is applicable to all H+H entities. The policy is communicated to all new employees, and in the case of updates, to the entire workforce. The policy is available on our group website.

The Board of Directors has adopted the Group Diversity Policy while the CEO is overall responsible. Regional managing directors are responsible for implementation within their countries as heads of their respective legal entities.

Policies related to human rights[2,4]
We strongly support human rights and employee rights as set out in the UN Universal Declaration of Human Rights and by the International Labour Organization.

Many aspects of our business touch on human rights, including working conditions, health and safety, and data privacy. This is reflected in many of our policies, as outlined in our overview of our sustainability-related policies and systems in the Governance Information section.

Although the materiality assessment determined that there are no material human rights impacts, risks, or opportunities for H+H, we continuously assess the risk of human rights violations. We believe the inherent risk for human rights violations is low due to the nature of the business and as we only conduct business in European countries with strong institutions. Most of the people working in our plants are directly employed by H+H, and consequently, we can ensure that our staff are treated fairly and in accordance with the above principles. Temporary staff are either employed directly by us or via reputable agencies which adhere to relevant employment legislation. To mitigate risks for violation of

1 ESRS 2 SBM-3 | 2 S1-1 – Policies related to own workforce | 3 Danish Financial Statements Act section 107(d) | 4 Danish Financial Statements Act section 99(a)

human rights throughout the value chain, we have a Code of Conduct for suppliers which outlines our expectations for our suppliers and contains provisions to address human trafficking, forced and compulsory labour, the health & safety of workers and precarious work.

Actions in 2023[3, 5]

Guided by the Diversity Policy, all managers are expected to treat employees equally and not discriminate in matters such as recruitment, promotions, development opportunities or any other personnel decisions. When recruiting we source candidates of different genders whenever possible, and we seek to create a dynamic organisation with a diverse mix of cultures, backgrounds, skills, and ways of thinking.

On the executive board level, recruitment for a new CFO was initiated late 2023. In sourcing candidates, a key focus has been to ensure that a new CFO will complement the competencies of our CEO. If two candidates of different genders are equally qualified for the position, the candidate of the under-represented gender, if any, will be chosen.

The underrepresented gender in Board and Management, H+H International A/S

		2023	2022	2021	2020	2019
Gender diversity, Board		29%	33%	17%	17%	17%
Females / total	HC	2/7	2/6	1/6	1/6	1/6
Gender diversity, Group Management		0%	0%	20%	20%	20%
Females / total	HC	0/4	0/4	1/5	1/5	1/5
Gender diversity, managers below Group Management*		0%	-	-	-	-
Females / total	HC	0/3	-	-	-	-

* First year of disclosure in accordance to Section 99(b)(1) of the Danish Financial Statements Act

For the levels below, only one recruitment took place during 2023. The most competent candidate was male and the recruitment positively contributed to our age diversity.

In accordance with the EU directive on whistleblower systems, we launched an updated version of our whistleblower system and policy in December 2023. It expands the options of reporting making it possible for reporters to report directly to Group or to their respective regions. The launch is further described in the Governance information section.

Performance, metrics, and targets

Diversity metrics[3, 4, 6, 7, 8]

Management diversity targets

Our Group Diversity Policy is applied when evaluating the composition of H+H International A/S' management.

Pursuant to section 139c of the Danish Companies Act, we aim to have equal gender distribution in our Board of Directors, as defined by the Danish Business Authority. This was reached at the Annual General Meeting on 31 March 2022, and the target is still met with the current composition of 2 female members and 5 male. For this reason, no formal gender target under the law is set.

The Board seeks to be diverse in the broadest sense relevant. When deciding whether to propose re-election or not of board members as well as when searching for candidates to propose as new board members, the decision is based on filling out any competence gaps or strenghtening specific competences in the Board based on the collective competences that the Board finds relevant at the time considering H+H's strategy, challenges and opportunities. In addition to looking at competences in the form of professional experience and education, the Board also recognises the benefits of diversity in terms of cultural background, gender, age etc.

However, when the Board as part of its annual board evaluation decides to want to change its composition, the possibility to improve especially the Board's gender diversity and age profile will naturally be pursued. Hence, If two candidates for a board position are equally competent, the person improving the gender and/or age diversity will be preferred.

For more on board diversity see page 39.

5 S1-4 – Taking action on material impacts on own workforce | 6 S1-9 Diversity metrics | 7 Danish Financial Statements Act section 99(b) | 8 Danish Companies Act Section 139(c)

As for diversity of the other management levels of H+H International A/S, we look at diversity in a broad sense, including gender, education, work experience, country background, seniority and age. It is our overall target to have diverse management teams at all levels, considering H+H's strategy, challenges and opportunities.

Management diversity by end of 2023

Nationality

Denmark (5) / Germany (1) / United Kingdom (1)

H+H seniority (years)

<1 (1) / 1-5 (4) / 6-10 (1) / 15+ (1)

Age distribution (years)

30-34 (1) / 40-44 (1) / 45-49 (3) / 55-59 (2)

Educational backgrounds

Auditing / Chemistry / Economics / Information Technology / Finance / Business Administration

For gender diversity in the two management levels below the Board, we have due to our relatively small size, opted to use the legal exemption for companies with less than 50 employees and not have a gender diversity policy or related gender diversity targets to increase the proportion of the underrepresented gender, cf. Danish Companies Act, Section 139(c)(7). The company has less than 25 employees and a high degree of retention, and thus only very few recruitments over time.

Our main diversity goal for the two management levels is to achieve better gender diversity in the medium-term.

Age distribution in the Group[6]

The age distribution of our workforce is in line with other industries and society in general and is therefore in line with our expectations.

Age distribution	Headcount (%)
Below 30	7%
Between 30 and 50	48%
Above 50	45%

Remuneration metrics[9]

During 2023 the gender pay gap, defined as the difference of average pay levels between male and female employees, decreased from 7% to -5% due to restructuring, leading to a different composition of the workforce. The CEO pay ratio, defined as the ratio of the highest-paid individual to the median annual total remuneration for all employees decreased from 32 to 29. We attribute this to the variable components of the CEO pay. As we operate in countries with materially different salary levels, comparison across regions can be difficult as well as setting specific targets. However, we believe that the current pay ratios are satisfactory.

	2023	2022	2021
Gender pay gap (average)	-5%	7%	10%
CEO pay ratio	29	32	37

Incidents, complaints and severe human rights impacts[10, 11]

During 2023 there were no work-related incidents of discrimination reported to HR or via the whistleblower system on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination involving internal and/or external stakeholders across operations in the reporting period. This includes incidents of harassment as a specific form of discrimination.

No cases of human rights incidents (e.g., forced labour, human trafficking, or child labour) were identified during 2023.

9 S1-16 Remuneration metrics (pay gap and total remuneration) | 10 S1-17 – Incidents, complaints and severe human rights impacts | 11 Danish Financial Statements Act section 99(a)

Training & skills development and working conditions

Impacts, risks & opportunities[1]

H+H seeks to be an employer of choice and to provide a safe and attractive work environment for our employees during all stages of their career. We want to attract and retain qualified and motivated employees who can support our business ambitions. To enable this, we offer our people training and development to enhance their skills and develop their careers while also providing opportunities to shape their work whenever possible.

The following material impacts related to training and skills development and working conditions were identified in the materiality assessment:

Training and skills development

By providing attractive training and development opportunities that help our employees realise their potential and ambitions, we have a positive impact on our workforce. This impact occurs in our own operations over the short, medium, and long-term periods.

Work-life balance during the downturn in the construction sector

Plant closures and redundancies that have occurred as a result of the current downturn in the construction sector has led to changes in working hours and shift patterns, which may have a negative impact on employee work-life balance. This potential impact affects employees in our plants in our own operations and occurs over the short and medium-term.

No material risks or opportunities were identified.

Impacts, risks, and opportunities management

Managing our impacts is key to ensuring that we have the workforce we need to achieve our business ambitions. Performance, skill, and talent management is handled locally where managers are encouraged to keep an open dialogue with employees and to continually assess the need for training.

Policies related to training & skills development and working conditions[2]

H+H does not have a policy that specifically addresses training and skills development. In addition to required upskilling or renewal of certificates, we believe that performance, talent, and competence management should be managed in regular dialogues between managers and employees, instead of being dictated by policy.

Working conditions and work-life balance for our employees are mainly governed by local policies and employee handbooks. The ability to take leave differs from region to region and is in line with local legislation. The opportunity to work flexibly also varies from region to region and depends on the nature of the job. Employees are encouraged to provide feedback and voice any concerns to ensure that they feel they have sufficient time for both work and their private life.

Actions[3, 4, 5]

In order to create an attractive working environment, we regularly engage in dialogue with our employees to understand their perspectives and needs. This includes employee surveys for selected employees, manager 1:1's, as well as local and global Q&A sessions with management.

H+H also operates a whistleblower system which was updated in 2023 and is described in the Governance information section.

All employees can raise their concerns directly to a manager or through our whistleblower system. It varies from country to country and depending on local legislation, whether or not employees are represented by a local organisation such as a workers' council or work environment organisation.

Performance, metrics and targets[6]

Currently, we do not have complete data on the number of training hours per employee or how many of our employees have participated in performance and career development reviews. We aim to collate this data in the future.

Social dialogue[7, 8]

Coverage Rate	Employees – Non-EEA	Workplace representation (EEA only)
0-19%		Poland
20-39%	UK	
40-59%		
60-79%		Germany
80-100%		

For countries with >50 employees representing >10% total employees)

H+H's operations are all located in Europe in countries with legally set minimum adequate wages. During the process of annual salary review we ensure that we are in line with local legal requirements and with peer and similar companies through regional benchmark analysis[9].

1 ESRS 2 SBM-3-S1 Material impacts, risks and opportunities and their interaction with strategy and business model | 2 S1-1 – Policies related to own workforce | 3 S1-4 – Taking action on material impacts on own workforce | 4 S1-2 Processes for engaging with own workforce and workers' representatives about impacts | 5 S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns | 6 S1-13 Training and Skills Development Metrics | 7 S1-8 Collective bargaining coverage and social dialogue (paragraph 60)

All employees are entitled to take family-related leave, but unfortunately, we do not have the total number of employees who have chosen to do so during 2023[10].

Characteristics of H+H employees[11]
The gender ratio of our workforce remains stable with an even split among workers in office environments and low diversity among workers in our plants and other non-office environments.

Headcount by contract type and gender

Contract type	Female	Male	Total
Number of employees	238	1.117	1.355
Number of permanent employees	238	1,117	1.355
Number of temporary employees	0	0	0
Number of non-guaranteed hours employees	0	0	0

As we have experienced a market downturn, we have prioritised our permanent employees and therefore reduced and out-phased our use of temporary workers.

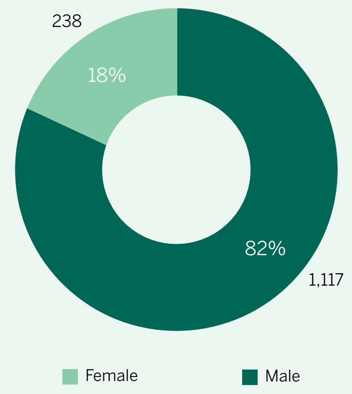
Turnover

	Unit	2023	2022	2021
Employee turnover ratio[12]	%	40%	15%	13%
Employee turnover	Headcount	605	267	206

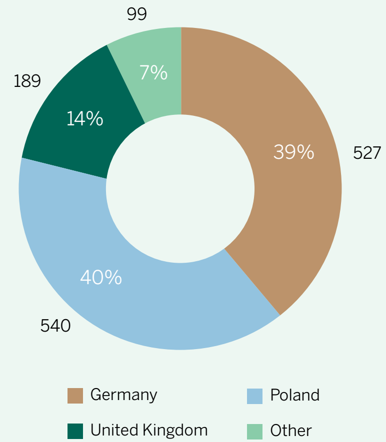
As the downturn in the construction industry has led to plant closures and restructuring across the H+H group, our turnover rate has greatly increased compared to previous years.

Adjusted for this, our turnover rate remains on par with previous years and in line with the turnover rate among peer companies.

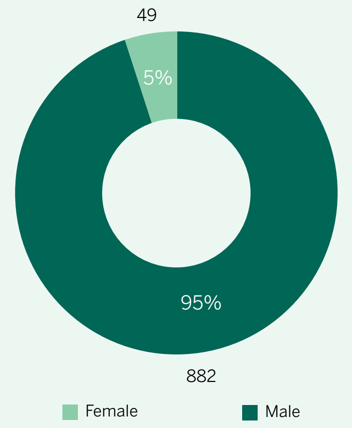
Headcount by gender



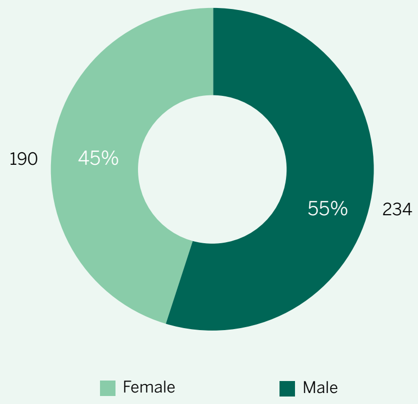
Headcount by country*



Headcount by gender – Non-Office



Headcount by gender – Office



8 (page72) S1-15 Work-life balance metrics | 9 (page 72) S-10 Adequate wages, paragraph 67-69 | 10 S1-15 Work -life balance metrics | 11 S1-6 – Characteristics of the undertaking's employee | 12 Voluntary turnover ratio was 13%

* While H+H is also present in Czech Republic, Denmark, Netherlands, Sweden and Switzerland, these are not included due to being less than 50 employees/ less than 10% of the workforce

Governance information

H+H is committed to acting professionally, responsibly, and with integrity in all our business dealings and relationships. With consideration for the needs of all stakeholders, including customers, employees, shareholders, and suppliers, and with stakeholders feeling valued.

Impacts, risks and opportunities

The construction industry faces risks associated with bribery, corruption and anti-competitive practices due to the large number of contractors, suppliers and other entities in the value chain and the competitive bidding process to secure private and public contracts.

We consider the overall risk of corrupt behaviour to be relatively low. We sell mainly through builders' merchants (wholesalers) and have limited direct involvement in negotiations and bid proposals. In addition, we only operate in Europe within countries that have low risks of bribery and corruption, ranking between 1 (Denmark) and 45 (Poland) out of 180 in the Transparency International Corruption Perceptions Index 2023 .

The following risk related to business conduct was identified in the materiality assessment:

Unethical business practices

The main risk of corrupt behaviour for H+H concerns inappropriate types or levels of entertainment and gifts provided to our employees from potential or actual suppliers or provided by our employees to potential or actual customers with the intent of gaining special consideration or a business advantage. This risk occurs in our own operations over the short, medium and long term.

Impacts, risks and opportunities management

We manage this risk by continually working to strengthen our compliance culture. This is done through our policies, whistleblower system, training and awareness, by conducting audits, and through leadership communication and behaviour that sets the tone from the top on conducting business with integrity.

Business conduct policies and corporate culture[1]

Code of Conduct and Code of Conduct for Suppliers

H+H's Code of Conduct is the foundation of our compliance programme and sets the tone for business integrity and our ethical principles. It is complemented by the Code of Conduct for Suppliers which outlines our expectations to suppliers to conduct business in a legal, sustainable, ethical and socially responsible manner.

The Code of Conduct and Code of Conduct for Suppliers include our principles related to e.g. environment and climate, health and safety, diversity, non-discrimination, personal data protection, conflicts of interest, fair competition, anti-corruption, responsible tax and data ethics.

The CEO is responsible for the Code of Conduct and the COO is responsible for the

1 G1-1 Business conduct policies and corporate culture

Code of Conduct for Suppliers. Both of these policies are reviewed regularly and updated in line with relevant legislation, and they are available at all H+H websites.

Employees can access these policies in H+H's policy management system via the Group intranet. Employees without direct access to the intranet are provided with either paper copies or access via shared computers or notice boards. Every employee at H+H is required to read and adhere to the H+H Code of Conduct.

Ultimately, the Board of Directors is responsible for oversight of H+H's corporate culture and business conduct. The Executive Board and other managers in the Group are responsible for leading by example and driving a culture of business integrity and encourage colleagues to discuss openly how to follow the principles in the Code of Conduct and the underlying specific policies. Also, to support our commitment to responsible business conduct, the Regional Managing Directors are required to sign a declaration every quarter that to the best of their knowledge, all H+H entities in their region are conducting business in a way that is compliant with all applicable H+H policies.

We expect suppliers to share our commitment to conducting business in a legal, sustainable, ethical, and socially responsible manner. We communicate the Code of Conduct for Suppliers to all major suppliers and request them to confirm and agree with the content.

H+H will not enter into agreement with major suppliers who will not commit or cannot demonstrate that they meet the requirements in our Code of Conduct for Suppliers or show compliance with relevant laws.

Whistleblower policy & system

Employees, business partners and other stakeholders are encouraged to speak up and report any suspected wrongdoing to a relevant H+H manager.

However, if circumstances are such that the whistleblower prefers to report in confidence, they can do so anonymously via H+H's public online whistleblower system. The system is accessible in all our languages and can be accessed both from H+H's intranet for employees and from all H+H websites. Good faith whistleblowers are protected from any kind of retaliation or discriminatory or disciplinary action as a result of submitting a report.

The system is provided by an independent third-party provider of whistleblower solutions and reporters have the option of choosing if they want to report to local HR, Group HR or Group Legal.

All good faith reports of suspected violations of the Code of Conduct or any underlying H+H policies and violations of law are investigated. We take great care to ensure the confidentiality of the reporter's identity and to avoid any potential conflicts of interest when establishing the investigation team and the lead decision maker. Independent, external legal counsel is also used for investigations.

H+H's Whistleblower Policy is available in the whistleblower system and provides information on how to report suspected misconduct, how reports are handled and what is deemed inside and outside scope. The CEO is responsible for the Whistleblower Policy.

The whistleblower system and policy were both updated and relaunched in late 2023 and awareness campaigns and training have been scheduled throughout 2024.

Anti-corruption and bribery[2]

H+H has zero tolerance for corruption and bribery, and we condemn corrupt behaviour and business practices. This is underpinned by our Anti-corruption Policy which provides principles and information related to bribery, facilitation payments, donations, and entertainment and gifts. The CEO is responsible for the Anti-corruption Policy which is reviewed regularly and updated in line with relevant legislation.

The policy includes relevant sector specific practical examples to raise awareness of business situations that may involve bribery or corruption and the behaviour expected of H+H employees in such situations. In addition to this, internal locally managed training is provided to the functions deemed most at risk. In H+H, these are procurement, sales & marketing, and regional management.

Internal controls are set up to manage the said corruption risks present on the sales and procurement side. Escalation procedures are in place and communicated within the Group.

2 G1-3 – Prevention and detection of corruption and bribery

Metrics and targets[3]

Incidents of corruption and bribery

During 2023, no whistleblower reports were found to be within scope. Also, H+H did not receive any injunction, ruling, conviction, fine or similar for violation of anti-corruption or anti-bribery laws.

Political influence and lobbying activities[4]

H+H has not made and does not make any financial or in-kind contributions directly to political parties, their elected representatives or persons seeking political office.

H+H is a member of the European Autoclaved Aerated Concrete Association and the European Calcium Silicate Product Association and holds memberships in national business associations. The total annual contribution for these memberships is 5 million DKK.

No members of the Board of Directors or Group management have held roles in public administration or regulatory bodies in the two years prior to the 2023 reporting period.

Tax Policy

H+H has adopted a group Tax Policy. The policy is the foundation for the common tax approach for the H+H Group. Our ambition is to always apply best practices and act in accordance with applicable legislation on tax computation and tax reporting to ensure that we pay the right amount of tax at the right time in the countries where we operate. In close collaboration with tax advisors, we monitor updates and changes to tax legislation to assess the impact on a Group and country level.

ESG & sustainability-related policies and systems

Policy	Area(s) of application	Description	
Code of Conduct	Overarching	Our Code of Conduct describes the core values and principles, employees are expected to follow.	Read more on page 74-75
Code of Conduct for suppliers	Overarching	The policy outlines our expectations to suppliers to conduct business in an ethical, legal, and socially responsible manner.	Read more on page 74-75
ESG Policy	Overarching	The policy outlines our environmental, social, and governmental commitments.	Read more on page 59
Diversity Policy	Social	The core objective of the Group Diversity Policy is to foster an inclusive and open working climate where diversity is embraced and promoted. We encourage and support diversity at all levels and express our lack of tolerance towards any form of discrimination.	Read more on page 69
Health & Safety Policy	Social	The policy describes our overarching principles for health and safety in H+H.	Read more on page 68
Anti-corruption Policy	Governance	The policy provides principles and information related to bribery, facilitation payments, donations, and entertainment and gifts.	Read more on page 75
Data Ethics Policy	Governance	The purpose of this policy is to set out the data ethical principles for H+H's processing of data so that the processing is not only legal, but also ethical.	Read more on page 40
Tax Policy	Governance	The policy describes our internal governance and management of all matters related to tax.	Read more on page 76
Whistleblower Policy	Governance	The policy includes information on how to report suspected misconduct, how reports are handled and what is deemed inside and outside scope.	Read more on page 75

3 G1-4 – Incidents of corruption or bribery | 4 G1-5 – Political influence and lobbying activities

Summary of metrics and appendix

Environmental data	UoM	2023	2022	2021	2020	2019
CO_2e scope 1	Tonnes	*93,602	142,796	132,345	121,598	142,319
CO_2e scope 2 - market based	Tonnes	*15,198	33,454	59,461	56,765	56,890
CO_2e scope 2 - location based	Tonnes	29,369	45,702			
CO_2e scope 3	Tonnes	442,582	688,192	673,554	624,247	694,255
Total GHG emissions - market based	Tonnes	550,501	864,442	865,360	802,609	893,465
CO_2e scope 1	kg/m³	31	33	31	31	33
CO_2e scope 2	kg/m³	5	8	14	14	13
CO_2e scope 3	kg/m³	146	157	157	157	162
Total GHG emission per net revenue	Tonnes/Mil. DKK	206	240	287	302	315
Energy consumption	GJ	1,749,942	2,487,149	2,380,949	2,195,301	2,419,731
Energy consumption	MWh	486,095	690,875	661,375	609,806	672,147
Natural gas	*MWh*	*315,096*	*418,262*			
Coal	*MWh*	*92,588*	*146,867*			
Oil	*MWh*	*12,458*	*26,253*			
Fossil steam and electricity	*MWh*	*28,767*	*65,722*			
Renewable electricity	*MWh*	*37,186*	*33,770*			
Percentage renewable	%	8%	5%	0%	0%	0%
Total energy per m³	MJ	575	567	554	551	565
Energy intensity per net revenue	MWh/Mil. DKK	182	192	219	230	237
Production volume:						
AAC	Million m³	2.3	3.3	3.2	2.9	3.2
CSU	Million m³	0.8	1.1	1.1	1.1	1.1

* ESG figure subject to limited assurance

Social data	UoM	2023	2022	2021	2020	2019
Employees	Headcount	1,355	1,739	1.,633	1,571	1,636
Gender diversity	%	18%	16%	16%	15%	15%
Gender diversity, office workers	%	45%	41%	47%	47%	44%
Gender pay gap (Average)	%	-5%	7%	10%	15%	20%
CEO Pay Ratio	Times	29	32	37	35	39
Employee turnover ratio	%	40%	15%	13%	14%	12%
Employee turnover	Headcount	605	267	206	217	191
Sickness Absence	Days per FTE	14	13	12	13	13
Sickness absence, short-term	Days per FTE	10	11	10	11	11
Fatalities	Headcount	0	0	0	0	0
Lost-time Incident frequency (LTIF)	Incident permil	*3.4	3.6	5.5	5.7	5.6
Total recordable incidents	Number of	18	77	103	105	131
Total recordable incident rate (TRIR)	Incident permil	7	25	35	38	43
Recordable work-related ill health	Number of	0	-	-	-	-
Gender diversity, Board	%	29%	33%	17%	17%	17%
Gender diversity, Group Management	%	0%	0%	20%	20%	20%
Gender diversity, Managers below Group management	%	0%	-	-	-	-

ESG accounting policy

Reporting scope
All entities under financial control by H+H International A/S.

Reporting framework
The sustainability statement has been structured in preparation for compliance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

Controls
Data regarding number of employees and gender are generated from our HR systems. Data regarding fatalities and accidents, energy consumption and our GHG emissions are reported through the operations management system that follows normal financial processes to ensure consistency and is validated against the external financial reporting. The data is verified through internal controls, analysis, benchmarks, and monthly business meetings.

Definitions

Climate

- CO_2e scope 1 is calculated as combusted fuel type x conversion factor per fuel type. For 1 tonnes of coal a conversion factor between 19 and 23 to GJ is used, based on the quality of the product. For other combustion fuels an emission factor is applied based on DEFRA factors

- CO_2e scope 2 is calculated as purchased MWh x conversion factor of 3.6 to GJ is used. For both location- and marked-based electricity, emission factors are based on AIB. Additionally, for market-based we adjust for the purchase of RECs in our emissions

- CO_2e scope 3 is calculated as purchased materials in scope x efficiency factor. Where efficiency factors are disclosed by the supplier this is used. If such are not available generic industry efficiency factors are applied

- CO_2e per m^3 (scope 1) and CO_2e per m^3 (scope 2) are calculated as scope 1 and scope 2 divided by net-production volume

- Total Energy is calculated as combusted fuel type x power factor per fuel type + used electricity

- Total Energy per m^3 is calculated as Total Energy divided by production volume

- Production volume is defined as produced AAC and CSU (net) measured in m^3

Diversity & equality

- Headcount is defined as all employees who are on our payroll, both fulltime and part-time, as well as active and non-active

- Full-time workforce is defined as active full-time employees + temporary workers

- Gender diversity, Group Management includes the Executive Board and Senior Executives at H+H International A/S. Managers below Group management are defined as those with direct reports

- Gender pay gap is calculated as difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees

- CEO pay ratio is calculated as CEO compensation, as reported in the Remuneration Report, divided by the median salary of all other employees

- Employee turnover ratio is calculated as total leavers divided by average FTEs for the year

Health & safety

- A fatality is a work-related injury that results in death

- Lost-Time Incident Frequency (LTIF) measures the frequency of Lost-Time Incidents and fatality incidents per million hours divided by total hours worked following the OSHA guidelines

- Total Recordable Incident Rate (TRIR) measures the frequency of all work-related injuries and fatality incidents per million hours divided by total hours worked

- Sickness absence is calculated as total sick days divided by average number of FTEs during the year

- Short-term absence is defined as sick leave where H+H provides the primary compensation to the employee. Once the primary compensation transitions to be provided by a public body, the absence is considered long-term

ESRS 2 Appendix B

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/ Not material	Paragraph or page reference
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816, Annex II		Material	p. 41-43, 70
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		Material	p. 39
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex I				Material	p. 52
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013: Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Material	p. 57
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		Not material	
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		Material	p. 60
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				Material	p. 61
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				Material	p. 61
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				Material	p. 61

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/ Not material	Paragraph or page reference
ESRS E1-6 Gross scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		Material	p. 61-62
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Material	p. 62
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material	
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Not material	
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Not material	
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Not material	
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				Not material	
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				Not material	
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1				Not material	
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Not material	
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				Not material	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/ Not material	Paragraph or page reference
ESRS E3-4 Total water consumption in m³ per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				Not material	
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Not material	
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Not material	
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Not material	
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Not material	
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Not material	
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Not material	
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				Not material	
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				Not material	
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Not material	
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Not material	
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Material	p. 69
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Material	p. 68-69, 72
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Not material	
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				Material	p. 68
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				Material	p. 75
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	p. 68
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				Material	p. 68

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/ Not material	Paragraph or page reference
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	p. 71
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				Material	p. 71
ESRS S1-17 Incidents of discrimination paragraph 103 (a	Indicator number 7 Table #3 of Annex I				Material	p. 71
ESRS S1-17 Nonrespect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Material	p. 71
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Not material	
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				Not material	
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				Not material	
ESRS S2-1 Nonrespect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material	
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Not material	
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material	
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material	
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Not material	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/ Not material	Paragraph or page reference
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material	
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Not material	
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				Not material	
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				Material	p. 75
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		Material	p. 76
ESRS G1-4 Standards of anti-corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				Material	p. 75

Financial statements

Operator preparing to unload finished blocks from the open autoclave.

Income statement

Note	(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
3,11	Revenue	2,672	3,604	-	-
4,11,17	Cost of goods sold	(2,108)	(2,584)	-	-
	Gross profit before special items	**564**	**1,020**	**-**	**-**
4,11	Sales costs	(149)	(170)	-	-
4,11	Administrative costs	(197)	(222)	(58)	(72)
5	Other operating income and costs, net	26	29	56	66
	EBITDA before special items	**244**	**657**	**(2)**	**(6)**
6,11	Depreciation and amortisation	(187)	(202)	(5)	(3)
	EBIT before special items	**57**	**455**	**(7)**	**(9)**
7	Special items, net	(287)	(42)	(6)	(14)
	EBIT	**(230)**	**413**	**(13)**	**(23)**
8	Financial income	24	6	176	149
9	Financial expenses	(77)	(21)	(43)	(23)
	Result before tax	**(283)**	**398**	**120**	**103**
10	Tax	37	(81)	5	5
	Result for the year	**(246)**	**317**	**125**	**108**
	Result for the year attributable to:				
	H+H International A/S' shareholders	(248)	303	125	108
	Non-controlling interest	2	14	-	-
	Result for the year	**(246)**	**317**	**125**	**108**
12	Earnings per share (EPS-Basic) (DKK)	(15.0)	17.5		
12	Diluted earnings per share (EPS-D) (DKK)	(15.0)	17.4		

Statement of comprehensive income

Note	(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
	Result for the year	**(246)**	**317**	**125**	**108**
	Other comprehensive income:				
	Items that will not be reclassified subsequently to the income statement:				
20	Actuarial losses and gains	(68)	18	-	-
	Tax on actuarial losses and gains	15	(1)	-	-
		(53)	**17**	**-**	**-**
	Items that may be reclassified subsequently to the income statement:				
26	Fair value adjustments of derivative financial instruments	(20)	-	-	-
26	Gain/(loss) on derivative financial instruments transferred to the income statements	10	-	-	-
	Tax on fair value adjustment	3	-	-	-
	Foreign exchange adjustments, foreign entities	63	(17)	-	-
		56	**(17)**	-	-
	Other comprehensive income after tax	**3**	**-**	**-**	**-**
	Total comprehensive income for the year	**(243)**	**317**	**125**	**108**

Balance sheet at 31 December

Assets

		Group		Parent company	
Note	**(DKK million)**	**2023**	**2022**	**2023**	**2022**
	Goodwill	422	419	-	-
	Customer relations	179	213	-	-
	Other intangible assets	61	40	31	22
13	**Intangible assets**	**662**	**672**	**31**	**22**
	Land and buildings	754	767	-	-
	Plant and machinery	610	652	-	-
	Other equipment, fixtures and fittings	77	87	3	5
	Assets under construction	332	316	-	-
14	**Property, plant and equipment**	**1,773**	**1,822**	**3**	**5**
15	Deferred tax assets	31	17	11	10
16	Equity investments in subsidiaries			1,232	1,232
16	Investments in associated companies	2	1	-	-
	Other receivables	-	5	-	-
	Receivables from subsidiaries			1,510	1,235
	Other non-current assets	**33**	**23**	**2,753**	**2,477**
	Total non-current assets	**2,468**	**2,517**	**2,787**	**2,504**
17	Inventories	657	523	-	-
18	Trade receivables	102	122	-	-
	Receivables from subsidiaries			76	71
18	Other receivables	74	40	1	1
	Prepayments	14	12	2	1
	Cash	139	358	33	44
	Current assets	**986**	**1,055**	**112**	**117**
	Total assets	**3,454**	**3,572**	**2,899**	**2,621**

Equity and liabilities

		Group		Parent company	
Note	**(DKK million)**	**2023**	**2022**	**2023**	**2022**
19	Share capital	165	175	165	175
	Other reserves	(92)	(155)	-	-
	Retained earnings	1,519	1,822	1,565	1,435
	Equity attributable to H+H International A/S's shareholders	1,592	1,842	1,730	1,610
	Equity attributable to non-controlling interests	86	96	-	-
	Equity	**1,678**	**1,938**	**1,730**	**1,610**
20	Pension obligations	59	23	-	-
21	Provisions	31	38	-	-
15	Deferred tax liabilities	54	110	-	-
26	Lease liabilities	95	81	2	4
25	Deferred payments, acquisition of subsidiary	99	105	-	-
22	Credit institutions	907	742	836	694
	Non-current liabilities	**1,245**	**1,099**	**838**	**698**
22	Credit institutions	-	-	-	-
	Trade payables	278	278	7	8
26	Lease liabilities	24	27	1	2
	Income tax	5	37	-	1
	Payables to subsidiaries			313	278
25	Deferred payment, acquisition of subsidiary	7	7	-	-
21	Provisions	7	9	-	-
	Other payables	210	177	10	24
	Current liabilities	**531**	**535**	**331**	**313**
	Total liabilities	**1,776**	**1,634**	**1,169**	**1,011**
	Total equity and liabilities	**3,454**	**3,572**	**2,899**	**2,621**

Cash flow statement

Note	(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
	Operating profit (EBIT)	(230)	413	(13)	(23)
6	Depreciation, amortisation and impairment	288	202	5	3
	Change in inventories	(117)	(205)	-	-
	Change in receivables	(12)	12	(6)	1
	Change in trade payables and other payables	23	16	(16)	11
	Other non-cash adjustments	(62)	(50)	(3)	4
	Operating activities before financial items and tax	**(110)**	**388**	**(33)**	**(4)**
8, 9	Financial items, net	(53)	(14)	1	15
	Income tax paid	(46)	(58)	-	5
	Operating activities	**(209)**	**316**	**(32)**	**16**
	Sale of property, plant and equipment	35	11	-	-
	Change in borrowings to subsidiaries			(240)	(276)
	Capital increase in subsidiaries			-	(2)
8	Dividend from subsidiaries			134	102
25	Acquisition of enterprises and related deferred payments	(7)	-	-	-
14	Acquisition of property, plant and equipment and intangible assets	(165)	(266)	(13)	(13)
	Investing activities	**(137)**	**(255)**	**(119)**	**(189)**
	Free cash flow	**(346)**	**61**	**(151)**	**(173)**

Note	(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
22	Proceeds from borrowings	245	-	245	-
	Bank overdraft and other debt	(80)	116	(103)	166
	Payment of lease liabilities	(32)	(27)	(2)	(2)
	Purchase of treasury shares	(2)	(169)	(2)	(169)
	Financing activities	**131**	**(80)**	**138**	**(5)**
	Cash flow for the year	**(215)**	**(19)**	**(13)**	**(178)**
	Cash at 1 January	358	382	44	221
	Foreign exchange adjustments of cash	(4)	(5)	2	1
	Cash at 31 December	**139**	**358**	**33**	**44**

Statement of changes in equity

Group

(DKK million)	Share capital	Hedging reserve	Translation reserve	Retained earnings	H+H shareholders share	Non-controlling interest' share	Total
Equity at 1 January 2022	**180**	**-**	**(138)**	**1,662**	**1,704**	**110**	**1,814**
Result 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**	**-**	**-**	**-**
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**
Result for the year	-	-	-	(248)	(248)	2	(246)
Other comprehensive income:		**-**					
Foreign exchange adjustments, foreign entities	-	-	63	-	63	-	63
Actuarial gains/losses on pension plans	-	-	-	(68)	(68)	-	(68)
Fair value adjustment of derivative financial instruments	-	(10)	-	-	(10)	-	(10)
Tax on other comprehensive income	-	3	-	15	18	-	18
Net gains recognised directly in equity	**-**	**(7)**	**63**	**(53)**	**3**	**-**	**3**
Total comprehensive income	**-**	**(7)**	**63**	**(301)**	**(245)**	**2**	**(243)**
Acquisition of treasury shares	-	-	-	(2)	(2)	-	(2)
Share-based payment	-	-	-	(3)	(3)	-	(3)
Share capital decrease, note 19	(10)	-	-	10	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	(12)	(12)
Total changes in equity	**(10)**	**(7)**	**63**	**(296)**	**(250)**	**(10)**	**(260)**
Equity at 31 December 2023	**165**	**(7)**	**(92)**	**1,526**	**1,592**	**86**	**1,678**

Parent company

(DKK million)	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2022	**180**	**1,487**	**-**	**1,667**
Result 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**
Result for the year	-	125	-	125
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**125**	**-**	**125**
Acquisition of treasury shares	-	(2)	-	(2)
Share-based payment	-	(3)	-	(3)
Share capital decrease, note 19	(10)	10	-	-
Total changes in equity	**(10)**	**130**	**-**	**120**
Equity at 31 December 2023	**165**	**1,565**	**-**	**1,730**

Notes to the consolidated financial statements

Notes – Financial statements

1 Material accounting policy information

The annual report for the period 1 January - 31 December 2023 comprises both the consolidated financial statements of H+H International A/S and its subsidiaries (the H+H Group) as well as 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 2023 has been prepared in accordance with IFRS accounting standards 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 2023 on 5 March 2024. The annual report for 2023 will be submitted to the shareholders of H+H International A/S for adoption at the annual general meeting on 9 April 2024.

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.

H+H has changed the accounting policy for presentation of positive cash balances and overdraft in the global cash pool arrangement. It is management's view that the adjusted presentation better reflects the substance of the contractual setup of the cash pool arrangement. The change is solely a reclassification between cash and borrowings and have no impact on the income statement or equity. The impact of change in accounting policy on the consolidated financial statements; cash and credit institutions decreased by DKK 563 million (2022: DKK 178 million).

Impact on parent company financial statements; non-current receivables from subsidiaries decreased by DKK 2 million (2022: DKK 1 million), cash decreased by DKK 331 million (2022: DKK 178 million), credit institutions decreased by DKK 478 million (2022: DKK 179 million) and payables to subsidiaries increased by DKK 145 million (2022: DKK 0 million).

Other than the above and the introduction of the accounting principle regarding derivative financial instruments ref. note 26, 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 2023.

Adoption of new, revised and amended IFRSs effective 1 January 2023
H+H International A/S has adopted all relevant new or revised and amended IFRS accounting standards and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2023. It is assessed that they have not had a material impact on the consolidated financial statement.

New, revised and amended IFRS accounting 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 IFRS accounting standards 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 2023 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 items, 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 activities. Control exists when H+H International A/S holds or has the, directly or indirectly, ability to exercise 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. The functional currency for the Parent company is DKK.

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.

Notes – Financial statements

1 Material accounting policy information – continued

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

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

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

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

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

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

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

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated expenses as well as proceeds from 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 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. The global cash pool arrangement is presented gross. Positive cash balances are recognised as cash in assets and overdrafts are shown within borrowings in liabilities in the balance sheet.

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 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.

Significant 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	**

* Low
** Medium
*** High

Notes – Financial statements

3 Segment information

Revenue
The revenue streams contain of 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".

Key customers
Two customers represented more than 10% of the H+H Group's total revenue in 2023. One customer in the UK approx. 15% (2022: 17%) and one customer in Germany approx. 11% (2022: 11%). The following geographical areas in the Group represent more than 10% of revenue or non-current assets.

	Group			
(DKK million)	**2023**		**2022**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Central Western Europe	1.256	1.729	1,611	1,818
UK	763	299	1,052	262
Poland	663	440	941	437
	2,672	**2,468**	**3,604**	**2,517**

When presenting information on geographical areas, information on revenue is based on countries except for "Central Western Europe" which comprise of Germany, Switzerland, Denmark, Sweden, Czech Republic, Netherlands and Belgium. For Germany, revenue in 2023 amounts to DKK 822 million (2022: DKK 1,124 million) and non-current assets amount to DKK 1,305 million (2022: DKK 1,501 million). All revenue relates to sales of goods and transport services.

Revenue in Denmark was DKK 193 million in 2023 (2022: DKK 244 million). Non-current assets in Denmark at year-end 2023 amounted to DKK 54 million (2022: DKK 40 million).

AAC and CSU revenue, amounted to DKK 1,880 million and DKK 792 million in 2023, compared to DKK 2,548 million and DKK 1,065 million in 2022. AAC products are sold across all segments, while CSU products are sold in CWE and Poland.

Accounting policies
Revenue from goods is recognised in the income statement when the customer obtains control. Revenue relating to transport services is recognised when the performance obligation is fulfilled towards the customer. 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 discounts and rebate granted are recognised in revenue.

The reporting of operating segments is in accordance with the internal reporting to the Executive Management which constitutes H+H's chief operating decision maker. 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 regards to 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.

Significant 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.

Notes – Financial statements

4 Staff costs

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Total Remuneration to Key Management Personnel - Executive Board and non-registred members of Executive Management*				
Salary	12.1	12.4	12.1	12.4
Bonus	3.7	5.7	3.7	5.7
Share-based payment**	0.5	2.7	0.5	2.7
Pension	0.3	0.3	0.3	0.3
Severance payment	-	5.8	-	5.8
Total	**16.6**	**26.9**	**16.6**	**26.9**

* Non-registred members of executive management are the Group Chief Operating Officer and Group Strategy Officer. 2022 figures include former CEO and CHRO.
** Share based payment comprise costs related to share programs for the years 2020 - 2023 recognised in accordance with IFRS 2.

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Wages and salaries	617	593	43	35
Defined contribution plans, see note 20	5	5	-	-
Share-based payment	(5)	5	(5)	5
Remuneration to the Board of Directors	3	3	3	3
Other staff costs	45	58	-	-
	665	**664**	**41**	**43**
Staff costs are recognised as follows:				
Production costs	340	420	-	-
Sales and distribution costs	108	120	-	-
Administrative costs	111	107	36	29
Special items	106	17	5	14
	665	**664**	**41**	**43**
Average full-time equivalent staff	**1,500**	**1,738**	**21**	**22**

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Total Remuneration to Executive Board and Board of Directors				
Executive Board*	12.1	19.6	12.1	19.6
Board of Directors	3.1	2.7	3.1	2.7
Total	**15.2**	**22.3**	**15.2**	**22.3**

* 2022 figures include former CEO, including severance payment.

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)
In October 2023, 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 prior year's but with an additional KPI related to H+Hs environmental efforts in addition to the it's financial KPIs. At initiation, a total of 96.050 PSUs were granted to the participants, including 29.250 PSUs to CEO, Jörg Brinkmann and 15.600 PSUs to CFO, Peter Klovgaard-Jørgensen. 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 2022 Annual Report on 1 March 2023, the theoretical value was DKK 106.9 per PSU, corresponding to a total theoretical value of DKK 10.3 million for the 2023 LTIP based on the participants upon initiation of the programme and their receipt of PSU grants. The vesting period for the PSUs is approximately three years, with vesting for the 2023 LTIP being in 2026 when the audited annual report for 2025 is publicly announced.

In 2022 and 2021, PSU programs, similar to above, was launched for the Executive Board and certain key employees in the H+H Group. In March 2023 a total of 69.382 shares vested relating to the 2020 share based payment programme, hereof 4,000 shares settled in cash.

Notes – Financial statements

4 Staff costs – continued

Overview of outstanding PSUs

Max. PSUs	2023	2022
Outstanding 1 January	207,306	208,257
Granted*	96,050	60,289
Forfeited	(57,985)	(6,283)
Vested*	(69,382)	(54,957)
Outsanding 31 December	**175,989**	**207,306**

* Granted and vested based on maximum PSUs earned. Actual shares granted / vested are based on achieving certain financial and sustainable KPIs.

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

As of 31 December 2023, 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)
2021-programme, vesting in March 2024	51,200	-	4.5	-
2022-programme, vesting in March 2025	45,789	7,815	4.1	0.7
2023-programme, vesting in March 2026	79,000	50,795	7.0	4.5

* Share price of DKK 88.80 has been applied.

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 as of the time of recognition. 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.

5 Other operating income and costs before special items

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Other operating income:				
Management fee	-	-	56	66
Reversal of a loss provision related to sale of land in previous years	-	10	-	-
Gain on disposal of property, plant and equipment	26	9	-	-
Rental income	5	6	-	-
Other income	5	10	-	-
	36	**35**	**56**	**66**
Other operating costs:				
Loss on disposal of property, plant and equipment	(3)	(1)	-	-
Other costs	(7)	(5)	-	-
	(10)	**(6)**	**-**	**-**
Total	**26**	**29**	**56**	**66**

Accounting policies
Other operating income and costs comprise items secondary to the H+H Groups' 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

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Intangible assets	45	44	3	1
Land and buildings	59	36	2	2
Plant and machinery	37	88	-	-
Fixtures and fittings, tools and equipment	46	34	-	-
Total	**187**	**202**	**5**	**3**

During 2023, five plants were closed permanently. impairment of DKK 101 millions were identified related to equipment and machinery and is recognized as special items. Reference given to note 7. No other impairment is recognised in 2023 and no impairment were recognized in 2022.

Notes – Financial statements

7 Special items, net

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Impairment of assets, closed down plants	(101)	-	-	-
Restructuring costs	(133)	(42)	(6)	(14)
Inefficient part of gas hedges	(53)	-	-	-
Total	**(287)**	**(42)**	**(6)**	**(14)**
Impact of special items on EBIT				
Cost of goods sold	(131)	(25)	-	-
Sales costs	(3)	-	-	-
Administrative costs	(52)	(17)	(6)	(14)
Depreciation, amortisation and impairments	(101)	-	-	-
Total	**(287)**	**(42)**	**(6)**	**(14)**

During the second and third quarter of 2023, three plants in Germany and two in Poland have been closed down. As required, an assessment of the recoverable amounts of production and related equipment has been carried out. The assessment has led to the recognition of impairment losses of DKK 101 million which have been recognised in the profit and loss statement as a special item.

The review has comprised an assessment of estimated sales value less cost to sell or disposal, which has been based on initial discussion with potential buyers of machines or equipment, historically experience or possibilities for using the equipment or machinery in other plants. The main classes of assets affected by the impairment losses are various operational production assets and other machinery and equipment used in the production.

Further to this, restructuring costs of DKK 133 million has been recognised as special items. Restructuring costs has been recognised in accordance with IAS 37, and mainly comprise directly associated costs to plant close downs in Germany and Poland as well as general restructuring costs including costs related to termination of employment.

H+H Group has during 2023 sold unused gas back to the market resulting in financial losses of DKK 51 million as the fixed prices of the gas being sold off exceeds current market prices. In addition to this, and fair value adjustment of the ineffective part of the commodity forward contracts hedges of DKK 2 million has also been recognised. Therefore, the total ineffective part of gas hedges, presented as special items, amounts to a loss of DKK 53 million in 2023.

Special items for 2022 comprise restructuring costs of DKK 42 million including integration costs, additional transport costs related to a plant upgrade in Germany as well as costs related to changes to Group and regional Managements.

Accounting policies

Special items include individually significant and non-recurring events and include items such as transaction costs in a business combinations, close down of plants, restructuring costs, including redundancy costs and significant inefficient commodity hedges. Special items are recognized and measured in accordance with the relevant accounting policy and IFRS accounting standards, as if the items had not been classified as special items.

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

Notes – Financial statements

8 Financial income

(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Interest income	24	5	17	6
Interest income from subsidiaries	-	-	23	32
Dividend from subsidiary	-	-	134	102
Past service cost relating to pension plans; see note 20	0	1	-	-
Foreign exchange rate adjustments	-	-	2	9
Total	**24**	**6**	**176**	**149**

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 included to the parent company's income statement in the financial year in which they are declared.

9 Financial expenses

(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Interest expenses	61	11	35	17
Interests expense, leases	5	4	-	-
Interest expenses to subsidiaries	-	-	1	5
Interest on financial items	66	15	36	22
Financial expenses relating to pension plans; see note 20	0	2	-	-
Foreign exchange rate adjustments	2	1	4	-
Other financial expenses	9	3	3	1
Total	**77**	**21**	**43**	**23**

Accounting policies

Financial expenses comprise interest expenses on debt measured at amortised cost, past service costs, capital losses, 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

(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Tax for the year	(37)	81	(5)	(5)
Tax on other comprehensive income	(18)	1	-	-
Total	**(55)**	**82**	**(5)**	**(5)**
Total tax can be broken down as follows:				
Current tax for the year	13	75	(4)	(5)
Adjustment relating to changes in tax rate	(1)	1	-	-
Adjustment of deferred tax	(82)	1	(1)	4
Change in valuation of tax assets	4	(4)	-	(4)
Prior-year adjustments	11	9	-	-
Total	**(55)**	**82**	**(5)**	**(5)**
Current joint taxation contribution for the year	**-**	**-**	**(5)**	**(5)**
Tax on profit can be broken down as follows:				
Calculated 22.0% (2022: 22.0%) tax on income from ordinary activities	(62)	87	27	23
Adjustment of calculated tax relative to 22.0% rate (2022: 22.0%)	(18)	(13)	-	-
Tax effect of:				
Change in valuation of tax assets	4	(4)	-	(4)
Unrecognised tax losses	27	-	-	-
Change in tax rate	-	2	-	-
Non-deductible expenses/non taxable income	1	1	(32)	(24)
Other adjustments	-	(1)	-	-
Prior year adjustment	11	9	-	-
Total	**(37)**	**81**	**(5)**	**(5)**

Notes – Financial statements

10 Tax – continued

Accounting policies

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

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

Where the H+H Group receives a tax deduction in the calculation of taxable income in Denmark or abroad as a result of share based payment schemes, the tax effect of these schemes is recognised in tax on result for the year. If the total deduction exceeds the total remuneration expense, the tax effect of the excess deduction is recognised directly in the 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 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. It is managements assessment that 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, key figures on tax jurisdiction levels are presented below. Corporate income tax is based on IFRS accounting standards instead of GRI methodology to ensure internal coherence throughout the annual report.

Country-by-country key figures - IFRS

(DKK million)	Group 2023						
	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	52	64	193	-	24	1,215	(2)
UK	236	118	763	-	450	104	11
Germany	521	303	776	211	1,221	(1,423)	4
Poland	645	147	653	7	580	75	27
Switzerland	24	19	127	-	150	22	7
Holland	10	7	93	-	2	11	(1)
Sweden	5	4	21	-	3	(4)	-
Czech Republic	7	3	46	-	-	-	-
Total	**1,500**	**665**	**2,672**	**218**	**2,430**	**-**	**46**

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	0	1	0	(1)	-
UK	(1)	-	0	(6)	4
Germany	41	4	(1)	(67)	7
Poland	2	(5)	(5)	(2)	-
Switzerland	(6)	-	(6)	(2)	0
Holland	0	-	0	0	-
Sweden	0	-	0	-	-
Czech Republic	0	-	(1)	-	-
Total	**36**	**0**	**(13)**	**(78)**	**11**

Notes – Financial statements

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)	**2023**	**2022**	**2023**	**2022**
Revenue	2,672	3,604	-	-
Cost of goods sold	(2,226)	(2,724)	-	-
Gross profit including depreciation and amortisation before special items	**446**	**880**	**-**	**-**
Sales costs	(194)	(217)	-	-
Administrative costs	(221)	(237)	(63)	(75)
Other operating income	36	35	56	66
Other operating costs	(10)	(6)	-	-
EBIT before special items	**57**	**455**	**(7)**	**(9)**
Special items	(287)	(42)	(6)	(14)
EBIT	**(230)**	**413**	**(13)**	**(23)**
Depreciation and amortisation comprise:				
Amortisation of intangible assets	45	44	3	1
Depreciation of property, plant and equipment	142	158	2	2
Total	**187**	**202**	**5**	**3**
Depreciation and amortisation are allocated to:				
Production costs	118	140	-	-
Sales costs	45	47	-	-
Administrative costs	24	15	5	3
Total	**187**	**202**	**5**	**3**

Accounting policies
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 – Financial statements

12 Earnings per share (EPS)

(DKK million)	Group 2023	Group 2022
Average number of shares	16,842,466	17,983,365
Average number of treasury shares	(515,384)	(703,521)
Average number of shares in circulation	16,327,082	17,279,844
Average number of restricted shares	58,610	135,759
Average number of outstanding shares, diluted	**16,385,692**	**17,415,603**
Result for the year (DKK million)	(248)	317
Attributable to non-controlling interest	2	(14)
Shareholders in H+H International A/S (DKK million)	**(246)**	**303**
Earnings per share (EPS) (DKK)	(15.0)	17.5
Diluted earnings per share (EPS-D) (DKK)	(15.0)	17.4

See calculation principle in financial ratios on page 110.

13 Intangible assets

(DKK million)	Parent company 2023	Parent company 2022
	Other intangible assets	Other intangible assets
Total cost at 1 January	23	10
Additions during the year	12	13
Total cost at 31 December	**35**	**23**
Total amortisation at 1 January	(1)	-
Amortisation for the year	(3)	(1)
Total amortisation at 31 December	**(4)**	**(1)**
Carrying amount at 31 December	**31**	**22**

(DKK million)	Group 2023			
	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January 2023	447	361	108	916
Foreign currency translation adjustments	5	2	1	8
Transfer	-	-	4	4
Additions during the year	-	-	26	26
Disposals during the year	-	-	(10)	(10)
Total cost at 31 December 2023	**452**	**363**	**129**	**944**
Total depreciation and amortisation at 1 January 2023	(28)	(148)	(68)	(244)
Foreign currency translation adjustments	(2)	-	(1)	(3)
Amortisation for the year	-	(36)	(9)	(45)
Amortisation of disposals	-	-	10	10
Total amortisation and impairment losses at 31 December 2023	**(30)**	**(184)**	**(68)**	**(282)**
Carrying amount at 31 December 2023	**422**	**179**	**61**	**662**

(DKK million)	2022			
	Goodwill	Customer relations	Other intangible assets	Total
Total cost at 1 January 2022	392	373	98	863
Foreign currency translation adjustments	(1)	(1)	(1)	(3)
Additions from acquired companies	56	(11)	(2)	43
Additions during the year	-	-	15	15
Disposals during the year	-	-	(2)	(2)
Total cost at 31 December 2022	**447**	**361**	**108**	**916**
Total depreciation and amortisation at 1 January 2022	(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 2022	**(28)**	**(148)**	**(68)**	**(244)**
Carrying amount at 31 December 2022	**419**	**213**	**40**	**672**

Notes – Financial statements

13 Intangible assets – continued

Impairment testing

Change in cash-generating units
In 2023, Management reassessed the cash-generating units ('CGUs') identified for the Group. It is Management's assessment the two CGU's CWE AAC and CWE CSU should be combined into one CGU, 'CWE' due to changes in internal reporting, shared internal processes to support both product groups and how goodwill is monitored at H+H Group level. The identified CGUs are after the change aligned with H+H's operating segments, being Central Western Europe ('CWE'), Poland and United Kingdom. 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.

Cash-generating units and related goodwill	Product	Year of origin	2023 DKK million	2022 DKK million
Poland	AAC & CSU	2003	23	21
UK	AAC	N/A	-	-
Continental Western Europe*	AAC & CSU	2006/18/19 20/21	399	398
Total			**422**	**419**

* In 2022 the goodwill were allocated to respectively CWE CSU of DKK 144 million and CWE AAC of DKK 254 millions.

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

In both 2023 and 2022, the impairment tests concluded a reasonable headroom and consequently no impairment of goodwill has been recognised.

Key assumptions
Management tests goodwill for impairment for each CGU to which such assets has been allocated at least once a year or if key assumptions has changed leading to an indication of possible impairment.

For the purpose of the impairment testing the recoverable amounts was defined as the value in use calculated by using a discounted cash flow model ('DCF'). The impairment testing for each of the CGUs concluded a reasonable headroom exist and Management believes that any likely changes in the key assumptions will not cause the carrying amount of goodwill and non-current assets to exceed the recoverable amounts.

The impairment tests were based on budget for 2024 approved by the Management and financial forecasts for the years 2025-2028 for all CGUs.

The market decline in 2023 was more severe than initially anticipated. This driven is by the continued interest rate increases for mortgages as a consequence of the central bank's effort to lower inflation. The market is expected to remain on this lower activity level throughout 2024, for then to pick-up from 2025 and onwards. H+H has in 2023 adjusted it's capacity to reflect the current demand, which include closing down of three plants permanently and two temporarily in 'CWE' and closing down two plants permanently and one temporarily in Poland. It is Managements assessment, that the plant close downs will not negatively affect the expected future cash in-flows to be generated from each of the CGUs. The remaining plants within each of the CGUs has sufficient capacity to supply existing markets both on short, mid- and long term, and in additional the close down of the plants in 2023 has resulted in a number of cost savings. Other assumptions are mainly based on historic trends as well as Management's best estimate and external benchmarked data, having cash flows at a normalized level from 2025. The key assumptions for the impairment test are annual growth in revenue (CAGR) and gross margins, though the valuation is further impacted by growth in terminal period and WACC.

Cash-generating units	2023 Poland	2023 Continental Western Europe	2022 Poland	2022 Continental Western Europe
Carrying amount of intangible assets, property, plant and equipment at 31 December (DKK million)	435	1,689	431	1,782
Goodwill (DKK million)	23	399	21	398
Estimated average annual growth in revenue 2024-2028 (CAGR)	5.3%	5.9%	6.9%	6.0%
Estimated average annual growth / decrease in gross margin in percentage points 2023-2028	1.0%	1.0%	0.7%	-0.3%
WACC before tax	14.9%	12.8%	16.0%	10.6%
WACC after tax	12.1%	9.2%	13.0%	8.2%

The weighted average growth rate used for the terminal period for the years after 2028 has been estimated at 2.0% (2022: 2.0% - 2.0%) for both CGUs. 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 both CGU's, the gross margin has been estimated to increase for the period 2024-2028, after which it is expected to be constant. The rising gross margin assumes more expedient utilisation of production capacity driven by increased volumes sold and more efficient plant network after closing down plants. The annual growth in revenue in the budget period is expected to 5.9% in CWE (2022: 6.0%) coming from a low 2023 level which is expected to pick up from 2025 and onwards. In Poland we see an expected annual growth in revenue in the budget period of 5.3% (2022: 6.9%). Whereas, there was also a market decline in 2023 in Poland, it was slightly less severe than CWE, and consequently the journey coming back to 2022 levels requires slightly lower annual growth.

Notes – Financial statements

13 Intangible assets – continued

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, are benchmarked to external information. The risk-free rate for both 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 both CGUs apart from the risk-free rates which differentiate.

Sensitivity in 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), revenue growth, gross margin 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 2023.

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 or as of the date when the cash-generating units identification has changed. The determination of cash-generating units follows the H+H Group's organisational and internal reporting structure.

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.

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 licenses are measured at cost less cumulative amortisation and impairment losses. Patents and licenses 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 3-8 years
- Customer relations 10 years
- Other intangible assets 1-10 years

Significant accounting estimates

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

For the purpose of impairment testing the recoverable amount was defined as the value in use. The impairment tests were based on budget for 2024 approved by the Board of Directors and financial forecasts for the years 2025-2028 for all CGUs. A flat market is expected in 2024 coming from a low 2023, This is driven by low demand due to inflation and relatively high interest rate for mortgages for all CGUs compared to prior years. In the financial forecast periods, growth from 2025 and onwards are expected to rebounding earnings to a normalized level. Assumptions are based on historic trends as well as external benchmarked data. Most material key assumptions for the impairment test are growth in terminal period and WACC.

Notes – Financial statements

14 Property, plant and equipment

(DKK million)	Parent company 2023	Parent company 2022
	Other equipment, fixtures and fittings	Other equipment, fixtures and fittings
Total cost at 1 January	11	10
Additions	1	1
Disposals	(2)	-
Total cost at 31 December	**10**	**11**
Total depreciation at 1 January	(6)	(4)
Depreciations for the year	(2)	(2)
Reversal of depreciations of disposals	1	-
Total amortisation at 31 December	**(7)**	**(6)**
Carrying amount at 31 December	**3**	**5**
Right-of-use assets included as		
Additions	-	1
Disposals	(1)	-
Depreciation	(2)	2
Reversal of depreciations of disposals	1	-
Carrying amount at 31 December	3	5

(DKK million)	Group 2023				
	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Property, plant and equipment under con-struction	Total
Total cost at 1 January 2023	1,413	2,467	303	316	4,499
Foreign currency translation adjustments	33	56	3	2	94
Transfers	8	36	-	(48)	(4)
Additions, including right-of-use assets	32	44	34	65	175
Disposals during the year	(43)	(71)	(13)	(3)	(130)
Total cost at 31 December 2023	**1,443**	**2,532**	**327**	**332**	**4,634**
Total depreciation and amortisation at 1 January 2023	(646)	(1,815)	(216)	-	(2,677)
Foreign currency translation adjustments	(13)	(40)	(1)	-	(54)
Depreciation for the year	(59)	(37)	(46)	-	(142)
Impairment for the year	-	(101)	-	-	(101)
Depreciation of disposals	29	71	13	-	113
Total depreciation and impairment losses at 31 December 2023	**(689)**	**(1,922)**	**(250)**	**-**	**(2,861)**
Carrying amount at 31 December 2023	**754**	**610**	**77**	**332**	**1,773**
Right-of-use assets included as					
Additions	21	-	18	-	39
Disposals	(1)	-	(3)	-	(4)
Depreciation	(6)	-	(23)	-	(29)
Depreciation of disposals	1	-	3	-	4
Carrying amount at 31 December 2023	105	-	42	-	147

Notes – Financial statements

14 Property, plant and equipment – continued

(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 2022	1,373	2,380	287	227	4,267
Foreign currency translation adjustments	(10)	(30)	(2)	(5)	(47)
Additions from acquired companies	(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 2022	**1,413**	**2,467**	**303**	**316**	**4,499**
Total depreciation and amortisation at 1 January 2022	(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 2022	**(646)**	**(1,815)**	**(216)**	**-**	**(2,677)**
Carrying amount at 31 December 2022	**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 2022	85	-	48	-	133

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 32 million (2022: 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 0 million (2022: DKK 0 million). At 31 December 2023 the Group was committed to short-term and low value leases for an amount of DKK 1 million (2022: 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, sub suppliers and labor. 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:

- 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.

Notes – Financial statements

14 Property, plant and equipment – continued

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

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

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

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

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

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 recognized 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)	**2023**	**2022**	**2023**	**2022**
Deferred tax at 1 January	(93)	(120)	10	10
Addition from acquisition in prior years	-	32	-	-
Prior years adjustments	(11)	(9)	-	-
Foreign exchange adjustments	2	2	-	-
Effect of change in tax rate	1	(1)	-	-
Change in deferred tax	82	(1)	1	-
Valuation of tax asset	(4)	4	-	-
Deferred tax at 31 December	**(23)**	**(93)**	**11**	**10**

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Deferred tax relates to:				
Non-current assets	(116)	(136)	-	-
Current assets	(2)	(2)	-	-
Liabilities	29	12	-	-
Tax loss carry-forwards	66	33	11	10
Total	**(23)**	**(93)**	**11**	**10**
Breakdown of deferred tax and recognition in the balance sheet:				
Deferred tax assets	31	17	11	10
Deferred tax liabilities	(54)	(110)	-	-
Total	**(23)**	**(93)**	**11**	**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 likely that this can be utilised in future earnings and a history of result before tax within the last three to five years has been verified. A tax value of loss carry-forwards of DKK 33 million at 31 December 2023 (2022: DKK 24 million) has not been recognized 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 expirry 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 10 million (2022: DKK 10 million) which are not recognised. The losses in question have no expiry date.

Notes – Financial statements

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.

Significant 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)	**2023**	**2022**
Acquisition cost at 1 January	1,299	1,297
Additions	-	2
Disposals	-	-
Cost at 31 December	**1,299**	**1,299**
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**	**1,232**

If indication of possible impairment for investment in subsidiaries exist, an impairment test is performed at the end of 2023. The recoverable amount of the investments in subsidiaries with indication of possible impairment at 31 December 2023 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 9.2% (2022: 8.2%). The weighted average growth rate used for expected future net cash flows for the years after 2028 has been estimated at 2.0% (2022: 2.0%). It is estimated that the growth rate will not exceed the long-term average growth rate in the respective company's markets. The impairment tests are using same principles as for the Group's CGU's, see note 13 for further information. No impairment were identified in 2023 or 2022.

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 subsidiary are before intercompany eliminations.

	Baustoffwerke Dresden GmbH & Co. KG		Porenbetonwerk Laussnitz GmbH & Co. KG		DOMAPOR Baustoffwerke GmbH	
Principal activities	Production		Production		Production	
Principal place of business	Dresden, Germany		Laussnitz, Germany		Hohen Wangelin, Germany	
Financial information (DKK million)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net assets	145	88	100	87	100	120
Accumulated non-controlling interest	29	38	38	42	18	16
Revenue	100	124	55	86	84	164
Result for the period	6	12	(8)	15	5	35
Dividend paid to non-controlling interest	6	6	-	-	-	-

Notes – Financial statements

16 Investments in subsidiaries – continued

	Registered office	2023 Equity interest, %	2022 Equity interest, %
KWAY Holding Limited*	UK	100	100
H+H Deutschland GmbH**	Germany	100	100
Hunziker Kalksandstein AG	Switzerland	100	100
H+H Nordics 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.

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

Impairment of financial assets
Loans to related parties and other; 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 therefore 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

(DKK million)	Group 2023	Group 2022
Raw materials and consumables	131	159
Finished goods and goods for resale	526	364
Total	**657**	**523**
Write-downs recognised in the inventories above have developed as follows:		
Write-downs at 1 January	31	31
Write-downs for the year	7	8
Realised during the year	(2)	(1)
Reversals	(1)	(7)
Total	**35**	**31**
Production costs comprised (before special items):		
Direct production costs	1,265	1,499
Wages and salaries	340	420
Production overheads	216	273
Distribution	280	384
Write-downs for the year	7	8
Total	**2,108**	**2,584**

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 labor and production overheads. Production overheads comprise indirect materials and labor as well as maintenance and depreciation of the machinery, plant buildings and equipment used in the production process, and the cost of plant 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.

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18 Trade and other receivables

(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Trade receivables, gross	133	191	-	-
Write-downs	(2)	(2)	-	-
Rebates and bonus	(29)	(67)	-	-
Group debtors	-	-	76	71
Other receivables	74	40	1	1
Total	**176**	**162**	**77**	**72**

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

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

(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Age analysis of trade receivables (gross):				
Not past due	117	149	-	-
0-30 days	14	39	-	-
31-90 days	-	1	-	-
91-180 days	1	1	-	-
Over 180 days	1	2	-	-
Total trade receivables	**133**	**192**	**-**	**-**
Write-downs relating to receivables, year-end	**2**	**2**	**-**	**-**

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 2023.

Write-downs of receivables

(DKK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Write-downs of receivables:				
Write-downs at 1 January	2	3	-	-
Write-downs for the year	1	0	-	-
Realised during the year	(1)	0	-	-
Reversals	0	(1)	-	-
Write-downs relating to receivables at 31 December	**2**	**2**	**-**	**-**

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 – Financial statements

19 Share capital and treasury shares

	Number		Nominal value, DKK million	
	2023	**2022**	**2023**	**2022**
Share capital at 1 January	17,500,000	17,983,365	175	180
Movements	(1,000,000)	(483,365)	(10)	(5)
Share capital at 31 December	**16,500,000**	**17,500,000**	**165**	**175**

On 4 May 2023, and with reference to Company Announcement no. 532 of 31 March 2023 and Company Announcement no. 533 of 4 May 2023, the approved reduction of the share capital by a nominal amount of DKK 10,000,000 from DKK 175,000,000 to DKK 165,000,000 through the cancellation of 1,000,000 shares of nominally DKK 10.00 each was registered at the Danish Business Authority.

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 other movements in the share capital in the last five years.

Treasury shares

	Number	**Nominal value, DKK million**	**% of share capital, year-end**
Holding at 1 January 2022	558,753	5.59	(3.2)
Purchased during the year	1,191,400	11.91	(6.8)
Share capital decrease	(483,365)	(4.83)	2.9
Granted due to matching share programme in 2019	(48,057)	(0.48)	0.3
Holding at 31 December 2022	**1,218,731**	**12.19**	**(7.0)**
Purchased during the year	8,700	0.9	(0.1)
Share capital decrease	(1,000,000)	(10.00)	6.1
Granted due to matching share programme in 2020	(65,382)	(0.65)	0.4
Holding at 31 December 2023	**162,049**	**1.62**	**(1.0)**

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 realised over a 12-month period, starting from 4 March 2022. Under the share buy-back programme, H+H could 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. As announced in Company Announcement 525 the share-buy-back programme were concluded on 4 January 2023 with the remaining acquisition of 8,700 shares for a total purchase price of DKK 1 million.

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.

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 59 million (2022: DKK 23 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 2023, the actuarial valuation of the defined benefit plan in the UK showed a net deficit of DKK 47 million (GBP 5.4 million) compared to DKK 13 million (GBP 1,6 million) at 31 December 2022.

Notes – Financial statements

20 Pension obligations – continued

In the consolidated income statement, an amount of DKK 5 million (2022: DKK 5 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 (2022: 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.

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 conducted 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 2023 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)	**2023**	**2022**
Pensions and similar obligations:		
Present value of fully or partly funded defined benefit plans	574	504
Fair value of plan assets	522	489
(Surplus)/Deficit	52	15
Present value of unfunded defined benefit plans recognised in the balance sheet	7	8
Net obligation recognised in the balance sheet	**59**	**23**
Development in present value of defined benefit obligation:		
Obligation at 1 January	512	822
Foreign exchange adjustments	13	(31)
Calculated interest on obligation	23	14
Past service costs	0	(1)
Service costs	1	2
Gains/losses as a result of changes in economic assumptions	17	(260)
Gains/losses as a result of changes in demographic assumptions	(1)	-
Empirical changes	45	(8)
Pension paid by employees	2	5
Pension paid	(31)	(31)
Obligation at 31 December	**581**	**512**
Breakdown of the present value of defined benefit obligation:		
Present value of fully or partly funded defined benefit obligations	574	504
Present value of unfunded defined benefit obligations	7	8
Obligation at 31 December	**581**	**512**

Notes – Financial statements

20 Pension obligations – continued

(DKK million)	Group 2023	Group 2022
Development in fair value of plan assets:		
Plan assets at 1 January	489	816
Foreign exchange adjustments	13	(29)
Calculated interest income	23	15
Return on plan assets over and above the calculated interest	(6)	(329)
The Group's contributions to plan assets	32	42
The employee's contributions to plan assets	2	5
Pensions paid	(31)	(31)
Plan assets at 31 December	**522**	**489**
Pension costs relating to the current financial year, recognised as staff costs:		
Pension costs relating to defined contribution plans	5	5
Total pension costs	**5**	**5**
Financial costs relating to the defined benefit plans for the current year:		
Past service costs	0	(1)
Calculated interest on obligation	(23)	(14)
Calculated interest on plan assets	23	15
Net interest on defined benefit plans	**-**	**-**
Pension costs recognised in other comprehensive income:		
Gains/losses as a result of change in economic assumptions	(17)	260
Gains/losses as a result of change in demographic assumptions	1	-
Return on plan assets over and above the calculated interest	(6)	(329)
Future committed pension contribution	-	79
Changes due to empirical changes	(46)	8
Total	**(68)**	**18**

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 (2022: DKK 3 million), costs recognised under sales and distribution costs amount to DKK 1 million (2022: DKK 1 million) and costs recognised under administrative costs amount to DKK 1 million (2022: DKK 1 million).

(DKK million)	Group 2023	Group 2022
Plan assets can be broken down as follows:		
Diversified Growth Fund	82	218
Liability Driven Investment	171	146
Global equities	171	-
Bonds	52	79
Alternatives	39	34
Cash	7	12
Total	**522**	**489**

All plan assets in the UK, DKK 484 million (2022: DKK 456 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 38 million (2022: DKK 33 million) relates to the Swiss pension plan.

(DKK million)	Group 2023	Group 2022
Return on plan assets		
Actual return on plan assets	17	(314)
Calculated interest on plan assets	23	15
Actuarial gain (loss) on plan assets	**(6)**	**(329)**
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.)	4.5%	4.7%
Expected inflation rate	3.3%	3.3%
Members' life expectancy from retirement age (years)	22.5	23.1

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 and mortality.

Notes – Financial statements

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)	**2023**	**2022**
Sensitivity relative to discount rate:		
If the discount rate falls by 0.5 percentage point, the pension obligation will increase by	41	38
Sensitivity relative to inflation:		
If the inflation rate increases by 0.5 percentage point, the pension obligation will increase by	22	20
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	21	18

The Group expects to pay DKK 28 million into the defined benefit pension plan in 2024 (2022: DKK 31 million).

	Group	
(DKK million)	**2023**	**2022**
The pension obligation is expected to fall due as follows:		
0-1 year	28	31
1-5 years	122	125
Over 5 years	432	356
Total	**582**	**512**

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 in the period in which they relate and any contributions payable are recognised in the balance sheet as other payables.

As regards 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. If a defined benefit pension plan constitutes a net asset it will trigger IFRIC 14 and recognise future committed pension contributions to the scheme as the Group do not have unconditional right to a refund.

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.

Significant 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 – Financial statements

21 Provisions

	Group	
(DKK million)	**2023**	**2022**
Provisions at 1 January	47	46
Provisions for the year	11	13
Utilised during the year	(13)	(7)
Reversals during the year	(7)	(5)
Provisions at 31 December	**38**	**47**
Breakdown of the provisions at 31 December:		
Warranty obligations	1	3
Obligations relating to restoration of sites	27	37
Onerous contracts	-	1
Restructuring	1	5
Other provisions	9	1
Total	**38**	**47**
Expected maturity of provisions:		
Non-current liabilities	31	38
Current liabilities	7	9
Total	**38**	**47**

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 2023, 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.

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 financial 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.

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 – Financial statements

22 Credit institutions

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Bank loans, non-current	911	742	840	694
Bank loans, current	-	-	-	-
Amortised borrowing costs	(4)	-	(4)	-
Total	**907**	**742**	**836**	**694**

Change in borrowings from financing activities:

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Borrowings 1 January	742	626	694	528
Change in proceeds	245	-	245	-
Bank overdraft and other debt	(80)	116	(103)	166
Borrowings 31 December	**907**	**742**	**836**	**694**

Change in lease liabilities:

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
Lease liabilities 1 January	108	106	6	6
Cash flows	(32)	(27)	(2)	(2)
New/disposed/remeasured lease	35	31	(1)	2
Foreign exchange adjustments	8	(2)	-	-
Lease borrowings 31 December	**119**	**108**	**3**	**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 – Financial statements

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 (2022: DKK 1 million) has been recognised in the consolidated income statement for 2023 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
Subsidiaries drawdowns at 31 December 2023 amounts to DKK 568 million (2022: DKK 315 million).

In addition hereto, third party guarantees provided by H+H International A/S and its subsidiaries amounts to DKK 24 million at 31 December 2023 (2022: DKK 66 million).

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

Shares in subsidiaries 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)	**2023**	**2022**	**2023**	**2022**
Total fees for the parent company’s auditors elected at the annual general meeting:				
Fee	3.6	3.3	1.3	1.4
Total	**3.6**	**3.3**	**1.3**	**1.4**
The total fee can be broken down as follows:				
Statutory audit	3.2	2.7	1.0	0.8
Other assurance engagements	0.3	0.1	0.2	0.1
Tax and VAT services	-	0.1	-	0.1
Other services	0,1	0.4	0.1	0.4
Total	**3.6**	**3.3**	**1.3**	**1.4**

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

Non-audit services provided by PwC Denmark amounts to DKK 0.3 million (2022: DKK 0.6 million), relating to advisory services in relation to ESG and other advisory services.

Notes – Financial statements

25 Business combinations

No business combinations were completed in 2023 or 2022.

In relation to the Domapor acquisition 31 December 2021, 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. This obligation has been recognised as a liability as deferred payments related to the acquisition.

26 Financial instruments and financial risks

H+H's financial risk management policy
As a result of its activities and geographical footprint, H+H is exposed to various financial risks i.e. foreign exchange risks and commodity price risks, as well as capital structure and cash flow risks and bad debt. 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 only 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.

All H+H entities do mainly trade in local currencies, such as GBP, EUR and PLN, as all raw materials are sourced locally and the majority of customers are within the given region. The Nordic subsidiaries make their purchases in EUR. Therefore the currency exposure is assessed limited on ordinary activities. Material foreign exchange exposure do only relate to specific events, such as dividend or significant transactions.

H+H's foreign exchange hedging policy and procedures states that an individual group subsidiary must not take foreign exchange positions. Instead, Group Treasury 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.

Commodity price risks
Commodity price risks in H+H mainly relate to fluctuations in Energy prices which are used either directly in the production or through purchase of components such as lime, where the price could be linked to the certain energy prices. The risk is managed in accordance with the Treasury Policy, primarily by entering into fixed price agreements with suppliers for at shorter time-frame or passing development in energy prices on to the customers.

Capital structure and cash flow risks
The H+H Group has significant net interest-bearing debt. An increase in the interest rate level will lower the Group's pre-tax result. 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 – Financial statements

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. Refer to note 18.

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 monthly 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 2023 and are also expected to be fulfilled for 2024.

Parent company's monetary items and sensitivity

(DKK million)	2023				2022			
	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	1,346	1%	13	10	1.002	1%	10	8
GBP/DKK	(115)	5%	(5)	(4)	(140)	5%	(7)	(5)
			8	6			3	3

* The hypothetical impact on result 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 2023						
	EUR	GBP	PLN	Others	Total	DKK	Total
Trade receivables	18	28	33	4	83	19	102
Other receivables	58	-	13	2	73	1	74
Cash	26	41	40	36	143	0	143
Trade payables	(51)	(175)	(45)	(8)	(279)	1	(278)
Other payables	(108)	(24)	(45)	(24)	(201)	(9)	(210)
Deferred payment	(106)	-	-	-	(106)	-	(106)
Credit institutions	(100)	(48)	(0)	(12)	(160)	(751)	(911)
Gross exposure	(263)	(178)	(4)	(2)	(447)	(739)	(1.186)
Net exposure	**(263)**	**(178)**	**(4)**	**(2)**	**(447)**	**(739)**	**(1.186)**

(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	35	75	179	44	511	25	358
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	(170)	-	-	(13)	(183)	(559)	(742)
Gross exposure	(368)	(18)	128	8	(250)	(537)	(789)
Net exposure	**(368)**	**(18)**	**128**	**8**	**(250)**	**(537)**	**(789)**

Notes – Financial statements

26 Financial instruments and financial risks – continued

Sensitivity of result and equity to market fluctuations

	Group		Parent company	
(DKK million)	**2023**	**2022**	**2023**	**2022**
	Result	**Equity**	**Result**	**Equity**
5% increase in GBP/DKK	(1)	16	10	19
5% increase in PLN/DKK	(1)	29	9	32
	(2)	**45**	**19**	**51**

The table above shows the sensitivity of result and equity to market fluctuations. A decline in the GBP/DKK and PLN/DKK exchange rates would result in a corresponding increase in re 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.

	Group							
(DKK million)	**2023**				**2022**			
	Net interest-bearing debt	**Interest hedged**	**Net position**	**Weighted time to maturity of hedging**	**Net interest-bearing debt**	**Interest hedged**	**Net position**	**Weighted time to maturity of hedging**
DKK	756	-	756	-	541	-	541	-
EUR	122	-	122	-	171	-	171	-
PLN	20	-	20	-	(126)	-	(126)	-
CHF	(28)	-	(28)	-	(30)	-	(30)	-
GBP	12	-	12	-	(62)	-	(62)	-
Other	5	-	5	-	(2)	-	(2)	-
Total	**887**	**-**	**887**	**-**	**492**	**-**	**492**	**-**

The table above illustrates H+H's interest rate exposure on financial instruments at the balance sheet date. At 31 December 2023, the Group was not involved in any interest rate swaps.

All other things being equal, based on the 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 2023 would reduce result for the year before tax and equity by DKK 8 million (2022: DKK 4 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:

	Group			
(DKK million)	**2023**			
Financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Non-derivative financial instruments				
Credit institutions and banks	907	42	943	-
Lease liability	119	29	64	74
Deferred payment	106	7	33	75
Trade payables	278	278	-	-
Other payables	73	73	-	-
	1,483	428	1,040	149
Derivative financial instruments				
Other payables	138	138	-	-
	138	138	-	-
Total	**1,621**	**566**	**1,040**	**149**

(DKK million)	**2022**			
Non-derivative financial instruments:	**Carrying amount**	**0-1 year**	**1-5 years**	**Over 5 years**
Credit institutions and banks	742	8	770	-
Lease liability	108	26	45	40
Deferred payment	112	7	33	87
Trade payables	278	278	-	-
Other payables	177	177	-	-
Total	**1,417**	**496**	**848**	**127**

Notes – Financial statements

26 Financial instruments and financial risks – continued

Derivative financial instruments

During 2022, H+H entered into fixed volume and price gas contracts covering the period 2023 to 2026. Due to a significantly lower demand, not all contracted gas for the period 1 April 2023 to 31 March 2024 is expected to be used in production and consequently the excess will be sold off to the market at spot prices on a monthly basis, effectively falling outside the exemption of "own use" recognition in accordance with IFRS 9 for all similar gas contracts entered. Therefore, the hedge accounting principles has been applied for the commodity forward contracts from the day of the breach, being 1 April 2023 (cash flow hedge). At initial recognition the commodity forward contracts were measured at fair value and a corresponding 'day one loss' included in other payables.

The 'day one loss' is transferred to the income statement upon realisation of the underlying hedged items, whereas the commodity forward contracts are measured at fair value through Other comprehensive income for the part that qualify for hedge accounting and as Special Items in the income statement for the part that is deemed ineffective.

As of 31 December 2023 the 'day one loss' and fair value of the commodity forward contracts amounted to DKK 126 million and DKK 138 million, respectively, and thus included in other payables with a net liability of DKK 12 million. The effective part of the commodity forward contracts is recognised in Other comprehensive income amounting to DKK 10 million and an ineffective part of DKK 2 million has been recognised as special items in the income statement. Hedge effectiveness is measured using forecasted production, as well as estimates market gas prices.

The notional amount for commodity contracts amounts to DKK 192 million and the average hedged price per KwH for cash flow hedges for gas were DKK 1.03.

Categories of financial instruments

	Group			
(DKK million)	**2023**		**2022**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	102	102	122	122
Derivative financial instrument (day one loss)	126	126	-	-
Other receivables	74	74	40	40
Cash	139	139	358	358
Total financial assets measured at amortised costs	**441**	**441**	**520**	**520**
Credit institutions and banks	907	907	742	742
Trade payables and other payables	477	477	455	455
Total financial liabilities measured at amortised cost	**1,384**	**1,384**	**1,197**	**1,197**
Derivative financial instrument	138	138	-	-
Fair value through other comprehensive income	**138**	**138**	**-**	**-**
Derivative financial instrument	-	-	-	-
Fair value through profit & loss	**-**	**-**	**-**	**-**
Total financial instruments, net	**1,081**	**1,081**	**677**	**677**

Notes – Financial statements

26 Financial instruments and financial risks – continued

Fair values
Derivative financial instruments measured at fair value
Derivative financial instruments recognised only contain the above mentioned commodity forward contracts which are measured at fair value using generally accepted valuation techniques based on observable market prices and forward market rates and therefore categorised as Level 2 in the fair value hierarchy.

No other assets or liabilities are measured at fair value as of 31 December 2023, and thus no assets or liabilities are measured at level 1 or 3 in the fair value hierarchy.

Classification and assumptions for the calculation of fair value for non-derivative financial instruments measured at amortised cost
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.

Accounting policies
Fixed price and volume contracts for energy such as gas and electricity are accounted for using the 'own use' exemption and recognized in the profit and loss statement upon realization of the usage. These contracts are on frequent basis assessed if the 'own use' assumptions are still valid. If contracts are in breach with the 'own use' assumption a 'day one loss/gain' corresponding to the fair value of the underlying derivative as of the date of identifying the breach are recognised, and the contracts are subsequently accounted for using the hedge accounting principles for derivative financial instrument. The day one loss/gain are transferred to the profit and loss statement upon realization of the underlying hedged item.

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are included as other receivables and other payables, respectively.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of future cash flows are recognised in other comprehensive income. Gain and losses relating to such hedging transactions are transferred from other comprehensive income to the income statement upon realisation of the hedged item or when the hedge relationship is no longer effective. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement.

27 Related parties

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

Apart from contracts of employment and bonus, 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 56 million (2022: DKK 65 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 5 March 2024, H+H decided to unwind the hedging agreement for contracts initiated in the summer of 2022. This unwinds the unfavourable hedges as of 31 March 2024, and the difference between the fixed price and the market price for the remaining contract period will be recognised as a one-off loss of around DKK 95 million, classified as special items in Q1 2024.

Financial ratios & Glossary

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 Management's review have been calculated as follows:

Gross margin	Gross profit x 100 / Revenue
EBITDA margin	EBITDA x 100 / Revenue
EBIT margin	EBIT x 100 / Revenue
Return on invested capital *	EBIT / Average invested capital
Earnings per share (EPS)	Result for the year / Average number of shares outstanding
Diluted earnings per share (EPS-D)	Diluted earnings / Diluted average number of shares outstanding
Solvency ratio	Equity at year-end (attributable to H+H) x 100 / Total equity and liabilities, year-end
Financial gearing	Net interest-bearing debt, year-end / EBITDA

* Return on invested capital is measured on a twelve months basis.

Glossary

EBITDA	Operating profit before depreciation, amortization 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
FTE and avarage FTE	Full-time employees and average number of full-time employees
Free cash flow	The sum of cash flow from operating and investing activities
Net working capital	Net working capital is inventories, trade receivables, and other receivables less trade payables and other payables.
Invested capital	Invested capital is calculated as net working capital plus tangible assets and intangible assets excluding goodwill deducted by provisions and operating non-current liabilities.
Earnings per share	Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.
Net interest-bearing debt	Net interest-bearing debt is credit institutions and lease liabilities less cash funds
CSRD	Corporate Social Responsibility Directive
ESRS	European Sustainability Reporting Standards
SBM	Strategy and Business Model
MDR	Minimum Disclosure Requirement
IRO	Impacts, Risks and Opportunities
GOV	Governance
REC	Renewable Energy Certificate
BP	Basis for Preparation
EEA	European Economic Area

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 2023.

The annual report has been prepared in accordance with IFRS Accounting 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 2023 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 2023.

Management's review has been prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We recommend that the annual report be approved at the annual general meeting.

In our opinion, the Sustainability statements included in the management's review represents a reasonable, fair, and balanced representation of the Group's sustainability performance and are prepared in accordance with the stated accounting policies.

In our opinion, the Annual Report of H+H International A/S for the financial year 1 January to 31 December 2023 with the file name HH-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen, 5 March 2024

Executive Board

Jörg Brinkmann
CEO

Peter Klovgaard-Jørgensen
CFO

Board of Directors

Kent Arentoft
Chair

Jens-Peter Saul
Vice 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 2023 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 2023 in accordance with IFRS Accounting 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 2023 comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including material accounting policy information 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. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of two years including the financial year 2023

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 2023. 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 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 3 in the Consolidated Financial Statements.	Our audit procedures included considering the appropriateness of the revenue recognition accounting policies and assessing compliance with IFRS Accounting 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. We evaluated Management's calculations for quantum rebates and customer bonuses, including the evaluation of estimates made by Management. Further we tested revenue recognised around year-end 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 and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

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 and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). 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 IFRS Accounting 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 2023 with the filename HH-2023-12-31-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 2023 with the file name HH-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 5 March 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

Jacob F Christiansen State Authorised Public Accountant mne18628	Poul P. Petersen State Authorised Public Accountant mne34503

Independent limited assurance report on selected ESG data

To the Stakeholders of H+H International A/S

H+H International A/S engaged us to obtain limited assurance on Gross scope 1 GHG emissions (tCO_2eq), Gross market-based scope 2 GHG emissions (tCO_2eq) and Lost-time incident frequency (LTIF) for the period 1 January - 31 December 2023 stated (the "Selected ESG data").

Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the Selected ESG data for the period 1 January - 31 December 2023 for H+H International A/S are prepared, in all material respects, in accordance with the applied accounting policies developed by H+H International A/S as stated on page 78 (the " Accounting policies").

This conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over the Selected ESG data in the 2023 Annual Report of H+H International A/S:

- Gross Scope 1 GHG emissions (tCO_2eq) (page 62)
- Gross market-based Scope 2 GHG emissions (tCO_2eq) (page 62)
- Lost-time incident frequency (LTIF) (page 68)

We express limited assurance in our conclusion.

Corresponding information

With effect from the current financial year, the Selected ESG data have become subject to a limited assurance engagement. Please note that the comparative information stated in the Selected ESG data has not been subject to assurance, which also appears from the Selected ESG data.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected ESG data need to be read and understood together with the accounting policies. The accounting policies used for the preparation of the Selected ESG data are the accounting policies developed by H+H International A/S, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure sustainability data allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected ESG data. In doing so and based on our professional judgement, we:

- Evaluated the appropriateness of the accounting policies used and their consistent application in the Selected ESG data;
- Made inquiries and conducted interviews with management with responsibility for management and reporting of the Selected ESG data to assess reporting and consolidation process, use of company-wide systems and controls performed;
- Checked the Selected ESG data on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the accounting policies used for preparing the Selected ESG data;
- Performed analytical review and trend explanation of the Selected ESG data; and
- Evaluated the obtained evidence.

Management's responsibilities

Management of H+H International A/S is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the Selected ESG data that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing the Selected ESG data;
- Measuring and reporting the information in the Selected ESG data based on the accounting policies; and
- The content of the Selected ESG data.

Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected ESG data for the period 1 January – 31 December 2023 are prepared, in all material respects, in accordance with the accounting policies;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of H+H International A/S.

Hellerup, 5 March 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Jacob F Christiansen	**Poul P. Petersen**
State Authorised Public Accountant	State Authorised Public Accountant
mne18628	mne34503

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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

2005
Expansion into Poland

2009
Opening of plant near St. Petersburg, Russia

Turnaround
2011–2015

2011
After the 2008-2009 financial crisis, streamlining of the Group is commenced

Restructuring of the European white-stone markets
2015–2021

2015
Restructuring of the Polish aircrete market

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

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

2020
Acquisition of one AAC plant in Germany

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

H+H as a Partner in Wall Building
2023

2022
H+H delivers the best result ever

2023
As a response to the macro-economic turmoil in Europe, business improvement plans are initiated

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PARTNERS IN WALL BUILDING