

# Annual Report 2008

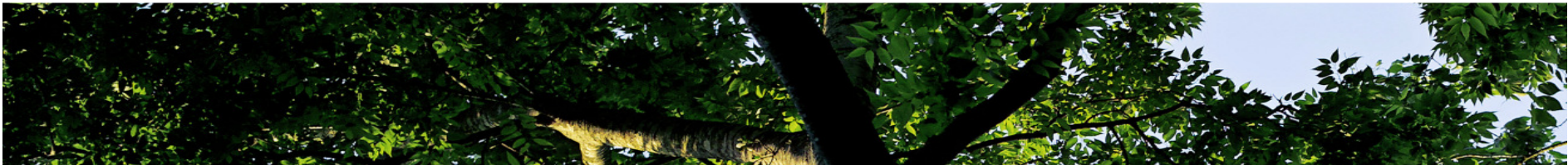
20 March 2009

Presented by Peter A. Poulsen, CEO  
and Tom Wrensted, CFO



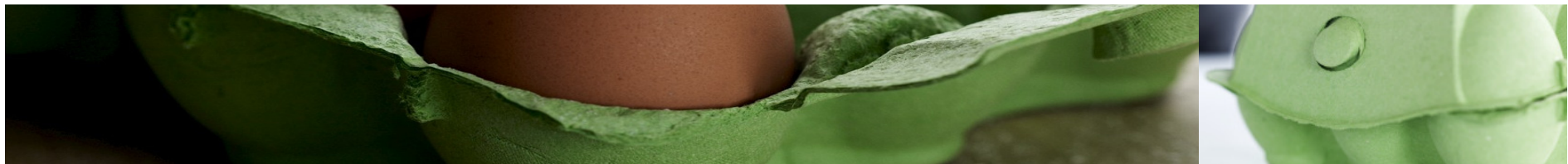
# AGENDA

- **Highlights 2008**
- **Fulfilment of financial objectives 2008**
- **Financial review for 2008**
- **Update on strategy**
- **Outlook for 2009**
- **Market conditions still promising**



### The tide has turned

- **Turnaround successfully completed**
- **Significant growth in total earnings:** Operating profit before special items of DKK 91 million (2007: DKK 53 million)
- Revenue growth and substantial earnings improvement in **Egg Packaging Europe**
- Unsatisfactory development in **Egg Packaging North America:** Unfavourable currency hedging but improvement of operations
- Lower revenue but significant improvement of operating profit before special items in **Industrial Packaging.** Special items an expense of DKK 29 million
- **Healthy cash flow**
- **Rights issue** added financial strength



# RESULTS OF TURNAROUND 'FORWARD TO BASICS'

## The new Hartmann

### Restructuring and refocusing

- Divestment in South America and closing-down in Asia
- Adjustment of the organisation
- Productivity and efficiency improvements in Europe
- Improved distribution of production capacity and trimmed product portfolio
- Increased production efficiency in North America
- Restructuring of Industrial Packaging

### Refinancing

- Rights issue generated net proceeds of DKK 252 million
- Improved equity and lower gearing

**Significant earnings improvement**

**Healthy cash flow**

**Reduction of risks**

**Improved capital base**



## FULFILMENT OF FINANCIAL OBJECTIVES 2008

### The goals for 2008 were reached

DKKm	Actual 2008	Expected Q3 08	Expected 2008*
Revenue	1,491	1,480	1,460
EBIT before special items	91	79	70
Special items**	(25)	(24)	-
Operating profit	66	55	70
Profit for the year	(3)	0	20

*\*As announced in Annual Report 2007*

#### \*\*Special items (DKKm)

Impairment of assets in Industrial Packaging	<b>(37)</b>
Restructuring/closing-down in Industrial Packaging	<b>(5)</b>
Reversal of provision concerning Asia	<b>4</b>
Sales of machinery, other business areas	<b>5</b>
Sales of building in Asia	<b>8</b>

## The turnaround plan creates notable profit improvement

DKKm	2008	2007	2006
Revenue	1,491	1,492	1,475
<b>Operating profit before special items</b>	<b>91</b>	<b>53</b>	<b>17</b>
Special items	(25)	(199)	45
Operating profit	66	(146)	62
Net financial income and expense	(77)	(52)	(20)
Profit before tax	(11)	(198)	42
Profit/(loss) for the year from continuing operations	(3)	(271)	38
Profit/(loss) for the year	(3)	(513)	(77)

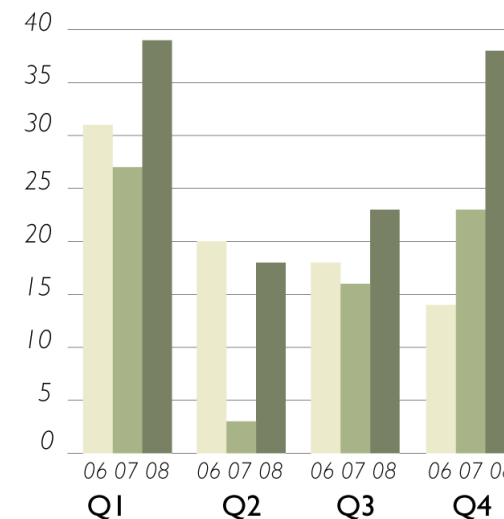
## Improved revenue and earnings

DKKm	Q4 08	Q4 07	2008	2007
Revenue	309	286	1,142	1,043
Operating profit before special items	38	23	118	69
<i>Operating profit before special items in %</i>	<i>12.3</i>	<i>7.9</i>	<i>10.3</i>	<i>6.6</i>
Operating profit	38	17	118	64

- **Increased volume and improved product and price mix**
- Positive effects of the **turnaround plan** – reduction of costs, focus on earnings before growth and relocation of production
- Additional focus on **reducing energy consumption**

Operating profit before special items:

DKKm Egg Packaging Europe



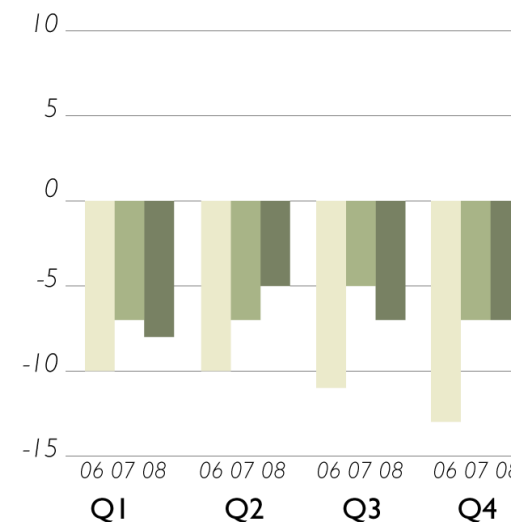
# EGG PACKAGING NORTH AMERICA

## Improved operations but unfavourable currency hedging

DKKm	Q4 08	Q4 07	2008	2007
Revenue	32	38	123	147
Operating profit before special items	(7)	(7)	(27)	(28)
<i>Operating profit before special items in %</i>	<i>(20.8)</i>	<i>(19.1)</i>	<i>(22.1)</i>	<i>(18.8)</i>
Operating profit/(loss)	(7)	(7)	(21)	(144)

- **Reduction of fixed costs** and **improved operations**
- **Unfavourable currency hedging** for CAD/USD (adverse effect of approximately DKK 19 million compared to 2007)
- Focus on revenue and capacity utilisation – **new agreements** signed end-2008

Operating profit before special items:  
DKKm Egg Packaging North America

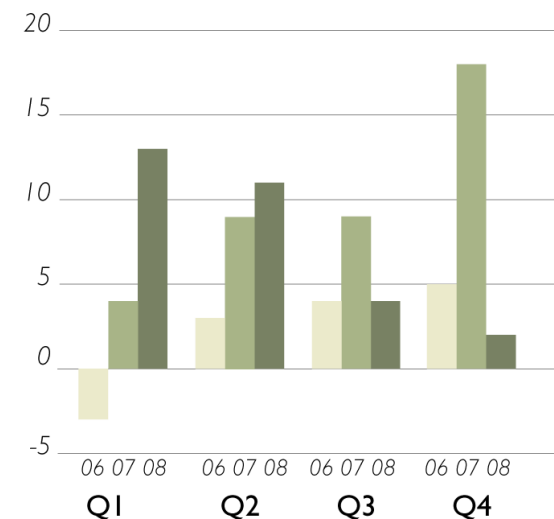


## Focus and loss of customer marked 2008

DKKm	Q4 08	Q4 07	2008	2007
Revenue	25	64	126	220
Operating profit before special items	2	18	29	41
<i>Operating profit before special items in %</i>	<i>7.1</i>	<i>28.9</i>	<i>23.0</i>	<i>18.6</i>
Operating profit/(loss)	(1)	23	0	(16)

- **Revenue dropped** due to declining sales in Europe and closing-down in Asia and North America
- **Loss of major customer** – phase-out started and will be completed by end-2009
- Turnaround plan has **reduced fixed and variable costs**
- **Impairment, restructuring and close-downs** affect the results by an expense of DKK 29 million
- Focus on attracting **new customers**

Operating profit before special items:  
DKKm Industrial Packaging



## CASH FLOWS

### Healthy cash flow

DKKm	2008	2007
Cash flows from operating activities	101	56
Cash flows from investing activities	(83)	(141)
Cash flows from financing activities	122	74
Cash flows from continuing operations	140	(12)
Cash flows from discontinued operations	-	(64)
<b>Total cash flows</b>	<b>140</b>	<b>(76)</b>



## Growth in equity and reduction of debt

DKKm	31.12.08	31.12.07
Assets	1,189	1,220
Equity	456	220
Net interest-bearing debt	319	592
Net working capital (NWC)	100	112
Invested capital (IC)	727	810

- **Equity** increased by DKK 236 million since beginning of the year primarily due to the rights issue
- **Interest-bearing debt** decreased by DKK 273 million since beginning of the year due to repayment of loan and other factors
- Reduction of **invested capital**

## FINANCIAL RATIOS

### All financial ratios improved

%	2008	2007
Operating margin (EBITDA)	12.8	7.6
- <i>Adjusted for special items</i>	14.6	10.5
Profit margin (EBIT)	4.4	(9.8)
- <i>Adjusted for special items</i>	6.1	3.6
Return on invested capital (ROIC)	8.6	(16.3)
- <i>Adjusted for special items</i>	11.8	5.9
Gearing	69.9	268.7
Equity interest	38.4	(134.3)

# THREE-PHASE STRATEGY

## Second phase begun

Period	Plan	Focus area
<b>2007-2008</b> <i>(Phase 1)</i>	<b>'Forward to basics'</b>	Partial global pullback Adjusting the organisation Earnings before growth
<b>2009-2010</b> <i>(Phase 2)</i>	<b>'10 in 10'</b>	Optimisation in Europe Revenue growth and improved capacity utilisation in North America Adjusting the activity level in Industrial Packaging
<b>2011-</b> <i>(Phase 3)</i>	<b>To be defined during Phase 2</b>	

## '10 IN 10' – KEY ELEMENTS

### **Optimisation in Europe**

- Reallocating production
- Improving energy efficiency
- Reducing wastage
- Investing in automation
- Improving supply service
- Improving quality
- Optimising product portfolio

### **Revenue growth and capacity utilisation in North America**

- Process improvements and automation
- Increased sales volume – focus on high-value products

### **Adjusting the activity level in Industrial Packaging**

- Identification of the potential of other product groups



### Negative exchange rate movements affect forecasts

DKKm	Expected 2009	Announced in offering circular	Actual 2008
Revenue	1,400	1,500	1,491
EBIT margin, %	5-6	6.0-6.7	4.4

Exchange rate impact for the rates hedged for 2008:

- Revenue: Negative effect of approx. DKK 125 million
- EBIT margin: Negative effect of approx. 2.0 percentage points



### Hartmann is well prepared for 2009

- **'Less steak and more omelette'**
- Increased focus on **environmental** issues – now also in the USA
- Sustainable marketing
- Increasing interest in **high-value packaging**
- **Retailers have growing influence** on the choice of packaging – and ask for guidance
- Renewed focus on **product development**; still combined with a focus on earnings



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# Questions



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