

Interim report Q2 2019



Conference call 14 August 2019
CEO Torben Rosenkrantz-Theil
CFO Flemming Steen

Q2 2019 highlights

Volume growth in all markets

- Higher volumes across markets
- Particularly strong developments in Europe and North America

Stepping up investments

- New capacity commissioned in Europe and Argentina
- Additional capacity in Europe in H2
- Further expansion in Brazil, US and Europe in 2020

Maintaining solid profitability

- Higher efficiency and selling prices
- Negative impact of raw materials and lower technology sales

Normalised technology sales

- Low sales in Q2 against strong comparison period
- Unchanged expectations for 2019

Revenue

DKK 553m

DKK 542m

Profit margin

8.5%

11.1%

CAPEX

DKK 49m

DKK 28m

Currency movements, primarily related to the Argentine peso (ARS), reduced revenue by DKK 29 million and operating profit by DKK 1 million in Q2 2019.

Business overview

Americas

Revenue: DKK 237m (+7%)

Profit margin: 12.6% (2018: 13.2%)

Growth strong in North America and moderate in South America

Stable profitability despite higher costs in South America

Europe

Revenue: DKK 317m (-1%)

Profit margin: 7.5% (2018: 12.6%)

Strong volume and revenue growth in core business

Low contribution from machinery sales as expected

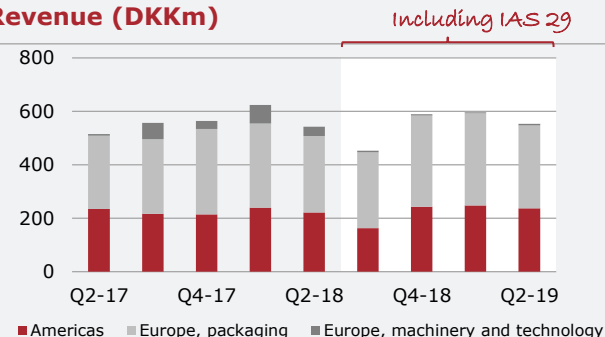


Financials Q2 2019

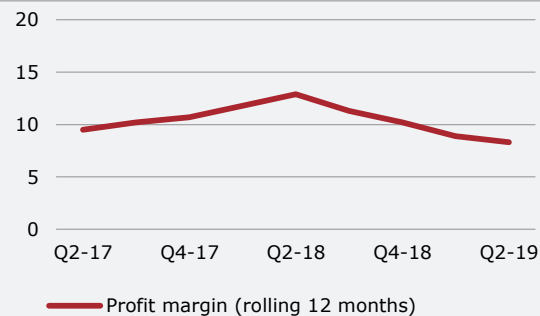
- Revenue grew based on progress in core business
 - Volumes increased and average selling price improved
 - Machinery and technology sales declined to DKK 6m against DKK 35m
- Earnings were lower despite strong performance in core business
 - Low contribution from machinery and technology sales
 - Higher raw material prices
- Currency impacted revenue by DKK -29m and operating profit by DKK -1m
 - Significant impact from development in ARS

DKKm	Q2 2019	Q2 2019 excl. IAS 29	Q2 2018
Revenue	553	547	542
Operating profit	45	47	60
Special items	0	0	(16)
Profit	26	30	10
Free cash flows (operating and investing)	(31)	(31)	38
Invested capital	1,512	1,468	1,289
Profit margin, %	8.1	8.5	11.1
ROIC, % (rolling 12 months)	12.3	13.4	21.7

Revenue (DKKm)



Profit margin excl. IAS 29 (%)



Strategy


Think ahead

- Leverage positive trends and drivers
- Invest to accommodate growing demand
- Enhance utilisation of production capacity
- Improve efficiency through automation and technology development
- Intensify marketing efforts
- Explore potential for attractive acquisitions



Trends and initiatives

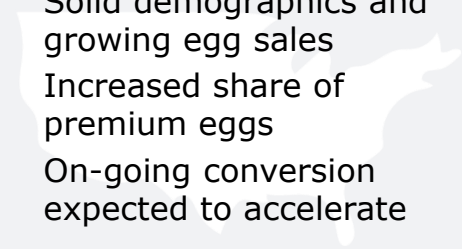
Europe

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- A faint, light-colored map of Europe is visible in the background of the Europe section.
- Relatively mature markets
 - Strong demographics in Eastern Europe
 - Conversion from plastics in selected markets

Initiatives

- Expand existing capacity
- Develop technology
- Increase automation
- Step up marketing


North America

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- A faint, light-colored map of North America is visible in the background of the North America section.
- Solid demographics and growing egg sales
 - Increased share of premium eggs
 - On-going conversion expected to accelerate

Initiatives

- Add capacity at existing sites
- Intensify marketing
- Improve capacity utilisation
- Implement new technology

South America

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- A faint, light-colored map of South America is visible in the background of the South America section.
- Long-term growth from demographics
 - Positive development in egg category

Initiatives

- Expand capacity
- Improve capacity utilisation
- Optimise production allocation
- Automate and upgrade

Guidance 2019 and financial ambitions

Guidance 2019

Revenue

DKK 2.2-2.4bn

Profit margin*

9-11%

CAPEX*

DKK ~300m

- Volume growth and higher average selling prices in core business
- Normalised, lower technology sales
- Improved capacity utilisation and efficiency
- Higher raw material costs
- CAPEX expected around DKK 300m after decision to expand capacity in the US

**Before restatement for hyperinflation*

Ambitions

Continual growth in packaging sales



Year-on-year revenue growth



Profit margin* of at least

14%

Q&A



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Upcoming events

Q3 interim report

13 November 2019



Torben Rosenkrantz-Theil
CEO



Flemming Steen
CFO

Appendix: Key figures and financial ratios

DKKm	Q2			H1		
	2019	2019 excl. IAS 29	2018	2019	2019 excl. IAS 29	2018
Revenue	553	547	542	1,150	1,145	1,166
Europe, packaging	311	311	286	655	655	601
Europe, machinery and technology	6	6	35	10	10	104
Americas	237	230	222	485	480	461
Operating profit	45	47	60	103	108	152
Europe	24	24	40	58	58	102
Americas	27	29	29	58	63	64
Special items	0	0	(16)	0	0	(21)
Net financials	(7)	(8)	(30)	(13)	(14)	(40)
Profit	26	30	10	62	71	68
Free cash flows	(31)	(31)	38	(14)	(14)	99
Profit margin, %	8.1	8.5	11.1	9.0	9.4	13.0

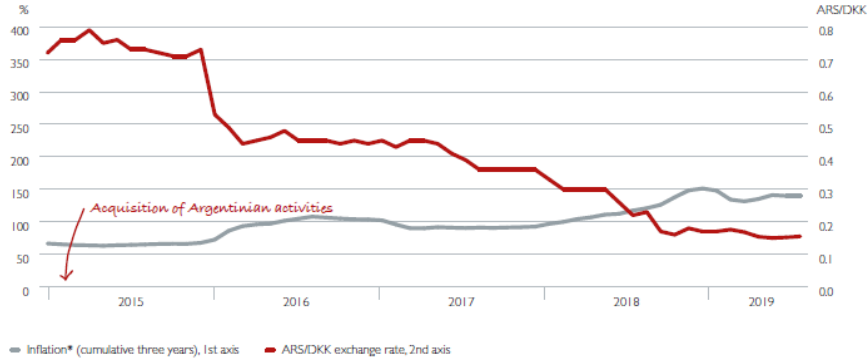
Appendix: Balance sheet

DKKm	30.06.19	30.06.19 excl. IAS 29	30.06.18
Assets	2,014	1,973	1,756
Net working capital (NWC)	357	357	332
Invested capital (IC)	1,512	1,468	1,289
Net interest-bearing debt	735	735	614
Equity	791	760	697
ROIC, % (rolling 12 months)	12.3	13.4	21.7
Equity ratio, %	39.3	38.5	39.7
Gearing, %	92.9	96.7	88.0

Appendix: Hyperinflation

Read more in the Q2 2019 interim report on page 10

Inflation and exchange rate developments in Argentina

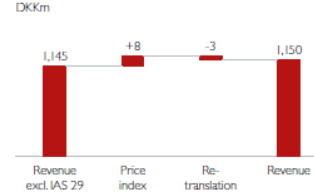


Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2019 to date
Revenue	1,145	8	(3)	5	1,150
Operating profit before depreciation	171	(1)	(1)	(2)	169
Operating profit	108	(4)	(1)	(5)	103
Financial income and expenses, net	(14)	4	3	1	(13)

* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

Effect of restating year-to-date revenue



The total effect on H1 2019 revenue of restating for hyperinflation under IAS 29 is a combination of restating for price index developments and the effect of using the exchange rate at the balance sheet date for purposes of translating from the Argentine peso into Danish kroner.

The price index rose by 23% during the first half of the year, boosting revenue by DKK 8 million. The increase was partially offset by a decline in the ARS/DKK cross rate from 0.173 at the beginning of the year to 0.155 at 30 June 2019 reducing revenue by DKK 3 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,150 million after a total positive impact of restating for hyperinflation of DKK 5 million.

For more information about hyperinflation, see page 23 and note 36 in the annual report for 2018.

Forward-looking statements

Disclaimer

This presentation contains forward-looking statements reflecting management's expectations of future events and must be viewed in the context of among other things the business environments and currency markets, which may cause actual results to deviate materially from those projected by Hartmann.