

Annual report 2019

Conference call 11 March 2020
CEO Torben Rosenkrantz-Theil
CFO Flemming Steen



2019 highlights

Growth

+7%

- Strong market drivers
- Solid volume growth
- Increased share of premium products

Earnings

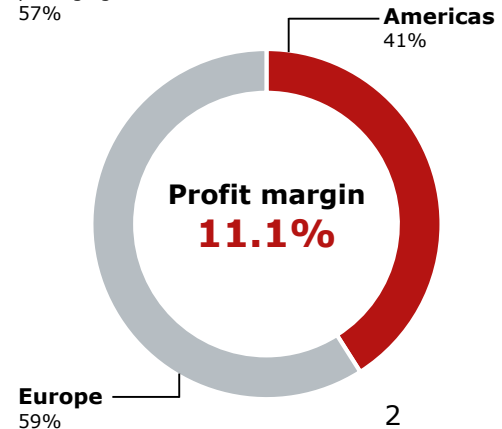
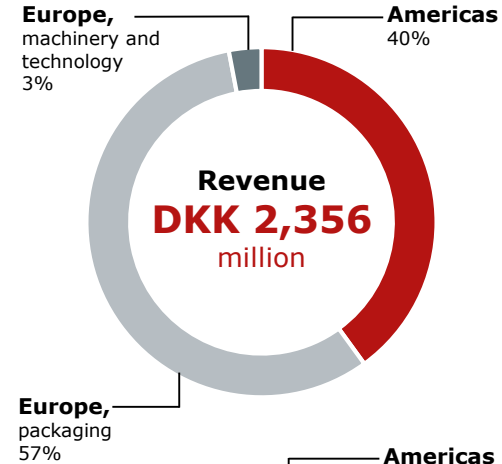
+16%

- Enhanced production efficiency and utilisation
- Improved selling price
- Higher raw material prices

CAPEX

+53%

- New capacity commissioned in Europe and Argentina
- Expansion plans in Europe, the USA and Brazil
- Conditional acquisition of Mohan Fibre in early 2020



Segment overview

Americas

Revenue: DKK 951m (+10%)

Profit margin: 12.5% (2018: 11.1%)

Strong volume growth and improved selling prices

Improved production efficiency

Higher raw materials prices and negative currency effects

Europe

Revenue: DKK 1,406m (+5%)

Profit margin: 12.1% (2018: 11.3%)

Solid core business volume growth and lower machinery sales

Increased proportion of premium products

Higher raw materials and freight costs

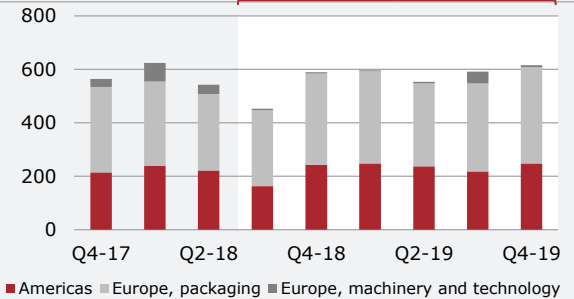


Financials 2019

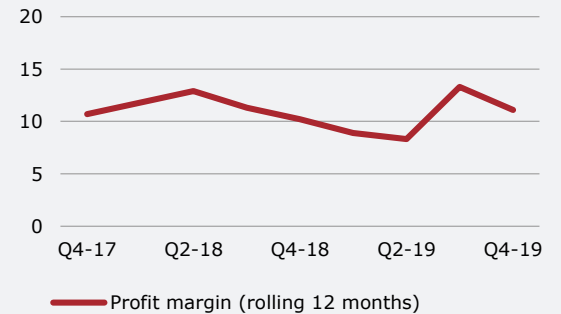
- Strong revenue development despite lower machinery sales
 - Solid volumes and improved premium share lifted core business 10%
 - Machinery and technology sales of DKK 61m (2018: DKK 115m)
- Improved profitability in the core business
 - Volume growth and higher premium share
 - Supported by licence income from patent case

DKKm	2019	2019 excl. IAS 29	2018	2018 excl. IAS 29
Revenue	2,356	2,361	2,224	2,207
Operating profit	250	262	215	226
Special items	0	0	(33)	(33)
Profit	167	185	96	103
Free cash flows (operating and investing)	100	100	136	136
Invested capital	1,502	1,455	1,321	1,288
Profit margin, %	10.6	11.1	9.7	10.2
ROIC, %	16.9	18.2	16.0	17.2

Revenue (DKKm)



Profit margin excl. IAS 29 (%)



Strategy – trends and strengths

Trends

Demographics

10

billion people
in 2050



Population growth
Increasing prosperity
Urbanisation
Retail growth

Sustainability

4x

plastic consumption
in 2050



Growing awareness
Single-use plastic ban
Well-proven alternative

Consumer behaviour

58%

more product launches
in 2018 versus 2014



Consumption growth
Demand for more egg types
Focus on nutrition and animal welfare
Clear differentiation of eggs

Strengths

Expertise



Customer advice
Consumer research
Data-based approach

Platform



Solid market positions
+50 countries
12 factories + 2 in 2020

Products



Versatile portfolio
Renewable and tailored
FSC and CO₂ neutral

Technology



Proven since 1936
Industry-leading
Internal and external

Strategy – focus

Capacity



- Increase capacity
- Strengthen presence in existing markets
- Explore new markets

Initiatives

Added capacity in Europe and Argentina

Significant expansions in 2020

Indian acquisition in 2020

Efficiency



- Continuous cost reduction
- Automation of production
- Improved processes and methods

Initiatives

Investments in automation

Technology implementation

Organisational adjustments

Higher output per employee

Marketing



- Focus on expertise and products
- Highlight moulded fibre eco-friendliness

Initiatives

Several consumer surveys

Customer sparring and advice

Intensified marketing efforts

Guidance 2020 and financial ambitions

Guidance 2020

Revenue

DKK 2.4-2.6bn

Profit margin*

10-12%

Investments

DKK ~400m

- Volume growth in core business
- Slightly higher machinery sales
- Moderate contribution from India
- Investments include conditional acquisition of Indian business for DKK 119m

**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

Annual general meeting	21 April 2020
Q1 interim report	13 May 2020
Q2 interim report	19 August 2020
Q3 interim report	18 November 2020



Torben Rosenkrantz-Theil
CEO



Flemming Steen
CFO

Appendix: Key figures and financial ratios

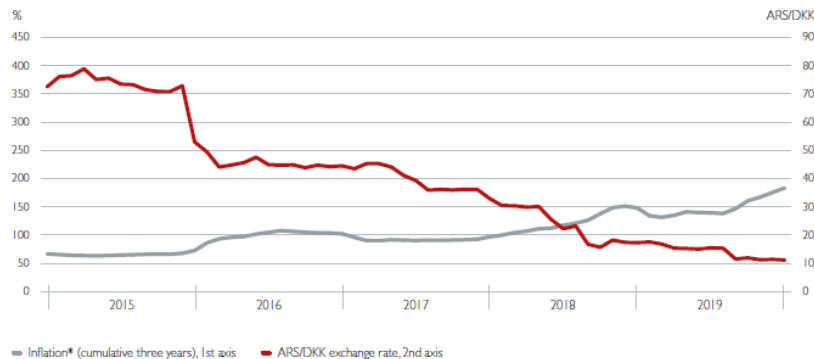
DKKm	Q4				FY			
	2019	2019 excl. IAS 29	2018	2018 excl. IAS 29	2019	2019 excl. IAS 29	2018	2018 excl. IAS 29
Revenue	615	611	588	566	2,356	2,361	2,224	2,207
Europe, packaging	360	360	341	341	1,406	1,406	1,340	1,340
Europe, machinery and technology	7	7	5	5	61	61	115	115
Americas	248	244	243	221	951	955	867	884
Operating profit	71	74	49	48	250	262	215	226
Europe	51	51	38	38	170	170	152	152
Americas	30	32	19	17	107	119	87	98
Special items	0	0	(3)	(3)	0	0	(33)	(33)
Net financials	(7)	(5)	0	3	(35)	(38)	(46)	(56)
Profit	60	67	33	37	167	185	96	103
Free cash flows	42	42	47	47	100	100	136	136
Profit margin, %	11.6	12.1	8.4	8.4	10.6	11.1	9.7	10.2

Appendix: Balance sheet

DKKm	31.12.19	31.12.19 <small>excl. IAS 29</small>	31.12.18	31.12.18 <small>excl. IAS 29</small>
Assets	2,042	2,002	1,834	1,804
Net working capital (NWC)	323	322	287	287
Invested capital (IC)	1,502	1,455	1,321	1,288
Net interest-bearing debt	634	634	577	577
Equity	879	847	765	742
ROIC, %	16.9	18.2	16.0	17.2
Equity ratio, %	43.1	42.3	41.7	41.1
Gearing, %	72.1	74.8	75.4	77.8

Appendix: Hyperinflation

Inflation and exchange rate developments in Argentina

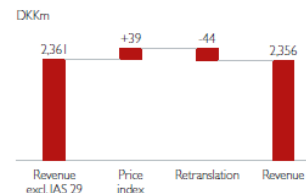


Effects of restating for hyperinflation on selected accounting figures

DKKm	2019 Excl. IAS 29	Price Index adjustments	Re- translation	Total adjustment	2019
Revenue	2,361	39	(44)	(5)	2,356
Operating profit before depreciation	398	(1)	(6)	(7)	391
Operating profit	262	(8)	(4)	(12)	250
Financial items, net	(38)	0	3	3	(35)

* 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 revenue



The total effect of IAS 29 implementation on 2019 revenue is a combination of restating for price index developments and the effect of transitioning to translating the Argentine peso into Danish kroner at the balance sheet date.

Even though revenue was favourably affected in the amount of DKK 39 million by the average annual increase in the price index of 54% during the period under review, the total effect of restating for hyperinflation was negative. The ARS/DKK cross rate fell from 17.3 at the beginning of the year to 11.1 at 31 December 2019. The new currency translation practice based on the exchange rate at the balance sheet date, as opposed to the exchange rate at the date of transaction, thus reduced Hartmann's revenue by DKK 44 million.

Revenue was DKK 2,356 million after a net negative impact of restating for hyperinflation of DKK 5 million.

Read more in the
2019 annual
report on page 22

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.