



Interim report H1 2020

Conference call 20 August 2020
CEO Torben Rosenkrantz-Theil
CFO Flemming Steen

Q2 2020 highlights

Growth

+20%

- Strong demand in low season due to COVID-19
- Significant volume growth and improved mix
- High utilisation of production capacity

Earnings

+193%

- Highest quarterly earnings ever
- High level of production efficiency
- Improved raw material prices

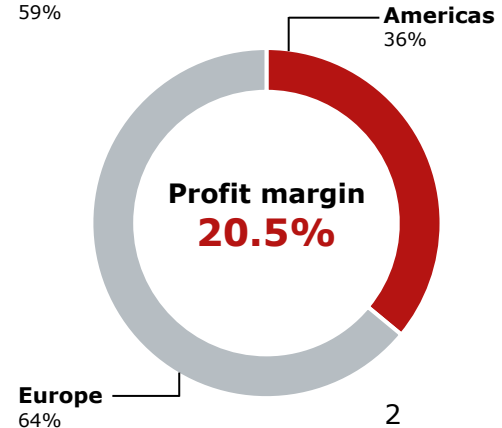
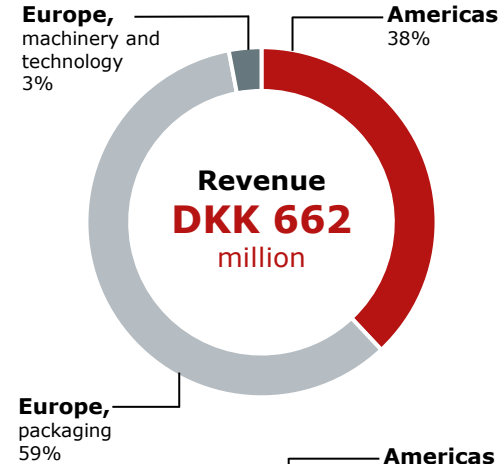
Investments

+82%

- Expansion in Europe, the USA and Brazil on track
- Expected 2020 approval of Mohan Fibre acquisition
- Considerable expansion of capacity in the USA
- Additional capacity to be added in Europe



References to operating profit and profit margin are before restatement for hyperinflation (IAS 29) and special items, unless otherwise stated.



COVID-19 update



Impact

- Significant and temporary shift in consumption
- Substitution from food service to retail sales and from open markets to supermarkets
- Strong positive impact in Q2 continued in Q3

Risk

- Lower visibility and higher operational risk
- Economic implications and currency fluctuations
- Temporary production and distribution interruptions as well as raw material price hikes

Focus

- Protect employees, partners and customers
- Monitor developments across markets
- Ensure supplies, operations and deliveries

Segment overview

Americas

Revenue: DKK 252m (+6%)

Profit margin: 19.7% (2019: 12.6%)

Higher demand and volume driven by COVID-19

High utilisation, efficiency and improved product mix

Progress despite negative currency effects in South America

Europe

Revenue: DKK 410m (+30%)

Profit margin: 21.6% (2019: 7.5%)

Strong retail demand and volume growth due to COVID-19

High utilisation and significant revenue growth

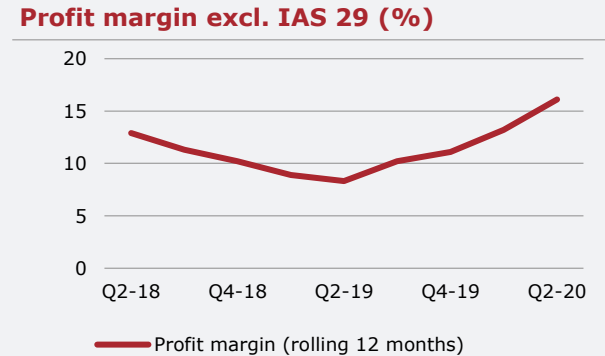
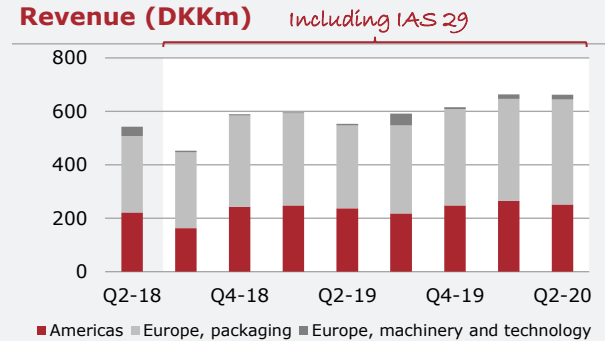
Improved production efficiency and record earnings



Financials Q2 2020

- Seasonality offset and revenue boosted by COVID-19
 - Volume growth and higher share of retail packaging
 - Higher machinery and technology sales of DKK 18m (2019: DKK 6m)
- Exceptionally strong earnings and profitability
 - High utilisation level and production efficiency
 - Improved product mix and raw material prices

DKKm	Q2 2020	Q2 2020 excl. IAS 29	Q2 2019	Q2 2019 excl. IAS 29
Revenue	662	667	553	547
Operating profit	133	137	45	47
Special items	(2)	(2)	0	0
Profit	90	95	26	30
Free cash flows (operating and investing)	84	84	(31)	(31)
Invested capital	1,501	1,456	1,512	1,468
Profit margin, %	20.1	20.5	8.1	8.5
ROIC, % (rolling 12 months)	26.3	28.1	12.3	13.4



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

Adding capacity in Europe, the USA and Brazil

Indian acquisition in 2020

Add capacity in the USA and Europe in 2021

Efficiency



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

Initiatives

Investments in automation

Technology implementation

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 2.5-2.7bn

Profit margin*

15-18%

Investments

DKK ~450m

- Guidance lifted in August after positive impact from COVID-19 on sales and decision to add capacity in the USA Europe
- Continued growth and mix improvement
- Slightly higher machinery sales
- Moderate contribution from India
- Investments include conditional acquisition of Indian business for DKK 119m
- COVID-19 entails reduced visibility and increased operational risk

**Before restatement for hyperinflation and special items*

Ambitions

Continual growth in packaging sales



Year-on-year revenue growth



Profit margin* of at least

14%



More on COVID-19
in the H1 interim
report on page 8

Q&A



Contact information

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Upcoming events

Carnegie presentation	21 August 2020
ABG conference call	26 August 2020
ABG Small and MidCap seminar	23 September 2020
Q3 interim report	18 November 2020
Carnegie Small and MidCap seminar	27 November 2020



Torben Rosenkrantz-Theil
CEO



Flemming Steen
CFO

Appendix: Key figures and financial ratios

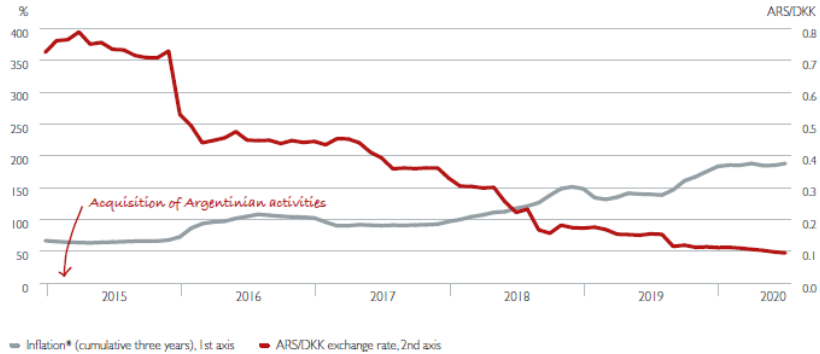
DKKm	Q2				H1			
	2020	2020 excl. IAS 29	2019	2019 excl. IAS 29	2020	2020 excl. IAS 29	2019	2019 excl. IAS 29
Revenue	662	667	553	547	1,325	1,330	1,150	1,145
Europe, packaging	393	393	311	311	375	375	295	295
Europe, machinery and technology	18	18	6	6	34	34	10	10
Americas	252	257	237	230	516	522	485	480
Operating profit	133	137	45	47	249	256	103	108
Europe	89	89	24	24	164	164	58	58
Americas	47	51	27	29	95	101	58	63
Special items	(2)	(2)	0	0	(7)	(7)	0	0
Net financials	(10)	(9)	(7)	(8)	(41)	(40)	(13)	(14)
Profit	90	95	26	30	148	158	62	71
Free cash flows	84	84	(31)	(31)	114	114	(14)	(14)
Profit margin, %	20.1	20.5	8.1	8.5	18.8	19.2	9.0	9.4

Appendix: Balance sheet

DKKm	31.06.20	31.06.20 <small>excl. IAS 29</small>	31.06.19	31.06.19 <small>excl. IAS 29</small>
Assets	2,121	2,080	2,014	1,973
Net working capital (NWC)	344	344	357	357
Invested capital (IC)	1,501	1,456	1,512	1,468
Net interest-bearing debt	522	522	735	735
Equity	960	928	791	760
ROIC, % (rolling 12 months)	26.3	28.1	12.3	13.4
Equity ratio, %	45.3	44.6	39.3	38.5
Gearing, %	54.4	56.3	92.9	96.7

Appendix: Hyperinflation

Inflation and exchange rate developments in Argentina

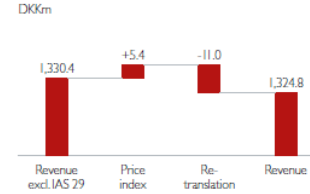


Effects of restating for hyperinflation on selected accounting figures year to date

DKKmn	Excl. IAS 29	Price index	Re-translation	Total adjustment	2020 to date
Revenue	1,330.4	5.4	(11.0)	(5.6)	1,324.8
Operating profit before depreciation	320.2	(0.8)	(2.9)	(3.7)	316.4
Operating profit	249.4	(4.4)	(2.4)	(6.8)	242.6
Financial items, net	(39.7)	(2.2)	0.5	(1.7)	(41.4)

* 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.

Effects of restating year-to-date revenue



The total effect on H1 2020 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 14% during the first six months of the year, boosting revenue by DKK 5.4 million. However, the increase was offset by a decline in the ARS/DKK cross rate from 0.1114 at the beginning of the year to 0.09447 at 30 June 2020 reducing revenue by DKK 11.0 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,324.8 million after a net negative impact of restating for hyperinflation of DKK 5.6 million.

For more information about hyperinflation see page 21 and note 34 in the annual report for 2019.

Read more in the H1 interim report on page 10

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.