

Interim report Q3 2020

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Q3 2020 highlights

Growth

+3%

- Exceptional activity level due to COVID-19
- Continued volume growth and improved mix
- Growth despite currency impact and strong Q3 2019

Earnings

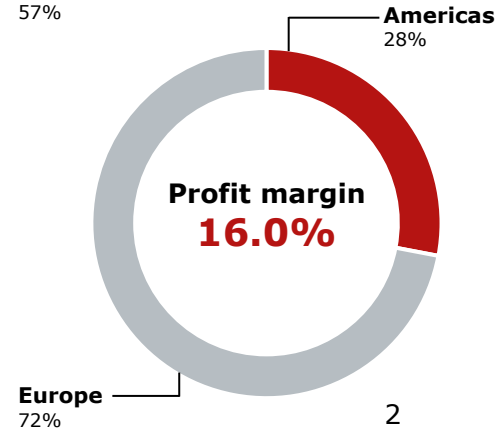
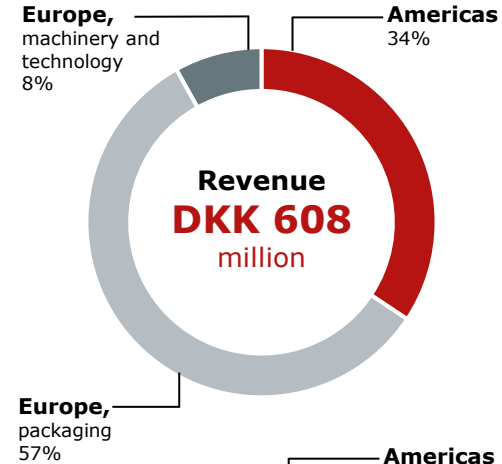
+21%

- Strong earnings level continued
- High utilisation and efficiency during low season
- Good product mix and volumes lifted earnings

Investments

DKK 58m

- Focus on expansion in Europe, USA and Brazil
- Conditional acquisition of Russian Gotek-Litar
- Indian Mohan Fibre acquisition completed in November



COVID-19 update



Impact

- Significant and temporary shift in consumption
- Fluctuations in currencies and raw material prices
- Substitution from food service to retail sales and from open markets to supermarkets
- Positive impact continued in Q4

Risk

- Lower visibility and elevated 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 209m (-4%)

Profit margin: 13.1% (2019: 9.1%)

Continued strong demand and volume growth

High utilisation and improved product mix

Significant negative currencies, higher raw material prices

Europe

Revenue: DKK 399m (+7%)

Profit margin: 18.6% (2019: 16.5%)

Extraordinary demand and volume growth in low season

Strong utilisation level and improved product mix

Higher revenue and earnings despite licence income in Q3 2019



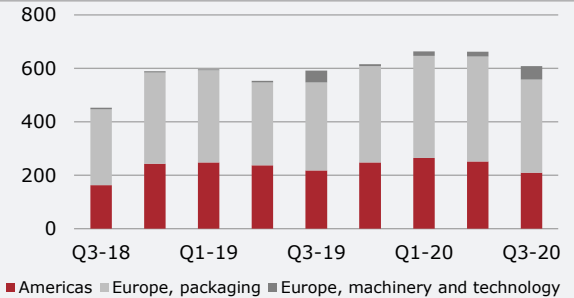
Currency movements, primarily related to the Argentine peso (ARS), reduced revenue by DKK 61 million, while operating profit was largely unaffected in Q3 2020.

Financials Q3 2020

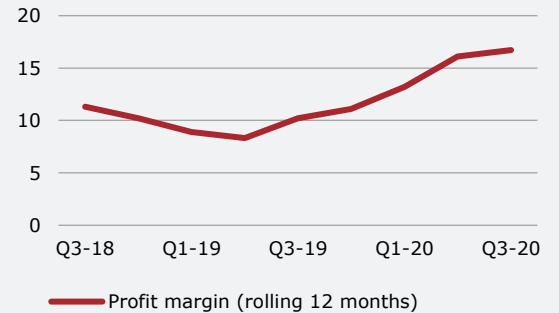
- Continued impact of COVID-19 lifted revenue
 - Volume growth and higher share of retail packaging
 - Higher sales of DKK 50m (2019: DKK 44m) in Hartmann Technology
- Very strong earnings and profitability
 - Volume growth and product mix
 - High utilisation level and production efficiency

DKKm	Q3 2020	Q3 2020 excl. IAS 29	Q3 2019	Q3 2019 excl. IAS 29
Revenue	608	613	591	604
Operating profit	94	98	76	81
Special items	(1)	(1)	0	0
Profit	58	63	45	48
Free cash flows (operating and investing)	45	45	72	72
Invested capital	1,481	1,437	1,500	1,457
Profit margin, %	15.6	16.0	12.9	13.3
ROIC, % (rolling 12 months)	27.6	29.4	15.5	16.8

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
13 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

New capacity in Europe, the USA and Brazil

Acquisitions in India and Russia

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*

16-18%

Investments

DKK ~600m

- Profit margin now expected to be 16-18% (previously 15-18%)
- Revenue and investment guidance maintained
- Continued positive COVID-19 impact on volumes and product mix
- Higher machinery sales expected
- Moderate contribution from India
- Investments include conditional acquisition of Russian business for DKK 116m
- 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 Q3 interim
report on page 8*

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Upcoming events

Annual report 2020	9 March 2021
Annual general meeting	27 April 2021
Q1 interim report 2021	18 May 2021
Q2 interim report 2021	17 August 2021
Q3 interim report 2021	16 November 2021



Torben Rosenkrantz-Theil
CEO



Flemming Steen
CFO

Appendix: Key figures and financial ratios

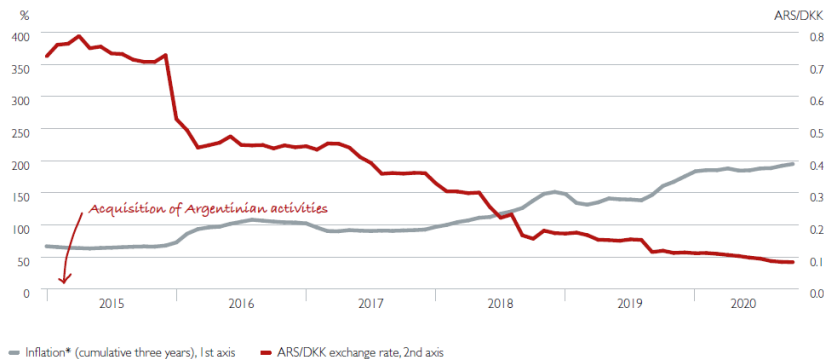
DKKm	Q3				9M			
	2020	2020 excl. IAS 29	2019	2019 excl. IAS 29	2020	2020 excl. IAS 29	2019	2019 excl. IAS 29
Revenue	608	613	591	604	1,933	1,943	1,741	1,750
Europe, packaging	349	349	330	330	1,124	1,124	985	985
Europe, machinery and technology	50	50	44	44	84	84	54	54
Americas	209	214	218	231	725	736	702	711
Operating profit	94	98	76	81	344	354	179	188
Europe	74	74	62	62	238	238	119	119
Americas	25	28	20	24	119	130	78	87
Special items	(1)	(1)	0	0	(8)	(8)	0	0
Net financials	(19)	(18)	(15)	(18)	(60)	(57)	(28)	(32)
Profit	58	63	45	48	206	221	107	119
Free cash flows	45	45	72	72	159	159	58	58
Profit margin, %	15.6	16.0	12.9	13.3	17.8	18.2	10.3	10.8

Appendix: Balance sheet

DKKm	30.09.20	30.09.20 <small>excl. IAS 29</small>	30.09.19	30.09.19 <small>excl. IAS 29</small>
Assets	2,134	2,094	2,046	2,006
Net working capital (NWC)	340	340	328	328
Invested capital (IC)	1,481	1,437	1,500	1,457
Net interest-bearing debt	475	475	680	680
Equity	985	953	825	795
ROIC, % (rolling 12 months)	27.6	29.4	15.5	16.8
Equity ratio, %	46.1	45.5	40.3	39.6
Gearing, %	48.2	49.8	82.4	85.5

Appendix: Hyperinflation

Inflation and exchange rate developments in Argentina

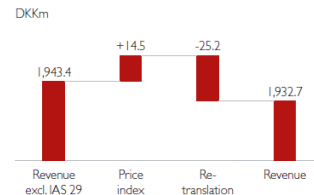


Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2020 to date
Revenue	1,943.4	14.5	(25.2)	(10.7)	1,932.7
Operating profit before depreciation	448.1	0.6	(6.4)	(5.8)	442.3
Operating profit	353.8	(4.8)	(5.3)	(10.1)	343.7
Financial items, net	(57.3)	(4.0)	1.3	(2.7)	(60.0)

* 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 9M 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 22% during the first nine months of the year, boosting revenue by DKK 14.5 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 0.0835 at 30 September 2020 reducing revenue by DKK 25.2 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,932.7 million after a net negative impact of restating for hyperinflation of DKK 10.7 million.

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

Read more in the Q3 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.