

Interim report Q2 2021

Conference call 18 August 2021

CEO Torben Rosenkrantz-Theil

CFO Flemming Steen



Q2 2021 highlights

Revenue

DKK 659_m

- Drop in demand due to phasing out of restrictions
- Low sales offset by new activities and machinery sales
- Currency impact of DKK -34m

Earnings

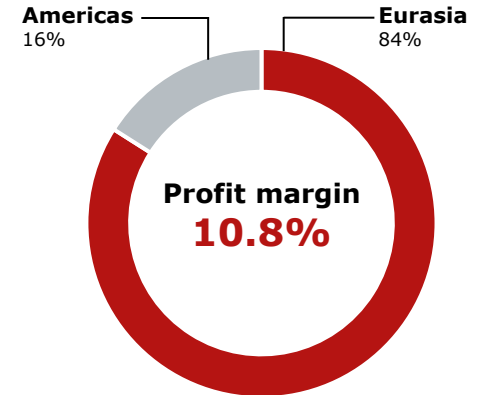
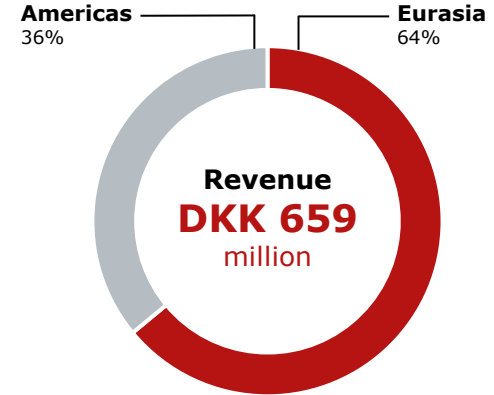
DKK 71_m

- Solid earnings supported by product and price mix
- Unprecedented rise in raw material prices
- Efficiency down due to low demand in Q2 off-season

Investments

DKK 139_m

- Capacity expansion in Europe and the US on track
- New capacity to be put into use in H2



Segment overview

Americas

Revenue: DKK 240m (-4%)

Profit margin: 5.1% (2020: 19.7%)

Demand dropped below normal off-season level

Sharp rise in raw material prices and lower efficiency

Improved product and price mix

Eurasia

Revenue: DKK 420m (+2%)

Profit margin: 15.2% (2020: 21.6%)

Revenue lifted by India and Russia as well as technology sales

Steep decline in demand after restrictions were lifted

Raw material price hikes impaired profitability

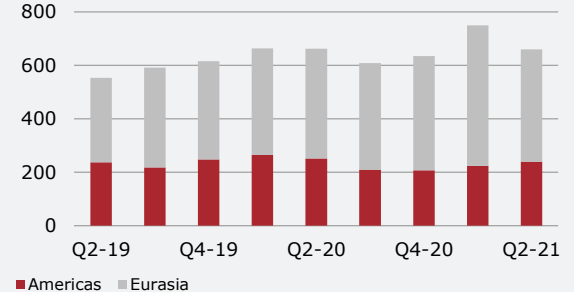


Financials Q2 2021

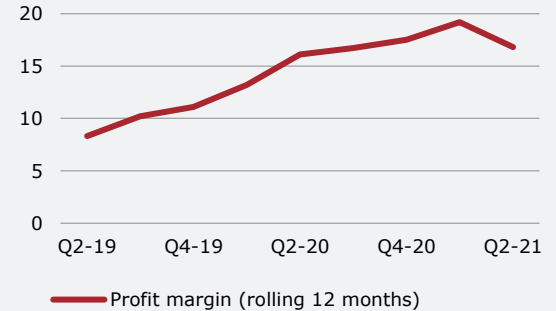
- Revenue stable despite lower demand in the wake of COVID-19
 - Positive impact of acquisitions, technology sales and mix
 - Decline in demand and capacity utilisation
 - Negative currency impact of DKK -34 million
- Solid profitability in off-season quarter
 - Improved price and product mix safeguarded earnings
 - Negative impact from raw material prices and lower efficiency

DKKm	Q2 2021	Q2 2020
Revenue	659	662
Operating profit	71	137
Special items	0	(2)
Profit	54	90
Free cash flows (operating and investing)	13	84
Invested capital	2,010	1,501
Profit margin, %	10.8	20.5
ROIC, %	25.3	26.3

Revenue (DKKm)



Profit margin (%)



Strategy – trends and strengths

Trends

Demographics



Population growth
Increasing prosperity
Urbanisation
Retail growth

Sustainability



Growing awareness
Single-use plastic ban
Well-proven alternative

Consumer behaviour



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
15 factories

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

India and Russia added
New capacity in US and Europe

Efficiency



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

Initiatives

Investments in automation
Technology implementation
Reduce raw material per unit

Marketing



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

Initiatives

New product roll-out
Intensified marketing efforts

Guidance 2021 and financial ambitions

Guidance 2021 as adjusted on 10 August

Revenue

DKK 2.6-2.9bn

- Sharp increase in raw material prices
- Drop in demand due to phasing out of COVID-19 restrictions and fewer promotions

Profit margin*

10-13%

- H2 expected to be affected by negative trends, impairing revenue and earnings
- Positive effect from DKK 78m licence income from IPR settlement in Q1

Investments

DKK ~550m

- Investments include acquisition of Russian business for DKK 113m

**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 Q2 report
on page 9

Q&A



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Upcoming events

Q3 interim report 2021	16 November 2021
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Torben Rosenkrantz-Theil
CEO



Flemming Steen
CFO

Appendix: Key figures and financial ratios

DKKm	Q2		H1	
	2021	2020	2021	2020
Revenue	659	662	1,409	1,325
Eurasia	420	410	945	809
Americas	240	252	464	516
Operating profit	71	137	251	256
Eurasia	64	89	235	164
Americas	12	51	28	101
Special items	0	(2)	0	(7)
Net financials	7	(10)	2	(41)
Profit	54	90	182	148
Free cash flows	13	84	(99)	114
Profit margin, %	10.8	20.5	17.9	19.2

Appendix: Balance sheet

DKKm	31.06.21	31.06.20
Assets	2,731	2,121
Net working capital (NWC)	355	344
Invested capital (IC)	2,010	1,501
Net interest-bearing debt	726	522
Equity	1,262	960
ROIC (rolling 12 months), %	25.3	26.3
Equity ratio, %	46.2	45.3
Gearing, %	57.6	54.4

Appendix: COVID-19 update



Impact

- Drop in demand after phasing out of restrictions
- Substitution back to food service from retail sales
- Fewer supermarket off-season promotions
- Fluctuations in raw material prices

Risk

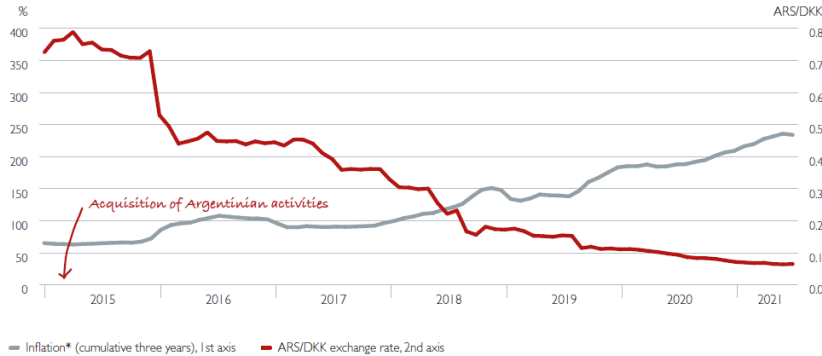
- Lower visibility and elevated operational risk
- Economic implications and currency fluctuations
- Temporary production and distribution interruptions as well as raw material price hikes

Focus

- Protect employees, partners and customers
- Monitor developments across markets
- Adjust prices to mitigate raw material price hikes
- Ensure supplies, operations and deliveries

Appendix: Hyperinflation

Inflation and exchange rate developments in Argentina

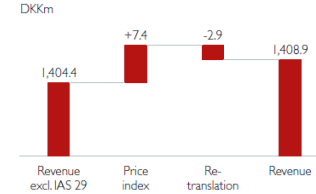


Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2021 to date
Revenue	1,404.4	7.4	(2.9)	4.5	1,408.9
Operating profit before depreciation	320.9	(4.0)	(0.5)	(4.5)	316.4
Operating profit	250.8	(8.1)	(0.3)	(8.4)	242.4
Net financial items	4.2	(2.7)	0.1	(2.6)	1.6

* 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 2021 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 25% during the first six months of the year, boosting revenue by DKK 7.4 million. The increase offset a decline in the ARS/DKK cross rate from 0.07199 at the beginning of the year to 0.06537 at 30 June 2021 reducing revenue by DKK 2.9 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,408.9 million after a net positive impact of restating for hyperinflation of DKK 4.5 million.

For more information about hyperinflation, see page 84 and note 31 in the annual report for 2020

Read more in the Q2 report on page 25

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.