

Interim report Q3 2021

Investor presentation

16 November 2021



Q3 2021 highlights

Revenue

DKK 630_m

- Moderate growth driven by addition of new activities
- Volume affected by low demand and fewer promotions
- Currency impact of DKK -10m

Earnings

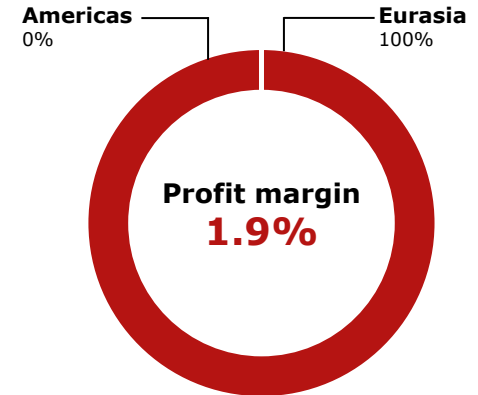
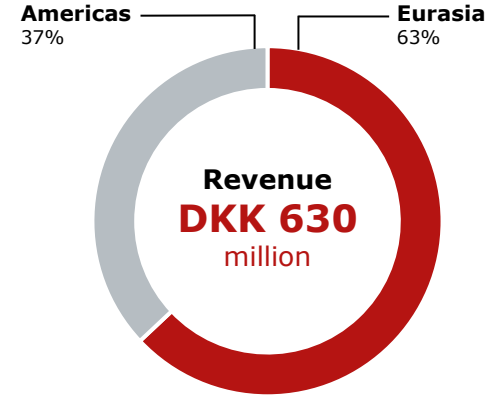
DKK 12_m

- Sharp rise in raw material prices
- Capacity utilisation down due to low demand
- Improved product and price mix

Investments

DKK 131_m

- Capacity expansion in Europe and the US on track
- Capacity to be put into use in 2021 and early 2022



Segment overview

Americas

Revenue: DKK 231m (10%)

Profit margin: -2.6% (2020: 13.1%)

Continuation of sharp raw material price increases

Low demand and utilisation of expanded capacity

Improved product and price mix

Eurasia

Revenue: DKK 399m (0%)

Profit margin: 5.0% (2020: 18.6%)

Revenue lifted by India and Russia as well as higher sales price

Raw material price hikes impaired profitability

Weak demand continued after phasing-out of restrictions

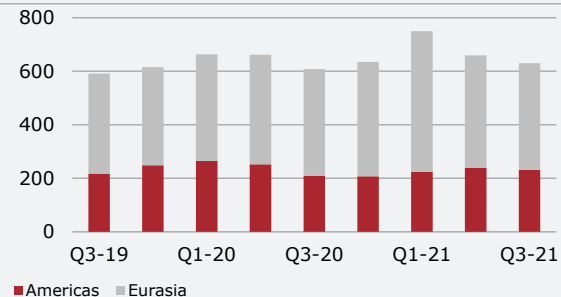


Financials Q3 2021

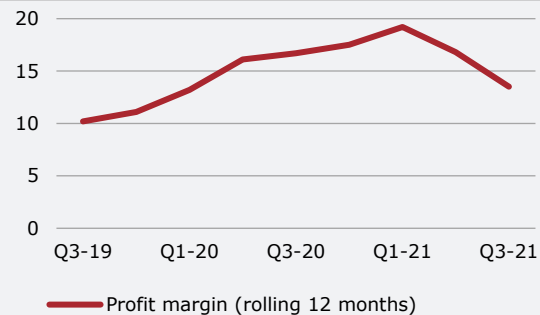
- Moderate revenue growth on expanded production platform
 - Positive impact of acquisitions and average sales price
 - Subdued demand and lower capacity utilisation
 - Negative currency impact of DKK 10 million
- Profitability impaired by external costs
 - Severe negative impact from raw material prices and lower efficiency
 - Improved price and product mix

DKKm	Q3 2021	Q3 2020
Revenue	630	608
Operating profit	12	98
Special items	0	(1)
Profit	1	58
Free cash flows (operating and investing)	(107)	45
Invested capital	2,110	1,481
Profit margin, %	1.9	16.0
ROIC, %	12.3	17.8

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 28 October

Revenue

DKK 2.6-2.8bn

Profit margin*

7-10%

Investments

DKK ~550m

- Continued high energy and paper prices
- Low demand due to phasing out of COVID-19 restrictions and fewer promotions
- Positive effect from DKK 78m licence income from IPR settlement in Q1
- 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 Q3 report
on page 9

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Upcoming events

Annual report 2021	8 March 2022
Annual general meeting 2022	26 April 2022
Q1 interim report 2022	19 May 2022
Q2 interim report 2022	17 August 2022
Q3 interim report 2022	15 November 2022



Torben Rosenkrantz-Theil
CEO



Flemming Steen
CFO

Appendix: Key figures and financial ratios

DKKm	Q3		9M	
	2021	2020	2021	2020
Revenue	630	608	2,039	1,933
Eurasia	399	399	1,345	1,207
Americas	231	209	694	725
Operating profit	12	98	263	354
Eurasia	20	74	255	238
Americas	(2)	28	25	130
Special items	0	(1)	0	(8)
Net financials	(3)	(19)	(2)	(60)
Profit	1	58	182	206
Free cash flows	(107)	45	(206)	159
Profit margin, %	1.9	16.0	13.0	18.2

Appendix: Balance sheet

DKKm	30.09.21	30.09.20
Assets	2,794	2,134
Net working capital (NWC)	371	340
Invested capital (IC)	2,110	1,481
Net interest-bearing debt	835	475
Equity	1,270	985
ROIC (rolling 12 months), %	12.3	17.8
Equity ratio, %	45.5	46.1
Gearing, %	65.7	48.2

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

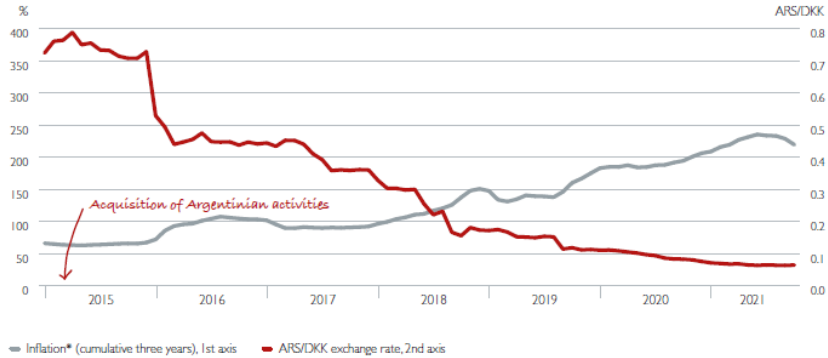
- Lower visibility and elevated operational risk
- Economic implications and currency fluctuations
- Temporary production and distribution interruptions as well as raw material price hikes

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

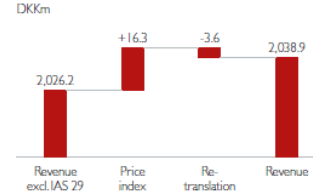


Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	Price Index	Re-translation	Total adjustment	2021 to date
Revenue	2,026.2	16.3	(3.6)	12.7	2,038.9
Operating profit before depreciation	371.4	(5.2)	(0.6)	(5.8)	365.6
Operating profit	262.7	(11.6)	(0.4)	(12.0)	250.7
Net financial items	1.2	(3.2)	0.2	(3.0)	(1.8)

* 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 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 37% during the first nine months of the year, boosting revenue by DKK 16.3 million. The increase offset a decline in the ARS/DKK cross rate from 0.07199 at the beginning of the year to 0.06505 at 30 September 2021 reducing revenue by DKK 3.6 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 2,038.9 million after a net positive impact of restating for hyperinflation of DKK 12.7 million.

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

Read more in the Q3 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.