

Annual report 2020

Conference call 10 March 2021
CEO Torben Rosenkrantz-Theil
CFO Flemming Steen



2020 highlights

Growth

+9%

- Strong volume growth and favourable mix
- Solid revenue growth despite negative currency effects
- Exceptional activity due to COVID-19
- Continued conversion to sustainable moulded fibre

Earnings

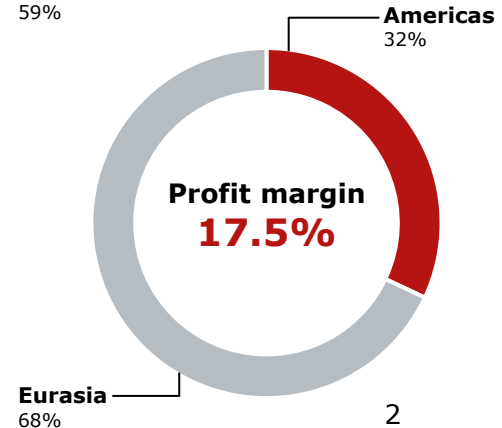
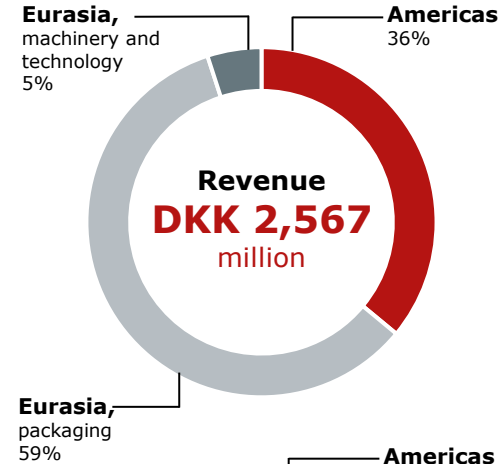
+73%

- Historically strong earnings level
- High utilisation and efficiency during low season
- Good product mix and volumes lifted earnings

Investments

DKK 437_m

- Capacity expansion in Europe and USA
- New factory in Brazil commissioned in Q4
- Acquisition of Indian Mohan Fibre in Q4
- Acquisition of Russian Gotek-Litar closed in Q1 2021



COVID-19 effects



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

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 933m (-2%)

Profit margin: 16.2% (2019: 12.5%)

Strong demand and solid volume growth

High utilisation and favourable product mix

Negative impact from currencies and raw material prices

Eurasia

Revenue: DKK 1.635m (+16%)

Profit margin: 20.1% (2019: 12.1%)

Exceptional demand and volume growth

Strong utilisation level and improved product mix

India included since November 2020



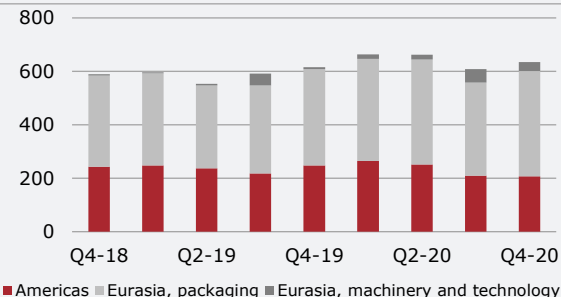
Currency movements, primarily related to the Argentine peso (ARS), reduced revenue by DKK 219 million and operating profit by 13 million in 2020.

Financials 2020

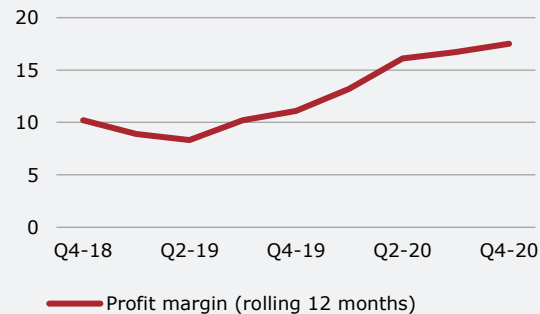
- Revenue positively impacted by COVID-19
 - Strong volume growth and higher share of retail packaging
 - Hartmann Technology sales increased to DKK 117m (2019: DKK 61m)
- Historically strong earnings and profitability
 - Volume growth and product mix
 - High utilisation level and production efficiency

DKKm	2020	2019
Revenue	2,567	2,356
Operating profit	452	262
Special items	(13)	0
Profit	274	167
Free cash flows (operating and investing)	12	100
Invested capital	1,654	1,502
Profit margin, %	17.5	11.1
ROIC, %	28.7	16.9

Revenue (DKKm)



Profit margin excl. IAS 29 (%)



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

New capacity in Europe, the USA and Brazil

Acquired Indian Mohan Fibre

Enter Russia and add capacity in Europe and the USA in 2021

Efficiency



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

Initiatives

Investments in automation

Technology implementation

Higher output per employee

Reduced raw material per unit

Marketing



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

Initiatives

New product launches

Several consumer surveys

Intensified marketing efforts

Guidance 2021 and financial ambitions

Guidance 2021

Revenue

DKK 2.7-3.0bn

Profit margin*

14-17%

Investments

DKK ~550m

- Volume growth in core business from expanded capacity and acquired businesses
- Positive COVID-19 impact on volumes and product mix expected in H1 2021
- Positive effect from DKK 78m licence income from IPR settlement in Q1
- Investments include 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 annual
report on page 7

Q&A



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Upcoming events

Conference call FY 2020	10 March 2021
SEB investor conference	10 March 2021
Carnegie Nordic Capital Goods seminar	17 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	Q4		FY	
	2020	2019	2020	2019
Revenue	635	615	2,567	2,356
Eurasia, packaging	394	360	1,517	1,345
Eurasia, machinery and technology	34	7	117	61
Americas	207	248	933	951
Operating profit	98	74	452	262
Eurasia	91	51	329	170
Americas	25	32	154	119
Special items	(6)	0	(13)	0
Net financials	(5)	(7)	(65)	(35)
Profit	68	60	274	167
Free cash flows	(147)	41	12	100
Profit margin, %	15.3	12.1	17.5	11.1

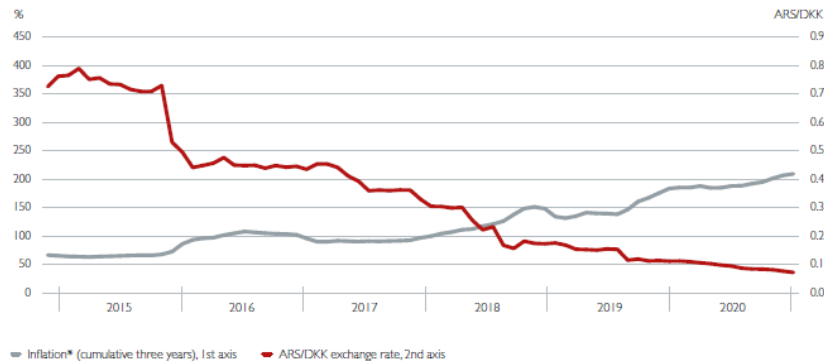
Appendix: Balance sheet

DKKm	31.12.20	31.12.19
Assets	2,374	2,042
Net working capital (NWC)	313	323
Invested capital (IC)	1,654	1,502
Net interest-bearing debt	623	634
Equity	1,025	879
ROIC, %	28.7	16.9
Equity ratio, %	43.2	43.1
Gearing, %	60.8	72.1

Appendix: Hyperinflation

Read more in the annual report 2020 on page 84-85

Inflation and exchange rate developments in Argentina

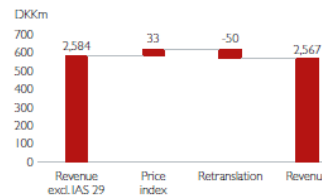


Effects of restating for hyperinflation on selected accounting figures

DKKm	2020 Excl. IAS 29	Price Index adjustments	Re- translation	Total adjustment	2020
Revenue	2,584	33	(50)	(17)	2,567
Operating profit before depreciation and amortisation	581	3	(12)	(9)	572
Operating profit	452	(5)	(10)	(14)	437
Financial items, net	(62)	(6)	3	(3)	(65)

* 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 2020 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 exchange rate at the balance sheet date.

Even though revenue was favourably affected in the amount of DKK 33 million by the average annual increase in the price index of 36% during the period under review, the total effect of restating for hyperinflation was negative. The ARS/DKK cross rate fell from 11.1 at the beginning of the year to 7.2 at 31 December 2020. 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 50 million.

Revenue came to DKK 2,567 million after a net negative impact of restating for hyperinflation of DKK 17 million.

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.