

# INTERIM REPORT H1 2010

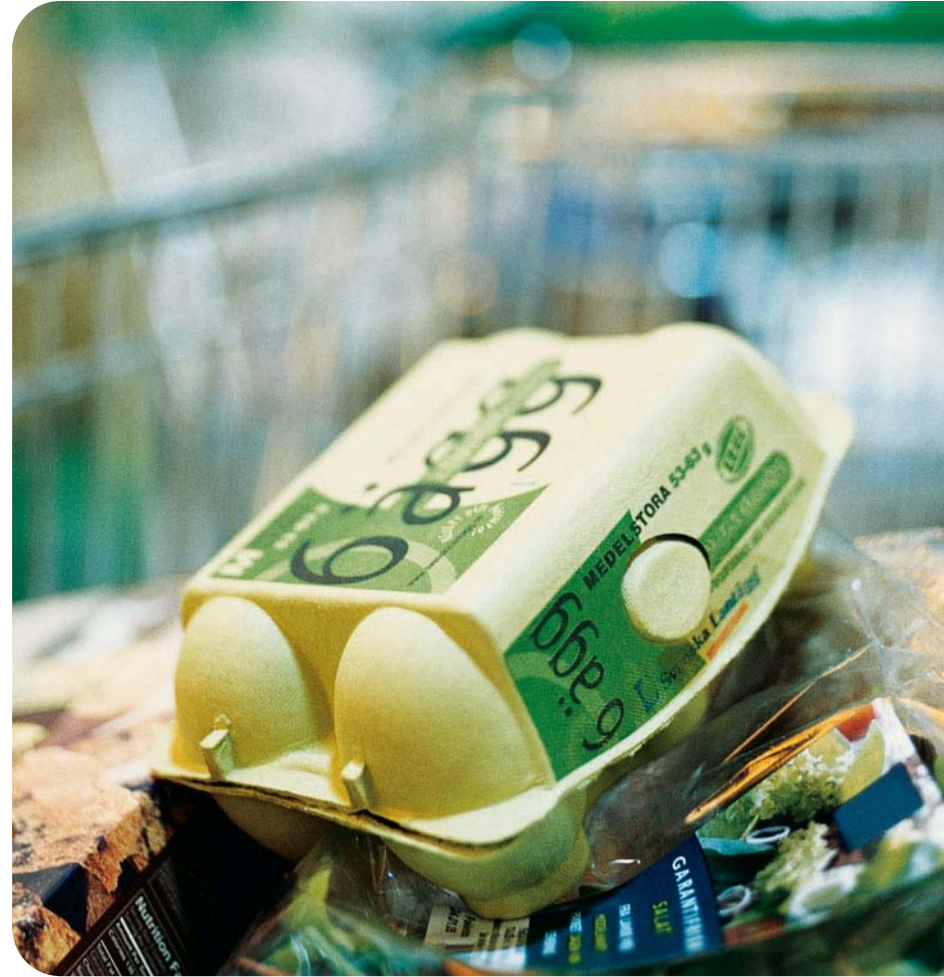
Brødrene Hartmann A/S

Peter A. Poulsen, CEO



# AGENDA

- Chairman and CFO in place
- Highlights H1 2010
- Financial review of H1 2010
- Outlook for 2010
- Questions



# NEW CHAIRMAN OF THE BOARD

## **Agnete Raaschou-Nielsen appointed chairman**

- On 24 August 2010 Agnete Raaschou-Nielsen was elected as a new board member and appointed chairman of the Board.
- Background:
  - Executive Vice President, Aalborg Portland A/S
  - Broad international management experience
  - Chairman of pension fund Juristernes og Økonomernes Pensionskasse
  - Vice-Chairman of Investeringsforeningen Danske Invest and six other investment funds
  - Member of the boards of Dalhoff Larsen & Horneman A/S, Danske Invest Management A/S and foreign subsidiaries of Aalborg Portland A/S
  - Lic.polit (PhD), Copenhagen University



## Claus Frees Sørensen new CFO of Hartmann

- As of 1 August 2010 Claus Frees Sørensen has taken up the position as CFO and member of the Group Executive Board
- Background:
  - CFO, Fritz Hansen A/S
  - Extensive international management experience and competencies within IT and finance
    - SDC DanDisc A/S, Group Finance
    - DV Industri A/S, Finance
    - Skandinavisk Industri A/S, Finance
    - Arthur Andersen, Auditing
  - MBA, Economics
  - State-Authorised Public Accountant



## Strong Q1 – weak Q2

- **Consolidated revenue** of DKK 326m in Q2 2010 (2009: DKK 310m) and DKK 706m in H1 2010 (2009: DKK 675m)
- **Operating loss\*** of DKK 7m in Q2 2010 (2009: operating profit of DKK 12m) and operating profit of DKK 31m in H1 2010 (2009: operating profit of DKK 24m)
- **EBIT margin\*** at -2.0% in Q2 2010 (2009: 3.8%) and at 4.3% in H1 2010 (2009: 3.5%)
- Period primarily affected by **positive currency effects, increasing prices on raw materials** and **a series of additional fixed costs**
- On 17 August Hartmann revised the forecast for 2010
  - Expected EBIT margin: **~7%** (~10%)
  - Expected operating profit: **DKK 90-105m** (~DKK 140m)
- A number of initiatives have been initiated to **strengthen Hartmann's EBIT margin**

\*References to operating profit/loss in this presentation refer to operating profit before special items, and references to EBIT margin refer to EBIT margin before special items, unless otherwise stated.

# KEY FIGURES H1 2010

## Increased consolidated revenue and EBIT margin

Q2-10	Q2-09	DKKm	H1-10	H1-09	2009
326	310	Revenue	706	675	1,380
(7)	12	Operating profit	31	24	79
(2)	(1)	Financial items	(9)	(3)	(19)
(6)	8	Profit/(loss)	16	11	36
(2.0)	3.8	EBIT margin (%)	4.3	3.5	5.7

- Positive development in revenue in H1
- Negative development in operating profit in Q2
- Increased EBIT margin in H1

# DEVELOPMENT IN OPERATING PROFIT

## Currency effects increase operating profit

DKKm	Europe	North America	Other
Operating profit H1 2009	44	(3)	(20)
Currency effect	13	7	0
Operations, volume and product/price	17	1	0
Industrial packaging	(6)	0	0
Raw material prices	(9)	0	0
Additional fixed costs	(4)	0	(13)
Operating profit H1 2010	55	5	(33)

- Positive currency effect of DKK 20m
- '10 in 10' initiatives strengthen production efficiency
- Improved product and price mix
- Increasing raw material prices
- Higher level of fixed costs

## Raw material prices affect EBIT margin

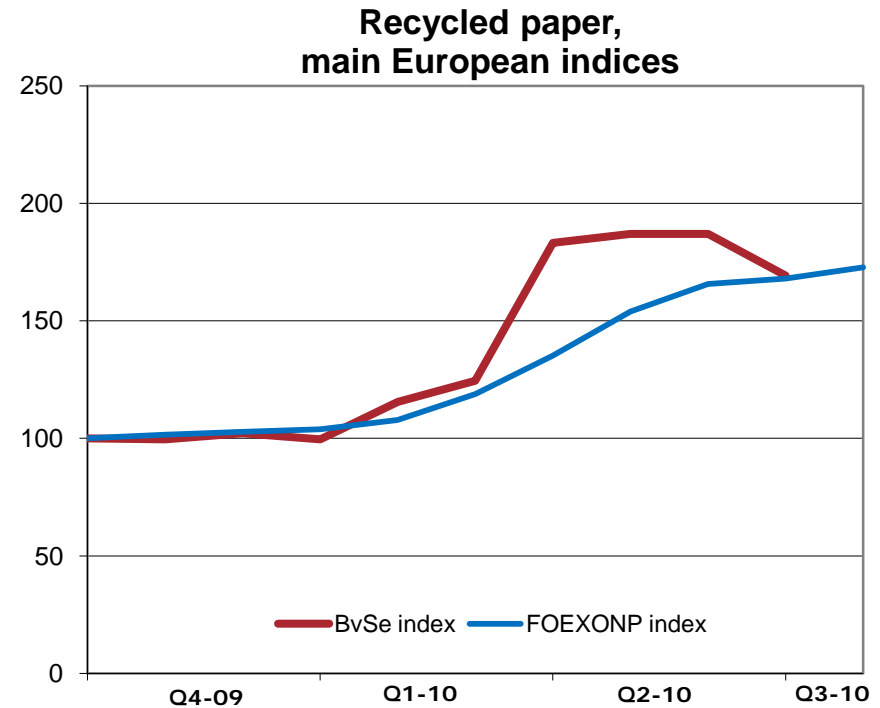
Q2-10	Q2-09	DKKm	H1-10	H1-09	2009
256	255	Revenue	562	555	1,148
7	18	Operating profit	55	44	119
2.6	6.9	EBIT margin (%)	9.8	7.9	10.3

- Revenue positively affected by currency effects, increased volumes and improvements in product and price mix
- Operating profit negatively influenced by decreasing activity within industrial packaging, increasing raw material prices and additional fixed costs in Q2
- '10 in 10' measures had the planned effect on profitability

# DEVELOPMENT – RAW MATERIALS

## Price increases affect profitability

- Decreasing supply of recycled paper
  - From paper to online ads
- Increasing demand for recycled paper
  - Asian demand
  - Other industries
- Paper prices reflected in the German BvSE index
- Increased energy prices
- Price increases on chemicals
- Increased pallet costs



## Slightly weaker development than expected

Q2-10	Q2-09	DKKm	H1-10	H1-09	2009
54	41	Revenue	107	81	163
2	(2)	Operating profit	5	(3)	(7)
4.5	(4.7)	EBIT margin (%)	4.5	(3.9)	(4.4)

- Increased revenue and EBIT margin mainly due to currency effects
  - Currency contribution to revenue: DKK 19m
  - Currency contribution to operating profit: DKK 7m
- Recent development
  - Moderate organic growth and improved product and price mix
  - Operations strengthened, new management in place

# OTHER BUSINESS AREAS

## Operating profit affected by additional fixed costs

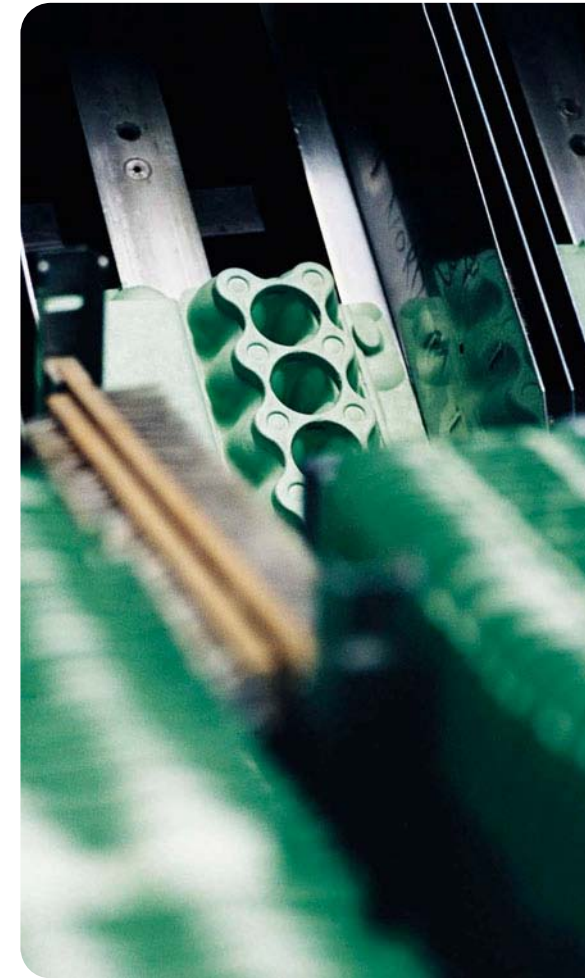
Q2-10	Q2-09	DKKm	H1-10	H1-09	2009
16	14	Revenue	38	38	69
(17)	(7)	Operating profit	(33)	(20)	(34)

- Other business areas comprise Hartmann Technology, a combined heat and power plant in Tønder, Denmark, and costs relating to group functions
- Stable revenue
- The period was adversely affected by a number of additional costs incurred in connection with group functions

# ADDITIONAL FIXED COSTS

## Strategic initiatives and one-offs

- The period was adversely affected by a number of additional costs incurred in connection with group functions
  - Advancement of a number of planned, new strategic measures in addition to the '10 in 10' initiatives already being implemented, e.g.
    - Business model optimization
    - Strengthening of IT platform
    - HR projects
  - The purpose of these measures is to increase the EBIT margin



# CASH FLOWS

## Positive development

Q2-10	Q2-09	DKKm	H1-10	H1-09	2009
26	30	Operating activities	46	23	76
(12)	(31)	Investing activities	(21)	(51)	(94)
(16)	(5)	Financing activities	(22)	(11)	(22)
(2)	(6)	Total cash flows	3	(39)	(40)

- Cash flows from operating activities doubled
- Reduction of cash flows from investing activities
- Total cash flow significantly improved

# BALANCE SHEET

DKKm	30.06.10	30.06.09	31.12.09
Assets	1,207	1,165	1,216
Invested capital (IC)	769	758	786
Net working capital (NWC)	145	126	151
Net interest-bearing debt	346	350	345
Equity	517	469	508
Equity ratio (%)	42.8	40.2	41.7
Gearing (%)	66.8	74.6	68.0

## EBIT margin downgraded to approx. 7%

- Hartmann has revised its expected EBIT margin from approx. 10% to approx. 7%
- The adjustment is primarily attributable to
  - Increasing prices on raw materials, especially recycled paper (negative effect of approx. 2 percentage points on EBIT margin)
  - Increased fixed costs
  - Organic growth rate in North America below previously expected level

# OUTLOOK FOR 2010

## Outlook – EBIT margin



# OUTLOOK FOR 2010

## Revised forecast maintained

	Expected 2010	Original expectations
Revenue	DKK 1.4 bn.	DKK 1.4 bn.
EBIT margin	~7%	~10%
Operating profit	DKK 90-105m	~DKK 140m

- Steps have been taken to strengthen Hartmann's EBIT margin
  - New initiatives to ensure Operational Excellence have been introduced
  - Investments with limited effect on profitability in 2010 have been postponed, and the expected investment level is thus reduced to DKK 65-75m against the originally expected DKK 100-110m

# KEY TAKE-AWAYS

## Improved results – but below expectations

- Increasing raw material prices
- New initiatives to strengthen Hartmann's EBIT margin have been initiated and add to fixed costs
- '10 in 10' initiatives strengthened production efficiency in Europe
- Progress in North America, but sales are not expected to meet original expectations
- Hartmann maintains revised forecast for 2010 of an EBIT margin of approx. 7% against original forecast of approx. 10%



# QUESTIONS



# CONTACT INFORMATION

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