#

HARTMANN CHOOSE FIBRE. SAVE NATURE.®

Written re-exam after 1st semester

Skriftlig reeksamen efter 1. semester

The basis for the company's sale /Virksomhedens salgsgrundlag

10th August 2011/10. august 2011

08.30-14.30

This exam case consists of 4 assignments carrying the following weights in the total assessment of the paper:
Denne eksamen består af 4 opgaver, der indgår i bedømmelsen af den samlede opgavebesvarelse med følgende vejledende vægte:

Assignment/Opgave 1:	**20 %**
Assignment/Opgave 2:	**30 %**
Assignment/Opgave 3:	**30 %**
Assignment/Opgave 4:	**20 %**

1. Assignments: (In Danish below)

Assignment 1 (20%)

Assignment 1.1

Make a financial benchmark analysis where you compare Hartmann's and Huhtamaki's financial performance, involve here also an assessment of working capital and its development. Beside the benchmark analysis also make sure that you comment specific on Hartmanns *rentability, liquidity* and *solvency*. You can base your analysis on information given in section 8. *Financial highlights and ratios* and you are welcome to make further calculations

Assignment 1.2

1.2.1

In the section 10. *Egg Packing* Hartmann mentions *"we offer a wide range of sizes, colors and shapes"*. How can this product strategy affect Hartmann's economy and financial ratios ?

In effort to increase the profit margin you have ordered an ABC output from the finance department on a specific group within Egg packaging. In appendix 1 you will find this ABC output.

1.2.2

How would you analyze the material in appendix 1 and what actions could you consider in relation to increase the profit margin on the group within Egg packaging.

Assignment 2 (30%)

Prepare an overall structural description of Hartmann's business model and then analyze and comment on Hartmann's organizational and managerial challenges.

Assignment 3 (30%)

Hartmann has launched a new strategy "competitive edge – driving growth" (see section "new strategy"). Based on relevant analysis you should assess Hartmann´s capability to implement the new strategy. You are welcome to include conclusions from assignment 2 in your assessment.

Assignment 4 (20%)

Hartmann is exporting to many countries all over the world. Provided that no agreement has been made on the question of governing law with business costumers there might be

- a question of which country´s law that shall apply and – if Danish law shall apply –
- which part of the Danish laws that regulate the sale.

Assignment 4.1: Please make a legally justified internal note to the Management regarding such questions.

Hartmann has a registered trademark that is shown on the frontpage of this case.

Assignment 4.2: Please make a legally justified internal note to the Management of the possibility to prohibit producers of eggs to use a similar trademark.

The Management is aware that one of the competitors in its marketing materials compare its product with similar products from Hartmann

Assignment 4.3: Please give a legally justified internal note to the Management of possibilities of comparative advertising.

2. Opgaver

Opgave 1 : Økonomi (20%)

Opgave 1.1

Foretag en benchmark regnskabsanalyse hvor du sammenligner Hartmann's og Huhtamaki's finansielle performance, inddrag her også en vurdering af arbejdskapitalen og dens udvikling. Udover sammenligningen skal du også sikre dig, at du kommenterer specifikt på Hartmann's *rentabilitet, likviditet* og *soliditet*. Du kan tage udgangspunkt i oplysninger givet i afsnit 8. *Financial highlights and ratios* og du er velkommen til at foretage yderligere beregninger

Opgave 1.2

Opgave 1.2.1

I afsnit 10. *Egg Packaging* nævner Hartmann " *we offer a wide range of sizes, colours and shapes"*. Hvordan kan denne produktstrategi påvirke Hartmann's økonomi og finansielle nøgletal.

I bestræbelserne på at øge *profit margin* har du fra økonomiafdelingen bestilt et ABC output på en specifik varegruppe indenfor *Egg* emballage. I appendix 1 finder du dette ABC output.

Opgave 1.2.2

Hvordan vil du analysere på materialet i appendix 1 og hvilke tiltag vil du overveje i relation til at øge *profit margin* på hele varegruppen.

Opgave 2 (30%)

Udarbejd en overordnet struktureret beskrivelse af Hartmann's forretningsmodel, hvorefter du skal analysere og kommenterer på Hartmann's organisatoriske og ledelsesmæssige udfordringer.

Opgave 3 (30%)

Hartmann har lanceret en ny strategi "competitive edge – driving growth" (se afsnittet "new strategy"). Baseret på relevante analyser skal du vurdere Hartmanns evne til at gennemføre den nye strategi. Du er velkommen til at inkludere konklusionerne fra opgave 2 i din vurdering.

Opgave 4 (20%)

Hartmann eksporterer til mange lande over hele verden. Forudsat, at der ikke er indgået aftale om lovvalgsspørgsmålet med erhvervskunder, kan der være et spørgsmål om,

- hvilket lands lov, der skal anvendes, og - hvis dansk ret gælder –
- hvilke dele af de danske regler, der regulerer salget

Opgave 4.1: Giv et juridisk begrundet internt notat til ledelsen om sådanne spørgsmål.

Hartmann har et registreret varemærke, der er vist på forsiden af denne opgave.
Opgave 4.2: Giv et juridisk begrundet internt notat til ledelsen om mulighederne for at forbyde producenter af æg at bruge et lignende varemærke.

Direktionen er blevet opmærksom på, at en af konkurrenterne i sit marketingmateriale sammenligner sine produkter med de tilsvarende produkter fra Hartmann
Opgave 4.3: Giv en juridisk begrundet internt notat til direktionen om mulighederne for sammenlignende reklame.

Content

3. Hartmann in brief:

Hartmann develops, produces and sells recyclable moulded-fibre packaging mainly for eggs.

Hartmann is among the World's three largest producers of moulded-fibre egg packaging. The group also offers industrial packaging and technology and machinery for the manufacturing of moulded-fibre packaging. Hartmann's market position can be ascribed to its strong technology know-how and extensive experience of the production of moulded-fibre since 1936.

Sustainability
Sustainability and environmental considerations are integral elements of Hartmann's business model and strategy. All of Hartmann's products are based on recycled paper; a renewable, CO2-neutral and biodegradable resource. Hartmann collaborates closely with its customers to support the need for sustainable products in the retail trade.

Markets
Hartmann's egg packaging is sold on most European markets and in North America. Hartmann is the market leader in Europe and has a small share of the North American market.

Customers
Hartmann's customers comprise egg producers, egg packing businesses and supermarket chains, which increasingly demand Hartmann's expertise in marketing of eggs. Hartman has more than 1,500 customers in 50 countries, and most of these have longstanding relations with Hartmann. In 2010, Hartmann generated total revenue of DKK 1.5 billion.

Production
Hartmann's production takes place at its own factories. Five of these factories are located in Europe; one is located in Israel and one in Canada.

Sales
The group has sales offices in 12 countries, and the European sales and marketing activities are based in Frankfurt, Germany.

The Hartmann share

Hartmann's shares have been listed on NASDAQ OMX Copenhagen A/S since 1982. Hartmann has one share class, and each share carries one vote.

4. Hartmann in detail

Hartmann in an eggshell

Egg package production since 1936

Hartmann A/S was founded in 1917, when the three Hartmann brothers inherited a paper bag factory in Lyngby, Denmark. In 1936, the company acquired an egg packaging license from a US firm and set up a subsidiary that year to produce egg cartons. A few acquisitions and several years later (in 1980), the parent company and the egg packaging unit merged under the name Hartmann A/S. In 1982 listed on the Copenhagen stock exchange. A brief historical timeline is given in the next table.

History in brief

1917	Hartmann A/S is founded by the three Harman brothers in Lyngby, Denmark
1936	Acquires a licence to produce moulded fibre egg cartons. Production starts in the subsidiary Scandinavian Packaging Company
1973	Production moves from Lyngby to Tønder and becomes the largest facility of egg tray production
1980	Hartmann A/S and Scandinavian Packaging Company merge under the brand Hartmann A/S
1982	The company is listed on the Copenhagen Stock Exchange
2000	Hartmann receives the European Union environment price “European Management Award for Environmental & Sustainability Development”
2007	All activities in South America and Asia are divested
2008	Head quarter moves from Lyngby to Gentofte
2009	The business areas Industrial packaging and Egg packaging are merged

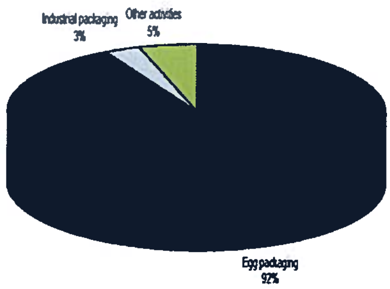
Source: Hartmann A/S

Hartmann operates in the environmental friendly segment of fibre moulded packaging, which has influenced its strong environmental and socially responsible approach. Hartmann has also defined its social commitments and principles and supports the UN Global Compact. This was acknowledged by the European Union, which granted Hartmann the “European Management Award for Environmental & Sustainability Development” in 2000.

Business model

Hartmann A/S specialises in egg packaging, but also produces industrial and other fibre-moulded packaging products. Hartmann is the dominant producer of egg packages in Europe, with a 40% market share. It has the potential to benefit from economies of scale in production and distribution, but so do its competitors like paper and pulp manufacturer Huhtamaki in Europe and package conglomerate Pactiv in North America. Hartmann’s management introduced a new strategy in 2007, which began with a focus on cost reduction (including the exit of loss-making activities in Asia and South America). It then embarked on an efficiency phase; the “10 in 10” strategy aimed to achieve a 10% profit margin by the end of 2010. The final step was a focus on shareholder value through high-margin products and ongoing cost control. As egg demand is typically very stable, Hartmann’s bottom line is mostly affected by costs and cost reduction. A major part of the production cost is the price of recycled paper, which has increased significantly recently, not least due to a high demand from China.

Product distribution



Source: Hartmann

The Industrial part of Hartmann is mainly focused on the internal packaging for electrical devices such as mobile phones and other products like kidney trays for hospitals (basically, an alternative to polystyrene packaging). However, the electrical segment is increasingly marginalised since more and more electronics manufacturers have moved their production to China and South East Asia. Ironically, Hartmann is losing business to Chinese competitors, after it divested its Chinese operations a few years ago. Other activities include Hartmann Technology, which specialised in the niche market of fibre moulding machinery. Hartmann is historically strong in this field and has in-house knowledge, competence and culture that basically stems from the mid 1930s. This unit acts in a market with very few other competitors.

The business model is to produce and constantly develop fibre packages. Since the company is heavily reliable on raw material prices, loyal costumers and suppliers, it is most important to keep track of the costs and ensure an efficient enterprise.

Previous strategy plan

In 2007, management introduced a three-phase strategy to improve Hartmann's financial position. The three phases are briefly described below.

Turnaround strategy in brief

2007-2008: Turnaround
- Exit non-profit activities
- Reduce fixed costs
- Prefer earnings to growth

2009-2010: Performance "10 in 10"
- To regain a 10% profit margin before the end of 2010
- Optimize Europe
- Growth and capacity utilisation in North America
- Adjusting activity level in Industrial packaging
- Implement *One Company*

2010-2013: Consolidation
- Strengthen market offer
- Operational excellence
- Maintain competitive cost level
- Increase high value market share
- Capacity increase

Source: Hartmann

First phase focused on risk reduction, rather than growth, exiting unprofitable activities in Asia and South America, and cutting back on fixed costs as far as possible. The result was a more focused company, leaner in some senses, which operated with a significantly lower business risk.

The second phase aimed to improve efficiency. Called "10 in 10", the ambition was to reach a 10% profit margin by the end of 2010. This was to be achieved by optimizing operations in Europe and improving capacity utilisation in North America. This required some resource allocation and investments in 2009.

The final phase was to focus on creating shareholder value by strengthening its market offering and improving operational excellence. This would be achieved through high-margin packages and ongoing cost control. The annual organic growth rate was to be 2%, while the return on invested capital should around 15-20%.

Given the dependence on spot market prices for recycled paper and the impact of energy prices on EBIT, Hartmann missed its 10 in 10 target for 2010. Top management and the chairman were replaced, and the new team was given a brief to reorganise the organisation structure and production set up.

New management

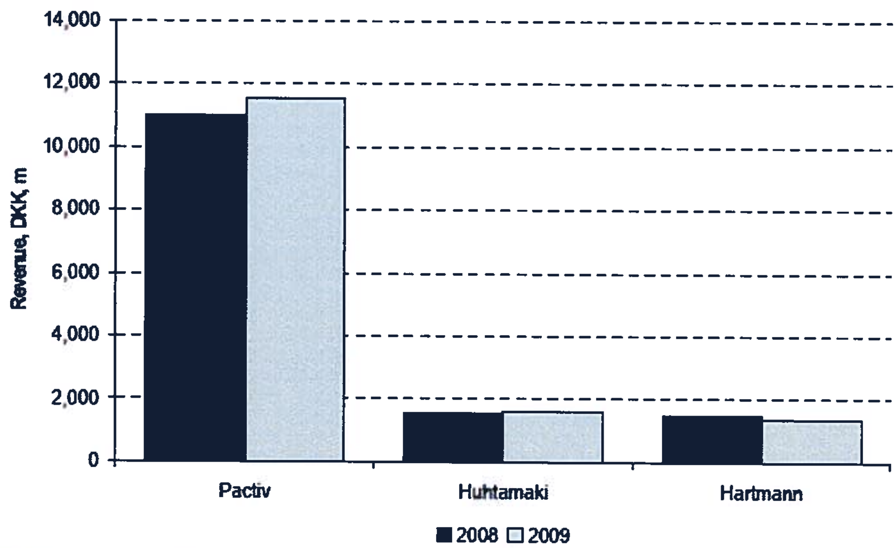
Hartman changed its top management in September 2010, appointing a new CEO and CFO, as well as a new chairperson (unfortunately due to illness and death). The former management had been able to turn the company around and show positive results in 2008. For the new management, the income stream had stabilised and there is an opportunity to re-shape the company, without much distress, despite the global economic turmoil. Hartmann is finishing phase two of the old strategy plan and will eventually enter phase three. New management has decided to focus less on margin goals in favour of operational efficiency and cost reductions, given the very stable nature of the egg packaging market. In due course, a new strategy plan with specific guidelines will be rolled out.

In our view, optimising the organisation and reducing costs was obviously the main focus of the previous management, however the new CEO and CFO have extensive operational skills as well as "rethinking" the set up to conduct business at less cost. The new management team has been granted a "carte blanche" to change Hartmann by the new chairperson. The new CEO, Michael Rohde Pedersen has a background from Pacific-Georgia and SCA and a solid operational understanding. The new CFO is Claus Frees Sørensen, who was CFO at Fritz Hansen A/S. The new chairperson is Agnete Raaschouu-Nielsen, who has extensive experience as a director and through management in Aalborg-Portland

Competitors

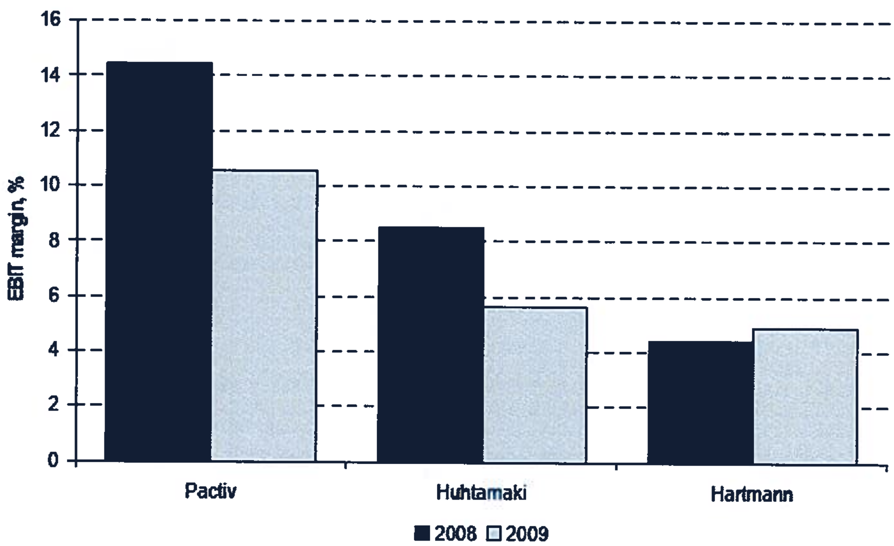
Hartmann's main competitors are Finnish Huhtamaki and US-based Pactiv. Although Hartmann dominates in Europe with a 40% market share, Huhtamaki claims to be the world leader in environmentally friendly moulded fibre packaging. Its moulded fibre division basically produces the same products and it has even broadened its business to other segments such as wine bottle and can carriers. Huhtamaki is geographically more diversified than Hartmann and covers the Far East as well. A slight advantage for Huhtamaki is that the group has a paper recycling division that collects, processes and recycles recovered paper traded in the markets where it is active. Pactiv is a packaging conglomerate active in the costumer, food and foodservice packaging business. One of its segments is egg packaging. Roughly 80% of its sales come from market sectors in which it is ranked no.1 or no.2 in market share. However, 96% of its USD 3.4bn in revenue is generated in North America and 62% of total sales come from foodservice/food packaging. Pactiv is not likely to be as dominant in the European egg packaging market, but it has a generally stable exposure to the North American food and food service packaging market.

Peer sales



Source: SEB

Peer EBIT margin

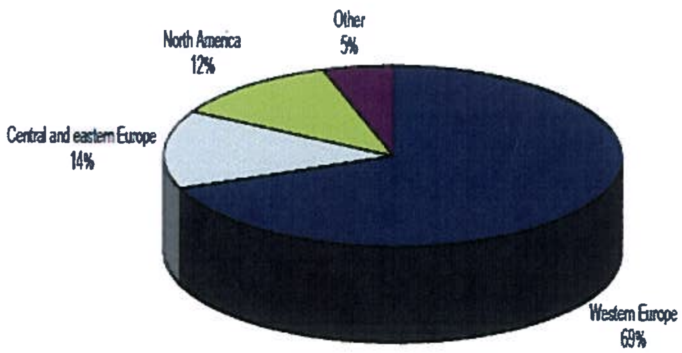


Source: SEB

Geographical exposure

Hartmann has roughly 1,500 employees at seven plants and several sales offices in 12 countries in Europe, Israel, the US and Canada, serving clients in more than 50 countries. Denmark accounts for less than 10% of revenues, but even so, most of its activities are based in Europe where Hartmann is market leader in egg packaging and has 40% of the market.

Geographical distribution



Source: Hartmann

Interestingly, what is considered to be a high-end product in North America is just a top-end product of the standard range in Europe. Thus the European high-value products have not yet been introduced into the US, which implies future potential revenue increases in North America, when the consumers are mature enough.

Growth triggers

Basically, Hartmann has four growth triggers:

- Cost reduction. Hartmann can keep cutting costs, but has a good opportunity to get new clients.
- Distribution. Hartmann had some strong large clients and several smaller clients, most of which are egg producers. Recently, the company has approached retail businesses to offer customised packages and printing opportunities to create or extend brands and generate further demand. In this way Hartmann can use the influence of these retailers when negotiating with the egg producers, which has the potential to boost sales significantly.
- High value products. Thanks to the new distribution strategy, focus on exclusive and custom made packages with a higher margin have been intensified. This segment has a future potential in the US.
- Environment. Fibre packages are still regarded as the environmental friendly alternative to plastic packages.

Business risks

Demand risk: The company is likely to rely more on a smaller number of large companies, making it vulnerable to an agreement terminating. This client base of stronger customers implies harder negotiations. Food contamination would obviously change demand patterns for a time.

Supply risk: Hartmann's network of suppliers makes production vulnerable to contract breaches. The company is also sensitive to changes in raw material prices and energy prices. Hartmann tries to limit the price risk by entering fixed price agreements, but this type of contract is not available in all countries.

Operational risks: All production facilities are all-risk insured due to the severe impact that a fire or a production stop would create. To avoid any environmental lawsuits in connection with production or any other operation, all environmental risks are monitored by the corporate department.

Forex risk: Hartmann has manufacturing facilities in various countries that supply customers in other countries with different currencies. Hartmann is primarily exposed to the US dollar, are also exposed to the Canadian dollar, the euro, Hungarian, Polish zloty and pound sterling.

Financial risks: Hartmann is affected by financial risks, including interest rate and currency risks. The corporate finance department utilises hedging instruments such as swaps, forwards and options. No active position in financial risk is taken.

5. The egg market

Despite the increase in global egg demand, European demand has been quite stable. Average consumption of the 7.4m tonnes produced in 2008 came in at about 240 eggs per person. The International Egg Commission has produced some benchmark data for consumption in various countries.

Egg consumption per person and year :

- Mexico 350
- Japan 330
- China 320
- France 250
- Austria 230
- UK 189
- Ireland 170
- India 43

Source: International Egg Commission

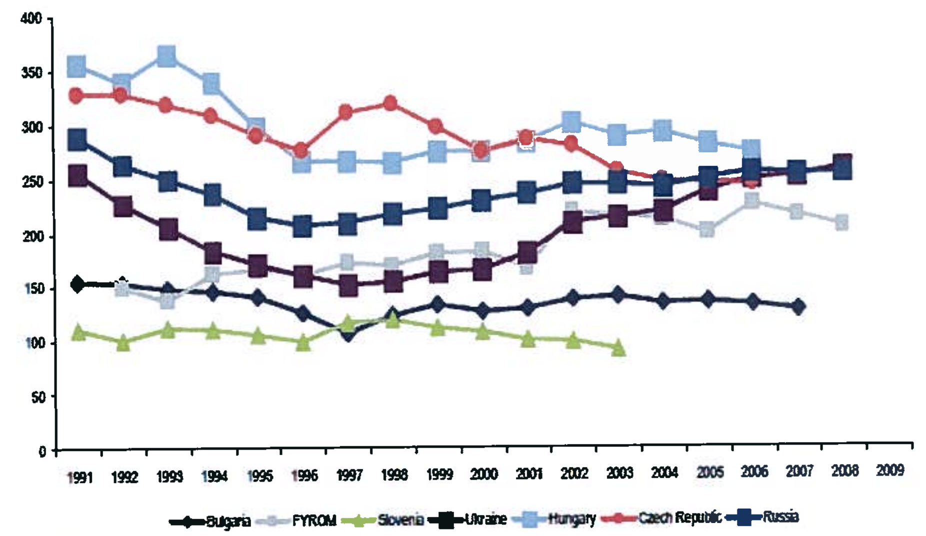
It is important for Hartmann to perform well in Europe, its largest market, but the only way to generate revenues is to decrease costs (thus maintaining a high efficiency level) or take market shares from its competitors. Capturing market share is difficult, as companies virtuously defend its market share. One of its main competitors in Europe is the moulded fibre division of Finnish Huhtamaki. The division had a fairly stable EBIT margin in Q1-Q3 2010 of 9.1%. As Hartmann's EBIT margin was 6% in Q3 2010 and very variable, Hartmann should be able to increase its efficiency level. Hartmann has managed to increase profitability, partly by focusing on high-value egg packages with higher margins. Another producer also focusing on this segment is Austria's Ovotherm, which produces moulded packages in clear plastic. The clear plastic allows consumer to see the quality product. Even though Ovoherm has 40 years experience, it is still growing and recently signed deals with a few small niche egg producers in Sweden and
with ICA, one of the leading supermarket chains in Northern Europe with 2,200 own and franchised stores. This is an interesting development and If Ovotherm continues to grow in this segment in Europe, Hartmann's market leading position could be threatened.

At present, Europe is a net supplier of eggs, but this is likely to change. In 1999, the EU set a deadline of January 2012 to end the use of conventional layer cages (so-called battery cages). Since the EUR 6bn cost of replacing this farming practice is unlikely to be invested before the deadline, many farms may be shut, because marketing these eggs to consumers will become illegal as the regulations stand. Historically, the EU has had a net overcapacity of around 2.5%, however, some members of the European Parliament (MEPs) have claimed that as much as 30% of total egg production will be affected by the ban. Together, France, Italy and Spain account for around 39% of EU production, with Spain claiming it needs four more years, France saying that 20-25% of French production will be non-compliant, and Italy pointing out that many of its producers will not be ready. In addition, smaller producers such as Greece, Portugal and Poland, as well as the Czech Republic and Hungary, were behind schedule according to an April 2010 study commissioned by the European Parliament's Agriculture Committee.

Battery cages are to be replaced with "enriched colony cages", which give the hens 50% more space than traditional battery cages, or with non-cage solutions such as free range, barn or organic solutions. The weather in southern Europe may make the cheaper free range options non-viable, leaving the more expensive cage solutions. According to the UK's National Farmers' Union, colony cage conversion will cost between GBP 20 and GBP 24 per hen and incur production costs of 108% compared with current cages. A medium sized cage unit consists of 100,000 birds and will thus require an investment of more than GBP 2m. MEPs now want the EU Commission to avoid a potential rise in egg prices by easing the regulatory deadline for non-compliant member states. Whether this is successful, there will be an impact on egg exports and perhaps reducing the demand for egg packages. According to the UK's NFU, the UK egg industry is lobbying for a new egg stamp that indicates that the egg has been produced in a battery cage and thus should only be eligible for processing. This would strengthen the prohibition of external marketing as any attempts to break the rule would be very apparent. Too big an impact on the egg market might force the commission to postpone the legislation even though some MEPs have already stated that they will oppose any postponements or derogations of the ban. If the Commission is able to push slow member states forward, the potential egg shortage might be avoided before the legislation activates. Another question is whether the higher production costs will affect consumer prices to such extent that demand will decrease.

The following chart shows average egg consumption data for Bulgaria, Macedonia, Slovenia, Ukraine, Hungary, the Czech Republic and Russia. There seems to be a clear trend that the consumption is levelling off at around 250 eggs per capita per year, close to the EU average of 240 eggs per capita.

Annual average egg consumption (number per capita)



Source: Datastream, SEB

6. New strategy

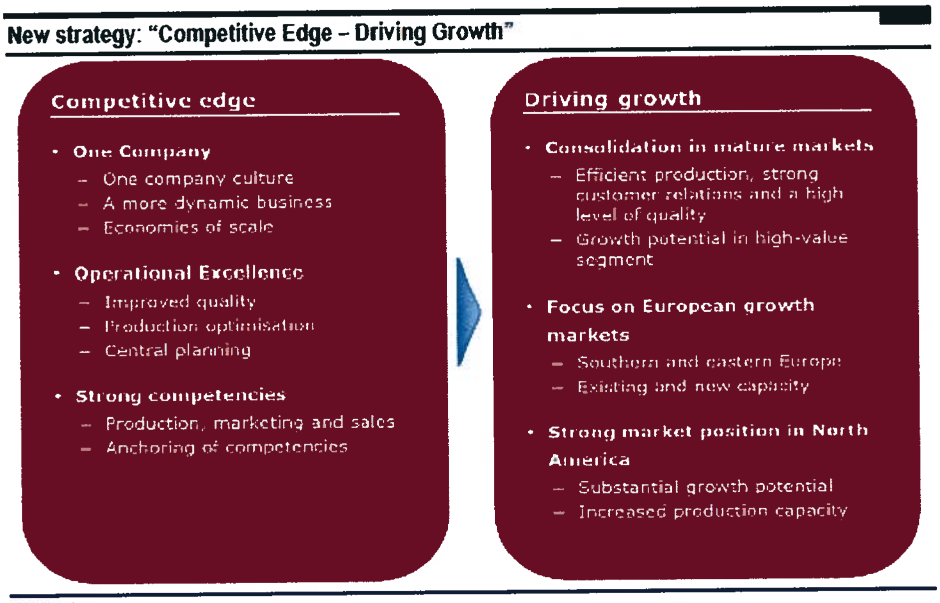
"Competitive Edge – Driving Growth"

The focus of Hartmann's new two-phase strategy is to obtain a competitive edge and then to drive growth. During the next few years, efforts will be made to unite Hartmann into a single company in terms of company culture and organisational economics of scale. Hartmann has already appointed two vice presidents to take care of production and marketing and sales in 2011.

The growth case has three aims:

- To consolidate in mature markets such as Western Europe and grow in high value segments.
- To expand in the immature southern and eastern European egg markets.
- To expand in North America from its current strong position.

Management has said the timeline is not fixed; the first phase need not be completed before the second phase can start. If the right opportunities arise, then Hartmann might make acquisitions in growth areas, before completing its competitive advantages.



Source: Hartmann

7. Latest investor recommendation from SEB (Svenska Enskilda Banken)

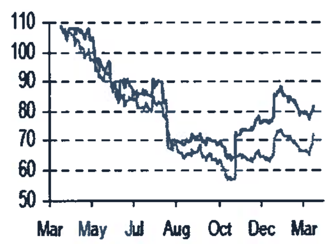
Brdr. Hartmann — Buy

Key Data (2011E)	
Price (DKK)	82.00
Target price (DKK)	140.00
- changed from (DKK)	*130.00*
Recommendation	Buy
Risk	Normal
Reuters	HART.CO
Bloomberg	HART DC
Market cap (DKKm)	567
Market cap (USDm)	106
Market cap (EURm)	76
Net debt (DKKm)	207
Net gearing	34%
Shares fully dil. (m)	6.9
Avg daily volume (000s)	4.0
Free float	100%

Share Price Performance (%)

	-1M	-3M	-12M
HART.CO	(2)	10	(24)
Relative Denmark	3	13	(33)
Relative sector	(2)	3	(38)

Share Price (12M)



Absolute performance (blue) / Relative to Denmark (grey).

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Costs trimmed and in shape

- **A turbulent year has come to an end**
  Brdr Hartmann found 2010 to be a turbulent year: top management changed in September 2010, with the appointment of a new CEO and CFO, as well as a new chairman (unfortunately due to illness and death). Paper prices also increased substantially in 2010, but Hartmann delivered decent 2010 results and, more importantly, the new management has already cut a substantial part of the cost base, from which the company should benefit in 2011. We have raised our EPS estimates by 8% for 2011 and 6% for 2012.

- **New strategy released**
  We welcome the new strategy "Competitive Edge – Driving Growth", which focuses on operational excellence and competence anchoring in the short term, and growth in the long term. By putting more effort into central planning and production optimization, margins are expected to rise. Hartmann proposes 2011 guidance with a revenue growth of 0-2% and an EBIT margin of 7-8.5%. We currently estimate revenue growth of 2.1% in 2011 and an EBIT margin of 8.2%. The mid-term guidance is higher: revenue growth of 4-7% and a 7-10% EBIT margin.

- **Buy recommendation maintained**
  Our estimate changes have raised our DCF-based target price from DKK 130 to DKK 140 and we maintain our Buy recommendation. We believe the new management team has huge experience in the paper industry and a focus on optimising production facilities and the cost structure. The operational experience, combined with a "carte blanche" from the new chairperson to revitalise Hartmann, suggests that it has entered a new phase of margin expansion.

Financials (DKK)

Year end: Dec	2009	2010	2011E	2012E	2013E
Revenues (m)	1,380	1,483	1,513	1,545	1,575
Operating profit (m)	67	73	124	139	144
Pre-tax profit (m)	49	62	104	124	133
EPS (reported)	5.19	7.21	11.6	13.8	14.8
EPS (adjusted)	5.29	7.58	11.6	13.8	14.8
DPS	1.50	2.30	3.00	3.50	4.00
Revenue growth (%)	(7.5)	7.5	2.1	2.1	2.0
Operating profit growth (%)	(26.1)	8.6	69.7	12.0	3.1
EPS (adjusted) growth (%)	(49.6)	43.1	53.4	18.7	7.1
Operating margin (%)	4.9	4.9	8.2	9.0	9.1
ROE (%)	7.5	9.4	13.8	14.6	14.0
ROCE (%)	9.0	8.9	13.7	14.7	14.5
PER (x)	17.9	10.0	7.1	5.9	5.5
Free cash flow yield (%)	(3.8)	16.0	19.2	19.4	20.2
Dividend yield (%)	1.6	3.0	3.7	4.3	4.9
P/BV (x)	1.29	0.96	0.92	0.82	0.74
EV/Sales (x)	0.75	0.56	0.51	0.44	0.38
EV/EBITDA (x)	6.5	4.8	3.6	3.1	2.6
EV/EBIT (x)	15.3	11.2	6.2	4.9	4.1
Operating cash flow/EV (%)	7.4	17.4	21.2	25.6	30.6
EV/Capital employed (x)	1.10	0.90	0.79	0.65	0.52

Source for all data on this page: SEB Enskilda (estimates) and 6IX/Thomson Reuters Datastream (prices)

8. Financial highlights and ratios

FINANCIAL HIGHLIGHTS AND RATIOS

DKKm

	2010	2009	2008	2007	2006
Statement of comprehensive income					
Revenue	1,483	1,380	1,491	1,492	1,475
Operating profit before special items (EBITDA)	168	154	193	106	168
Operating profit before special items	73	79	91	53	17
Special items	0	(12)	(25)	(199)	45
Operating profit/(loss) (EBIT)	73	67	66	(146)	62
Net financial income and expense	(11)	(19)	(77)	(52)	(20)
Profit/(loss) before tax (EBT)	62	49	(11)	(198)	42
Profit/(loss) for the year from continuing activities	50	36	(3)	(271)	38
Profit/(loss) for the year from continued activities	0	0	0	(242)	(115)
Profit/(loss) for the year (EAT)	50	36	(3)	(513)	(77)
Comprehensive income	53	51	(16)	(324)	(95)
Statement of cash flows					
Cash flows from operating activities	144	76	101	56	39
Cash flows from investing activities	(55)	(94)	(83)	(141)	11
Cash flows from financing activities	(32)	(22)	122	74	(70)
Cash flows from continuing activities	58	(40)	140	(12)	(20)
Cash flows from discontinued activities	0	0	0	(64)	(2)
Total cash flows	58	(40)	140	(76)	(22)
Balance sheet					
Assets	1,225	1,216	1,189	1,220	1,438
Invested capital (IC)	733	786	725	799	920
Net working capital (NWC)	128	151	100	112	144
Net interest-bearing debt	275	345	317	592	338
Equity	549	508	456	220	544
Employees					
Average no. of full-time employees	1,543	1,553	1,629	1,946	1,929

Huhtamaki 2006–2010

EUR million	2006	2007	2008	2009	2010
Net sales	2,275.6	2,311.0	2,260.0	1,831.8 [1]	1,951.8
Increase in net sales (%)	2.2	1.6	-2.2	-18.9 [1]	6.6
Net sales outside Finland	2,168.2	2,204.2	2,152.6	1,775.4 [1]	1,898.5
Earnings before interest, taxes, depreciation, amortization and impairment	240.5	231.4	171.5	193.0 [1]	213.6
Earnings before interest, taxes, depreciation and amortization/net sales (%)	10.6	10.0	7.6	10.5 [1]	10.9
Earnings before interest and taxes	145.5	28.1	-74.5	111.9 [1]	134.3
Earnings before interest and taxes/net sales (%)	6.4	1.2	-3.3	6.1 [1]	6.9
Result before taxes	109.2	-14.0	-119.7	86.7 [1]	120.7
Result before taxes/net sales (%)	4.8	-0.6	-5.3	4.7 [1]	6.2
Result for the period	96.6	-20.2	-110.2	67.3 [1]	104.5
Total equity	860.4	793.4	702.3	736.6	848.7

You can use the following for making your analysis :

Huhtamaki	2010	2009	2008	2007	2006
Revenue	1.952	1.832	2.260	2.311	2.276
Cost of goods sold	1.632	1.530	2.043	2.028	1.946
Gross profit	320	302	217	283	329
Fixed cost	186	182	291	255	184
EBIT	134	120	-75	28	146
result for the period	115	74	-110	-20	97
total assets	1.865	1.759	1.952	2.191	2.269
Net Invested capital	1.228	1.173	1.410	1.688	1.750
net working capital	308	299	382	464	440
net debt	270	368	587	748	711
Equity	849	737	702	793	860

Hartmann	2010	2009	2008	2007	2006
Revenue	1.483	1.380	1.491	1.492	1.475
Cost of goods sold	1.091	1.002	1.084	1.104	1.104
Gross profit	392	378	407	388	371
Fixed cost	319	311	341	534	309
EBIT	73	67	66	-146	62
result for the period	53	51	-16	-324	-95
total assets	1.225	1.216	1.189	1.220	1.438
Net Invested capital	733	786	725	799	920
net working capital	128	151	100	112	144
net debt	275	345	317	592	338
Equity	549	508	456	22	544

Key ratios, Huhtamaki	2010	2009	2008	2007	2006
Gross margin	16,4	16,5	9,6	12,2	14,5
Profit margin	6,9	6,5	-3,3	1,2	6,4
Asset Turnover	1,0	1,0	1,2	1,1	1,0
ROCE	7,2	6,8	-3,8	1,3	6,4
ROIC	10,9	10,2	-5,3	1,7	8,3
Working capital in % of revenue	15,8	16,3	16,9	20,1	19,3

Key ratios , Hartmann	2010	2009	2008	2007	2006
Gross margin	26,4	27,4	27,3	26,0	25,1
Profit margin	4,9	4,9	4,4	-9,8	4,2
Asset Turnover	1,2	1,1	1,3	1,2	1,0
ROCE	6,0	5,5	5,6	-12,0	4,3
ROIC	10,0	8,5	9,1	-18,3	6,7
Working capital in % of revenue	8,6	10,9	6,7	7,5	9,8

ROCE : Return on Capital Employed

ROIC : Return on Invested Capital

9. Goals

The efforts to strengthen Hartmann's underlying operations will be supported by defining a number of performance targets and success criteria, which will ensure that progress is measurable and that employees will be motivated to reach Hartmann's business goals through joint efforts.

OUTLOOK FOR 2011 AND MEDIUM TERM FINANCIAL TARGETS

	2011	Medium term
Revenue growth	0-2%	4-7%
Profit margin	7-8.5%	7-10%
ROIC	>15%	>15%

10. Egg packaging

Egg Packaging

We develop, produce and market environmental friendly egg packaging made from moulded fibre material. We offer a wide range of sizes, colours and shapes to meet the different requirements to protection and marketing.

Shapes and colours:

We offer a wide range of sizes, colours and shapes to meet the different requirements of protection and marketing.
Our products stand for emotional design, striking colours and offer extensive scope for design to maximize the advertising impact at the point of sale. The colours offered by Hartmann are supported by market research and stand out on the shelf with their strong signal effect.

Appendix 1 ABC output

Product profitability		
Product name	Revenue	Total cost
egg 1	1.000	850
egg 2	820	725
egg 3	120	175
egg 4	650	495
egg 5	300	241
egg 6	360	310
egg 7	200	400
egg 8	100	85
egg 9	130	110
egg 10	90	205
Total	3.770	3.596

Appendix 2 Product overview

Superface®

With a large advertising space.

Go to overview

imagic®

Design product in striking colours.

Go to overview

Mini Poster Pack™ / Plus Pack™

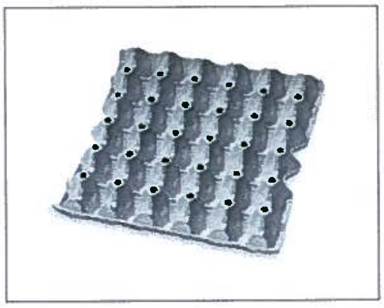
Wide range with label or direct print.

Go to overview

Fresh Pack™

Perfectly sells fresh eggs in the lower price segment.

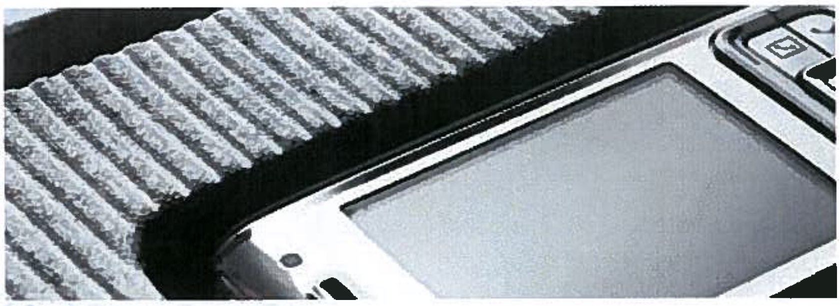
Go to overview



Trays

Protective trays for transport.

Go to overview



Other products

Customised Moulded-fibre Packaging

Partner with our design engineers to create groundbreaking industrial packaging solutions to meet your specific needs.


Customised Moulded-fibre packaging

Kidney bowls

Are you looking for hygienic and disposable bowls for hospital use in 100% environmentally sound materials?


Kidney bowls

Appendix 3 : Hartmann supports the sale of eggs with attractive packaging and customer-specific services[1]

Marketing Service and Sustainability Support from Hartmann

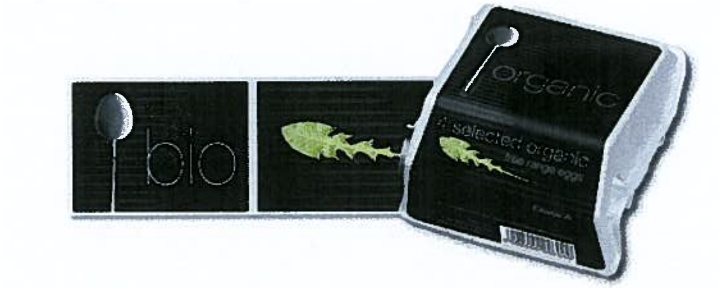
Hartmann is a leading manufacturer of environmentally friendly moulded fibre packaging whose main focus is on the development, manufacture and sale of egg packaging. The Graphics and Marketing Service and Sustainability Department support customers and partners with concepts for packaging, POS placements and sustainability strategies.

In addition to packaging, Hartmann will also be presenting new ideas from its Graphics department along with its skills and abilities in the field of the environment and moulded fibre at the VIV Europe 2010 fair in Utrecht.

Trend towards 4-cell packaging – eggs for growing target groups

The Hartmann product range includes the Superface® pack with its conspicuous front display, four different pack sizes and up to eight attractive colours. Always well informed about trends in Europe, Hartmann's Marketing department has developed special concepts for growing target groups.

The smallest version of the Superface® for 4 eggs is ideally adapted to the demand for freshness and aesthetics, information and enjoyment.



Simple advertising of environmentally friendly packaging

Moulded fibre packaging from Hartmann is made from 100% recycled paper fibres. After use, the packaging can be biodegraded or recycled once again.

These advantages support the efforts of many companies towards reducing waste and implementing their sustainability promise. Such goals can also be communicated easily to egg consumers.

[1] Source:
http://www.viveurope.nl/en/Bezoeker/Special%20themes/Eggs/News%20articles/Hartmann%20Verpackung.aspx