Interim report Q1 2017

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Highlights

Hartmann performed in line with expectations in Q1 2017

Following a period of challenging markets, Hartmann lifted total packaging volumes and grew its core business in the first quarter of 2017. As expected, operating profit declined as the ongoing establishment of and ramp-up at new factories in the Americas drove up production costs and depreciation charges. The European packaging business reported a solid performance, and the North American market showed signs of recovery towards the end of the quarter, while the business in South America struggled due to macroeconomic developments. Hartmann Technology reported lower revenue and earnings than in Q1 2016. The capacity expansion programmes in Europe and the Americas are proceeding according to plan, and full-year 2017 guidance is maintained.

CEO Ulrik Kolding Hartvig: "Our core business made progress, and we lifted packaging volumes in the first quarter of 2017. Technology sales were lower than in the same period of last year, and, as we had expected, operating profit declined as capacity at our new factories was still not utilised. The outlook remains positive and we maintain our guidance for 2017."

Q1 2017

- Total revenue grew to DKK 572 million (2016: DKK 554 million), and operating profit came to DKK 61 million (2016: DKK 80 million), corresponding to a profit margin of 10.7% (2016: 14.5%).

- The European business reported revenue of DKK 321 million (2016: DKK 333 million) and operating profit of DKK 41 million (2016: DKK 44 million), taking the profit margin to 12.7% (2016: 13.2%). The core business benefited from increasing packaging volumes, successful efficiency-improving measures and lower energy costs. Hartmann Technology's sales and earnings were down on Q1 2016.

- Revenue from the Americas grew to DKK 251 million (2016: DKK 221 million), driven by foreign exchange movements, while operating profit dropped to DKK 31 million (2016: DKK 43 million), bringing the profit margin to 12.2% (2016: 19.5%). Profitability was impacted by the ongoing establishment of and ramp-up at new factories.

- The return on invested capital was 18% (2016: 24%).

Guidance for 2017

- We maintain our full-year guidance of revenue of DKK 2.2-2.3 billion and a profit margin of 11-12.5%.

- Our total capital expenditure is still expected to be some DKK 250 million, and we also reiterate our guidance of a return on invested capital of about 18%.

Key figures and financial ratios for the group

DKKm	Q1 2017	Q1 2016	FY 2016
Statement of comprehensive income			
Revenue	572	554	2,096
Operating profit/(loss)	61	80	248
Financial income and expenses, net	(3)	(10)	(27)
Profit/(loss) before tax	58	70	221
Profit/(loss) for the period	43	53	175
Comprehensive income	49	71	239
Cash flows			
Cash flows from operating activities	35	94	248
Cash flows from investing activities	(71)	(68)	(337)
Cash flows from financing activities	(2)	(1)	(26)
Total cash flows	(37)	25	(115)
Balance sheet			
Assets	2,013	1,811	1,942
Investments in property, plant and equipment	70	68	339
Net working capital	320	246	275
Invested capital	1,416	1,095	1,323
Net interest-bearing debt	678	462	644
Equity	819	668	771

DKKm	Q1 2017	Q1 2016	FY 2016
Financial ratios, %			
Profit margin	10.7	14.5	11.8
Return on invested capital (ROIC)	18.0	23.8	20.9
Return on equity (rolling 12 months)	22.7	16.7	25.0
Equity ratio	40.7	36.9	39.7
Gearing	82.7	69.1	83.6
Share-based financial ratios			
No. of shares	7,015,090	7,015,090	7,015,090
Earnings per share, DKK (EPS)	6.2	7.6	25.3
Cash flows per share, DKK	5.1	13.6	35.9
Book value per share, DKK	118.5	96.6	111.4
Market price per share, DKK	314.0	276.0	338.0
Market price/book value per share	2.7	2.9	3.0
Market price/earnings (P/E) (rolling 12 months)	13.1	17.8	13.4

For definitions of financial ratios, see note 1 to the financial statements in our annual report for 2016.

Developments in Q1 2017

We lifted packaging volumes and grew revenue in the first quarter of 2017, supported by favourable foreign exchange movements. As expected, the establishment of and ramp-up at the new factories in the Americas impacted operating profit and the profit margin, which were unaffected by foreign exchange movements.

The European business lifted packaging volumes, boosting core business revenue and operating profit. This performance was supported by high capacity utilisation in combination with successful efficiency-enhancing measures and lower energy costs. The ongoing expansion of European production capacity is progressing according to plan and is expected to gradually lift packaging volumes from the second half of 2017. Lower sales and earnings from Hartmann Technology detracted from the Q1 2017 performance.

In the Americas, revenue was primarily boosted by foreign exchange developments as total packaging volumes were slightly down. The US factory is expected to be completed in Q2 2017, enabling it to commission its new production capacity in a North American market that became less volatile towards the end of the first quarter of the year.

Revenue

Revenue grew to DKK 572 million in Q1 2017 (2016: DKK 554 million), boosted by favourable foreign exchange movements in the Americas.

Europe

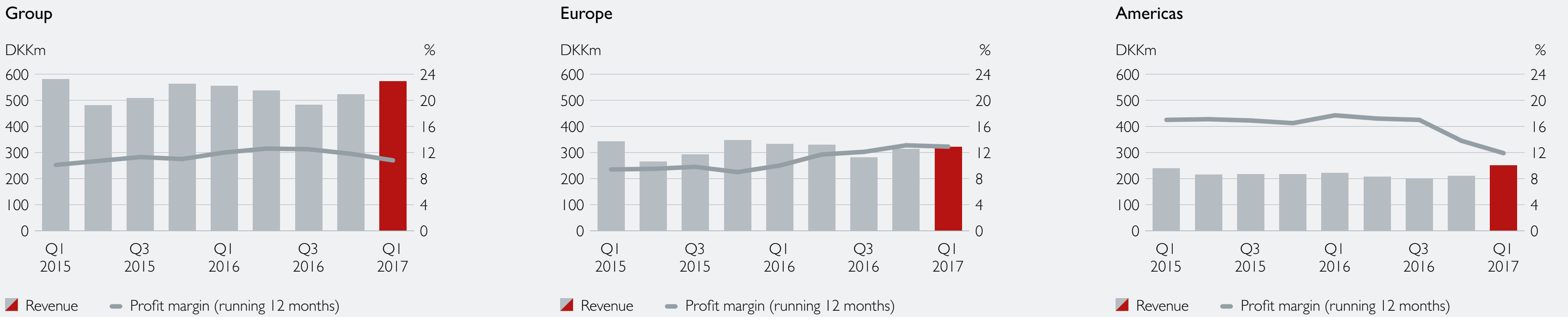
Revenue from the European business totalled DKK 321 million (2016: DKK 333 million) for Q1 2017. We maintained a high capacity utilisation rate and grew core business revenue in the face of competition and lower average selling prices for egg packaging.

Hartmann Technology reported lower sales volumes than in Q1 2016.

Americas

Revenue from the Americas came to DKK 251 million (2016: DKK 221 million) for Q1 2017.

Revenue and profit margin



Developments in Q1 2017

In North America, the level of activity rebounded as the market became less volatile towards the end of the quarter relative to 2016. Egg packaging volumes were unchanged compared with the same period of last year, as was the share of premium packaging. Revenue was primarily driven by favourable foreign exchange developments.

The South American business grew revenue on the back of favourable foreign exchange developments in Brazil and continued high inflation in Argentina. Total packaging volumes were slightly down due to lower fruit exports from Argentina and a resulting decline in fruit packaging volumes.

Operating profit

Operating profit was DKK 61 million for Q1 2017 (2016: DKK 80 million), corresponding to a profit margin of 10.7% (2016: 14.5%). Operating profit was favourably affected by successful efficiency measures in Europe but adversely impacted by the establishment of and ramp-up at the new factories in the Americas and a lower contribution from Hartmann Technology.

Europe

The European business reported operating profit of DKK 41 million for Q1 2017 (2016: DKK 44 million), taking the profit margin to 12.7% (2016: 13.2%). Efficiency improvements and revenue growth in the core business combined with lower energy and transport costs to partially neutralise the lower average selling prices.

However, core business progress was offset by lower earnings from Hartmann Technology as a result of declining revenue and higher costs after the group's new test centre was established.

Americas

Operating profit from our operations in the Americas amounted to DKK 31 million in Q1 2017 (2016: DKK 43 million), corresponding to a profit margin of 12.2% (2016: 19.5%). The establishment of the new US factory and ramp-up at the two factories in Argentina and Brazil combined to significantly eat into operating profit as the capacity expansion exercise entailed increased production costs and depreciation charges without contributing to operating profit during the ramp-up phase.

Due to the establishment of the US factory and higher prices of recycled paper, our North American business reported lower operating profit. Combined, these factors outweighed a moderate increase in average selling prices.

Operating profit from the South American business was slightly down, primarily reflecting declining sales of fruit packaging and increased production costs related to the expanded production platform not yet utilised.

Corporate functions

Costs related to corporate functions came to DKK 11 million in the first quarter of 2017 (2016: DKK 7 million). The increase was mainly due to higher consultancy costs.

Financial income and expenses

In Q1 2017, financial income and expenses were a net expense of DKK 3 million (2016: net expense of DKK 10 million). The improvement was driven by foreign exchange gains.

Profit for the period

Profit before tax was DKK 58 million (2016: DKK 70 million), and tax on the profit for the period was an expense of DKK 15 million (2016: income of DKK 18 million). Accordingly, the profit after tax for Q1 2017 was DKK 43 million (2016: DKK 53 million).

Comprehensive income

Comprehensive income for Q1 2017 was DKK 49 million (2016: DKK 71 million). The decline mirrored the reduced profit for the period and a positive fair value adjustment of Hartmann's hedging instruments in the corresponding period of 2016.

Cash flows

Total cash flows from operating activities were a net inflow of DKK 35 million for Q1 2017 (2016: net inflow of DKK 94 million). This performance primarily reflected the lower operating profit, the increase in trade receivables and the decline in trade payables relating to the ongoing capital expenditure. Cash flows from investing activities amounted to a net outflow of DKK 71 million (2016: net outflow of DKK 68 million). The high level of investments reflects the expansion of the group's production platform.

Cash flows from operating and investing activities thus amounted to a net outflow of DKK 36 million (2016: net inflow of DKK 26 million).

Developments in Q1 2017

Cash flows from financing activities were a net outflow of DKK 2 million in Q1 2017 (2016: net outflow of DKK 1 million).

Net interest-bearing debt at 31 March 2017 was DKK 678 million (2016: DKK 462 million). The increase was caused by the high level of investments.

Financial resources amounted to DKK 264 million at 31 March 2017, comprising cash and cash equivalents and undrawn loan and overdraft facilities. Hartmann's loans are subject to customary financial covenants. See note 33 to the financial statements in our annual report for 2016.

ROIC

The return on invested capital was 18% for the first quarter of 2017 (2016: 24%).

Equity

Equity at 31 March 2017 was DKK 819 million (2016: DKK 668 million), and the equity ratio was up to 41% (2016: 37%). The financial gearing was 83% (2016: 69%) at the end of Q1 2017.

Events after the balance sheet date

On 10 May, a fire erupted at a section of Hartmann's factory in Denmark. The fire was swiftly extinguished and did not entail personal injury or extensive damage to equipment or buildings, and the incident did not give rise to any prolonged significant interruption of production or adjustment of Hartmann's guidance for 2017, see company announcements 5/2017 and 7/2017 dated 10 and 19 May 2017, respectively.

Outlook

We maintain our full-year 2017 guidance of revenue of DKK 2.2-2.3 billion and a profit margin of 11-12.5%.

Our total capital expenditure for 2017 is expected to amount to about DKK 250 million, comprising the ongoing efficiency-enhancing programme and the expansion of the group's production capacity that are expected to gradually fuel packaging volumes and earnings from the second half of the year.

The return on invested capital is expected to be about 18% in 2017. We expect to improve the return on invested capital to about 20% by end-2018.

Due to seasonal fluctuations in Hartmann's packaging sales, revenue and operating profit are generally higher in Q1 and Q4 than in Q2 and Q3. However, the commissioning of new production capacity in 2017 is expected to lift revenue and operating profit from the second half.

Assumptions

Our revenue and profit margin guidance for 2017 reflects, among other things, assumptions of completion of the US factory and a satisfactory operating and sales performance from the group's expanded production facilities in the Americas and Europe in the second half of 2017 as well as timely refurbishment following fire damage to the group's factory in Denmark. Any deviations from these assumptions may affect our 2017 performance.

Guidance and targets

	2017	2018
Revenue	DKK 2.2-2.3bn	DKK 2.2-2.4bn
Profit margin	11.0-12.5%	12-14%

Forward-looking statements

The forward-looking statements in this interim report reflect our current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in our markets, changes in demand for products, competition and the prices of raw materials. See also the section on risk factors in this interim report and note 33 to the financial statements in our annual report for 2016.

Risk

For a full description of the risks affecting Hartmann, see the section on risk factors and note 33 to the financial statements in the annual report for 2016.

Raw materials
Hartmann is exposed to changes in purchase prices of the raw materials used in our production. We are particularly sensitive to fluctuations in purchase prices of recycled paper and energy (electricity and gas), which are the most important raw materials used in our production.

There is limited scope for reducing sensitivity to developments in the price of recycled paper if supplies of the required volumes are to be secured and maintained.

We regularly sign fixed-price agreements with energy suppliers, typically for six to 12 months, covering a substantial part of our energy consumption. However, it is not possible to sign fixed-price agreements with energy suppliers in all the countries in which we operate.

We strive to reduce our sensitivity to fluctuations in raw materials prices through continuous implementation of technological innovation and optimisation of work processes.

Currency
Hartmann's currency risks consist of transaction risk and translation risk.

Hartmann is exposed to transaction risks due to cross-border transactions leading to contractual cash flows in foreign currency. The USD/CAD exchange rate exposure constitutes one of the group's single largest transaction risks. This exposure results from the main part of sales generated in the North American business being invoiced in USD, while costs are mainly incurred in CAD. Other significant transaction risks relate to the currencies CHF, EUR, GBP, HRK, HUF and PLN.

Due to our foreign subsidiaries, Hartmann is exposed to translation risks insofar as a part of the group's earnings and net assets relates to these foreign subsidiaries and is therefore translated and included in the consolidated financial statements, which are presented in DKK. In terms of net position, foreign subsidiaries reporting in the currencies ARS, BRL, CAD, HRK, HUF and ILS represent Hartmann's greatest translation exposure.

We hedge transaction risks to the effect that primary currencies are continuously hedged for a period of not less than nine and not more than 12 months. Translation risks are not hedged, as they have no direct impact on cash resources or underlying cash flows.

Management statement

Today, the board of directors and the executive board have discussed and approved the interim report of Brødrene Hartmann A/S for the three months ended 31 March 2017.

The interim report, which has been neither audited nor reviewed by the company's auditors, has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the group's assets, liabilities and financial position at 31 March 2017 and of the results of the group's operations and cash flows for the three months ended 31 March 2017.

We are of the opinion that the management report includes a fair review of the development in the group's operations and financial matters, the results for the period and the financial position of the consolidated entities as a whole as well as a description of the principal risks and uncertainties facing the group.

Gentofte, 23 May 2017

Executive board:

Ulrik Kolding Hartvig
CEO

Marianne Rørslev Bock
CFO

Board of directors:

Agnete Raaschou-Nielsen
Chairman

Niels Hermansen
Vice Chairman

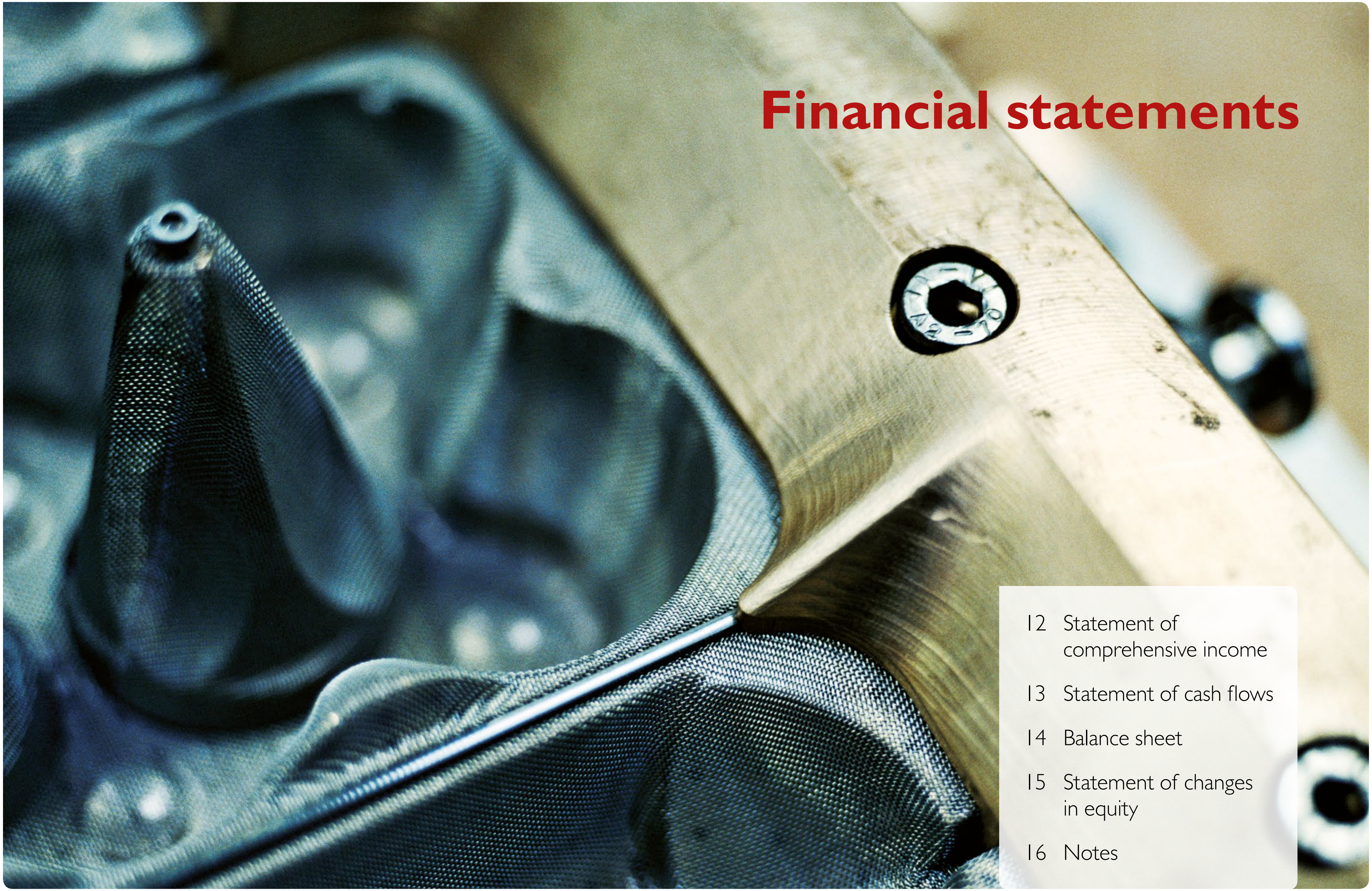
Jan Peter Antonisen

Jørn Mørkeberg Nielsen

Steen Parsholt

Niels Christian Petersen

Andy Hansen



Financial statements

Statement of comprehensive income

DKKm **Group**	**Q1 2017**	**Q1 2016**	**FY 2016**
Revenue	572.3	554.4	2,096.1
Production costs	(396.1)	(361.3)	(1,428.3)
Gross profit/(loss)	**176.2**	**193.1**	**667.8**
Selling and distribution costs	(84.6)	(83.9)	(317.0)
Administrative expenses	(30.6)	(28.9)	(102.3)
Other operating income	0.0	0.0	(0.3)
Operating profit/(loss)	**61.0**	**80.3**	**248.2**
Profit/(loss) after tax in associates	0.0	0.0	0.1
Financial income	2.5	0.4	10.5
Financial expenses	(5.4)	(10.6)	(37.5)
Profit/(loss) before tax	**58.1**	**70.1**	**221.3**
Tax on profit/(loss) for the period	(15.1)	(17.5)	(46.6)
PROFIT/(LOSS) FOR THE PERIOD	**43.0**	**52.6**	**174.7**

DKKm **Group**	**Q1 2017**	**Q1 2016**	**FY 2016**
Profit/(loss) for the period	**43.0**	**52.6**	**174.7**
Items that cannot be reclassified to profit or loss:			
Actuarial gains/(losses) on pension obligations	0.0	0.0	(2.7)
Tax	0.0	0.0	0.7
Items that can be reclassified to profit or loss:			
Foreign exchange adjustment of:			
Foreign subsidiaries	6.1	6.8	60.8
Equity-like loans to subsidiaries	0.0	0.7	0.0
Value adjustment of hedging instruments:			
Recognised in other comprehensive income	0.3	12.9	18.7
Transferred to revenue	(0.9)	0.5	(10.8)
Transferred to production costs	(0.1)	0.0	(1.2)
Transferred to financial income and expenses	0.2	(0.4)	0.2
Tax	0.1	(2.5)	(1.9)
Other comprehensive income after tax	**5.7**	**18.0**	**63.8**
COMPREHENSIVE INCOME	**48.7**	**70.6**	**238.5**
Earnings per share, DKK	6.2	7.6	25.3
Diluted earnings per share, DKK	6.2	7.6	25.3

Statement of cash flows

DKKm **Group**	**Q1 2017**	**Q1 2016**	**FY 2016**
Operating profit/(loss)	61.0	80.3	248.2
Depreciation and amortisation	29.0	22.2	104.2
Adjustment for other non-cash items	0.0	0.0	0.3
Change in working capital etc.	(44.8)	12.5	33.9
Restructuring costs etc. paid	(0.5)	(10.2)	(70.6)
Cash generated from operations	**44.7**	**104.8**	**316.0**
Interest etc. received	0.2	0.4	2.2
Interest etc. paid	(5.4)	(5.3)	(42.9)
Net income tax paid	(4.4)	(6.0)	(27.0)
Cash flows from operating activities	**35.1**	**93.9**	**248.3**
Acquisition of intangible assets	(0.5)	0.0	(0.9)
Acquisition of property, plant and equipment	(70.2)	(67.9)	(338.6)
Disposal of property, plant and equipment	0.0	0.0	0.3
Government grants received	0.0	0.0	2.7
Cash flows from investing activities	**(70.7)**	**(67.9)**	**(336.5)**
Cash flows from operating and investing activities	**(35.6)**	**26.0**	**(88.2)**
Raising of non-current debt	0.0	0.0	60.0
Repayment of non-current debt	(1.7)	(1.5)	(20.7)
Dividend paid	0.0	0.0	(65.7)
Cash flows from financing activities	**(1.7)**	**(1.5)**	**(26.4)**
TOTAL CASH FLOWS	**(37.3)**	**24.5**	**(114.6)**
Cash and cash equivalents at beginning of period	(11.6)	104.0	104.0
Foreign exchange adjustment	1.9	0.9	(1.0)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(47.0)**	**129.4**	**(11.6)**

The statement of cash flows cannot be derived solely from the published financial information.

DKKm **Group**	**Q1 2017**	**Q1 2016**	**FY 2016**
Recognition of cash and cash equivalents at end of period:			
Cash	53.9	158.7	54.3
Overdraft facilities	(100.9)	(29.3)	(65.9)
Cash and cash equivalents at end of period	**(47.0)**	**129.4**	**(11.6)**

Balance sheet

Assets

DKKm **Group**	**31 March 2017**	**31 March 2016**	**31 Dec. 2016**
Goodwill	80.3	67.9	79.2
Other intangible assets	37.6	33.8	36.3
Intangible assets	**117.9**	**101.7**	**115.5**
Land and buildings	278.0	149.7	279.7
Plant and machinery	513.1	425.5	529.0
Other fixtures and fittings, tools and equipment	15.4	14.8	17.0
Plant under construction	229.0	165.9	166.2
Property, plant and equipment	**1,035.5**	**755.9**	**991.9**
Investments in associates	3.0	2.9	3.0
Other receivables	1.7	5.1	1.6
Deferred tax	95.4	121.2	99.0
Other non-current assets	**100.1**	**129.2**	**103.6**
Non-current assets	**1,253.5**	**986.8**	**1,211.0**
Inventories	222.8	215.2	222.8
Trade receivables	384.6	368.1	360.3
Income tax	10.5	7.5	11.7
Other receivables	69.1	62.4	65.1
Prepayments	18.3	12.5	17.2
Cash	53.9	158.7	54.3
Current assets	**759.2**	**824.4**	**731.4**
ASSETS	**2,012.7**	**1,811.2**	**1,942.4**

Equity and liabilities

DKKm **Group**	**31 March 2017**	**31 March 2016**	**31 Dec. 2016**
Share capital	140.3	140.3	140.3
Hedging reserve	(0.3)	6.3	0.1
Translation reserve	(80.7)	(140.8)	(86.8)
Retained earnings	694.3	596.8	651.3
Proposed dividend	65.7	65.7	65.7
Equity	**819.3**	**668.3**	**770.6**
Deferred tax	11.4	16.8	11.0
Pension obligations	49.3	51.1	50.8
Credit institutions	623.2	582.4	624.9
Government grants	7.8	11.3	8.2
Non-current liabilities	**691.7**	**661.6**	**694.9**
Credit institutions	7.7	8.9	7.5
Government grants	2.0	2.4	2.0
Overdraft facilities	100.9	29.3	65.9
Prepayments from customers	45.6	51.3	41.4
Trade payables	175.7	173.6	185.0
Payables to associates	0.0	2.0	5.3
Income tax	14.8	16.7	9.0
Provisions	5.0	65.2	5.9
Other payables	150.0	131.9	154.9
Current liabilities	**501.7**	**481.3**	**476.9**
Liabilities	**1,193.4**	**1,142.9**	**1,171.8**
EQUITY AND LIABILITIES	**2,012.7**	**1,811.2**	**1,942.4**

Statement of changes in equity

Group			**2017**						**2016**			
DKKm	**Share capital**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Proposed dividend**	**Total equity**	**Share capital**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Proposed dividend**	**Total equity**
Equity at 1 January	**140.3**	**0.1**	**(86.8)**	**651.3**	**65.7**	**770.6**	**140.3**	**(4.9)**	**(147.6)**	**544.2**	**65.7**	**597.7**
Profit/(loss) for the period	-	-	-	43.0	-	43.0	-	-	-	52.6	-	52.6
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustment of:												
Foreign subsidiaries	-	-	6.1	-	-	(0.1)	-	-	6.8	-	-	6.8
Equity-like loans to subsidiaries	-	-	0.0	-	-	0.0	-	-	0.7	-	-	0.7
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	0.3	-	-	-	0.3	-	12.9	-	-	-	12.9
Transferred to revenue	-	(0.9)	-	-	-	(0.9)	-	0.5	-	-	-	0.5
Transferred to production costs	-	(0.1)	-	-	-	(0.1)	-	0.0	-	-	-	0.0
Transferred to financial income and expenses	-	0.2	-	-	-	0.2	-	(0.4)	-	-	-	(0.4)
Tax	-	0.1	-	-	-	0.1	-	(1.8)	(0.7)	-	-	(2.5)
	0.0	**(0.4)**	**6.1**	**0.0**	**0.0**	**5.7**	**0.0**	**11.2**	**6.8**	**52.6**	**0.0**	**18.0**
Total comprehensive income	**0.0**	**(0.4)**	**6.1**	**43.0**	**0.0**	**48.7**	**0.0**	**11.2**	**6.8**	**52.6**	**0.0**	**70.6**
Total changes in equity	**0.0**	**(0.4)**	**6.1**	**43.0**	**0.0**	**48.7**	**0.0**	**11.2**	**6.8**	**52.6**	**0.0**	**70.6**
Equity at 31 March	**140.3**	**(0.3)**	**(80.7)**	**694.3**	**65.7**	**819.3**	**140.3**	**6.3**	**(140.8)**	**596.8**	**65.7**	**668.3**

Proposed dividends were approved by the shareholders in general meeting and distributed in April 2017 and April 2016, respectively.

Notes

01 Accounting policies

The consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies. No interim financial statements have been prepared for the parent company. The interim financial statements are presented in Danish kroner (DKK), which is the presentation currency used for the group's operations and the functional currency of the parent company.

The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2016. The accounting policies are described in note 1 to the financial statements in our annual report for 2016, to which reference is made.

New financial reporting standards and interpretations in 2017
Hartmann has implemented all new and revised financial reporting standards and interpretations adopted by the EU that are effective for financial years beginning on 1 January 2017. In our assessment these are either not relevant or not of significant importance to the group.

02 Significant accounting estimates and judgments

In applying the group's accounting policies, management is required to make judgments, estimates and assumptions concerning the carrying amount of assets and liabilities which cannot be immediately inferred from other sources.

The judgments, estimates and assumptions made are based on historical experience and other relevant factors which management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable.

Estimates and underlying assumptions are assessed on an ongoing basis. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects both the period in which the change occurs and subsequent reference periods.

See note 3 to the financial statements in our annual report for 2016 for a full description of significant accounting estimates, assumptions and uncertainties.

Other matters
Due to seasonal fluctuations, consolidated revenue and operating profit are generally higher for the first and fourth quarters of the year.

03 Segment information

The reporting of business segments is in accordance with the internal reporting to the executive board and the board of directors. The executive board and the board of directors constitute Hartmann's chief operating decision maker.

Hartmann's activities are segmented on the basis of the geographical location of the reporting units.

No operating segments have been aggregated to represent the reporting segments.

The internal management reporting complies with the group's accounting policies. Business decisions on resource allocation and performance evaluation for each of the segments are made on the basis of operating profit/(loss). Decisions relating to financing and taxation are made on the basis of information on Hartmann as a whole and are not allocated to the reporting segments. Intra-segmental transactions are priced on an arm's length basis.

Segment income and expenses as well as segment assets and liabilities comprise those items that in the internal management reporting are directly attributed to each individual segment and those items that are indirectly allocated to the individual segment on a reliable basis. Profits/losses in associates, financial income and expenses, income taxes, investments in associates, tax assets and tax liabilities and cash and bank debt are not allocated to reporting segments.

The reporting segments are:

- **Europe** – comprising production and sales of moulded-fibre packaging. The products are manufactured at factories in Europe (including Israel) and are primarily sold to egg producers, egg packing businesses, retail chains and buyers of industrial packaging. The segment also comprises sales of machinery for production of moulded-fibre packaging.
- **Americas** – comprising production and sales of moulded-fibre packaging. The products are primarily manufactured at the North and South American factories and sold to egg and fruit producers, egg and fruit packing businesses and retail chains.

Notes

03 Segment information – continued

Activities 3 months

DKKm	Europe	Americas	Total reporting segments
2017			
Moulded fibre	302.1	251.1	553.2
Other revenue, external	19.1	0.0	19.1
Revenue	**321.2**	**251.1**	**572.3**
Operating profit/(loss)	40.7	30.6	71.3
Other segment information			
Depreciation/amortisation	15.2	14.2	
Investments in intangible assets and property, plant and equipment	25.7	45.4	
Net working capital	151.2	169.2	
Invested capital	524.2	918.3	
Segment assets	829.0	1,047.0	1,876.0
2016			
Moulded fibre	299.5	221.4	520.9
Other revenue, external	33.5	0.0	33.5
Revenue	**333.0**	**221.4**	**554.4**
Operating profit/(loss)	44.1	43.2	87.3
Other segment information			
Depreciation/amortisation	14.2	8.1	
Investments in intangible assets and property, plant and equipment	37.8	29.9	
Net working capital	126.7	119.3	
Invested capital	520.3	478.0	
Segment assets	826.7	716.9	1,543.6

Reconciliation

DKKm	Q1 2017	Q1 2016
Revenue		
Revenue for reporting segments	572.3	554.4
Revenue as per statement of comprehensive income	**572.3**	**554.4**
Performance targets		
Operating profit/(loss) for reporting segments	71.3	87.3
Non-allocated corporate functions	(10.7)	(7.1)
Eliminations	0.4	0.1
Operating profit/(loss) as per statement of comprehensive income	61.0	80.3
Financial income	2.5	0.4
Financial expenses	(5.4)	(10.6)
Profit/(loss) before tax as per statement of comprehensive income	**58.1**	**70.1**

	31 March 2017	31 March 2016
Assets		
Assets for reporting segments	1,876.0	1,543.6
Non-allocated assets	162.8	290.2
Eliminations	(26.1)	(22.6)
Assets as per balance sheet	**2.012,7**	**1.811,2**

Notes

04 Financial instrument categories

Financial instrument categories

DKKm	31 March 2017 Carrying amount	31 March 2017 Fair value	31 March 2016 Carrying amount	31 March 2016 Fair value	31 December 2016 Carrying amount	31 December 2016 Fair value
Derivative financial instruments to hedge future cash flows	3.1	3.1	10.3	10.3	4.5	4.5
Financial assets used as hedging instruments	**3.1**	**3.1**	**10.3**	**10.3**	**4.5**	**4.5**
Trade receivables	384.6	384.6	368.1	368.1	360.3	360.3
Other receivables	76.6	76.6	59.7	59.7	72.0	72.0
Cash	53.9	53.9	158.7	158.7	54.3	54.3
Loans and receivables	**515.1**	**515.1**	**586.5**	**586.5**	**486.6**	**486.6**
Derivative financial instruments to hedge future cash flows	3.5	3.5	2.2	2.2	4.4	4.4
Financial liabilities used as hedging instruments	**3.5**	**3.5**	**2.2**	**2.2**	**4.4**	**4.4**
Credit institutions	731.8	732.8	620.6	620.6	698.3	699.5
Other liabilities	338.9	338.9	384.7	384.7	352.1	352.1
Financial liabilities measured at amortised cost	**1,070.7**	**1,071.7**	**1,005.3**	**1,005.3**	**1,050.4**	**1,051.6**

The fair value of derivative financial instruments to hedge future cash flows is based on observable data (level 2).

05 Events after the balance sheet date

On 10 May, a fire erupted at a section of Hartmann's factory in Denmark. The fire was swiftly extinguished and did not entail personal injury or extensive damage to equipment or buildings, and the incident did not give rise to any prolonged significant interruption of production or adjustment of Hartmann's guidance for 2017, see company announcements 5/2017 and 7/2017 dated 10 and 19 May 2017, respectively..

Hartmann at a glance

Hartmann is the world's leading manufacturer of moulded-fibre egg packaging, a market-leading manufacturer of fruit packaging in South America and one of the world's largest manufacturers of machinery for the production of moulded-fibre packaging. Founded in 1917, Hartmann's market position builds on its strong technology know-how and extensive experience of moulded-fibre production dating back to 1936.

Sustainability
Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with our customers to accommodate demand for sustainable products in the retail industry, Hartmann was the first manufacturer to offer both FSC-certified and CO_2-neutral retail packaging.

Markets
Hartmann's egg packaging is sold globally. Our key markets are Europe, South America and North America, where Hartmann has strong market positions. Hartmann is a market leader in Europe and South America, where our product portfolio also includes fruit packaging. Hartmann has a small, but growing share of the North American market. Hartmann's technology, including machinery and services, is also sold globally.

Products and customers
Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding specialised marketing expertise. Our comprehensive product portfolio is customised to accommodate customer and consumer needs in each individual market. Hartmann's technology and related services are sold to manufacturers of moulded-fibre packaging.

Production
Hartmann's production platform consists of 12 factories in Europe, Israel and North and South America. Our deep technology know-how and extensive experience in manufacturing moulded-fibre packaging form the basis of the establishment, development and maintenance of our production platform. Each year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units.

The Hartmann share
Hartmann's shares have been listed on Nasdaq Copenhagen since 1982. Hartmann has one class of shares, and each share carries one vote. Financial reports and company announcements may be obtained by subscribing to Hartmann's news service at investor.hartmann-packaging.com.

Financial calendar 2017

29 August 2017	Interim report Q2 2017
14 November 2017	Interim report Q3 2017

This interim report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 8/2017. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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